

Financial Highlights

Financial information of the Group for the year ended December 31, 2002 prepared in accordance with accounting principles generally accepted in the PRC (“PRC GAAP”) is set out below:

RMB millions

Loss before tax	(1,031)
Net loss	(1,026)
Net loss after non-operating loss (note)	(245)
Profit from principal operations	765
Profit from other operations	3
Operating loss	(369)
Loss from investment	(8)
Subsidy income	–
Net non-operating expense	(654)
Net cash inflow from operations	1,860
Net decrease in cash and cash equivalents	(4)

Note: Non-operating loss under PRC GAAP was approximately RMB780.37 million, including income of approximately RMB7.14 million from disposal of fixed assets, loss of RMB286.68 million from disposal of fixed assets, inventory loss of RMB139.98 million, loss of RMB26.72 million from unscheduled plant shutdowns, write down of carrying value of fixed assets of RMB322.24 million and other losses of RMB11.88 million.

Prepared in accordance with International Financial Reporting Standards (“IFRS”)

Items

RMB millions except for per share data

For the year ended December 31,	2002	2001	2000	1999	1998
Turnover	13,138	12,519	13,396	10,555	8,844
(Loss)/profit before tax	(1,028)	(1,815)	(877)	227	105
Net(loss)/profit	(1,023)	(1,817)	(836)	149	66
(Loss)/earnings per share	(RMB0.29)	(RMB0.51)	(RMB0.24)	RMB0.04	RMB0.02
As at December 31					
Total assets	13,665	13,830	17,974	16,054	15,768
Shareholders' equity	2,083	3,106	5,874	6,199	6,085
Net assets per share	RMB0.58	RMB0.87	RMB1.65	RMB1.82	RMB1.78

Prepared in accordance with PRC GAAP

Items*RMB millions except for per share data*

For the year ended December 31,	2002	2001	2000
Income from principal operations	12,319	11,914	13,847
Net loss	(1,026)	(1,803)	(879)
Loss per share (fully diluted)	(RMB0.29)	(RMB0.51)	(RMB0.25)
Loss per share (weighted average)	(RMB0.29)	(RMB0.51)	(RMB0.25)
Net cash inflows from operating activities per share	RMB0.52	RMB0.67	RMB0.04
Return on net assets (fully diluted)	(35.92%)	(46.45%)	(15.45%)
Return on net assets (weighted average)	(30.45%)	(37.69%)	(14.44%)
As at December 31,			
Total assets	14,336	14,532	17,711
Shareholders' equity (excluding minority interests)	2,856	3,882	5,687
Net assets per share	RMB0.80	RMB1.09	RMB1.60
Adjusted net assets per share	RMB0.76	RMB1.04	RMB1.50

Notes:

1. The shares outstanding as at December 31, 2002, 2001 and 2000, were 3,561,078,000 shares, 3,561,078,000 shares, and 3,561,078,000 shares, respectively.
2. The weighted average number of shares for 2002 was 3,561,078,000 shares.
3. The weighted average number of shares for 2001 was 3,561,078,000 shares.
4. The weighted average number of shares for 2000 was 3,551,025,000 shares.

The Differences under IFRS and PRC GAAP

For the year ended December 31, 2002, the net loss as reported under PRC GAAP was approximately RMB1,025.73 million and the net loss as reported under IFRS was approximately RMB1,023.10 million.

The significant differences between IFRS and PRC GAAP are set out in the “Supplementary Information” section to this report.

Profit Information prepared in accordance with No. 9 Preparation Regulations of Information Announcement for Public Listed Companies Issued by the China Securities Regulatory Commission

Profit/loss for 2002	Return on net assets %		Profit/(loss) per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Income from principal operations	26.78	22.71	0.2148	0.2148
Operating loss	(12.92)	(10.95)	(0.1036)	(0.1036)
Net loss	(35.92)	(30.45)	(0.2880)	(0.2880)
Net loss after non-operating loss	8.58	(7.27)	(0.0688)	(0.0688)

Notes:

The method of calculation of fully diluted and weighted average financial items prepared in accordance with PRC GAAP is as follows:

- Return on net assets (fully diluted) = net loss/net assets as at December 31, 2002 X 100%
- Return on net assets (weighted average) = net loss/(net assets as at January 1, 2002 + net assets as at December 31, 2002)/ 2 X 100%
- Loss per share (fully diluted) = net loss/shares outstanding as at December 31, 2002
- Loss per share (weighted average) = net loss/(shares outstanding as at January 1, 2002 + shares outstanding as at December 31, 2002)/2

During the year ended December 31, 2002, changes in shareholders' equity of the Group under PRC GAAP were as follows:

Items	Share capital <i>RMB</i>	Capital surplus <i>RMB</i>	Surplus reserves <i>RMB</i>	Statutory public welfare fund included in surplus reserves <i>RMB</i>	Accumulated losses <i>RMB</i>	Total shareholders' equity <i>RMB</i>
As at January 1, 2002	3,561,078,000	2,293,618,886	701,064,536	126,834,279	(2,674,016,796)	3,881,744,626
Increase during 2002	–	–	378,181	–	(1,025,732,561)	(1,025,354,380)
Decrease during 2002	–	–	–	–	(521,020)	(521,020)
As at December 31, 2002	<u>3,561,078,000</u>	<u>2,293,618,886</u>	<u>701,442,717</u>	<u>126,834,279</u>	<u>(3,700,270,377)</u>	<u>2,855,869,226</u>

In 2002, the increase in surplus reserves was based on appropriations from net profit after taxation by the Company's subsidiary, Jilin Songmei Acetic Acid Company Limited, to the statutory surplus reserves, of which RMB378,181 was attributable to the Group.

The increase in accumulated losses of RMB1,025,732,561 was attributable to net loss generated during the year.