

The Group's accounting policies conform with IFRSs 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 reports. Such information has not been subjected to independent audit or review.

Notes:

(a) Foreign exchange gains and losses

Under IFRSs, 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 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 2004, the U.S. GAAP adjustments represent the effect of amortisation of the remaining amounts previously capitalised. Accordingly, the balances of cost and accumulated depreciation of property, plant and equipment as at 31 December 2005 under IFRSs were higher than the balances under U.S. GAAP by RMB 365,258,000 and RMB 365,258,000 respectively. (31 December 2004: RMB 365,258,000 and RMB 365,258,000 respectively).

(b) Capitalisation of property, plant and equipment

In the certain years prior to those presented herein, certain adjustments arose between IFRSs and U.S. GAAP with regard to the capitalisation of interest and pre-production results under IFRSs, 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 the remaining amounts 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 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) Capitalised interest on investment in associates

Under IFRSs, an 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 initially capitalised and subsequently amortised when the operation of the qualifying assets begin.

(e) Goodwill and negative goodwill amortisation

With effect from 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 indications 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 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.

Under U.S. GAAP, with reference to Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), goodwill was no longer amortised beginning 1 January 2002, the date that SFAS No. 142 was adopted. Instead, goodwill has been 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 IFRSs and U.S. GAAP effective 1 January 2005. The difference in the shareholders' equity represents the three years of amortisation of positive goodwill during the period from 1 January 2002 to 31 December 2004 under IFRSs.

Accordingly, the goodwill balance as at 31 December 2005 under IFRSs was lower than the balance under U.S. GAAP by RMB 40,344,000 (31 December 2004: RMB 40,344,000). At 31 December 2005, the negative goodwill balance amounted to nil under both IFRSs and U.S. GAAP (31 December 2004: the negative goodwill balance included in deferred income under IFRSs amounted to RMB 2,549,000 and nil under U.S. GAAP).

(f) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company under U.S. GAAP of RMB 1,869,384,000 (2004: RMB 4,146,065,000) and the number of shares in issue during the year of 7,200,000,000 (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 8.070 being the average of the buying and selling rates quoted by the People's Bank of China on 31 December 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 equity shareholders of the Company of significant differences between IFRSs and U.S. GAAP is as follows:

	Note	Years ended 31 December		
		2005 US\$'000	2005 RMB'000	2004 RMB'000
Profit attributable to equity shareholders of the Company under IFRSs		229,294	1,850,449	3,971,103
U.S. GAAP adjustments:				
Foreign exchange gains and losses	(a)	-	-	2,473
Capitalisation of property, plant and equipment	(b)	-	-	21,707
Depreciation charge on revalued property, plant and equipment	(c)	1,968	15,881	129,995
Capitalised interest on investment in associates, net of amortisation effect	(d)	793	6,396	36,841
Goodwill amortisation	(e)	-	-	13,448
Negative goodwill amortisation	(e)	-	-	(849)
Deferred tax effect of the above adjustments		(414)	(3,342)	(28,653)
Profit attributable to equity shareholders of the Company under U.S. GAAP		231,641	1,869,384	4,146,065
Basic earnings per share under U.S. GAAP	(f)	USD 0.03	RMB 0.26	RMB 0.58
Basic earnings per ADS under U.S. GAAP	(f)	USD 3.22	RMB 25.96	RMB 57.58

The effect on total equity attributable to equity shareholders of the Company of significant differences between IFRSs and U.S. GAAP is as follows:

	Note	As at 31 December		
		2005 US\$'000	2005 RMB'000	2004 RMB'000
Total equity attributable to equity shareholders of the Company under IFRSs		2,333,274	18,829,987	18,416,989
U.S. GAAP adjustments:				
Revaluation of property, plant and equipment	(c)	(5,903)	(47,640)	(63,521)
Capitalised interest on investment in associates, net of amortisation effect	(d)	11,846	95,596	89,200
Goodwill	(e)	4,999	40,344	40,344
Negative goodwill	(e)	-	-	2,549
Effect of U.S. GAAP adjustments on deferred tax assets		885	7,146	9,528
Effect of U.S. GAAP adjustments on deferred tax liabilities		(1,776)	(14,339)	(13,380)
Total equity attributable to equity shareholders of the Company under U.S. GAAP		2,343,325	18,911,094	18,481,709