For the year ended 31 December, 2002
(All amounts in Renminbi thousands)

(A) CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS

The financial statements, which are prepared by the Company and its subsidiaries in conformity with PRC GAAP, differ in certain respects from IFRS (audited by PricewaterhouseCoopers Certified Public Accountants). Major differences between PRC GAAP and IFRS which affect the consolidated profit attributable to shareholders and the consolidated net assets of the Company and its subsidiaries are summarized as follows:

	Consolidated profit attributable to shareholders for the year ended 31 December,		**Consolidated net assets as of 31 December,**	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As reported in statutory accounts (audited by certified public accountants in the PRC)	**580,029**	550,497	**9,894,511**	9,742,955
Impact of IFRS adjustments:				
Additional depreciation charges on fixed assets *(a)*	**—**	—	**(150,651)**	(150,651)
Write-down of reclaimed rails to realisable value *(b)*	**—**	—	**(44,123)**	(44,123)
Additional provision for doubtful accounts	**—**	(10,080)	**—**	—
Amortisation of deferred staff costs *(c)*	**(15,092)**	(15,721)	**(45,274)**	(30,182)
Write-off of staff costs to retained earnings *(c)*	**—**	—	**165,746**	165,746
Housing benefits for retired employees *(c)*	**—**	—	**(3,602)**	(3,602)
Dividends in respect of the year but declared after the end of the year *(d)*	**—**	—	**433,555**	433,555
Deferred tax created *(e)*	**2,384**	7,526	**7,577**	5,193
Write-off of deferred renovation *(f)* expenses	**(7,365)**	—	**(7,365)**	—
Others	**(2,873)**	1,273	**(6,223)**	1,732
As restated for the Group	**557,083**	533,495	**10,244,151**	10,120,623

(A) CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS *(Cont'd)*

(a) Additional depreciation charges on fixed assets

Certain rails were recorded as construction-in-progress under PRC GAAP before 1995. As such rails had been put into use before 1995 and hence under IFRS, they were reclassified as fixed assets and subject to annual depreciation from the year they were put into use.

(b) Write-down of reclaimed rails to realisable value

Under PRC GAPP, certain reclaimed rails were recorded at historical costs. Under IFRS, such reclaimed rails were written down to realisable value.

(c) Difference in the recognition policy on housing benefits to the employees

The Company and its subsidiaries provided housing benefits to certain qualified employees of the Company and its subsidiaries whereby the living quarters owned by the Company and its subsidiaries were sold to these employees at preferential prices. The housing benefits represent the difference between the cost of the staff quarters sold to and the net proceeds collected from the employees, which are borne by the Company and its subsidiaries.

For PRC statutory reporting purposes, in accordance with the relevant regulations issued by the Ministry of Finance, the total housing benefits provided by the Company and its subsidiaries are directly charged to net assets. Under IFRS, the housing benefits provided by the Company and its subsidiaries are recognised on a straight-line basis over the estimated remaining average service lives of the employees.

(d) Dividend appropriation

Under PRC GAAP, dividends proposed or declared after the balance sheet date but before the date when the financial statements are authorised for issue are deducted from the undistributed profit and recognise as a liability as at the balance sheet date. Under IFRS, the dividends are recorded in the year in which the dividends are declared.

(A) CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS *(Cont'd)*

(e) Deferred tax impact

Under PRC GAAP, the Group provides for taxation on the basis of the results for the year as adjusted for items which are not assessable or deductible for income tax expenses. No deferred taxation was provided.

Under IFRS, deferred taxation is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(f) Write-off of deferred renovation expenses

Under PRC GAAP, the Group recorded certain renovation expenses as deferred assets, which are subject to annual amortisation.

Under IFRS, such renovation expenses were directly charged to the consolidated income statement as incurred.

(B) ADDITIONAL INFORMATION FOR NORTH AMERICAN SHAREHOLDERS

(a) Consolidated Profit Attributable to Shareholders and Consolidated Net Assets Reconciliation Between IFRS and US GAAP

	Consolidated profit attributable to shareholders for the year ended 31 December,		Consolidated net assets as of 31 December,	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Under IFRS	**557,083**	533,495	**10,244,151**	10,120,623
Impact of US GAAP adjustments:				
Reversal of the revaluation surplus on fixed assets	**—**	—	**(1,492,185)**	(1,492,185)
Reversal of additional depreciation charges arising from the revaluation surplus on fixed assets	**48,422**	48,422	**330,884**	282,462
Deferred tax assets created	**—**	—	**223,828**	223,828
Effect of US GAAP adjustment on taxation	**(7,263)**	(7,263)	**(49,633)**	(42,370)
Under US GAAP	**598,242**	574,654	**9,257,045**	9,092,358

The consolidated financial statements of the Company and its subsidiaries prepared under IFRS differ in certain respects from those prepared under Generally Accepted Accounting Principles in United States of America ("US GAAP"). A major difference between IFRS and US GAAP, which has a significant effect on consolidated profit attributable to shareholders and consolidated net assets, is set out below:

Revaluation of fixed assets

The Group revalued their fixed assets on 6 March, 1996. The revaluation surplus of fixed assets amounting to approximately RMB1,492,185,000 was recorded by the Group on that date. The revaluation as of 30 September, 2002 did not result in a material difference from the carrying amounts and no revaluation surplus or deficit was recorded for the year ended 31 December, 2002.

(B) ADDITIONAL INFORMATION FOR NORTH AMERICAN SHAREHOLDERS *(Cont'd)*

(a) Consolidated Profit Attributable to Shareholders and Consolidated Net Assets Reconciliation Between IFRS and US GAAP *(Cont'd)*

Revaluation of fixed assets *(Cont'd)*

Under IFRS, revaluation of fixed assets is permitted and depreciation is based on the revalued amount. Additional depreciation arising from the revaluation surplus was approximately RMB48,422,000 for the year ended 31 December, 2002 (2001: approximately RMB48,422,000).

Under US GAAP, fixed assets are required to be stated at original cost. Hence, no additional depreciation from revaluation will be recognised under US GAAP. However, a deferred tax asset related to the revaluation surplus amounting to approximately RMB223,828,000 was created under US GAAP with a corresponding increase in equity since the revaluation resulted in a higher tax base which will be realised through additional depreciation for PRC tax purposes.

(b) Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143, Accounting for Assets Retirement Obligations ("SFAS 143"), Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated With Exit or Disposal Activities ("SFAS 146"), FASB interpretation N. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirectly Guarantees of indebtedness of Others ("FIN 45"), FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46") and Emerging Issues Task Force ("EITF") Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" that addresses certain aspects of a vendor's accounting for multiple revenue-generating arrangements ("EITF Issue 00-21).

(1) SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated assets retirement costs. SFAS 143 is effective for fiscal years beginning after 31 December, 2002. The Group does not expect that the adoption of SFAS143 will have a material an impact on the consolidated financial statements.

(2) SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging issues Task Force Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit Activity (including Certain Costs Incurred in a Restructuring)". The Group will adopt SFAS 146 on 1 January, 2003 and does not expect a material impact upon adoption.

(B) ADDITIONAL INFORMATION FOR NORTH AMERICAN SHAREHOLDERS *(Cont'd)*

(b) Recently Issued Accounting Standards *(Cont'd)*

(3) FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognise, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions under FIN 45 are applicable prospectively to guarantees issued or modified after 31 December, 2002. The adoption of disclosure requirements that are effective for the year ended 31 December, 2002 did not have a material impact on the note disclosures of the consolidated financial statements.

(4) FIN 46 provides guidance on the identification of and financial reporting for entities over which control is achieved through means other than voting rights. This Interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. The interpretation applies immediately to variable interest entities created after 31 January, 2003, and to variable interest entities in which an enterprise obtains and interest after that date. It applies in the first fiscal year for interim period beginning after 15 June, 2003 to variable interests entities in which an enterprise holds a variable interest that it acquires before 1 February, 2003. The Group does not expect that the adoption of FIN 46 will have a material impact on the consolidated financial statements.