

SUPPLEMENTARY INFORMATION FOR NORTH AMERICAN SHAREHOLDERS

The effects on the profit attributable to shareholders and on shareholders' funds of significant differences between IAS and accounting principles generally accepted in the United States of America ("US GAAP") are summarised below. The US GAAP reconciliation shown below have been prepared by management and have not been subject to independent audit or review.

(i) FOREIGN EXCHANGE GAINS AND LOSSES

Under IAS, foreign exchange differences on funds borrowed for construction are capitalised as property, plant and equipment to the extent that they are regarded as an adjustment to interest costs during the construction period. Under US GAAP, all foreign exchange gains and losses on foreign currency debts are included in current earnings. For the periods presented herein, there were no adjustments related to the capitalisation of foreign exchange gains and losses. The US GAAP adjustments represent the depreciation effect of such originating adjustments described above.

(ii) CAPITALISATION OF PROPERTY, PLANT AND EQUIPMENT

In years prior to those presented herein, certain adjustments arose between IAS and US GAAP with regard to the capitalisation of interest and pre-production results under IAS, that were reversed and expensed under US GAAP. For the periods presented herein, there were no adjustments related to the capitalisation of interest and pre-production results. Accordingly, the US GAAP adjustments represent the depreciation effect of such originating adjustments described above.

(iii) REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

As required by the relevant PRC regulations with respect to the Reorganisation, the property, plant and equipment of the Group were revalued at 30 September 1999. The revaluation results in an increase in shareholders' funds with respect to the increase in carrying amount of certain property, plant and equipment above their historical bases.

Under US GAAP, property, plant and equipment are stated at their historical cost less accumulated depreciation. However, as a result of the tax deductibility of the revaluation surplus, a deferred tax asset related to the reversal of the revaluation surplus is created under US GAAP with a corresponding increase in shareholders' funds.

In addition, under IAS, 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 carrying amount and included in current earnings.

(iv) IMPAIRMENT OF LONG-LIVED ASSETS

Under IAS, impairment charges are recognised when a long-lived asset's carrying amount exceeds the higher of an asset's net selling price and value in use, which incorporates discounting the asset's estimated future cash flows.

Under US GAAP, determination of the recoverability of a long-lived asset is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognised. Measurement of an impairment loss for a long-lived asset is based on the fair value of the asset.

In addition, under IAS, a subsequent increase in the recoverable amount of an asset is reversed to the consolidated profit and loss account to the extent that an impairment loss on the same asset was previously recognised as an expense when the circumstances and events that led to the write-down or write-off cease to exist. The reversal is reduced by the amount that would have been recognised as depreciation had the write-off not occurred. Under US GAAP, an impairment loss establishes a new cost basis for the impaired asset and the new cost basis should not be adjusted subsequently other than for further impairment losses.

SUPPLEMENTARY INFORMATION FOR NORTH AMERICAN SHAREHOLDERS (CONTINUED)

For the six-month period ended 30 June 2001, there was no impairment and reversal of impairment of long-lived assets under IAS . The US GAAP adjustment represents the depreciation effect on the carrying amounts of previously impaired long-lived assets which were subsequently reversed under IAS.

	Six-month periods ended 30 June		
	2001 US\$ millions	2001 RMB millions	2000 RMB millions
Profit attributable to shareholders under IAS	1,157	9,580	7,513
US GAAP adjustments:			
Foreign exchange gains and losses (i)	5	38	39
Capitalisation of property, plant and equipment (ii)	1	6	6
Depreciation on revalued property, plant and equipment (iii)	239	1,985	1,997
Disposal of property, plant and equipment (iii)	4	30	—
Impairment of long-lived assets, net of depreciation effect (iv)	—	—	(34)
Reversal of impairment of long-lived assets, net of depreciation effect (iv)	4	32	(860)
Deferred tax effects of US GAAP adjustments	(76)	(630)	(328)
Profit attributable to shareholders under US GAAP	1,334	11,041	8,333
Basic and diluted earnings per share under US GAAP	US\$0.02	RMB0.13	RMB0.12
Basic and diluted earnings per ADS under US GAAP*	US\$1.59	RMB13.16	RMB12.11

* Basic and diluted earning per ADS is calculated on the basis that one ADS is equivalent 100 shares.

	At 30 June 2001 US\$ millions	At 30 June 2001 RMB millions	At 31 December 2000 RMB millions
	Shareholders' funds under IAS	16,038	132,739
US GAAP adjustments:			
Foreign exchange gains and losses (i)	(65)	(542)	(580)
Capitalisation of property, plant and equipment (ii)	(5)	(42)	(48)
Revaluation of property, plant and equipment (iii)	(3,034)	(25,114)	(27,129)
Deferred tax adjustments on revaluations (iii)	928	7,688	8,296
Reversal of impairment of long-lived assets (iv)	(84)	(694)	(726)
Deferred tax effects of US GAAP adjustments	49	405	427
Shareholders' funds under US GAAP	13,827	114,440	110,111

Note: United States dollar equivalents

For the convenience of readers, amounts in Renminbi have been translated into United States dollars at the rate of US\$1.00 = RMB 8.2767 being the noon buying rate in New York City on 29 June 2001 for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the Renminbi amounts could have been, or could be, converted into United States dollars at that rate.