

Supplementary Information

For the year ended 31 December 2002

(Unless otherwise stated, all data are prepared based on the consolidated financial statements and stated at Renminbi Yuan)
(English translation for reference only)

1. Reconciliation of financial statements

The significant differences between the Group's statutory financial statements and its financial statements prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("HK SAAP") which were audited by PricewaterhouseCoopers are as follows:

	Net profit	Shareholders' equity
As stated under HK SAAP	34,738,365	918,712,167
Impact of adjustments:		
- Timing difference of recognition of subsidy income	(13,595,150)	(13,595,150)
- Revaluation surplus arising from the transfer of fixed assets within the Group	—	2,043,658
- Unrealised gain from the transfer of fixed assets within the Group	208,274	—
- Others	(1,340,083)	—
As stated under PRC Accounting Standards	20,011,406	907,160,675

2. Diluted and weighted average net assets rate of return and earnings per share

Items	Profit of the reporting period	Net assets rate of return (%)		Earnings per share (Yuan/share)	
		Diluted	Weighted average	Diluted	Weighted average
Profit from main operations	220,145,000	24.3%	24.6%	0.489	0.489
Operating profit	1,584,004	0.2%	0.2%	0.004	0.004
Net profit	20,011,406	2.2%	2.2%	0.044	0.044
Net profit after deducting non-recurring profit and loss items	1,440,534	0.2%	0.2%	0.003	0.003

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3. Statement of provisions for assets impairment

Items	1 January 2002		Additions in current year		Deductions in current year		31 December 2002	
	Group	Company	Group	Company	Group	Company	Group	Company
1. Total bad provisions for doubtful debts	102,659,928	105,781,176	10,282,874	6,058,028	(19,744,806)	(19,451,771)	93,197,996	92,387,433
Including: Accounts receivable	47,613,301	48,228,313	10,282,874	6,058,028	—	—	57,896,175	54,286,341
Other receivables	55,046,627	57,552,863	—	—	(19,744,806)	(19,451,771)	35,301,821	38,101,092
2. Total provisions for short-term investments	6,727,260	6,727,260	—	—	(6,713,400)	(6,713,400)	13,860	13,860
Including: Investments in stock	6,727,260	6,727,260	—	—	(6,713,400)	(6,713,400)	13,860	13,860
Investments in bond	—	—	—	—	—	—	—	—
3. Total provisions for loss on realisation of inventories	11,591,520	10,424,607	2,378,871	1,612,318	(1,454,227)	(1,386,096)	12,516,164	10,650,829
Including: Raw materials	4,477,880	4,473,499	744,297	372,867	—	—	5,222,177	4,846,366
Work in progress	2,773,724	1,878,391	1,634,574	1,239,451	—	—	4,408,298	3,117,843
Finished goods	4,339,916	4,072,717	—	—	(1,454,227)	(1,386,096)	2,885,689	2,686,621
4. Total provisions for long— term investments	310,941	310,941	—	—	—	—	310,941	310,941
Including: Long— term equity investment	310,941	310,941	—	—	—	—	310,941	310,941
Long— term debt investment	—	—	—	—	—	—	—	—
5. Total provisions for fixed assets	—	—	—	—	—	—	—	—
Including: Building and plant	—	—	—	—	—	—	—	—
Machinery and equipment	—	—	—	—	—	—	—	—
6. Provisions for intangible assets	—	—	—	—	—	—	—	—
Including: Patents	—	—	—	—	—	—	—	—
Trademarks	—	—	—	—	—	—	—	—
7. Provision for construction in progress	4,157,503	4,157,503	—	—	(4,157,503)	(4,157,503)	—	—
8. Provision for entrusted loans	—	—	—	—	—	—	—	—

Legal
representative

Person in-charge
of accounting function

Person in-charge
of accounting department

Supplementary Information *(continued)*

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4. Analysis of fluctuations on financial statements items

Analysis of fluctuations on financial statements items exceeding 30% (inclusive), and exceeding 5% (inclusive) of total assets as at balance sheet date or 10% (inclusive) of total profit for the reporting period:

Items	31 December 2002	31 December 2001	Fluctuation amount and percentage		Notes
			Amount	%	
Inventories	533,692,913	387,341,156	166,351,757	43	(a)
Advances from customers	416,745,317	165,925,412	250,819,905	151	(b)
Revenue from main operations	920,904,570	370,292,656	550,611,914	149	(c)
Cost of main operations	(698,038,939)	(336,337,800)	361,701,139	108	(c)
Taxes and surcharges on main operations	(2,720,631)	(554,709)	2,165,922	390	(c)
Other operating profit	2,957,706	(2,045,574)	5,003,280	245	(d)
General and administrative expenses	(160,803,375)	(235,817,449)	(75,014,074)	(32)	(e)
Financial expenses	(28,606,967)	(20,528,573)	8,078,394	39	(f)
Investment income	9,530,560	(5,709,588)	15,240,148	267	(g)
Subsidy income	8,170,000	—	8,170,000	Not applicable	(h)
Non-operating income	3,190,796	268,865	2,921,931	1087	(i)

- (a) The increase in inventories is mainly due to more sales orders were obtained and that production scale was enlarged.
- (b) The increase in advances from customers is mainly due to more sales orders were obtained which resulted in the increase in advance payments received for construction contracts.
- (c) The increases in revenue from main operations, cost of main operations and taxes and surcharges on main operations are mainly due to that the amount of contracts the Group obtained and completed had a significant increase as compared with last year.
- (d) The increase in other operating profit is mainly due to the Group increased the sales of materials and semi-finished goods as well as the provision of related services for construction contracts.
- (e) The Group raised the percentage of provision for doubtful debts for other receivables from 20% to 40% on the year balance of other receivables in 2001. In 2002 the Group collected certain other receivables through debt restructuring and write back the related provision for such other receivables, which resulted in the decrease in general and administrative expense.
- (f) The increase in financial expenses is mainly due to the increase in bank loans in 2002 for the expansion of production, which resulted in the addition in interest expense.
- (g) The increase in investment income is mainly due to that the Assets Entrust and Management Agreement entered into by the Group and Haitong Securities Co., Ltd. has expired in 2002 and the related short-term investment income was realised, which resulted in the increase in investment income.
- (h) The Group received and recognised value added tax refund in 2002, which resulted in the increase in subsidy income.
- (i) The increase in non-operating income is mainly due to the bonuses from contract work received and recognised by the Group.