

## SUPPLEMENTARY INFORMATION FOR AMERICAN DEPOSITARY SHAREHOLDERS

The Group's accounting policies conform with IFRS which differ in certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). The significant differences are set out below.

### (a) Revaluation of property, plant and equipment

In connection with the Restructuring, the property, plant and equipment of the Company's predecessor operations were revalued as at 31 December 2001. The net revaluation deficit was reflected in the consolidated financial statements as at 31 December 2001. Such revaluation resulted in an increase directly to equity of RMB4,154 million with respect to the increase in carrying amount of certain property, plant and equipment above their historical cost bases, and a charge to income of RMB11,930 million with respect to the reduction in carrying amount of certain property, plant and equipment below their historical cost bases.

In connection with the First Acquisition, the property, plant and equipment of the First Acquired Group were revalued as at 31 December 2002. The net revaluation deficit was reflected in the consolidated financial statements as at 31 December 2002. Such revaluation resulted in an increase directly to equity of RMB760 million with respect to the increase in carrying amount of certain property, plant and equipment above their historical cost bases, and a charge to income of RMB14,690 million with respect to the reduction in carrying amount of certain property, plant and equipment below their historical cost bases.

In connection with the Second Acquisition, the property, plant and equipment of the Second Acquired Group were revalued as at 31 December 2003. The net revaluation deficit was reflected in the consolidated financial statements as at 31 December 2003. Such revaluation resulted in an increase directly to equity of RMB1,537 million with respect to the increase in carrying amount of certain property, plant and equipment above their historical cost bases, and a charge to income of RMB14,832 million with respect to the reduction in carrying amount of certain property, plant and equipment below their historical cost bases.

In accordance with Group's accounting policy, the property, plant and equipment of the Group were revalued as at 31 December 2004. The net revaluation deficit was reflected in the consolidated financial statements as at 31 December 2004. Such revaluation resulted in an increase directly to equity of RMB1,233 million with respect to the increase in carrying amount of certain property, plant and equipment above their historical cost bases, and a charge to income of RMB1,262 million with respect to the reduction in carrying amount of certain property, plant and equipment below their historical cost bases.

Under US GAAP, property, plant and equipment are stated at their historical cost less accumulated depreciation unless an impairment loss has been recorded. An impairment loss on property, plant and equipment is recorded under US GAAP if the carrying amount of such asset exceeds its future undiscounted cash flows resulting from the use of the asset and its eventual disposition. The future undiscounted cash flows of the Group's property, plant and equipment, whose carrying amount was reduced as a result of the above revaluations, exceed the historical cost carrying amount of such property, plant and equipment and, therefore, impairment of such assets is not appropriate under US GAAP. Accordingly, the revaluation reserve recorded directly to equity and the charges to income recorded under IFRS as a result of the above revaluations, are reversed for US GAAP purposes.

However, as a result of the tax deductibility of the net revaluation deficit, a deferred tax liability related to the net revaluation deficit is created under US GAAP with a corresponding decrease in equity.

## SUPPLEMENTARY INFORMATION FOR AMERICAN DEPOSITARY SHAREHOLDERS *(continued)*

### (b) Disposal of revalued property, plant and equipment

Under IFRS, on disposal of a revalued asset, the related revaluation surplus is transferred from the revaluation reserve to retained earnings. Under US GAAP, the gain and loss on disposal of an asset is determined with reference to the asset's historical cost carrying amount and included in current earnings.

### (c) Effect of change in tax rate

Under IFRS, the effect of a change in tax rate that results in a change in the carrying amounts of deferred tax assets and liabilities is charged or credited directly to equity, to the extent that such deferred tax assets and liabilities were previously charged or credited to equity upon initial recognition. Under US GAAP, the effect of a change in tax rate for all items of deferred tax assets and liabilities is recorded in the income statement.

### (d) Minority interests

Under IFRS, minority interests at the balance sheet date 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 on the face of the consolidated income statement as an allocation of the total net profit for the period between the minority interests and the equity shareholders of the Company. Under US GAAP, minority interests at the balance sheet date are presented in the consolidated balance sheet either as liabilities or separately from liability and equity. Minority interests in the results of the Group for the period are also separately presented in the consolidated income statement as deduction before arriving at the net profit.

### (e) Recently issued accounting standards

#### *SFAS No. 123R*

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-based payment" (SFAS No. 123R). SFAS No. 123R addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R requires an entity to recognise the grant-date fair-value of stock options and other equity-based compensation issued to employees in the income statement. SFAS No. 123R generally requires that an entity account for those transactions using the fair-value-based method, and eliminates an entity's ability to account for share-based compensation transactions using the intrinsic value method of accounting, which was permitted under Statement 123, as originally issued. For the Group, SFAS No. 123R is effective at the beginning of the reporting period that begins after 15 June 2005. Currently, the Group does not expect the application of SFAS No. 123R will have a material impact on its consolidated financial statements.

#### *SFAS No. 153*

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-monetary Assets". SFAS No. 153 addresses the accounting for non-monetary exchanges of productive assets. SFAS No. 153 requires non-monetary exchanges to be accounted for at fair value, recognising any gains or losses, if the fair value is determinable within reasonable limits and the transaction has commercial substance. For the Group, SFAS No. 153 is effective for fiscal years beginning after 15 June 2005. Currently, the Group does not expect the application of SFAS No. 153 will have a material impact on its consolidated financial statements.

**(e) Recently issued accounting standards (continued)****EITF 04-13**

In September 2005, the Emerging Issues Task Force of the FASB issued EITF Issue No. 04-13 "Accounting for Purchases and Sales of Inventory with the Same Counterparty" ("EITF 04-13"). EITF 04-13 provides guidance as to when purchases and sales of inventory with the same counterparty should be accounted for as a single exchange transaction. EITF 04-13 also provides guidance as to when a non-monetary exchange of inventory should be accounted for at fair value. EITF 04-13 will be applied to new arrangements entered into, and modifications or renewals of existing arrangements occurring after 1 January 2007. Currently, the Group does not expect the application of EITF 04-13 will have a material impact on its consolidated financial statements.

**SFAS No. 155**

In February 2006, the FASB issued SFAS No.155, "Accounting for Certain Hybrid Financial Instruments". SFAS No.155 amends SFAS No.133 and SFAS No. 140 and allows financial instruments that have embedded derivatives that otherwise would require bifurcation from the host to be accounted for as a whole, if the holder irrevocably elects to account for the whole instrument on a fair value basis. Subsequent changes in the fair value of the instrument would be recognised in the income statement. For the Group, SFAS No.155 is effective for fiscal years beginning after 15 September 2006. Currently, the Group does not expect the application of SFAS No. 155 will have a material impact on its consolidated financial statements.

**(f) Reconciliation of net profit and equity attributable to equity holders of the Company under IFRS to US GAAP**

The effect on net profit of significant differences between IFRS and US GAAP for the years ended 31 December 2004 and 2005 is as follows:

	<b>2005 US\$ millions (Note)</b>	<b>2005 RMB millions</b>	<b>2004 RMB millions</b>
Net profit attributable to equity holders of the Company under IFRS	<b>3,459</b>	<b>27,912</b>	28,023
US GAAP adjustments:			
Reversal of deficit on revaluation of property, plant and equipment	—	—	1,262
Depreciation on revalued property, plant and equipment, net of minority interest of RMB16 million for 2004 and RMB15 million for 2005	<b>(848)</b>	<b>(6,844)</b>	(6,766)
Disposal of revalued property, plant and equipment	<b>(39)</b>	<b>(316)</b>	(128)
Effect of change in tax rate on deferred tax assets arising from revaluation of land use rights	<b>(1)</b>	<b>(5)</b>	(244)
Effect of change in tax rate on deferred tax liabilities arising from revaluation of property, plant and equipment	<b>3</b>	<b>22</b>	2,189
Deferred tax effect of US GAAP adjustments	<b>224</b>	<b>1,806</b>	1,379
Net profit attributable to equity holders of the Company under US GAAP	<b>2,798</b>	<b>22,575</b>	25,715
Basic earnings per share under US GAAP	<b>0.03</b>	<b>0.28</b>	0.33
Basic earnings per ADS* under US GAAP	<b>3.46</b>	<b>27.89</b>	32.62

\* Basic earnings per ADS is calculated on the basis that one ADS is equivalent to 100 H shares.

**SUPPLEMENTARY INFORMATION FOR AMERICAN  
DEPOSITARY SHAREHOLDERS** *(continued)***(f) Reconciliation of net profit and equity attributable to equity holders of the Company  
under IFRS to US GAAP** *(continued)*

The effect on equity of significant differences between IFRS and US GAAP as at 31 December 2004 and 2005 is as follows:

	<b>2005 US\$ millions (Note)</b>	<b>2005 RMB millions</b>	2004 RMB millions
Equity attributable to equity holders of the Company under IFRS	<b>22,492</b>	<b>181,517</b>	159,206
US GAAP adjustments:			
Revaluation of property, plant and equipment, net of minority interests of RMB39 million as at 31 December 2004 and RMB24 million as at 31 December 2005	<b>1,894</b>	<b>15,287</b>	22,447
Deferred tax effect of US GAAP adjustment	<b>(457)</b>	<b>(3,691)</b>	(5,519)
Equity attributable to equity holders of the Company under US GAAP	<b>23,929</b>	<b>193,113</b>	176,134

Note: Solely for the convenience of the reader, the amounts as at and for the year ended 31 December 2005 have been translated into United States dollars at the noon buying rate in New York City on 31 December 2005 for cable transfers in RMB as certified for custom purposes by the Federal Reserve Bank of New York of US\$1.00 = RMB8.0702. No representation is made that the RMB amounts could have been, or could be, converted into United States dollars at that rate or at any other certain rate on 31 December 2005, or at any other date.