

## D. Supplementary Information for North American Shareholders

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 interim financial reports. 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 periods ended 30 June 2004 and 2005, 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 the period ended 30 June 2004, the U.S. GAAP adjustments represent the effect of amortisation of amounts previously capitalised. Accordingly, the balances of cost and accumulated depreciation of property, plant and equipment under IFRS were higher than the balances under US GAAP by RMB 365,258,000 and RMB 365,258,000 respectively on 30 June 2005 and 31 December 2004.

(b) Capitalisation of property, plant and equipment

In the periods prior of 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 periods presented herein, no adjustments related to the capitalisation of construction costs, including capitalised interest, are necessary. The U.S. GAAP adjustments for 2004 represent the amortisation effect of such originating adjustments described above.

(c) Revaluation of property, plant and equipment

In the periods 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 periods ended 30 June 2004 and 2005 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.

## D. Supplementary Information for North American Shareholders *(continued)*

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 US 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 initially capitalised and subsequently amortised when the operation of the qualifying assets begin.

(e) Goodwill and negative goodwill amortisation

With effect from the beginning of the first annual period beginning after 31 March 2004, i.e. 1 January 2005, in accordance with IFRS 3 and IAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indication of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also with effect from the beginning of the first annual period beginning after 31 March 2004, i.e. 1 January 2005 and in accordance with IFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under IFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the six months ended 30 June 2005. As a result, this has increased the group's profit after tax for the six months ended 30 June 2005 by RMB 6,724,000.

Also in accordance with the transitional arrangements under IFRS 3, previous recognised negative goodwill shall be derecognised at the beginning of that period, with a corresponding adjustment to the opening balance of retained earnings. As a result, the retained earnings increased by RMB 2,549,000 as at 1 January 2005. This has decreased the group's profit after tax for the six months ended 30 June 2005 by RMB 425,000.

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, the unallocated 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.

As a result, there are no differences in respect of goodwill and negative goodwill amortisation between IFRS and U.S. GAAP effective 1 January 2005. The difference in the shareholders' equity represents the three-year's amortization of positive goodwill during the period from 1 January 2002 to 31 December 2004 under IFRS.

## D. Supplementary Information for North American Shareholders *(continued)*

Notes *(continued)*:

(f) Basic earnings per share

The calculation of basic earnings per share is based on the net profit under U.S. GAAP of RMB 1,779,569,000 (period ended 30 June 2004: RMB 1,602,140,000) and the number of shares in issue during the period of 7,200,000,000 (period ended 30 June 2004: 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 periods.

(g) 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 8.2765 being the average of the buying and selling rates quoted by the People's Bank of China on 30 June 2005. No representation is made that the RMB amounts could have been, or could be, converted into United States dollars at that rate.

## D. Supplementary Information for North American Shareholders *(continued)*

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

	Note	Six-month periods ended 30 June		
		2005	2005	2004
		US\$'000	RMB'000	RMB'000
Profit attributable to shareholders under IFRS		213,066	1,763,442	1,520,725
U.S. GAAP adjustments:				
Foreign exchange gains and losses	(a)	-	-	2,473
Capitalisation of property, plant and equipment	(b)	-	-	10,852
Depreciation charge on revalued property, plant and equipment	(c)	959	7,941	64,997
Capitalised interest on investment in associates, net of amortisation effect	(d)	1,333	11,032	10,049
Negative goodwill amortisation	(e)	-	-	(425)
Positive goodwill amortisation	(e)	-	-	6,725
Deferred tax effect of the above adjustments		(344)	(2,846)	(13,256)
Net profit under U.S. GAAP		<u>215,014</u>	<u>1,779,569</u>	<u>1,602,140</u>
Basic earnings per share under U.S. GAAP	(f)	<u>US\$ 0.030</u>	<u>RMB 0.247</u>	<u>RMB 0.223</u>
Basic earnings per ADS under U.S. GAAP	(f)	<u>US\$ 2.986</u>	<u>RMB 24.716</u>	<u>RMB 22.252</u>

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

	Note	At 30 June		At 31 December
		2005	2005	2004
		US\$'000	RMB'000	RMB'000
Shareholders' equity under IFRS		2,264,602	18,742,980	18,416,989
U.S. GAAP adjustments:				
Foreign exchange gains and Losses	(a)	-	-	-
Capitalisation of property, plant and equipment	(b)	-	-	-
Revaluation of property, plant and equipment	(c)	(6,715)	(55,580)	(63,521)
Capitalised interest on investment in associates, net of amortisation effect	(d)	12,110	100,232	89,200
Negative goodwill	(e)	-	-	2,549
Positive goodwill	(e)	4,875	40,344	40,344
Deferred tax effect of the above adjustments		(809)	(6,698)	(3,852)
Shareholders' equity under U.S. GAAP		<u>2,274,063</u>	<u>18,821,278</u>	<u>18,481,709</u>