

Supplementary Information

(The supplementary information does not form part of the financial statements and the audit report)

1. RECONCILIATION OF DIFFERENCES BETWEEN FINANCIAL STATEMENTS

The major differences in net assets and net profit between the 2002 statutory financial statements of the Group and the audited financial statements of the Group prepared in accordance with the IFRS by PricewaterhouseCoopers Certified Public Accountants are as follows:

	Net Assets	Net Profit
As reported in the Group's statements prepared in accordance with Accounting System for Enterprises	3,220,666,001	263,758,426
Adjustments made in accordance with the IFRS:		
— dividends proposed in subsequent period	59,174,000	—
— reversal of revaluation surplus of leasehold land during share conversion	(171,414,418)	3,837,814
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As restated in accordance with the IFRS	3,108,425,583	267,596,240

2. CALCULATION OF RETURN ON NET ASSETS AND EARNINGS PER SHARE ON FULLY DILUTED AND WEIGHTED AVERAGE BASIS

Items	Profit for the reporting period	Return on net assets (%)		Earnings per share (RMB/share)	
		Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	1,019,260,482	31.65%	33.08%	0.86	0.87
Operating profit	514,257,148	15.97%	16.69%	0.43	0.44
Net profit	263,758,426	8.19%	8.56%	0.22	0.23
Net profit after extraordinary items	271,550,329	8.43%	8.81%	0.23	0.23

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3. BREAKDOWN OF PROVISIONS FOR IMPAIRMENT OF ASSETS IN 2002

Items	1 January 2002		Additions during year		Write-backs during year		31 December 2002	
	Consolidated	Company	Consolidated	Company	Consolidated	Company	Consolidated	Company
1. Total provisions for bad debts	12,022,355	3,009,314	20,977,102	3,436,339	2,252,014	—	30,747,443	6,445,653
Including: Accounts receivable	8,453,410	2,436,879	13,029,818	2,199,166	2,252,014	—	19,231,214	4,636,045
Other receivables	3,568,945	572,435	7,947,284	1,237,173	—	—	11,516,229	1,809,608
2. Total provisions for short-term investments	5,132,899	5,132,899	1,000,586	1,000,586	5,053,485	5,053,485	1,080,000	1,080,000
Including: stock investment	5,132,899	5,132,899	1,000,586	1,000,586	5,053,485	5,053,485	1,080,000	1,080,000
Bond investment	—	—	—	—	—	—	—	—
3. Total provisions for inventory	5,777,389	—	10,768,885	—	138,897	—	16,407,377	—
Including: finished goods	—	—	—	—	—	—	—	—
Raw materials	5,777,389	—	10,768,885	—	138,897	—	16,407,377	—
4. Total provisions for impairment of long-term investments	—	—	—	—	—	—	—	—
Including: long-term equity investment	—	—	—	—	—	—	—	—
Long-term bond investment	—	—	—	—	—	—	—	—
5. Total provisions for impairment of fixed assets	—	—	—	—	—	—	—	—
Including: buildings	—	—	—	—	—	—	—	—
Machinery and equipment	—	—	—	—	—	—	—	—
6. Provisions for impairment of intangible assets	—	—	—	—	—	—	—	—
Including: patents	—	—	—	—	—	—	—	—
Trademarks	—	—	—	—	—	—	—	—
7. Provisions for impairment of construction-in-progress	—	—	—	—	—	—	—	—
8. Provisions for impairment of entrusted loans	—	—	—	—	—	—	—	—

4. ANALYSIS OF ITEMS OF CHANGES IN FINANCIAL STATEMENT DATA

Analysis of items in financial statement data with fluctuations in excess of 30% (inclusive of 30%) which accounted for 5% (inclusive of 5%) of the total assets on the balance sheet or 10% (inclusive of 10%) of the total profit for the reporting period.

Items	31 December 2002	31 December 2001	Differences in amounts and range		Note
			Amount	%	
Fixed assets, at cost	7,365,535,404	5,178,989,055	2,186,546,349	42%	(a)
Construction-in-progress	1,358,707,399	710,658,380	648,049,019	91%	(a)
Short-term loans	1,850,453,434	1,027,420,000	823,033,434	80%	(b)
Accounts payable	564,624,170	242,300,684	322,323,486	133%	(c)
Capital reserve	1,440,160,049	834,602,623	605,557,426	73%	(d)
Income from principal operations	2,999,775,744	2,058,348,827	941,426,917	46%	(e)
Costs of principal operations	(1,961,170,514)	(1,306,913,463)	654,257,051	50%	(e)

- (a) In 2002, the Group expanded the size of its fixed asset investments. The main construction works completed in the year include Tongling Phase 2, Zongyang Phase 2, Chizhou Phase 1, Zhangjiagang Phase 1 and Chizhou Phase 2. During the year, the Group carried forward balance of fixed assets of approximately RMB1.6 billion that led to a substantial increase in fixed assets over 2001. At the same time, the Group continues to expand its investments in infrastructures resulting a similar substantial increase in construction-in-progress.
- (b) In order to resolve the sources of funds for fixed asset investments, the Group expanded the size of its bank credit resulting in a substantial increase of bank loans in 2002 over 2001.
- (c) The increase in accounts payable was primarily due to the increase in the amount payable for construction and equipment which are payable only after the completion of the construction.
- (d) The increase in capital reserve during the year was primarily due to net proceeds, after deducting issuing expenses, derived from the issuance of A Shares in excess of its par value.
- (e) With the increase in production size and increases in market prices, 2002 sales of the Group increased by 46% over 2001 with corresponding increases in cost of sales.