

SUPPLEMENTAL FINANCIAL INFORMATION

For the year ended December 31, 2005
(All amounts in Renminbi thousands)

Reconciliation of Consolidated Profit Attributable to Shareholders and Consolidated Net Assets between PRC GAAP and IFRS

The statutory financial statements of the Group, which are prepared by the Company and its subsidiaries in conformity with PRC GAAP, differ in certain respects from IFRS (audited). Major differences between PRC GAAP and IFRS which affect the consolidated profit attributable to shareholders and the consolidated net assets of the Company and its subsidiaries are summarized as follows:

	Consolidated profit attributable to shareholders for the year ended 31 December		Consolidated net assets as of 31 December	
	2005 RMB'000	*2004 RMB'000	2005 RMB'000	*2004 RMB'000
As reported in statutory consolidated financial statements of the Group (audited by certified public accountants in the PRC)	611,472	590,456	10,599,379	10,467,769
Impact of IFRS adjustments:				
Adjustments made to the carrying amount of fixed assets (a)	7,128	—	(42,030)	(189,158)
Additional depreciation charges on rail-line track assets (b(1))	(16,236)	(10,238)	(35,539)	(19,303)
Net effect of capitalisation of replacement costs of rail-line track assets and derecognition of items being replaced (b(2))	32,198	—	32,198	—
Difference in depreciation charges on fixed assets resulting from reclassification and recognition of government grants by deducting the carrying value of fixed assets (c)	(11,114)	442	8,600	19,714
Difference in the recognition policy on housing benefits to the employees (d)	(18,853)	(15,092)	131,858	150,711
Deferred tax assets arising from GAAP differences	6,327	—	6,327	—
Recording share issuance costs in reserves (e)	—	—	(27,007)	(14,035)
Others	2,446	1,916	10,273	4,876
As stated under IFRS	613,368	567,484	10,684,059	10,420,574

* Certain comparative figures of 2004 were reclassified by re-grouping reconciling items of similar nature for better presentation.

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*For the year ended December 31, 2005
(All amounts in Renminbi thousands)*

RECONCILIATION OF CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS BETWEEN PRC GAAP AND IFRS (Continued)

(a) Adjustments to carrying amounts of fixed assets

Certain fixed asset balances reported under PRC GAAP were restated under requirements of IFRS due to different commencement period of depreciation adopted and write-down of certain asset items to net realisable values. As a result of the difference in the carrying values of the assets, the related periodic depreciation charges reported under PRC GAAP are required to be restated under IFRS.

The 2004 comparative figure includes an amount of RMB140,000,000 being adjustment made to write down the carrying values of certain fixed assets transferred by the Predecessor into the Company at the time of the formation of the Company. Such amount was reclassified in the current year as an addition to fixed assets of the Company, with a corresponding adjustment made to the share premium account of the Company. The effect is considered to be inconsequential to the financial statements of the Company as a whole.

(b) Different accounting policy on depreciation of fixed assets

Pursuant to the provisions of "Cai Jian Han [2002]42" and "Cai Jian Han [2002]349" issued by MOF and "Ban Cai Fa [2003]10" issued by MOR (collectively known as the "Circulars"), which were effective from January 1, 2003 onwards, the Group had to change the useful life of tracks used in its rail-lines from 44 years to an indefinite period. All subsequent replacement costs to be incurred are charged to the income statement.

The above change of accounting policy in depreciation of track assets and subsequent expenditures is not in compliance with IFRS:

- (1) Depreciation is required to be provided on fixed assets from the period they are put into use based on their estimated useful lives. Management of the Company has decided, based on the results of certain technical study performed, expected changes in technology and historical asset replacement patterns, that the estimated useful life of track assets is ranging from 70 years to 100 years. Accordingly, depreciation charges on the track assets have been made under IFRS based on their estimated remaining useful lives.
- (2) In accordance with the requirements under IFRS, replacement costs incurred for replacing parts or components of a fixed asset should be recognised as part of the fixed assets costs while the remaining net book value of the parts or components being replaced should be derecognised from the fixed assets as a disposal.

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RECONCILIATION OF CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS BETWEEN PRC GAAP AND IFRS (Continued)

(c) Difference in depreciation charges on fixed assets resulting from reclassification

Under PRC GAAP, the Group provided for the differentials in depreciation charges on certain fixed assets resulting from reclassification of these assets into different categories with different depreciation rates on a retrospective basis. Under IFRS, such fixed assets reclassification was a change in accounting estimate. Accordingly, depreciation of those fixed assets should only be adjusted prospectively and no retroactive adjustment of the depreciation charge differentials in prior years was required.

Difference in accounting treatment of recognition of government grants for financing of construction of fixed assets

Under PRC GAAP, government grants as subsidies to construct buildings received by the Group were directly credited to reserves. Under IFRS, such government grants were deducted against the carrying amounts of the buildings. The grants are recognised as income over the estimated useful lives of the buildings in the form of reduced depreciation charges.

(d) Difference in recognition policy of housing benefits granted to employees

The Group provided housing benefits to certain of its qualified employees by selling staff quarters owned by the Group to these employees at preferential prices. The benefit amounts represent the difference between the then net book values of the staff quarters sold and the net proceeds received/receivable from the employees, which were borne by the Company and its subsidiaries.

For PRC statutory reporting purposes, the total housing benefits provided by the Group were directly charged against reserves in accordance with the relevant regulations issued by the Ministry of Finance of the PRC. Under IFRS, these employee benefits have been deferred as a long-term asset and amortised to the income statement on a straight-line basis over the estimated average service periods of these employees.

(e) Recording of share issuance costs in reserves

In 2004, costs of approximately RMB14,035,000 incurred in relation to the issuance of A shares of the Company (the "A Share Offer") were recorded as deferred assets of the Company under PRC GAAP which were reflected as a debit balance in reserves under IFRS.

During the year ended December 31, 2005, additional costs incurred for the A Share Offer, as well as for the acquisition of Guangzhou Railway Group Yangcheng Railway Company (the "Acquisition") amounting to approximately RMB12,972,000 and RMB25,214,000, respectively. The cumulative amount of these costs of approximately RMB38,186,000 were recorded as deferred assets of the Company under PRC GAAP.

Under IFRS, the share issuance costs relating to the A Share Offer of approximately RMB27,007,000 as at December 31, 2005 were recorded as a debit balance in reserves while costs incurred for the Acquisition of approximately RMB25,214,000 were recorded as a deferred expense in prepayment.