

**SUPPLEMENTARY INFORMATION FOR PRC SHAREHOLDERS***(Expressed in Renminbi)*

Effects of significant differences between PRC Accounting Rules and Regulations and IFRS on net (loss)/profit are analysed as follows:

	Note	2003 RMB'000	2002 RMB'000
Net profit under PRC Accounting Rules and Regulations		14,488	513,345
Adjustments:			
Gains on aircraft sale and leaseback transactions	(a)	(30,710)	188,886
Losses on staff housing allocation	(b)	(111,000)	(95,833)
Adjustment for revaluation of land use rights	(c)	3,872	3,645
Effect of the above adjustments on taxation		4,026	(34,282)
Effect of change in income tax rate on deferred taxation		(122,281)	–
Adjustment for unrealised deferred tax assets	(d)	(116,662)	–
Net (loss)/profit under IFRS		(358,267)	575,761

Effects of significant differences between PRC Accounting Rules and Regulations and IFRS on shareholders' equity are analysed as follows:

	Note	2003 RMB'000	2002 RMB'000
Shareholders' equity under PRC Accounting Rules and Regulations		11,549,849	8,894,594
Adjustments:			
Gains on aircraft sale and leaseback transactions	(a)	213,846	244,556
Losses on staff housing allocation	(b)	308,167	419,167
Adjustment for revaluation of land use rights	(c)	(165,420)	(169,292)
Effect of the above adjustments on taxation		(10,735)	224,182
Shareholders' equity under IFRS		11,895,707	9,613,207



SUPPLEMENTARY INFORMATION FOR PRC SHAREHOLDERS (Cont'd)

(Expressed in Renminbi)

Notes:

- (a) In accordance with PRC accounting rules and regulations, gains on aircraft sale and leaseback transactions are recorded as deferred credits and amortised over the lease terms on a straight line basis. Under IFRS, 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 lease term.
- (b) In accordance with PRC accounting rules and regulations, losses on staff housing allocation executed by CSAHC on the Company's behalf are charged to retained profits as and when incurred. In addition, lump sum housing benefits are charged to retained profits as of 1 January, 2001 pursuant to the relevant regulations. Under IFRS, losses on staff housing allocations and lump sum housing benefits are charged to the income statement in the obligatory periods stipulated by the relevant contracts.
- (c) In accordance with PRC accounting rules and regulations, land use rights are carried at revalued amounts. Under IFRS, land use rights are carried at cost with effect from 1 January, 2002. Accordingly, the unamortised surplus on revaluation of the land use rights was reversed against the shareholders equity.
- (d) In the financial statements prepared under IFRS, an adjustment has been made to reverse certain unrealised deferred tax assets upon the annual assessment performed by the Group for the year. Such items were adjusted for in the financial statements of the Group prepared under PRC accounting rules and regulations in respect of the prior years.
- (e) The Group's consolidated financial statements prepared under IFRS for the two years ended 31 December, 2002 and 2003 were audited by KPMG, a firm of certified public accountants in Hong Kong.