

FINANCIAL HIGHLIGHTS

1. MAJOR FINANCIAL DATA OF THE GROUP FOR 2004 PREPARED IN ACCORDANCE WITH PRC GAAP

Unit: in millions RMB

	2004
Total profit	1,418.8
Net profit	1,008.9
Net profit after extraordinary gains or losses	992.4
Profit from main operations	8,258.1
Profit from other operations	41.3
Operating profit	1,186.4
Investment income	(3.7)
Subsidy income	378.7
Net non-operating income and expenses	(142.6)
Net cash flow arising from business activities	1,644.6
Net increase in cash and cash equivalents	3,813.2

The extraordinary gain or loss items and amounts are listed below:

Unit: in millions RMB

Item	Amount
Subsidy income	40.2
Gain from short-term investment	12.1
Non-operating income	18.0
Less: non-operating expenses	53.0
Less: investment loss from disposal of equity	-
Less: impact on income tax	0.8
Total	16.5

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2. PRINCIPAL FINANCIAL DATA AND INDICATORS OF THE GROUP FOR THE PAST THREE YEARS PREPARED IN ACCORDANCE WITH PRC GAAP

Item	2004	2003		2002	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Revenue from main operations (RMB million)	22,698.2	16,036.0	16,036.0	11,009.2	11,009.2
Net profit (RMB million)	1,008.9	752.5	704.1 [#]	567.0	487.0
Total assets (RMB million)	20,850.0	15,767.0	15,833.4	12,405.8	12,216.9
Shareholder's equity (RMB million) (excluding minority interests)	9,174.4	5,043.9	4,810.4	4,276.4	4,307.6
Earnings per share (RMB)	1.05 *	1.13	1.06	1.02	0.88
Net assets per share (RMB)	9.56 *	7.56	7.21	7.69	7.75
Return on net assets	11.00%	14.92%	14.64%	13.26%	11.31%
Adjusted net assets per share (RMB)	9.49	7.29	6.94	7.50	7.56
Net cashflow per share arising from business activities (RMB)	1.71	1.71	1.71	2.55	2.55

* Based on the full dilution of 959,521,650 shares, being the total share capital of the Company as at 31 December 2004.

This is the result of retrospective adjustment of the net profit for 2003 by the Group's domestic auditors in accordance with PRC GAAP, which represents a difference of RMB66 million as compared with the unaudited net profit for 2003 of RMB638 million after making retrospective adjustment for the changes of accounting policies and rectification of accounting errors during the process of H share offering, mainly affected by the retrospective adjustment of income tax upon auditing at the end of the year.

3. RETURN ON NET ASSETS AND EARNINGS PER SHARE OF THE GROUP CALCULATED IN ACCORDANCE WITH PRC GAAP

Profit for the reporting period	Return on net assets *		Earnings per share (RMB) *	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main operations	90.01%	158.87%	8.61	11.08
Operating profit	12.93%	22.82%	1.24	1.59
Net profit	11.00%	19.41%	1.05	1.35
Net profit after extraordinary gains or losses	10.82%	19.09%	1.03	1.33

* Calculated and completed in accordance with the requirements of Rule No. 9 of the Rules for Information Disclosure and Report Compilation by Companies with Public Listed Securities of the China Securities Regulatory Commission

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4. CHANGES IN SHAREHOLDERS' EQUITY OF THE GROUP PREPARED IN ACCORDANCE WITH PRC GAAP

Unit: in millions RMB

Item of shareholders' equity	At the beginning of the period	Increase for the period	Decrease for the period	At the end of the period
Share capital	667.3	292.2	–	959.5
Capital surplus	2,106.0	3,385.7	–	5,491.7
Surplus reserve	624.1	361.2	–	985.3
Statutory welfare fund	214.1	37.9	–	252.0
Undistributed profit	1,221.2	1,008.9	734.6	1,495.5
Conversion difference in foreign currency statement	(8.4)	11.0	–	2.6
Cash dividends	200.2	239.8	200.2	239.8
Total shareholders' equity	4,810.4	5,298.8	934.8	9,174.4

Reasons for the changes:

- (1) The change in share capital for the reporting period was due to the implementation of the profit distribution plan for 2003 in the proportion of 2 bonus shares for every 10 shares held and the issuance of H shares of the Company.
- (2) The change in capital surplus for the reporting period was due to the share premium arising from the issuance of H shares of the Company.
- (3) The increase in undistributed profit for the reporting period was due to the net profit of 2004, and the decrease was due to the implementation of the profit distribution plan for 2003 in the proportion of 2 bonus shares for every 10 shares held, and the implementation of the profit distribution plan for 2004 pursuant to the resolutions passed at the twelfth meeting of the third session of the Board of Directors.
- (4) The change in the conversion difference in foreign currency statement for the reporting period was due to the consolidation of foreign currency statements.

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5. MAJOR FINANCIAL DATA OF THE GROUP PREPARED IN ACCORDANCE WITH HONG KONG ACCOUNTING STANDARDS

Unit: in millions RMB

	For the year ended 31 December			
	2004	2003	2002	2001
Results				
Turnover	21,220.1	17,036.1	10,795.9	9,440.9
Cost of sales	(13,813.5)	(11,226.1)	(6,924.2)	(6,142.2)
Gross profit	7,406.6	5,810.0	3,871.7	3,298.7
Other revenue and gains	534.1	252.0	312.1	119.2
Research and development costs	(2,265.2)	(1,535.7)	(1,127.9)	(1,048.3)
Selling and distribution costs	(2,799.6)	(1,981.5)	(1,277.0)	(1,150.3)
Administrative expenses	(981.4)	(869.0)	(542.4)	(528.3)
Other operating income/(expenses), net	(162.4)	(213.9)	(212.6)	10.1
Profit from operating activities	1,732.1	1,461.9	1,023.9	701.1
Finance costs	(140.4)	(171.2)	(122.3)	(160.6)
Share of profits and losses of jointly -controlled entities and associates	3.4	(3.5)	4.8	3.2
Profit before tax	1,595.1	1,287.2	906.4	543.7
Tax	(115.3)	(198.6)	(160.3)	(108.0)
Profit before minority interests	1,479.8	1,088.6	746.1	435.7
Minority interests	(207.3)	(60.3)	(42.5)	(21.7)
Net profit from ordinary activities attributable to shareholders	1,272.5	1,028.3	703.6	414.0

Unit: in millions RMB

	As at 31 December			
	2004	2003	2002	2001
Assets and liabilities				
Total assets	21,007.8	16,476.4	12,022.8	9,042.6
Total liabilities	11,312.2	11,649.9	8,124.8	5,847.3
Minority interests	478.4	226.6	215.4	134.3
Shareholders' equity	9,217.2	4,599.9	3,682.6	3,061.0

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6. MAJOR FINANCIAL INDICATORS OF THE GROUP PREPARED IN ACCORDANCE WITH HONG KONG ACCOUNTING STANDARDS

	2004	2003	2002	2001
Basic earnings per share (RMB/share)	1.57	1.28	0.88	0.53
Net assets per share (RMB/share)	11.37	5.74	4.60	3.91
Return on net assets	13.81%	22.35%	19.11%	13.53%

Note: In accordance with Hong Kong accounting standards, the above figures are calculated based on weighted average method. The weighted average number of ordinary shares is 810,759,661 in 2004.

7. RECONCILIATION OF DIFFERENCES OF NET PROFIT AND SHAREHOLDERS' EQUITY OF THE GROUP PREPARED IN ACCORDANCE WITH PRC GAAP AND HONG KONG ACCOUNTING STANDARDS

- (1) Analysis of the effects arising from material differences between the PRC GAAP and the Hong Kong accounting standards on net profit is as follows:

Unit: in millions RMB

	2004
Net profit from ordinary activities attributable to shareholders under Hong Kong accounting standards	1,272.5
Add:	
Retirement benefits provided in accordance with HK accounting standards	1.7
Government grants and deferred development costs accounted for under PRC GAAP and Hong Kong accounting standards	24.5
Financial statements for H shares are restated for the past three years to adjust the impact of the changes in accounting estimates and other adjustment items for the current year as previous years	(289.8)
Net profit from ordinary activities attributable to shareholders under PRC GAAP	1,008.9

- (2) Analysis of the effects arising from material differences between the PRC GAAP and the Hong Kong accounting standards on shareholders' equity is as follows:

Unit: in millions RMB

	2004
Shareholders' equity under Hong Kong accounting standards	9,217.2
Add:	
Retirement benefits provided in accordance with Hong Kong accounting standards	28.9
Government grants and deferred development costs accounted for under PRC GAAP and Hong Kong accounting standards	(69.6)
Other differences	(2.1)
Shareholders' equity under PRC GAAP	9,174.4