

The Group's accounting policies conform with IFRS which differ in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). Information relating to the nature and effect of such differences is presented below. The U.S. GAAP reconciliation presented below is included as supplemental information and is not required as part of the basic annual financial statements. Such information has not been subjected to independent audit or review.

Notes:

(a) Foreign exchange gains and losses

Under IFRS, foreign exchange differences on funds borrowed for construction are capitalised as property, plant and equipment to the extent that they are regarded as an adjustment to interest costs during the construction period. In the years ended 31 December 2002 and 2003, no foreign exchange differences were capitalised to property, plant and equipment. Under U.S. GAAP, all foreign exchange gains and losses on foreign currency debt are included in current earnings. In 2002 and 2003, the U.S. GAAP adjustments represent the effect of amortisation of amounts previously capitalised.

(b) Capitalisation of property, plant and equipment

In years prior to those presented herein, certain adjustments arose between IFRS and U.S. GAAP with regard to the capitalisation of interest and pre-production results under IFRS, that were reversed and expensed under U.S. GAAP. For the years presented herein, no adjustments related to the capitalisation of construction costs, including capitalised interest, are necessary. Accordingly, the U.S. GAAP adjustments for 2002 and 2003 represent the amortisation effect of such originating adjustments described above.

(c) Revaluation of property, plant and equipment

In the years prior to those presented herein, the property, plant and equipment of the Company were revalued to reflect the then current fair value resulting in a revaluation surplus recorded in the Company's financial statements. Additional depreciation charges have been taken in the years ended 31 December 2002 and 2003 on the revaluation surplus of RMB1,576,330,000.

Under U.S. GAAP, property, plant and equipment are stated at historical cost less accumulated depreciation. However, as a result of the tax deductibility of the revaluation, a deferred tax asset related to the reversal of the revaluation surplus is created under U.S. GAAP with a corresponding increase in shareholders' equity.

Notes: (continued)

(d) Capitalised interest on investment in associates

Under IFRS, investment accounted for by the equity method is not considered a qualifying asset for which interest is capitalised. Under U.S. GAAP, an investment accounted for by the equity method while the investee has activities in progress necessary to commence its planned principal operations, provided that the investee's activities include the use of funds to acquire qualifying assets for its operations, is a qualifying asset for which interest is capitalised.

(e) Goodwill and negative goodwill amortisation

Under IFRS, goodwill and negative goodwill are amortised on a systematic basis over their useful lives.

Under U.S. GAAP, with reference to Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), goodwill is no longer amortised beginning 1 January 2002, the date that SFAS No. 142 was adopted. Instead, goodwill will be reviewed for impairment upon adoption of SFAS No. 142 and annually thereafter. In addition, under U.S. GAAP, negative goodwill that existed at the date of adoption of SFAS No. 142 was written off effective 1 January 2002 as a cumulative effect of a change in accounting principle.

(f) Basic earnings per share

The calculation of basic earnings per share is based on the net profit under U.S. GAAP of RMB1,568,439,000 (2002: RMB 1,124,623,000) and the number of shares in issue during the year of 7,200,000,000 (2002: 7,200,000,000). Basic earnings per ADS is calculated on the basis that one ADS is equivalent to 100 shares.

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence for both years.

Notes (continued):

(g) Recently issued accounting standards

SFAS No. 150

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No.150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No.150 establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. It also includes required disclosures for financial instruments within its scope. For the Group, SFAS No.150 was effective for instruments entered into or modified after 31 May 2003 and otherwise will be effective as at 1 January 2004, except for mandatory redeemable financial instruments. For certain mandatory redeemable financial instruments, SFAS No.150 will be effective for the Group on 1 January 2005. The effective date has been deferred indefinitely for certain other types of mandatory redeemable financial instruments. The Group currently does not have any financial instruments that are within the scope of SFAS No.150.

FIN No.46 and 46R

In December 2003, the FASB issued Interpretation No.46 (revised December 2003), "Consolidation of Variable Interest Entities", which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FASB interpretation No.46, "Consolidation of Variable Interest Entities", which was issued in January 2003. The Group will be required to apply FIN 46R to variable interests in Variable Interest Entities ("VIEs") created after 31 December 2003. For variable interests in VIEs created before 1 January 2004, the Interpretation will be applied beginning on 1 January 2005. For any VIEs that must be consolidated under FIN 46R that were created before 1 January 2004, the assets, liabilities and non-controlling interests of the VIEs initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognised interest being recognised as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and non-controlling interest of the VIEs. The Group does not expect the application of this Interpretation will have a material impact on its financial statements.

Notes (continued):

(h) United States dollar equivalents

For the convenience of the reader, amounts in Renminbi ("RMB") have been translated into United States dollars at the rate of US\$1.000 = RMB 8.2767 being the average of the buying and selling rates quoted by the People's Bank of China on 31 December 2003. No representation is made that the RMB amounts could have been, or could be, converted into United States dollars at that rate.

The effects on the profit attributable to shareholders of significant differences between IFRS and U.S. GAAP is as follows:

	Note	Year ended 31 December		
		2003 US\$'000	2003 RMB'000	2002 RMB'000
Profit attributable to shareholders under IFRS		169,354	1,401,690	916,365
U.S. GAAP adjustments:				
Foreign exchange gains and losses	(a)	4,477	37,054	37,054
Capitalisation of property, plant and equipment	(b)	2,622	21,703	21,703
Depreciation charge on revalued property, plant and equipment	(c)	15,706	129,995	129,995
Capitalised interest on investment in associates, net of amortisation effect	(d)	851	7,045	20,996
Goodwill and negative goodwill amortisation	(e)	39	322	10,144
Cumulative effect of adopting SFAS No. 142	(e)	-	-	19,828
Tax effect of the above adjustments		(3,549)	(29,370)	(31,462)
Net profit under U.S. GAAP		189,500	1,568,439	1,124,623
Basic earnings per share under U.S. GAAP	(f)	US\$0.026	RMB0.218	RMB0.156
Basic earnings per ADS under U.S. GAAP	(f)	US\$2.632	RMB21.784	RMB15.620

D. Supplementary Information for North American Shareholders (continued)

The effect on shareholders' equity of significant differences between IFRS and U.S. GAAP is as follows:

	Note	As at 31 December		
		2003 US\$'000	2003 RMB'000	2002 RMB'000
Shareholders' equity under IFRS		1,814,961	15,021,886	13,980,196
U.S. GAAP adjustments:				
Foreign exchange gains and losses	(a)	(299)	(2,473)	(39,527)
Capitalisation of property, plant and equipment	(b)	(2,622)	(21,707)	(43,410)
Revaluation of property, plant and equipment	(c)	(23,381)	(193,516)	(323,511)
Capitalised interest on investment in associates	(d)	6,326	52,359	45,314
Goodwill and negative goodwill	(e)	3,660	30,294	29,972
Tax effect of the above adjustments		2,996	24,801	54,171
Shareholders' equity under U.S. GAAP		1,801,641	14,911,644	13,703,205

The "Tax effect of the above adjustments" as of 31 December 2002 and 2003 and for the years then ended is based on the 15% tax rate applicable to the Company through 2003. The Company has not received notice from the MOF that the 15% tax rate will continue to be applicable to the Company in 2004. As such, it is possible that the Company's tax rate will increase in 2004.