(Amounts in thousands unless otherwise stated)

The consolidated financial statements have been prepared in accordance with IFRS which may differ in certain material respects from accounting principles generally accepted in the United States ("US GAAP"). Such differences involve methods for measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by US GAAP.

Effect on net loss of significant differences between IFRS and US GAAP is as follows:

	Notes	**2002** **RMB**	2001 *RMB*
Net loss under IFRS		**(1,023,099)**	(1,817,369)
US GAAP adjustments:			
– Depreciation charge on fixed asset revaluation surplus on Restructuring	*(a)*	**2,141**	8,319
– Depreciation charge on fixed asset revaluation surplus at February 28, 1995	*(a)*	**1,452**	1,452
– Reduction in loss on write-off of fixed assets	*(a)*	**2,526**	–
– Reversal of writedown carrying amount (net of minority interests) of fixed assets	*(a)*	**322,240**	–
– Depreciation charge on foreign currency translation difference on interest components capitalized in fixed assets	*(b)*	**1,531**	1,531
– Depreciation charge on fixed asset revaluation surplus of a jointly controlled entity	*(c)*	**7,630**	7,630
– Tax adjustment	*(e)*	**–**	(362,236)
Net loss under US GAAP		**(685,579)**	(2,160,673)
Basic and diluted loss per share under US GAAP		**(0.19)**	(0.61)

(Amounts in thousands unless otherwise stated)

Effect on shareholders' equity of significant differences between IFRS and US GAAP is as follows:

		At December 31,	
		2002	2001
	Notes	***RMB***	*RMB*
Shareholders' equity under IFRS		2,082,947	3,106,046
US GAAP adjustments:			
– Fixed asset revaluation on Restructuring	*(a)*	(714,974)	(714,974)
– Fixed asset revaluation at February 28, 1995	*(a)*	(29,033)	(29,033)
– Depreciation charge on fixed assets due to revaluation on Restructuring and at February 28, 1995	*(a)*	591,426	586,381
– Deferred tax asset on fixed asset revaluation surplus on Restructuring	*(a)*	235,941	235,941
– Reversal of deferred tax liability on fixed asset revaluation surplus at February 28, 1995	*(a)*	9,580	9,580
– Reduction in loss on write-off of fixed assets	*(a)*	11,532	9,006
– Reversal of writedown carrying amount (net of minority interests) of fixed assets	*(a)*	322,240	–
– Foreign currency translation difference on interest components capitalized in fixed assets	*(b)*	(30,616)	(30,616)
– Depreciation charge on foreign currency translation difference on interest components capitalized in fixed assets	*(b)*	9,186	7,655
– Fixed asset revaluation of a jointly controlled company	*(c)*	(65,320)	(65,320)
– Depreciation charge on fixed asset revaluation of a jointly controlled entity	*(c)*	62,812	55,182
– Tax adjustment	*(d)*	(245,521)	(245,521)
Shareholders' equity under US GAAP		2,240,200	2,924,327

In preparing the summary of differences between IFRS and US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the estimates of revenues and expenses. Accounting estimates have been employed in these financial statements to determine reported amounts, including realizability, useful lives of tangible and intangible assets, income taxes and other areas. Actual results could differ from those estimates.

(Amounts in thousands unless otherwise stated)

A summary of the principal differences and additional disclosures applicable to the Group is set out below:

(a) Revaluation of fixed assets

On September 30, 1994, the fixed assets transferred to the Company by Jilin Chemical Industrial Corporation as part of the Restructuring were appraised, as required by the relevant PRC regulations, by a firm of independent valuers registered in the PRC. The revaluation of the fixed assets transferred resulted in RMB1,665,454 in excess of the prior carrying value and was recorded in share capital and capital reserve and not as a revaluation reserve. The depreciation charge on the revaluation surplus for the year ended December 31, 2002 was RMB2,141 (2001: RMB8,319). For purposes of reconciling to the US GAAP financial data, the effect of the revaluation and the related depreciation charge is reversed. A deferred tax asset of RMB235,941 (2001: RMB235,941) relating to the reversal of the revaluation effect was established, together with a corresponding increase in shareholders' equity.

With effect from January 1, 2001, the Company concluded that the land use rights should be accounted for as operating leases under IAS 17 "Leases". Previously, the Company treated the land use rights as property, plant and equipment which could be revalued under IAS 16 "Property, Plant and Equipment". This change in classification was a result of the Company implementing the concepts contained in IAS 40 "Investment Property" which clarified that leases that do not transfer title to land shall be accounted for as operating leases, even where they are for the long term and where there are no annual lease payments. As a result of the change in classification, the Company concluded that it could not carry this forward as an asset; rather, it would reflect the land use rights at their carrying value of nil. The elimination of the effect of the revaluation of land use rights resulted in a reduction in opening reserves at January 1, 2001 of RMB950 million.

On February 28, 1995, the Group's fixed assets were further revalued by a firm of independent valuers registered in Hong Kong to satisfy the Hong Kong Stock Exchange listing requirements. This revaluation, which resulted in an additional revaluation surplus of RMB29,033, was not recognized by the PRC authorities and was therefore not recorded in the statutory accounting books. A deferred tax liability of RMB9,580 was created under IFRS with a corresponding decrease in revaluation surplus. The depreciation charge on the revaluation surplus for year ended December 31, 2002 was RMB1,452 (2001: RMB1,452). For purposes of reconciling to the US GAAP financial data, the revaluation surplus, the related depreciation charge and the tax effect are reversed.

In 2002, certain fixed assets with a net book value of RMB283,418 (RMB2,526 related to revaluation surplus recorded in share capital and capital reserve) were written off as a charge to the income statement in connection with the shut down of manufacturing assets. For purposes of reconciling to the US GAAP financial data, the effect of the revaluation relating to the write-off of fixed assets is reversed.

As at December 31, 2002, the directors of the Company compared the carrying amount of the Group's property, plant and equipment to their estimate of its fair value, and on the basis of this review, made an adjustment to reduce the carrying amount by RMB323,844. Under IFRS, the adjustment arising from the comparison, net of minority interests of RMB1,604, amounting to RMB322,240 was charged to the income statement. For purposes of reconciling to the US GAAP financial data, the write-down adjustment is reversed.

(Amounts in thousands unless otherwise stated)

(b) Foreign exchange losses

Under US GAAP, foreign exchange losses are expensed in the period in which they occur.

Under IFRS, the Group capitalized foreign currency translation difference relating to borrowings to the extent that these are adjustments to the interest costs of funds used to finance the construction of fixed assets during the period of construction. For purposes of reconciling to the US GAAP financial data, the effect of the capitalized foreign currency translation difference and the related depreciation charge is reversed.

(c) Fixed assets transferred to a jointly controlled entity

During the period ended December 31, 1994, certain fixed assets of the Company were transferred to Jilian, a jointly controlled entity of the Company, prior to December 2002. These fixed assets were appraised and resulted in RMB65,320 in excess of the prior carrying value. For purposes of reconciling to the US GAAP financial data, the effect of the revaluation and the related depreciation charge is reversed.

(d) Tax adjustment

As there is uncertainty as to whether the deferred tax asset established in (a) above can be fully realized, a valuation allowance for the deferred tax asset is made.