C. Differences between Financial Statements prepared under PRC Accounting Rules and Regulations and IFRS

The Company also prepares a set of financial statements which complies with PRC Accounting Rules and Regulations. A reconciliation of the Group's net profit and shareholders'equity prepared under PRC Accounting Rules and Regulations and IFRS is presented below.

Other than the differences in classification of certain financial statements assertions and the accounting treatment of the items described below, there are no material differences between the Group's financial statements prepared in accordance with PRC Accounting Rules and Regulations and IFRS. The major differences are:

(i) Capitalisation of general borrowing costs

Under IFRS, to the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs should be capitalised as part of the cost of that asset. Under PRC Accounting Rules and Regulations, only borrowing costs on funds that are specifically borrowed for construction are eligible for capitalisation as fixed assets.

(ii) Valuation surplus

Under PRC Accounting Rules and Regulations, the excess of fair value over the carrying value of assets given up in part exchange for investments should be credited to capital reserve. Under IFRS, it is inappropriate to recognise such excess as a gain as its realisation is uncertain.

(iii) Government grants

Under PRC Accounting Rules and Regulations, government grants should be credited to capital reserve. Under IFRS, such grants for the purchase of equipment used for technology improvements are offset against the cost of asset to which the grants related. Upon transfer to property, plant and equipment, the grant is recognised as income over the useful life of the property, plant and equipment by way of a reduced depreciation charge.

(iv) Revaluation of land use rights

Under IFRS,land use rights are carried at historical cost less accumulated amortisation. Under PRC Accounting Rules and Regulations, land use rights are carried at revalued amount less accumulated amortisation.

(v) Pre-operating expenditure

Under IFRS, expenditure on start-up activities should be recognised as expenses when it is incurred. Under PRC Accounting Rules and Regulations, all expenses incurred during the start-up period are aggregated in long-term deferred expenses and then fully charged to the income statement in the month of commencement of operations.

(vi) Dividend

Under PRC Accounting Rules and Regulations,dividends relating to an accounting period declared after the period end date are recognised as a liability in that accounting period. Under IFRS ,dividends are recognised as a liability at its declaration date.

C. Differences between Financial Statements prepared under PRC Accounting Rules and Regulations and IFRS *(continued)*

Effects on the Group's net profit and shareholders' equity of significant differences between PRC Accounting Rules and Regulations and IFRS are summarised below:

		Six-month periods ended 30 June	
		2003	2002
	Note	**RMB'000**	RMB'000
Net profit under PRC Accounting Rules and Regulations		**471,680**	203,369
Adjustments:			
Capitalisation of borrowing costs,net of depreciation effect	(i)	**5,613**	4,415
Reduced depreciation on government grants	(iii)	**13,379**	-
Amortisation of revaluation of land use rights	(iv)	**1,749**	1,749
Write off of pre-operating expenditure	(v)	**(7,258)**	-
Tax effect of the above adjustments		**(1,104)**	(924)
Profit attributable to shareholders under IFRS		**484,059**	208,609

		At 30 June	At 31 December
		2003	2002
	Note	**RMB'000**	RMB'000
Shareholders' equity under PRC Accounting Rules and Regulations		**14,593,140**	14,121,460
Adjustments:			
Capitalisation of borrowing costs	(i)	**63,734**	58,121
Valuation surplus	(ii)	**(44,887)**	(44,887)
Government grants	(iii)	**(357,580)**	(370,959)
Revaluation of land use rights	(iv)	**(138,108)**	(139,857)
Write off of pre-operating expenditure	(v)	**(23,200)**	(15,942)
Dividend	(vi)	**-**	360,000
Tax effect of the above adjustments		**11,156**	12,260
Shareholders' equity under IFRS		**14,104,255**	13,980,196