

**Chapter XII Supplementary Information Provided by Management**

- (1) The difference in the accounts for the year ended 31st December 2003 prepared in accordance with PRC GAAP and HK GAAP respectively

	Profit attributable to shareholders		Net assets value	
	Group	Company	Group	Company
	For the year ended		As at	
	31st December 2003		31st December 2003	
	RMB'000	RMB'000	RMB'000	RMB'000
Prepared in accordance with PRC GAAP	161,534	161,534	2,442,624	2,442,580
Reversal of equity accounting for the results and reserves of subsidiaries in the accounts of the Company under PRC GAAP	—	(50,005)	—	(217,298)
Amortisation of negative goodwill not required under HK GAAP	—	—	(3,731)	(3,731)
Revaluation of valuation surplus on land use right recognised under PRC GAAP	—	—	(4,200)	(4,200)
Reversal of amortisation relating to valuation surplus on land use right recognised under PRC GAAP	105	—	688	—
Write off of immaterial fair value difference on net assets of subsidiaries acquired permitted under HK GAAP	(3,628)	—	(3,628)	—
Capital reserve arising on consolidation under HK GAAP	—	—	9,946	—
Amortisation of long term investment difference over ten years under PRC GAAP	(441)	(441)	(2,383)	(2,383)
Reversal of depreciation on investment property under HK GAAP	4,783	4,783	—	—
Deferred tax recognised under HK GAAP	10,111	6,270	20,027	10,977
Recognition of fair value over cost of short-term investments under HK GAAP	3,707	2,230	3,707	2,230
Others	—	2	—	2
Prepared in accordance with HK GAAP	<u>176,171</u>	<u>124,373</u>	<u>2,463,050</u>	<u>2,228,177</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 RMB '000	Return on equity (%)		Earnings per share (RMB)	
		Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal activities	755,137	30.92	31.57	1.25	1.25
Operating profit	204,906	8.39	8.57	0.34	0.34
Net profit	161,534	6.61	6.75	0.27	0.27
Net profit after extraordinary items	163,392	6.69	6.83	0.27	0.27

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:

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

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.

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

$$EPS = \frac{P}{S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0}$$

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; Si is the increase in the number of shares arising from new issues of shares or conversion of loans into shares during the reporting period; Sj 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; Mi is the number of remaining months immediately following the month of increase in shares to the last month of the reporting period; Mj 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 2003

	31st December 2003		Newly acquired subsidiaries		Addition		Reversal due to the recovery of the assets value		Other decrease		In Rmb 31st December 2003	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
1.Bad debt provision, total	90,766,080	14,846,527	35,665,657	7,838,104	48,156,067	18,800,000	4,000,862	4,000,862	5,256,734	3,101	165,330,208	37,480,668
Including: Accounts receivable	87,044,683	14,846,527	33,932,666	7,838,104	37,029,228	18,800,000	4,000,862	4,000,862	4,788,362	3,101	149,217,353	37,480,668
Other receivables	3,721,397	-	1,732,991	-	11,126,839	-	-	-	468,372	-	16,112,855	-
2.Provision for short-term investment, total	4,243,254	2,016,266	-	95,650	-	-	-	-	4,243,254	2,111,916	-	-
Including: Trading securities	2,111,916	2,016,266	-	95,650	-	-	-	-	2,111,916	2,111,916	-	-
Debtenture investment	1,707,878	-	-	-	-	-	-	-	1,707,878	-	-	-
Fund investment	423,460	-	-	-	-	-	-	-	423,460	-	-	-
3.Provision for inventory, total	21,306,639	5,036,758	-	311,546	17,412,923	2,119,075	-	-	7,894,164	-	30,825,398	7,467,379
Including: Finished goods	12,148,199	5,036,758	-	311,546	6,915,329	2,119,075	-	-	-	-	19,063,528	7,467,379
Work in progress	3,106,427	-	-	-	3,898,161	-	-	-	1,842,603	-	5,161,985	-
Raw material	6,052,013	-	-	-	6,599,433	-	-	-	6,051,561	-	6,599,885	-
4. Provision for long-term investments, total	137,200	-	1,323,255	137,200	500,000	-	-	-	137,200	137,200	1,823,255	-
Including: Long-term equity investment	137,200	-	1,323,255	137,200	500,000	-	-	-	137,200	137,200	1,823,255	-
Long-term debtenture investment	-	-	-	-	-	-	-	-	-	-	-	-
5.Provision for fixed assets, total	40,639,006	32,300,577	4,369,101	-	109,920	-	-	-	752,242	220,438	44,365,785	32,080,139
Including: Buildings	-	-	1,543,164	-	-	-	-	-	-	-	1,543,164	-
Equipments	40,639,006	32,300,577	2,815,145	-	109,920	-	-	-	752,242	220,438	42,811,829	32,080,139
Conveyance	-	-	10,792	-	-	-	-	-	-	-	10,792	-
6. Provision for intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Including: Patent	-	-	-	-	-	-	-	-	-	-	-	-
Trademark	-	-	-	-	-	-	-	-	-	-	-	-
7.Provision for CIP	-	-	-	-	-	-	-	-	-	-	-	-
8.Provision for consignment loans	-	-	-	-	-	-	-	-	-	-	-	-

Legal representative:  
**Zhang Jie**

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 over 30% (including 30%) or accounts for 5% (including 5%) of total assets at balance sheet date of more than 10% (including 10%) of the current period's profit. The following analysis is not part of the financial statement**

Item	2003 RMB'000	2002 RMB'000	Fluctuation Ratio %	Fluctuation Reasons
Cash at bank and in hand	858,328	967,505	(11.28)	injected for production due to operational expansion
Short-term investments	113,021	72,950	54.93	investment in government debentures
Notes receivable	334,784	147,419	127.10	mainly due to increased settlement of bank bills by the time when customers make their payment
Accounts receivables	547,376	457,714	19.59	mainly due to increased income from main operations in the accounting period
Inventories	1,597,255	1,308,194	22.10	mainly due to increased operating income in the accounting period
Long-term equity investments	456,305	64,989	602.13	mainly due to interests in an associated company and investment made in form of property
Construction in progress	67,460	96,090	(29.79)	mainly due to transfer to fixed assets following the completion of the technological research plant
Notes payables	350,301	309,717	13.10	mainly due to settlement of notes with suppliers by means of trade acceptance
Accounts payables	746,278	543,454	37.32	mainly due to increased purchase following increase in operating income
Welfare benefits payable	61,834	36,068	71.44	mainly due to outstanding expenditure covering staff welfare facilities
Other accounts payables	321,290	179,329	79.16	mainly due to increase in additional subsidiaries and increased outstanding non-operating payments
Accrued expenses	11,651	7,697	51.37	mainly due to provision for outstanding payments to overseas intermediaries
Current portion of long-term loans	23,000	14,208	61.88	portion of long-term loans due in 2004
Minority interests	142,485	50,531	181.98	as a result of minority interests following acquisition of a subsidiary
Total assets	5,511,657	4,774,180	15.45	increase in additional subsidiaries and increased realized profit for the year
Profit from main operations	755,137	580,429	30.10	as a result of increased income from main operations
General and administrative expenses	495,432	336,808	47.10	mainly due to increased labour cost and research and development cost and provision for depreciation of receivables and fixed assets
Financial expenses	16,877	27,788	(39.27)	mainly due to decreased interest expenses following central capital management

**(4) Analysis of the financial statement items whose fluctuation is over 30% (including 30%) or accounts for 5% (including 5%) of total assets at balance sheet date of more than 10% (including 10%) of the current period's profit. The following analysis is not part of the financial statement (continued)**

<b>Item</b>	<b>2003</b> <i>RMB'000</i>	<b>2002</b> <i>RMB'000</i>	<b>Fluctuation</b> <b>Ratio %</b>	<b>Fluctuation Reasons</b>
Income/(loss) from investment	4,449	(559)	895.89	mainly due to increased proceeds realized by short-term investments
Subsidy income	2,320	694	234.29	mainly due to income tax refund from a subsidiary of a holding company
Non-operating income	1,059	2,269	(53.33)	mainly due to more non-operating income from last year
Income taxes	36,406	19,968	82.32	as a result of increase in additional subsidiaries and increase in total amount of realized profits
Gain or loss of minority shareholders	3,561	2,482	43.47	increase in total amount of realized profits and interests held by minority shareholders