C. Differences between financial statements prepared under PRC Accounting Rules and Regulations and IFRSs

The Company also prepares a set of financial statements which complies with PRC Accounting Rules and Regulations. A reconciliation of the Group's net profit and shareholders' equity prepared under PRC Accounting Rules and Regulations and IFRSs is presented below.

Other than the differences in classification of certain financial statements assertions and the accounting treatment of the items described below, there are no material differences between the Group's financial statements prepared in accordance with PRC Accounting Rules and Regulations and IFRSs. The major differences are:

Notes:

(i) Capitalisation of general borrowing costs

Under IFRSs, to the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs should be capitalised as part of the cost of that asset. Under PRC Accounting Rules and Regulations, only borrowing costs on funds that are specially borrowed for construction are eligible for capitalisation as fixed assets.

(ii) Valuation surplus

Under PRC Accounting Rules and Regulations, the excess of fair value over the carrying value of assets given up in part exchange for investments should be credited to capital reserve fund. Under IFRSs, it is inappropriate to recognise such excess as a gain as its realisation is uncertain.

(iii) Government grants

Under PRC Accounting Rules and Regulations, government grants should be credited to capital reserve. Under IFRSs, such grants for the purchase of equipment used for technology improvements are offset against the cost of asset to which the grants related. Upon transfer to property, plant and equipment, the grant is recognised as income over the useful life of the property, plant and equipment by way of a reduced depreciation charge.

(iv) Revaluation of land use rights

Under IFRSs, land use rights are carried at historical cost less accumulated amortisation. Under PRC Accounting Rules and Regulations, land use rights are carried at revalued amount less accumulated amortisation.

(v) Pre-operating expenditure

Under IFRSs, expenditure on start-up activities should be recognised as expenses when it is incurred. Under PRC Accounting Rules and Regulations, all expenses incurred during the start-up period are aggregated in long-term deferred expenses and then fully charged to the income statement in the month of commencement of operations.

(vi) Goodwill and negative goodwill amortisation

Under PRC Accounting Rules and Regulations, negative goodwill, acquired before 17 March 2003, and positive goodwill are amortised on a straight line basis over their useful lives.

Under IFRSs, with reference to IFRS 3, "Business combinations", the Group no longer amortises goodwill effective 1 January 2005. Such goodwill is tested annually for impairment. Also in accordance with the transitional arrangements under IFRS 3, previously recognised negative goodwill was derecognised at the beginning of that period, with a corresponding adjustment to the opening balance of retained earnings.

(vii) Sale of assets to a jointly controlled entity

Under PRC Accounting Rules and Regulations, a listed company that sells fixed assets to its related party, any excess of the net disposal proceeds over the carrying amount of the fixed assets, net of income tax, is recognised in capital reserve.

Under IFRSs, a venturer that contributes non-monetary assets or sells assets to a joint venture, while the assets are retained in the joint venture, the venturer shall recognise a gain or loss to the extent the assets have been sold to the other venturers.

(viii) Changes in fair value of available-for-sale securities

Under PRC Accounting Rules and Regulations, long-term investments in entities in which the Group does not have control, joint control or does not exercise significant influence in their management are stated at cost.

Under IFRSs, investments in available-for-sale equity securities are carried at fair value with any change in fair value, other than impairment losses, recognised directly in equity. When these investments are derecognised or impaired, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

C. Differences between financial statements prepared under PRC Accounting Rules and Regulations and IFRSs (continued)

Effects on the Group's net profit and shareholders' equity of significant differences between PRC Accounting Rules and Regulations and IFRSs are summarised below:

		Years ended 31 December	
		2006	2005
	Note	RMB'000	RMB'000
Net profit under PRC Accounting Rules and Regulations		736,851	1,704,627
Adjustments:			
Capitalisation of borrowing costs,net of depreciation effect	(i)	28,708	26,924
Reduced depreciation on government grants	(iii)	26,760	26,760
Amortisation of revaluation of land use rights	(iv)	3,498	3,498
Reversal of pre-operating expenditure previously written-off	(v)	-	80,605
Goodwill and negative goodwill amortisation	(vi)	7,267	12,599
Sale of assets to a jointly controlled entity	(vii)		
– reclassification of the gain, net of income tax, from capital reserve to income statement		89,329	-
– reversal of the unrealised gain, net of depreciation effect		(50,795)	-
Deferred tax effect of the above adjustments		2,789	(4,564)
Profit attributable to equity shareholders of the Company under IFRSs		844,407	1,850,449

		As at 31 December	
		2006	2005
	Note	RMB'000	RMB'000
Shareholders' equity under PRC Accounting Rules and Regulations		19,273,088	19,166,908
Adjustments:			
Capitalisation of borrowing costs	(i)	138,657	109,949
Valuation surplus	(ii)	(44,887)	(44,887)
Government grants	(iii)	(263,919)	(290,679)
Revaluation of land use rights	(iv)	(125,865)	(129,363)
Goodwill and negative goodwill	(vi)	22,415	15,148
Sale of assets to a jointly controlled entity, net of depreciation effect	(vii)	(50,795)	-
Changes in fair value of available-for-sale securities	(viii)	25,822	-
Deferred tax effect of the above adjustments		1,827	2,911
Total equity attributable to equity shareholders of the Company under IFRSs		18,976,343	18,829,987