

# Financial Highlights

The year 2002 financial report prepared by the Company was audited by PricewaterhouseCoopers Zhong Tian CPAs and PricewaterhouseCoopers, whose audited report expressed an unqualified opinion on the financial statements.

- (1) According to the PRC Accounting Standards, the financial highlights of the Group as at 31st December 2002 are as follows:

<b>Item</b>	<b>Unit: RMB'000</b>
Gross Profit	1,235,272
Net profit	816,833
Net profit after non-recurring profits/losses	819,725
Profit from principal operations	1,272,256
Other operating income	52,109
Profit from operations	1,185,700
Investment income	42,639
Subsidy income	—
Non-operating income/expenses, net	6,933
Net cash flow from operating activities	1,301,452
Net decrease in cash and cash equivalents	(65,246)

- (2) According to the accounting principles generally accepted in Hong Kong and accounting standards issued by Hong Kong Society of Accountants (Collectively "HKGAAP"), the financial highlights of the Group as at 31st December 2002 are as follows:

<b>Item</b>	<b>Unit: RMB'000</b>
Turnover	2,272,515
Profit before taxation	1,308,949
Profit attributable to shareholders	854,445
Operating profit	1,270,605
Net cash inflow from operations	1,298,842
Net decrease in cash and cash equivalents	(63,256)

(3) Differences between the PRC Accounting Standards and Hong Kong Accounting Standards:

The differences between the statutory financial statements prepared by the Group in accordance with PRC Accounting Standards and the financial statements prepared by the Group in accordance with HKGAAP are summarised as follows:

	Net Profit		Net Asset	
	2002	2001	31st December	
	RMB '000	RMB '000	2002	2001
	RMB '000	RMB '000	RMB '000	RMB '000
As reported in PRC statutory financial statements	816,833	780,864	13,613,202	13,453,721
HKGAAP adjustments:				
– amortisation of land use right	30,462	36,920	67,382	36,920
– valuation, depreciation and amortisation of fixed assets	35,320	30,730	(1,582,832)	(1,618,152)
– housing subsidy charged to retained earnings directly under the statutory accounts	(16,838)	—	—	16,838
– loss on disposal of staff quarters	—	—	(8,237)	(8,237)
– deferred taxation	(10,877)	(14,351)	(25,228)	(14,351)
– interests accrued on held-to-maturity securities	(7,077)	7,077	—	7,077
– fair value of trading securities	9,067	—	9,067	—
– dividends proposed in subsequent period	—	—	654,907	629,718
– others	(2,445)	—	—	—
As reported in this financial statements prepared in accordance with HKGAAP	854,445	841,240	12,728,261	12,503,534

(4) Reasons for the change in accounting standard for the year 2002:

Pursuant to Article 156 of the Articles of Association of the Company, in addition to the statutory financial statement, the Group shall also prepare an account in accordance with International Accounting Standards (“IAS”) or the generally acceptable accounting principles in the place of listing.

The accounts of the Group are prepared in accordance with the HKGAAP. This represents a change in the adoption of accounting standards for the preparation of accounts from prior years when the accounts were prepared in accordance with IAS.

The directors of the Company believe that the accounts prepared in accordance with HKGAAP will result in accounts presentation more familiar to the Hong Kong based investors and be more comparable to other Hong Kong listed companies with similar operations. The directors of the Company consider that there is no significant difference in the accounting treatments between adopting IAS and HKGAAP.

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(5) According to the PRC Accounting Standards, non-recurring profit/loss comprises the followings:

(Unit: RMB'000)

Items	2002		2001	
	The Group	The Company	The Group	The Company
Non-operating income	20,059	13,131	8,529	7,297
Non-operating expenses	(13,126)	(11,683)	(14,680)	(14,299)
Refund of income tax	—	—	163,430	163,430
Amortisation of difference on long term equity investments	(11,249)	(11,249)	(6,026)	(6,026)
Effects of Income tax	1,424	3,235	4,018	4,299
Total	(2,892)	(6,566)	155,271	154,701

(6) Principal accounting data and financial indicators of the Group under the PRC Accounting Standards for the past five years:

(Unit: RMB'000)

Items	2002	2001	2000	1999	1998
Income from principal activities	2,026,238	1,625,992	1,381,696	1,138,385	1,013,037
Net profit	816,833	780,864	691,486	604,868	542,775
Total assets	15,081,793	14,914,400	15,057,227	14,519,176	14,098,258
Total liabilities	1,072,088	1,329,334	1,608,363	1,899,271	1,694,154
Minority interests	396,503	131,345	129,451	129,453	127,500
Shareholders' equity	13,613,202	13,453,721	13,319,413	12,490,452	12,276,604
Earnings per share	RMB0.16	RMB0.16	RMB0.14	RMB0.12	RMB0.11
Net asset per share	RMB2.70	RMB2.67	RMB2.64	RMB2.56	RMB2.51
Adjusted net asset per share	RMB2.70	RMB2.67	RMB2.64	RMB2.56	RMB2.51
Net cash flow per share from operating activities	RMB0.26	RMB0.22	RMB0.20	RMB0.18	RMB0.17
Return on net assets	6.0%	5.8%	5.2%	4.8%	4.4%
Weighted average return on net assets	5.9%	5.7%	5.4%	4.8%	4.4%

(7) Principal accounting data and financial indicators of the Group under the HK GAAP for past five years:

(Unit: RMB'000)

Items	2002	2001	2000	1999	1998
Revenue, net	2,272,515	1,829,552	1,542,952	1,233,924	1,052,975
Net profit	854,445	841,240	688,306	630,683	566,363
Total Assets	13,566,108	13,334,684	13,400,108	12,844,327	12,397,693
Total Liabilities	441,344	452,305	940,466	1,296,469	1,318,721
Minority interests	396,503	378,845	343,951	343,953	212,485
Shareholders' equity	12,728,261	12,503,534	12,115,691	11,203,905	10,866,487
Earnings per share	0.1696	0.1670	0.1407	0.1290	0.1159
Net assets per share	2.53	2.48	2.41	2.29	2.16
Net cash flow per share from operating activities	1,298,842	1,092,958	916,085	855,419	726,814

(8) Change of shareholders' equity in accordance with the PRC Accounting Standards during the reporting period:

(Unit: RMB)

Items	At the beginning of period	Increase for the period	Decrease for the period	At the end of period	Reasons for change
Share capital	5,037,747,500	—	—	5,037,747,500	—
Capital reserve	7,484,538,998	—	—	7,484,538,998	—
Statutory surplus reserve	462,621,126	139,826,950	—	602,448,076	(i)
Including:					
Statutory public welfare fund	154,207,041	46,608,983	—	200,816,024	(i)
Unrealized loss on investments	—	(2,445,239)	—	(2,445,239)	(ii)
Retained earning	468,813,520	816,833,308	(794,734,125)	490,912,703	(iii)
Shareholders' equity	13,453,721,144	954,215,019	(794,734,125)	13,613,202,038	

The reasons for the changes in the shareholders' equity:

- (i) Statutory surplus reserve increased due to the profit appropriation.
- (ii) The unrealized loss on investments was unrecognized loss on an investment in a subsidiary, which was of negative shareholders' equity, according to the PRC Accounting Standards.
- (iii) Changes in retained earnings for the period due to current year's profit and profit appropriations, including profit appropriations to statutory reserves and dividends.

(9) Profit statement in accordance with the PRC Accounting Standards:

	Rate of return on net asset		Earnings per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit for the reporting period				
Profit from principal operations	9.35%	9.18%	0.25	0.25
Operating profit	8.71%	8.55%	0.24	0.24
Net profit	6.00%	5.89%	0.162	0.162
Net profit after non-recurring profit/loss	6.02%	5.91%	0.163	0.163