



Chapter XIII Supplementary Information Provided by Management

(1) Reconciliation between financial statements under different GAAPs

	Net Profit		Net Assets	
	Group 2001 RMB '000	Company 2001 RMB '000	Group 2001 RMB '000	Company 2001 RMB '000
As reported under the PRC GAAP	122,888	122,205	2,175,492	2,174,054
Reversal of retained earnings for adjustment for fixed assets impairment loss	(39,538)	(35,904)	—	—
Equity accounting for the results / reserves of subsidiaries under the PRC GAAP	73	5,900	—	(92,202)
Amortisation of negative goodwill not allowed under HK GAAP	—	—	(3,731)	(3,731)
Revaluation surplus on land use rights under the PRC GAAP	—	—	(4,200)	(4,200)
Revaluation surplus on investment property.	—	—	17,705	17,705
Reversal of amortisation of revalued land use rights under the PRC GAAP.	102	—	478	—
Capital reserve arising on consolidation under HK GAAP	—	—	9,946	—
Amortisation of long term stock investment difference over ten years under the PRC GAAP	(621)	—	(1,321)	—
Proposed final dividends	—	—	36,228	36,228
Others	(210)	—	(198)	3
As reported under HK GAAP	<u>82,694</u>	<u>92,201</u>	<u>2,230,399</u>	<u>2,127,857</u>

The company's international auditor is PricewaterhouseCoopers, Hong Kong Certified Public Accountants.

(2) Fully diluted and weighted average return on equity and earnings per share

Item	Profit for reporting period	Return on equity (%)		Earnings per share (RMB/share)	
		Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal activities	434,458,859	19.97	20.21	0.72	0.72
Operating profit	146,972,540	6.76	6.84	0.24	0.24
Net profit	122,888,018	5.65	5.72	0.20	0.20
Net profit after extraordinary items	123,094	5.66	5.72	0.20	0.20

The above financial data are calculated as follows:

Calculating formulae of fully diluted return on equity and earnings per share are as follows:

Fully diluted return on equity = Profit for reporting period ÷ year-end equity

Fully diluted earnings per share = Profit for reporting period ÷ year-end number of shares

The formulae of the calculation of return on equity (ROE) on a weighted average basis is:

$$ROE = \frac{P}{E0 + NP \div 2 + Ei + Mi - M0 - Ej \times Mj \div M0}$$

Of which: P is the profit of the reporting period; NP is the net profit of the reporting period; E0 is the net assets at the beginning of the reporting period; Ei is the increase in net assets arising from new issues of shares or conversions of loans into shares during the reporting period; Ej is the decrease in net assets arising from repurchases or cash distributions during the reporting period; M0 is the month of the reporting period; Mi is the number of remaining months immediately following the month of increase in net assets to the last month of the reporting period; Mj is the number of remaining months immediately following the month of decrease in net assets to the last month of the reporting period.

(2) Fully diluted and weighted average return on equity and earnings per share (continued)

The formula for the calculation of earnings per share on a weighted average basis is:

$$\text{EPS} = \frac{P}{S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0}$$

Of which: P is the profit of the reporting period; S₀ is the total number of shares at the beginning of the reporting period; S₁ is the increase in the number of shares resulting from the increase in shareholdings by funds or stock dividends issue of shares; S_i is the increase in the number of shares arising from new issues of shares or conversion of loans into shares during the reporting period; S_j is the decrease in the number of shares arising from repurchases or cash distributions during the reporting period; M₀ is the month of the reporting period; M_i is the number of remaining months immediately following the month of increase in shares to the last month of the reporting period; M_j is the number of remaining months immediately following the month of decrease in shares to the last month of the reporting period.

(3) Breakdown of assets provision as at 31st December 2001

Kuai Qi 01 Appendix1
RMB

Item	1st January 2001		Addition		Reversal		31st December 2001	
	Group	Company	Group	Company	Group	Company	Group	Company
1. Bad debt provision, total	47,427,904	16,721,001	16,232,680	2,779,359	—	—	63,660,584	19,500,360
Including: Accounts receivable	46,343,092	16,721,001	16,232,680	2,779,359	—	—	62,575,772	19,500,360
Other receivables	1,084,812	—	—	—	—	—	1,084,812	—
2. Provision for short-term investment, total	—	—	5,180,912	4,683,591	—	—	5,180,912	4,683,591
Including: Trading securities	—	—	5,180,912	4,683,591	—	—	5,180,912	4,683,591
Debt investment	—	—	—	—	—	—	—	—
3. Provision for inventory, total	4,315,763	3,700,000	11,385,087	—	—	—	15,700,850	3,700,000
Including: Finished goods	3,700,000	3,700,000	4,477,520	—	—	—	8,177,520	3,700,000
Work in progress	—	—	2,712,054	—	—	—	2,712,054	—
Raw material	615,763	—	4,195,513	—	—	—	4,811,276	—
4. Provision for long-term investments, total	—	—	—	—	—	—	—	—
Including: Long-term equity investment	—	—	—	—	—	—	—	—
Long-term debt investment	—	—	—	—	—	—	—	—
5. Provision for fixed assets, total	39,537,633	35,904,205	—	—	—	—	39,537,633	35,904,205
Including: Buildings	—	—	—	—	—	—	—	—
Equipments	39,537,633	35,904,205	—	—	—	—	39,537,633	35,904,205
6. Provision for intangible assets	—	—	—	—	—	—	—	—
Including: Patent	—	—	—	—	—	—	—	—
Trademark	—	—	—	—	—	—	—	—
7. Provision for CIP	—	—	—	—	—	—	—	—
8. Provision for consignment loans	—	—	—	—	—	—	—	—

Legal representative: Ye Maoxin

Person in charge of accounting function: Yao Yuming

Person in charge of accounting department: Mao Faqing

(4) Analysis of the financial statement items whose fluctuation is 30% or above and also accounts for 5 percent of total assets at balance sheet date or 10 percent of current period profit. The following analysis is excluded from the financial statement.

1. Construction in progress is RMB362,576,436. It increases by 1,016.3% compared with last year and it represents 9.04% of the gross assets. The increase is mainly due to the construction of new building which is still in progress.
2. Short term loans of RMB693,970,000, increased 66.66%. It represents 17.3% of gross assets. The increase is mainly due to more loans being obtained for working capital purposes.
3. The current year's general and administration expense is RMB299,626,298 and it represents 158.78% of total profit. The 40.01% increase compared with last year is mainly due to increase in salaries, research and development, maintenance costs and other expenses. These increases are in line with the increased production activities, changes in local government regulations and new accounting regulations on provisions for impairment.
4. The current year's income tax of RMB20,599,812 increases by 107.16% and it represents 14.24% of total profit. The increase is due to the expiration of tax holidays for some subsidiaries.