

Financial Summary

1. Summary of the principal financial information and financial indicators of the Group:

1.1. Extracted from the financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS")

	For the year ended 31 December or as at 31 December				
	2005 Rmb'000	2004 Rmb'000	2003 Rmb'000	2002 Rmb'000	2001 Rmb'000
Turnover	15,798,665	13,348,471	10,343,641	8,009,669	7,808,658
(Loss)/profit before taxation	(1,009,336)	276,792	313,398	156,745	213,375
Income tax expense	(41,343)	33,860	48,652	7,156	40,087
Minority interests	(485)	2,549	5,615	5,268	2,499
(Loss)/profit attributable to equity shareholders of the Company	(967,508)	240,383	259,131	144,321	170,789
Total assets	9,833,113	11,234,701	11,921,981	12,003,096	11,021,100
Total liabilities	1,709,196	2,061,850	2,899,673	3,179,823	2,265,706
Shareholders' funds (excluding minority interests)	8,071,813	9,120,322	8,968,853	8,765,795	8,701,474
Minority interests	52,104	52,529	53,455	57,478	53,920
Basic (loss)/earnings per share	Rmb(0.242)	Rmb0.060	Rmb0.065	Rmb0.036	Rmb0.043
Net assets per share	Rmb2.018	Rmb2.280	Rmb2.242	Rmb2.191	Rmb2.175
Ratio of shareholders' funds	82.09%	81.18%	75.23%	73.03%	78.95%
Return on net assets	(11.99%)	2.64%	2.89%	1.65%	1.96%

1.2. Extracted from financial statements prepared in accordance with the PRC Accounting Rules and Regulations

	For the year ended 31 December or as at 31 December			
	2005 Rmb'000	2004 Rmb'000	Increase/ (decrease) compared to last year (%)	2003 Rmb'000
Income from principal operations	15,798,665	13,348,471	18.4	10,343,641
Net (loss)/profit	(954,279)	231,237	(512.7)	240,204
Total assets	9,984,875	11,382,534	(12.3)	12,078,960
Shareholders' funds (excluding minority interests)	8,223,575	9,268,155	(11.3)	9,125,832
(Loss)/earnings per share	Rmb (0.239)	Rmb 0.058	(512.7)	Rmb 0.060
Return on net assets	(11.60%)	2.50%	Decreased by 14.10 percentage points	2.63%
Return on net assets before non-recurring items (weighted average)	(10.52%)	3.52%	Decreased by 14.04 percentage points	2.85%
Net assets per share	Rmb 2.056	Rmb 2.317	(11.3)	Rmb 2.281
Adjusted net assets per share	Rmb 2.054	Rmb 2.315	(11.3)	Rmb 2.279
Net cash inflow from operating activities per share	Rmb 0.162	Rmb 0.073	121.9	Rmb 0.333

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2. Details of the Group's results for the year ended 31 December 2005 (extracted from the financial statements prepared in accordance with the PRC Accounting Rules and Regulations)

(Expressed in Rmb'000)

Profit from principal operations	513,958
Profit from other operations	2,288
Operating loss	145,278
Investment income	36,491
Net non-operating expenses	888,462
Total loss	997,249
Net loss before non-recurring items	865,167
Non-recurring items (after taxation)*	89,112
Net loss	954,279
Net cash flow from operating activities	646,261
Net increase in cash and cash equivalents	50,582

* Non-recurring items

(Expressed in Rmb '000)

Net loss on disposal of fixed assets	(28,967)
Employee reduction expenses	(90,939)
Other non-operating income excluding gains on disposal of fixed assets	22,786
Other non-operating expenses excluding losses on disposal of fixed assets, employee reduction expenses and fixed assets impairment losses	(7,718)
Effect of income tax	15,726
Total	<u>(89,112)</u>

3. Supplementary schedule for the income statement of the Group prepared in accordance with the PRC Accounting Rules and Regulations

Profit during the reporting period	Return on net assets (%)		Earnings per share (Rmb)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Income from principal operations	6.250	5.877	0.128	0.128
Operating loss	(1.767)	(1.661)	(0.036)	(0.036)
Net loss	(11.604)	(10.911)	(0.239)	(0.239)
Net loss before non-recurring items	(10.521)	(9.892)	(0.216)	(0.216)

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4. Changes in shareholders' funds during the reporting period (extracted from financial statements prepared in accordance with the PRC Accounting Rules and Regulations)

Item	Share capital (Rmb'000)	Capital reserve ⁱ (Rmb'000)	Surplus reserves (Rmb'000)	Statutory public welfare fund ⁱⁱ (Rmb'000)	Undistributed profits ⁱⁱⁱ (Rmb'000)	Total shareholders funds (Rmb'000)
At the beginning of the year	4,000,000	3,093,838	1,456,004	348,411	718,313	9,268,155
Increase for the year	-	9,699	-	-	-	9,699
Decrease for the year	-	-	-	-	1,054,279	1,054,279
At the end of the year	<u>4,000,000</u>	<u>3,103,537</u>	<u>1,456,004</u>	<u>348,411</u>	<u>(335,966)</u>	<u>8,223,575</u>

i The change in the capital reserve during the reporting period represents the provision for equity investment on jointly controlled entity.

ii The statutory public welfare fund forms part of the surplus reserves.

iii Changes in undistributed profits during the reporting period represent the Group's net loss during the reporting period of Rmb 954,279,000 and the payment of final cash dividend of Rmb 100,000,000 for 2004.

5. Statement of impairment of assets (extracted from financial statements prepared in accordance with the PRC Accounting Rules and Regulations)

5.1 Statement of impairment of assets of the Group

	At 1 January 2005 Rmb'000	Increase for the year Rmb'000	Decrease for the year Rmb'000	At 31 December 2005 Rmb'000
1. Total provisions for bad and doubtful debts	55,328	6,749	9,314	52,763
Including: Trade receivables	28,088	6,744	9,314	25,518
Other receivables	27,240	5	-	27,245
2. Total provision for diminution in value of inventories	56,882	52,849	29,281	80,450
Including: Raw materials	4,270	11,197	4,270	11,197
Finished goods	8,322	13,791	16,600	5,513
Spare parts and consumables	44,290	27,861	8,411	63,740
3. Total provision for impairment of fixed assets	66,728	783,621	432,728	417,621
Including: Properties and buildings	453	77,971	-	78,424
Machinery, equipment and others	66,275	705,650	432,728	339,197
Total	<u>178,938</u>	<u>843,219</u>	<u>471,323</u>	<u>550,834</u>

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5. Statement of impairment of assets (extracted from financial statements prepared in accordance with the PRC Accounting Rules and Regulations) (Continued)

5.2 Statement of impairment of assets of the Company

	At 1 January 2005 <i>Rmb'000</i>	Increase for the year <i>Rmb'000</i>	Decrease for the year <i>Rmb'000</i>	At 31 December 2005 <i>Rmb'000</i>
1. Total provisions for bad and doubtful debts	79,819	392	9,306	70,905
Including: Trade receivables	9,996	392	9,306	1,082
Other receivables	69,823	–	–	69,823
2. Total provision for diminution in value of inventories	55,282	30,262	27,681	57,863
Including: Raw materials	4,270	4,600	4,270	4,600
Finished goods	6,722	12,801	15,000	4,523
Spare parts and consumables	44,290	12,861	8,411	48,740
3. Total impairment of long-term investment	298,109	499,179	–	797,288
Including: Long-term investment – other receivables due after 1 year	298,109	499,179	–	797,288
4. Total provision for impairment of fixed assets	66,728	391,860	432,728	25,860
Including: Properties and buildings	453	–	–	453
Machinery, equipment and others	66,275	391,860	432,728	25,407
Total	<u>499,938</u>	<u>921,693</u>	<u>469,715</u>	<u>951,916</u>

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6. Changes of financial statements items (Extracted from financial statements prepared in accordance with the PRC Accounting Rules and Regulations)

Item	At 31	At 31	Increase/ (decrease) %	Reason for change
	December 2005 <i>Rmb'000</i>	December 2004 <i>Rmb'000</i>		
Bills receivable	820,731	310,550	164.3	Bills not discounted due to rise in net cash inflow
Payments in advance	17,328	88,096	(80.3)	Decrease in purchase of raw materials at the year end
Other receivables	111,881	39,812	181.0	New receivables arising from the disposal of the Group's fixed assets
Provision for diminution in value of inventories	80,450	56,882	41.4	Provision for diminution in value of inventories
Provision for impairment of fixed assets	417,621	66,728	525.9	Subsidiaries recorded provision for impairment of fixed assets
Long-term deferred assets	–	220	(100.0)	Relevant assets amortised completely
Deferred tax assets	83,410	28,536	192.3	Recognising deferred tax assets due to the tax losses arisen during the year
Receipts in advance	343,802	205,171	67.6	Increase in sales volume at the year end
Short-term loans	82,591	309,726	(73.3)	Repaid certain loans during the year
Bills payable	5,501	3,462	58.9	Bills not yet matured at the year end
Taxes payable	12,931	191,570	(93.2)	Loss during the year and payment of taxes relating to previous years
Accrued expenses	279	1,214	(77.0)	Decrease in accrued interests due to repayment of loans during the year
Current portion of long-term liabilities	97,431	200,000	(51.3)	Repaid certain loans during the year
Long-term loans	50,000	190,000	(73.7)	Repaid certain loans during the year
Long-term payable	12,834	–	100.0	The jointly controlled entity bought intangible assets during the year
Undistributed (loss)/profits	(335,966)	718,313	(146.8)	Losses during the year
Item	For the year ended		Increase/ (decrease) %	Reason for Change
	2005 <i>Rmb'000</i>	2004 <i>Rmb'000</i>		
Profit from principal activities	513,958	1,152,818	(55.4)	Decrease in gross margin during the year
Profit from other operations	2,288	8,432	(72.9)	Loss on disposal of unused spare parts and consumables during the year
Operating (loss)/profit	(145,278)	439,750	(133.0)	Decrease in gross margin during the year
Investment income	36,491	3,000	1,116.4	Written back of negative goodwill during the year
Non-operating income	23,088	6,041	282.2	Compensation income received during the year
Non-operating expenses	911,550	182,222	400.2	Provision for impairment of fixed assets
Total (loss)/profits	(997,249)	266,569	(474.1)	Decrease in gross margin during the year and provision for impairment of fixed assets
Income tax	(42,485)	32,783	(229.6)	Recognising deferred tax due to the tax losses arisen during the year
Minority interests	(485)	2,549	(119.0)	Subsidiaries incurred losses
Net (loss)/profit	(954,279)	231,237	(512.7)	Decrease in gross margin during the year and provision for impairment of fixed assets
(Loss)/profit available for distribution to shareholders	(235,966)	818,313	(128.8)	Losses incurred during the year

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7. Differences between the financial statements of the Group and the Company prepared in accordance with the PRC Accounting Rules and Regulations and the IFRS

	PRC Accounting Rules and Regulations		IFRS	
	The Group <i>Rmb'000</i>	The Company <i>Rmb'000</i>	The Group <i>Rmb'000</i>	The Company <i>Rmb'000</i>
Net loss	954,279	956,898	967,993	904,611

For detailed explanations of difference, please refer to the section on “**Significant Differences Between the Financial Statements of the Group Prepared in Accordance with the PRC Accounting Rules and Regulations and IFRS**” of this Annual Report.