Effects on the consolidated profit attributable to shareholders and shareholders' equity of significant differences between International Accounting Standards ("IAS") and accounting principles generally accepted in the United States of America ("U.S. GAAP") are summarised below.

	Note	**2000 RMB'000**	1999 RMB'000
Consolidated profit attributable to shareholders under IAS		**501,771**	82,398
Approximate U.S. GAAP adjustments:			
Sale and leaseback accounting	(a)	**(281,101)**	66,191
Capitalised interest	(b)	**(11,300)**	56,400
Change in accounting policy for aircraft overhaul expense	(c)	**—**	247,488
Reversal of additional depreciation arising from revaluation of fixed assets	(d)	**68,000**	74,000
Deferred tax effects		**66,440**	(156,203)
Approximate consolidated profit attributable to shareholders under U.S. GAAP		**343,810**	370,274
Approximate basic earnings per share under U.S. GAAP		**RMB0.10**	RMB0.11
Approximate basic earnings per ADS under U.S. GAAP*		**RMB5.09**	RMB5.49

* Approximate basic earnings per American Depositary Share ("ADS") is calculated on the basis that one ADS is equivalent to 50 H shares.

	Note	**2000 RMB'000**	1999 RMB'000
Shareholders' equity under IAS		**8,881,438**	8,379,667
Approximate U.S. GAAP adjustments:			
Sale and leaseback accounting	(a)	**(540,579)**	(259,478)
Capitalised interest	(b)	**394,494**	405,794
Revaluation of fixed assets upon Reorganisation, net of depreciation	(d)	**(318,348)**	(386,348)
Deferred tax asset adjustment on revaluation of fixed assets upon Reorganisation	(d)	**115,993**	157,436
Deferred tax effects		**38,197**	(69,686)
Approximate shareholders' equity under U.S. GAAP		**8,571,195**	8,227,385

Notes:

(a) Sale and leaseback accounting

Under IAS, gains on sale and leaseback transactions where the subsequent lease is an operating lease are recognised as income immediately, if the transactions are established at fair value. Differences between the sale price and fair value are deferred and amortised over the period for which the assets are expected to be used. Under U.S. GAAP, such gains are deferred and amortised over the term of the lease.

(Expressed in Renminbi)

(b) Capitalised interest

Under IAS, the Group capitalises interest costs to the extent the related borrowings are directly attributable to the acquisition or construction of an asset.

Under U.S. GAAP, interest costs capitalised are determined based on specific borrowings related to the acquisition or construction of an asset, if an entity's financing plans associate a specific new borrowing with a qualifying asset. If average accumulated expenditures for the asset exceed the amounts of specific new borrowings associated with the asset, additional interest costs capitalised are based on the weighted average interest rate applicable to other borrowings of the entity.

(c) Change in accounting policy

As disclosed in Note 24 to the accounts, in 1999, the Group changed its IAS accounting policy in respect of the recognition of aircraft overhaul expenses. Such change was reflected in the accounts on a retrospective basis with restatement of the relevant balances for periods prior to 1 January, 1999. The restatement resulted in an increase in the retained profits balance at 1 January, 1999 of RMB163,773,000 (net of deferred tax effect of RMB83,715,000) from the corresponding balances reported previously.

Under U.S. GAAP, the Group changed its policy for costs of aircraft overhauls to reflect such amounts as expense when incurred. Previously, such costs were accrued to expense over the estimated overhaul cycle of the relevant aircraft. The Group's revised U.S. GAAP accounting policy is substantially consistent with its revised IAS policy. However, under U.S. GAAP, a change in accounting policy is generally recognised by including the cumulative effect, based on a retroactive computation, in results of operations in the period of the change.

(d) Revaluation of fixed assets

In connection with the Reorganisation, the fixed assets of the Group were revalued as of 31 December, 1996. Such fixed asset revaluation resulted in an increase in shareholders' equity with respect to the increase in carrying amount of certain fixed assets above their historical cost bases, while a charge to profit and loss account was recorded with respect to the reduction in carrying amount of certain fixed assets below their historical cost bases. In addition, the revalued fixed asset amounts serve as the tax bases of fixed assets for years beginning in 1997. Accordingly, the fixed asset revaluation eliminated certain of the temporary differences which gave rise to a deferred tax asset as at December 1996. Such tax asset was offset against the revaluation surplus.

As a result of the above fixed assets revaluation, additional depreciation charges were recorded in the four years ended 31 December, 2000.

Under U.S. GAAP, fixed assets are stated at their historical cost unless an impairment loss has been recorded. An impairment loss on fixed assets is recorded under U.S. GAAP if the carrying amount of such asset exceeds its future undiscounted cash flows, excluding finance costs. The future undiscounted cash flows, excluding finance costs, of the Group's fixed assets whose carrying amount was reduced in connection with the Reorganisation, exceed their historical cost carrying amount and, therefore, impairment of such assets is not appropriate under U.S. GAAP. Accordingly, the revaluation reserve recorded directly to shareholders' equity and the charge recorded under IAS in 1996 and the additional depreciation charges recorded in the four years ended 31 December, 2000 as a result of the Reorganisation are reversed for U.S. GAAP purposes.

However, as a result of the tax deductibility of the net revaluation reserve, a deferred tax asset related to the reversal of the net revaluation reserve is created under U.S. GAAP with a corresponding increase in shareholders' equity as at 31 December, 1996. Such deferred tax asset will be reversed upon depreciation of the net revaluation surplus included in the fixed assets beginning in 1997.

(e) New accounting pronouncements

On 16 June, 1998, the Financial Accounting Standards Board issued Statement of Financial Accouting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments". SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, establishes accounting and reporting standards for derivative instruments. It requires that an entity recognise all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement shall be effective for fiscal years beginning after 15 June, 2000. The Group did not have any material derivative instruments outstanding as at 31 December, 2000 or throughout the year then ended. As a result, the adoption of SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, on 1 January, 2001 did not have a material impact on the Group's financial statements.