

## Chapter II Summary of Accounting and Business Data

### Section I Key operating data for the year

#### 1. Key operating data prepared in accordance with the PRC accounting standards and system (the “PRC GAAP”)

	<b>2006</b>
	<i>RMB '000</i>
Total profit	223,807
Net profit	183,631
Net profit after extraordinary items	120,792
Profit from principal activities	784,797
Profit from other operations	57,321
Operating profit	200,922
Investment income	17,404
Subsidy income	3,118
Net non-operating income and expenses	2,362
Net cash flow from operating activities	131,321
Net increase in cash and cash equivalents	94,867

#### 2. The following illustrates the difference in the accounts for the year ended 31st December 2006 prepared in accordance with the PRC GAAP and with Hong Kong Financial Reporting Standards (the “HKFRS”):

	Profit attributable to equity holders For the year ended 31st December 2006		Net assets As at 31st December 2006	
	Group	Company	Group	Company
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
Prepared in accordance with PRC GAAP	183,631	183,631	2,819,662	2,821,777
Reversal of accounting for the results and reserves of subsidiaries in the accounts of the Company prepared under PRC GAAP with equity method	—	(136,460)	—	(502,240)
Amortisation of negative goodwill not required under HKFRS	—	—	(3,731)	(3,731)
Recognition of negative goodwill in profit and loss under HKFRS	2,135	—	2,405	(5,342)
Reversal 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 under PRC GAAP	105	—	1,003	—
Capital reserve arising on consolidation under HKFRS	—	—	6,029	—
Amortisation of long term equity investment difference over ten years under PRC GAAP	909	215	(1,421)	(2,626)
Recognition of deferred income for refund for land acquisition cost received under the HKFRS	—	—	(3,610)	(3,610)
Recognition of other income for the exempted taxation under the HKFRS	1,313	—	—	(1,313)
Deferred taxation recognised under HKFRS	(652)	4,200	32,683	20,735
Others	1	(1)	6	—
Prepared in accordance with HKFRS	<u>187,442</u>	<u>51,585</u>	<u>2,848,826</u>	<u>2,319,450</u>

**Section I Key operating data for the year (continued)****3. Breakdown of extraordinary items under PRC GAAP**

	<b>2006</b> <i>RMB '000</i>
Profit on disposal of long-term equity investment and fixed assets	(1,221)
Government subsidies	(3,118)
Gain from short-term investment	(18,421)
Amortization of equity investment difference	2,518
Gain from entrusted investment	(4,230)
Non-operating income after deducting provision for asset impairment	(860)
Non-operating expenses after deducting provision for asset impairment	3,399
Reversal of provisions for impairment accounted in prior year(s)	(46,263)
Others	2,432
Impact on income tax of extraordinary gain/loss	2,925
<b>Total</b>	<b>(62,839)</b>

The reversal of provisions for impairment accounted in prior year(s) is due to the recovery of aged receivables and disposal of obsolete inventories.

**Section II Key accounting data and financial indicators prepared in accordance with PRC GAAP for the three years preceding the end of reporting period**

<b>Items</b>	<b>2006</b> <i>RMB '000</i>	<b>2005</b> <i>RMB '000</i>	<b>2004</b> <i>RMB '000</i>
Revenue from principal activities	4,609,322	4,241,912	3,611,043
Net profit	183,631	136,242	152,379
Total assets	5,308,920	5,442,057	5,133,568
Shareholders' equity (excluding minority interests)	2,819,662	2,657,978	2,551,527
Earnings per share (in RMB)			
– fully diluted	0.30	0.23	0.25
– weighted average	0.30	0.23	0.25
– after extraordinary items	0.20	0.20	0.23
Net assets per share (in RMB)	4.67	4.40	4.23
Adjusted net assets per share (in RMB)	4.65	4.37	4.02
Net cash flow from operating activities per share	0.22	0.47	0.03
Return on net assets (%)			
– fully diluted	6.51	5.13	5.97
– weighted average	6.71	5.23	6.10

**Section III Schedule to the income statement prepared in accordance with PRC GAAP**

<b>Profit for the reporting period</b>	<b>Net return on assets (%)</b>		<b>Earnings per share (RMB/share)</b>	
	<b>Fully diluted</b>	<b>Weighted average</b>	<b>Fully diluted</b>	<b>Weighted average</b>
Profit from principal activities	27.83	28.70	1.30	1.30
Operating profit	7.13	7.35	0.33	0.33
Net profit	6.51	6.71	0.30	0.30
Net profit after extraordinary gains/(loss)	4.28	4.42	0.20	0.20

**Section IV Changes in shareholders' equity prepared in accordance with PRC GAAP**

Unit: RMB '000

<b>Items</b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Statutory surplus reserve</b>	<b>Discretionary surplus reserve</b>	<b>Statutory public welfare fund</b>	<b>Proposed distribution of cash dividends</b>	<b>Undistributed profit</b>	<b>Exchange differences</b>	<b>Total shareholders' equity</b>
At beginning of the year	603,800	1,262,250	159,075	127,764	159,075	30,190	315,918	(94)	2,657,978
Increases during the year	–	10,265	195,245	50,000	–	48,304	183,631	(2,021)	485,424
Decreases during the year	–	–	–	–	(159,075)	(30,190)	(134,475)	–	(323,740)
At end of the year	<u>603,800</u>	<u>1,272,515</u>	<u>354,320</u>	<u>177,764</u>	<u>–</u>	<u>48,304</u>	<u>365,074</u>	<u>(2,115)</u>	<u>2,819,662</u>

**Section 4 Changes in shareholders' equity prepared in accordance with PRC GAAP (continued)**

Reasons for change: The increase of capital reserve by RMB10,265,000 was mainly attributable to adjustment in consolidated financial statement due to the change of capital reserves in subsidiaries, including RMB1,313,000 as exemption of value-added tax for the eliminated items in the bad debts of receivables in prior years, RMB3,610,000 as refund for land acquisition cost, and RMB5,342,000 as discounted acquisition of equity in subsidiaries.

Pursuant to the provisions of "Notice on Processing of Financial Issues in Relevant Enterprises upon the Enforcement of the 'Company Law'" (《關於〈公司法〉實施後有關企業財務處理問題的通知》), Caiqi [2006] No. 67 of the Ministry of Finance, the Company stopped making transfer of public welfare fund from 1st January 2006, and transferred the balance of public welfare fund in the amount of RMB159,075,000 as at 31st December 2005 to statutory surplus reserve.

Statutory surplus reserve pursuant to the Company Law for the year was provided at RMB36,170,000, which increased to RMB195,245,000 with the inclusions of transferred public welfare fund.

The increase in discretionary surplus reserve includes RMB50,000,000 provided as approved by the 2005 Annual General Meeting.

The change of proposed distribution of cash dividend was attributable to the distribution of final dividend of RMB0.05 per share (tax included) for the year 2005 and the provision of final dividend of RMB0.08 (tax included) for the year 2006 as pending for approval by the 2006 Annual General Meeting for distribution.

The change of undistributed profit was attributable to the increase in the net profit for the year after deduction of statutory surplus reserve and discretionary surplus reserve provided as approved by the 2005 Annual General Meeting and the final dividend for the year 2006 to be distributed as pending approval by the 2006 Annual General Meeting.

**Section 5 Audited financial information prepared in accordance with the HKFRS****Income statement**

For the year ended 31st December

	2006	2005	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	4,609,322	4,241,912	3,611,043	4,305,743	2,828,438
Profit before taxation	228,340	178,659	170,749	206,027	159,186
Income tax expenses	(23,574)	(17,141)	(10,405)	(26,295)	(20,257)
Profit for the year	204,766	161,518	160,344	179,732	138,929
Attributable to:					
Equity holders of the Company	187,442	153,028	151,321	176,171	136,447
Minority interests	17,324	8,490	9,023	3,561	2,482
	204,766	161,518	160,344	179,732	138,929
Earnings per share (RMB)	0.31	0.25	0.25	0.29	0.23
Net assets per share (RMB)	4.72	4.46	4.26	4.08	3.85
Return on net assets (%)	6.58	5.68	5.89	7.15	5.86

**Assets and Liabilities**

For the year ended 31st December

	2006	2005	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	6,480,737	6,129,672	5,136,027	5,456,709	4,729,386
Total Liabilities	(3,455,346)	(3,260,603)	(2,565,134)	(2,993,659)	(2,402,361)
Total Equity	3,025,391	2,869,069	2,570,893	2,463,050	2,327,025