# Supplemental Information for North American Shareholders

## CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN IFRS AND US GAAP

| | Consolidated profit attributable to shareholders for the year ended December 31, | | Consolidated net assets as of December 31, | |
|---|---|---|---|---|
| | **2004** | 2003 | **2004** | 2003 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Under IFRS | **567,484** | 511,762 | **10,420,574** | 10,322,358 |
| 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 | **38,548** | 38,548 | **407,980** | 369,432 |
| Deferred tax assets created | **—** | — | **223,828** | 223,828 |
| Effect of US GAAP adjustment on taxation | **(5,782)** | (5,782) | **(61,197)** | (55,415) |
| Under US GAAP | **600,250** | 544,528 | **9,499,000** | 9,368,018 |

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 March 6, 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 September 30, 2002 did not result in a material difference from the carrying amounts and no revaluation surplus or deficit was recorded.

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 RMB38,548,000 for the year ended December 31, 2004 (2003: approximately RMB38,548,000).

# Supplemental Information for North American Shareholders

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

**Revaluation of fixed assets** *(Cont'd)*

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.

## RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the Financial Accounting Standards Board (the "FASB") issued Financial Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities" and in December 2003 issued a revised interpretation FIN 46R. Under these interpretations, certain entities known as variable interest entities must be consolidated by the primary beneficiary of the entity. The adoption of FIN 46 did not have any material impact on the Group's financial statements.

In November 2004, the FASB issued FASB Statement No. 151, "Inventory Costs — an amendment of ARB No. 43, Chapter 4" (FAS 151), which is the result of its efforts to converge U.S. accounting standards for inventories with International Financial Reporting Standards. This statement requires abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) to be recognized as current-period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. FAS 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard will not have a material impact on the Group's consolidated financial statements.

In December 2004, the FASB issued FASB Statement No. 153, "Exchanges of Non-monetary Assets" (FAS 153), which amends APB Opinion No. 29, "Accounting for Non-monetary Transactions", to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. Under FAS 153, exchanges of non-monetary assets, except for exchanges of non-monetary assets that do not have commercial substance, should be measured based on the fair value of the assets exchanged. The provisions of this Statement shall be effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Group is currently assessing the impact of the standard on the its consolidated financial statements.