

Supplemental Information

For the year ended December 31, 2004

(All amounts are stated in Renminbi)

CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS

The financial statements, which are prepared by the Company and its subsidiaries in conformity with PRC GAAP, differ in certain respects from IFRS (audited by PricewaterhouseCoopers). 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 December 31,		Consolidated net assets as of December 31,	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
As reported in statutory accounts (audited by certified public accountants in the PRC)	590,456	530,728	10,467,769	10,346,110
Impact of IFRS adjustments:				
Additional depreciation charges on fixed assets (a)	(10,238)	(9,065)	(169,954)	(159,716)
Write-down of reclaimed rails to realisable value (b)	—	—	(38,507)	(44,123)
Amortisation of deferred staff costs (c)	(15,092)	(15,092)	(75,458)	(60,366)
Reversal of staff costs charged to retained earnings (c)	—	—	229,771	221,113
Housing benefits for retired employees (c)	—	—	(3,602)	(3,602)
Deferred tax (utilised)/provided (d)	—	(1,423)	—	6,154
Reversal of amortisation/(write-off) of deferred renovation expenses (e)	2,266	3,144	(1,955)	(4,221)
Difference in depreciation charges on fixed assets resulting from reclassification (f)	—	(950)	36,272	31,118
Recognition of government grants by deducting the carrying value of fixed assets (g)	442	—	(16,558)	(17,000)
Record the share issuance costs to the reserves (h)	—	—	(14,035)	—
Others	(350)	4,420	6,831	6,891
As restated for the Group	567,484	511,762	10,420,574	10,322,358

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CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS (Cont'd)

(a) Additional depreciation charges on fixed assets

- (i) Certain tracks were recorded as construction-in-progress under PRC GAAP before 1995. As such rails had been put into use before 1995 and hence under IFRS, they were reclassified as fixed assets and subject to annual depreciation from the year they were put into use.
- (ii) Pursuant to "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"), effective from January 1, 2003, the Group changed the useful life of tracks from 44 years to indefinite period. All subsequent replacement costs of tracks are charged to income statement. Under PRC GAAP, the Group follows the requirements of the Circulars and no depreciation charged on tracks.

Under IFRS, the above change of accounting treatment of tracks is not acceptable. The Group based on the experience and maintenance programs established by the management and the engineering personnel and considered the estimated useful life of tracks is 100 years. Accordingly, depreciation charges on tracks were based on their estimated remaining useful life.

(b) Write-down of reclaimed rails to realisable value

Under PRC GAAP, certain reclaimed rails were recorded at historical costs. Under IFRS, such reclaimed rails were written down to realisable value.

(c) Difference in the recognition policy on housing benefits to the employees

The Company and its subsidiaries provided housing benefits to certain qualified employees of the Company and its subsidiaries whereby the living quarters owned by the Company and its subsidiaries were sold to these employees at preferential prices. The housing benefits represent the difference between the cost of the staff quarters sold to and the net proceeds collected from the employees, which are borne by the Company and its subsidiaries.

For PRC statutory reporting purposes, in accordance with the relevant regulations issued by the Ministry of Finance, the total housing benefits provided by the Company and its subsidiaries are directly charged to net assets. Under IFRS, the housing benefits provided by the Company and its subsidiaries are recognised on a straight-line basis over the estimated remaining average service lives of the employees.

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(d) Deferred tax impact

Before January 1, 2004, under PRC GAAP, the Group provides for taxation on the basis of the results for the year as adjusted for items which are not assessable or deductible for income tax expenses. No deferred taxation was provided. Under IFRS, deferred taxation is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Effective from January 1, 2004, under PRC GAAP, the Group changed its accounting policy on income tax; deferred taxation is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Accordingly, there is no difference under PRC GAAP and IFRS.

(e) Reversal of amortisation/(write-off) of deferred renovation expenses

Under PRC GAAP, the Group recorded certain renovation expenses as deferred assets, which are subject to annual amortisation.

Under IFRS, such renovation expenses were directly charged to the consolidated income statement as incurred.

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

Under PRC GAAP, the Group provides additional depreciation charges on certain fixed assets retrospectively resulting from reclassifying the aforesaid fixed assets to appropriate categories which depreciated at a higher rate.

Under IFRS, such reclassification is a change in accounting estimate. Accordingly, the depreciation charges on those fixed assets should be adjusted prospectively and no adjustment in prior years is required.

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(g) Recognition of government grants by deducting the carrying value of fixed assets

Under PRC GAAP, government grants as a subsidy to construct certain buildings are credited to reserve account.

Under IFRS, such government grants are deducted against the carrying amount of the aforesaid buildings. The grants are recognised as income over the life the depreciable asset by way of a reduced depreciation charge.

(h) Record the share issuance costs to the reserves

Under PRC GAAP, share issuance costs are recorded as prepayment, and would be used to offset against the share premium when the share issuance is completed.

Under IFRS, share issuance costs are recorded in the reserves when incurred.