

**SUPPLEMENTARY INFORMATION EXPLANATORY NOTES FOR DIFFERENCES BETWEEN  
THE FINANCIAL STATEMENTS PREPARED UNDER THE PRC ACCOUNTING STANDARDS AND  
REGULATIONS (“PRC GAAP”) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

Financial statements of the Group prepared under IFRS for 2005 and 2006 are audited by KPMG, Certified Public Accountants of Hong Kong.

Financial statements of the Group prepared under PRC GAAP for 2005 and 2006 are audited by KPMG Huazhen.

Effects of major differences between PRC GAAP and IFRS on net profit are analysed as follows:

	Note	<u>2006</u> <b>RMB'000</b>	<u>2005</u> RMB'000
Net profit under PRC GAAP		<b>1,121,886</b>	1,014,976
Adjustments:			
Net fair value adjustment	(a)	<b>(48,616)</b>	(32,893)
Adjustment of goodwill/ consolidation difference	(b)	<b>19,395</b>	29,360
Capitalisation of general borrowing costs	(c)	<b>161,793</b>	58,257
Government grants	(d)	<b>960</b>	2,363
Long-term deferred expenses	(e)	<b>(21,298)</b>	—
Other adjustments	(f)	<b>(2,761)</b>	1,074
Effects of the above adjustments on taxation		<b>(30,158)</b>	(6,716)
Minority interests	(g)	<b>157,742</b>	90,532
Profit for the year under IFRS		<b><u>1,358,943</u></b>	<b><u>1,156,953</u></b>

Effects of major differences between PRC GAAP and IFRS on shareholders' equity are analysed as follows:

	Note	<u>2006</u> <b>RMB'000</b>	<u>2005</u> RMB'000
Shareholders' equity under PRC GAAP		<b>13,377,316</b>	12,526,171
Adjustments:			
Net fair value adjustment	(a)	<b>554,231</b>	415,976
Adjustment of goodwill/consolidation difference	(b)	<b>(306,353)</b>	(238,586)
Capitalisation of general borrowing costs	(c)	<b>220,050</b>	58,257
Government grants	(d)	<b>(134,775)</b>	(18,240)
Long-term deferred expenses	(e)	<b>(21,298)</b>	—
Other adjustments	(f)	<b>(6,030)</b>	(127)
Effects of the above adjustments on taxation		<b>(206,875)</b>	(121,742)
Minority interests	(g)	<b>2,371,637</b>	1,040,707
Total equity under IFRS		<b><u>15,847,903</u></b>	<b><u>13,662,416</u></b>

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REGULATIONS (“PRC GAAP”) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

Notes:

- (a) When preparing consolidated financial statements, according to PRC GAAP, consolidated financial statements are prepared based on respective financial statements of the Company and subsidiaries and jointly controlled entity. According to IFRS, consolidated financial statements are prepared based on the respective financial statements of the Company and assets and liabilities, being adjusted to fair values at the time of acquisition, of subsidiaries and jointly controlled entity. There are differences between the carrying value and the fair value of net assets, at the time of acquisition, of subsidiaries and jointly controlled entity of the Company and such differences are mainly for fixed assets.

Fair value adjustment mainly represents the difference between the carrying value and the fair value of fixed assets, at the time of acquisition, of subsidiaries and jointly controlled entity and the related adjustment in depreciation in respect of the difference between the carrying value and the fair value after the acquisition.

- (b) According to PRC GAAP, consolidation difference represents the excess of the cost of investment over the carrying value of the net assets acquired. According to IFRS, goodwill represents the excess of the cost of acquisition over the fair value of net identifiable assets acquired. As mentioned in note (a), there are differences between the carrying value and the fair value of net assets acquired, and so there are differences between consolidation difference and goodwill. Besides, according to IFRS 3, goodwill should not be amortised, instead, goodwill shall be tested for impairment annually.
- (c) According to PRC GAAP, only borrowing costs on funds that are specifically borrowed for acquisition and construction are eligible for capitalisation as part of the cost of that asset. According to IFRS, to the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs could be capitalised as part of the cost of that asset.
- (d) According to PRC GAAP, conditional government grants should be recorded in long-term liabilities first and credited to capital reserve after fulfilling the requirements from government for the construction projects. According to IFRS, conditional government grants should be recorded in long-term liabilities first and amortised in profit or loss using straight line method over the useful lives of the relevant assets after fulfilling the requirements from government for the construction projects.
- (e) According to PRC GAAP, except for acquisition and construction of fixed assets, all expenses incurred during the set-up period are aggregated in long-term deferred expenses and charged to profit or loss in full in the month of commencement of operations. According to IFRS, those expenses should be charged to profit or loss for the period incurred.
- (f) No material individual adjustments included in other adjustments.
- (g) According to PRC GAAP, minority interests are presented in the consolidated balance sheet separately from liabilities and as deduction from the shareholders' funds. Minority interests in the results of the Group for the year are also separately presented in the consolidated income and profit appropriation statement as deduction before arriving at the net profit. According to IFRS, minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity shareholders of the Company, and minority interests in the results of the Group for the period are presented in the consolidated income statement as an allocation of the total profit or loss for the year between the minority interests and the equity shareholders of the Company.