

## STATEMENTS OF INCOME AND PROFIT APPROPRIATION

For the year ended 31 December 2000 and 1999

Presented by: Guangdong Kelon Electrical Holdings Company Limited and its subsidiaries

(Expressed in Renminbi Yuan)

	Note	2000		1999	
		The Company	The Group	The Company	The Group
1.					
Sales from principal activities		<b>154,670,280</b>	<b>4,410,880,037</b>	3,437,323,638	5,826,700,500
Less: discounts and allowances		<b>(11,858,737)</b>	<b>(541,377,420)</b>	(126,640,779)	(228,820,229)
Sales from principal activities, net	31	<b>142,811,543</b>	<b>3,869,502,617</b>	3,310,682,859	5,597,880,271
Less: Costs of sales	31	<b>(136,006,123)</b>	<b>(3,250,533,167)</b>	(2,841,962,528)	(3,847,577,113)
Tax on revenue from principal activities and other related charges		—	—	—	—
2.					
Profit from principal activities		<b>6,805,420</b>	<b>618,969,450</b>	468,720,331	1,750,303,158
Add: Other operating (loss) profit	32	<b>(448,135)</b>	<b>11,333,777</b>	33,352,142	31,287,557
Less: Provision for inventory obsolescence		—	<b>(163,067,000)</b>	—	(36,000,000)
Distribution costs		—	<b>(918,195,704)</b>	(361,892,201)	(756,702,631)
Administrative expenses		<b>(34,840,713)</b>	<b>(473,930,351)</b>	(164,861,510)	(369,713,921)
Financial costs	33	<b>(27,297,184)</b>	<b>(73,030,754)</b>	(23,103,087)	(72,260,414)
3.					
(Loss) Profit from operations		<b>(55,780,612)</b>	<b>(997,920,582)</b>	(47,784,325)	546,913,749
Add: (Loss) Profit from investments	34	<b>(612,884,656)</b>	<b>(1,829,000)</b>	542,056,603	(6,191,194)
Subsidy income	35	<b>175,300</b>	<b>175,300</b>	137,802,073	143,823,581
Non-operating income		<b>61,580</b>	<b>12,929,298</b>	22,668,588	25,185,704
Less: Non-operating expenses	36	<b>(5,393,224)</b>	<b>(20,505,821)</b>	(9,986,919)	(17,690,922)
4.					
(Loss) Profit before taxation		<b>(673,821,612)</b>	<b>(1,007,150,805)</b>	644,756,020	692,040,918
Less: Income Tax	37	<b>(4,597,211)</b>	<b>(5,494,674)</b>	(1,171,704)	(7,236,024)
Less: Minority interests		—	<b>334,226,656</b>	—	(41,220,578)
5.					
Net (loss) profit		<b>(678,418,823)</b>	<b>(678,418,823)</b>	643,584,316	643,584,316
Add: Retained earnings, beginning of year		<b>1,029,461,787</b>	<b>1,029,461,787</b>	700,166,875	700,166,875
Transfer from revenue reserve		—	—	—	—
6.					
Profit available for appropriation		<b>351,042,964</b>	<b>351,042,964</b>	1,343,751,191	1,343,751,191
Less: Statutory common reserve fund		—	—	(68,000,000)	(68,000,000)
Less: Statutory common welfare fund		—	—	(34,000,000)	(34,000,000)

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	Note	2000		1999	
		The Company	The Group	The Company	The Group
7. Profit available for distribution to shareholders		<b>351,042,964</b>	<b>351,042,964</b>	1,241,751,191	1,241,751,191
Less: Dividends on preference shares		—	—	—	—
Transfer to discretionary revenue reserve		—	—	—	—
Less: Dividends on ordinary shares		—	—	(212,289,404)	(212,289,404)
Dividends on ordinary shares transferred to share capital		—	—	—	—
8. Retained earnings		<b>351,042,964</b>	<b>351,042,964</b>	1,029,461,787	1,029,461,787

The accompanying notes form an integral part of the financial statements.

Profit for the reporting period	Note	2000							
		The Company				The Group			
		Return on net assets Fully diluted	Weighted average	Earnings per share Fully diluted	Weighted average	Return on net assets Fully diluted	Weighted average	Earnings per share Fully diluted	Weighted average
Profit from principal activities	39	0.2%	0.2%	0.01	0.01	15%	13.8%	0.62	0.62
Loss from operations	39	-1.3%	-1.2%	-0.06	-0.06	-24.1%	-22.3%	-1.01	-1.01
Net loss	39	-16.4%	-15.2%	-0.68	-0.68	-16.4%	-15.2%	-0.68	-0.68
Net loss before non-operating items	39	-16.4%	-15.1%	-0.68	-0.68	-16.3%	-15.0%	-0.68	-0.68

Profit for the reporting period	Note	1999							
		The Company				The Group			
		Return on net assets Fully diluted	Weighted average	Earnings per share Fully diluted	Weighted average	Return on net assets Fully diluted	Weighted average	Earnings per share Fully diluted	Weighted average
Profit from principal activities	39	9.7%	11.4%	0.47	0.50	36.3%	42.7%	1.76	1.87
(Loss) Profit from operations	39	-1.0%	-1.2%	-0.05	-0.05	11.4%	13.4%	0.55	0.59
Net profit	39	13.4%	15.7%	0.65	0.69	13.4%	15.7%	0.65	0.69
Net profit before non-operating items	39	13.4%	15.7%	0.65	0.69	13.5%	15.9%	0.66	0.69

The accompanying notes form an integral part of the financial statements.