

VI. Financial Statements (Unaudited)

A. FINANCIAL STATEMENTS PREPARED UNDER THE PRC ACCOUNTING REGULATIONS

BALANCE SHEET (Unaudited)

As at 30 June 2001

	Group		Company	
	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Current Assets:				
Cash and bank balance	414,996,996.16	399,011,393.68	182,116,497.19	178,305,735.73
Short term investments				
Notes receivables	2,860,000.00	1,580,000.00		
Dividend receivable				
Accounts receivable	1,004,363,532.44	1,021,973,012.24		
Other receivables	268,241,893.08	305,319,192.18	100,905,496.50	100,937,150.77
Advances to suppliers	439,977,515.24	397,907,515.61		
Subsidy receivable				
Inventories	317,695,002.55	311,164,445.51		
Deferred expenses	4,150,963.26	2,760,940.89		
Investment in bonds with maturity date within one year				
Other current assets				
Total current assets	2,452,285,902.73	2,439,716,500.11	283,021,993.69	279,242,886.50
Long term Investments:				
Equity investments	22,518,160.66	22,518,160.66	948,019,638.82	1,049,718,663.59
Investment in bonds	1,460,208.00	1,469,948.00		
Provision for permanent diminution in value	6,014,965.33	6,014,965.33		
Total long term investments	23,978,368.66	23,988,108.66	948,019,638.82	1,049,718,663.59
Fixed Assets:				
Fixed assets, at cost	2,066,931,297.04	2,043,217,847.07	2,078,771.00	2,075,171.00
Less: Accumulated depreciation	741,258,593.96	688,833,657.69	839,895.00	764,673.00
Fixed assets - net book value	1,325,672,703.08	1,354,384,189.38	1,238,876.00	1,310,498.00
Provision for diminution in value of fixed assets	1,612,649.83			
Fixed assets, net	1,324,060,053.25	1,354,384,189.38	1,238,876.00	1,310,498.00
Construction in progress	199,738,612.61	155,786,726.19		

Disposal of fixed assets		42,576.69		
Total fixed assets	1,523,798,665.86	1,510,213,492.26	1,238,876.00	1,310,498.00
Intangible and other assets:				
Intangible asset	148,637,145.51	150,313,406.63		
Long term deferred expenditure	1,838,330.57	3,590,199.42		1,751,868.85
Other long term assets	329,453,136.80	327,070,536.80	301,200,633.30	298,818,033.30
Total intangible and other assets	479,928,612.88	480,974,142.85	301,200,633.30	300,569,902.15
Total assets	4,479,991,550.13	4,454,892,243.88	1,533,481,141.81	1,630,841,950.24

	Group		Company	
	Closing balance	Opening balance	Closing balance	Opening balance
<i>Liabilities and owner's equity</i>	<i>Rmb</i>	<i>Rmb</i>	<i>Rmb</i>	<i>Rmb</i>
Current Liabilities:				
Short term loans	1,371,983,030.71	1,372,664,231.71	166,280,000.00	164,350,000.00
Notes payable	41,500,000.00	51,500,000.00		
Accounts payable	716,923,339.23	665,873,547.26		
Advances from customers	219,280,681.48	155,555,557.48		
Wages payable	0.00	0.00		
Welfare payable	3,444,229.49	6,221,133.51		
Dividend payable	0.00	0.00		
Taxes payable/ (refundable)	(20,062,957.57)	(16,457,421.00)	2,158,000.00	2,158,000.00
Other payables	7,601,584.87	8,703,655.80		
Other creditors	261,335,557.82	247,699,057.79	2,000,151.12	1,994,932.12
Accrued expenses	26,326,426.81	12,192,741.12	12,025,120.68	5,651,730.00
Liabilities accrued	0.00	0.00		
Current portion of long term loans	240,834,666.67	240,834,666.67	110,374,666.67	110,374,666.67
Other current liabilities				
Total current liabilities	2,869,166,559.51	2,744,787,170.34	292,837,938.47	284,529,328.79
Long term liabilities:				
Long term loans	571,182,105.35	565,013,934.18	220,749,333.33	220,749,333.33
Bonds payable				
Long term accounts payable				
Special account payable				
Other long term liabilities	1,305,677.80	715,071.80		
Total long term liabilities	572,487,783.15	565,729,005.98	220,749,333.33	220,749,333.33
Deferred Taxation:				
Deferred tax liabilities	0.00	0.00		

Total liabilities	3,441,654,342.66	3,310,516,176.32	513,587,271.80	505,278,662.12
Minority interest	18,443,337.05	18,812,779.03		
Owner's Equity:				
Share capital	873,370,000.00	873,370,000.00	873,370,000.00	873,370,000.00
Less: recovered investment				
Share capital, net	873,370,000.00	873,370,000.00	873,370,000.00	873,370,000.00
Capital surplus	603,393,721.00	603,393,721.00	603,393,721.00	603,393,721.00
Accumulated fund	107,377,827.10	107,377,827.10	150,796,591.00	150,796,591.00
Including: Statutory provident fund	31,807,704.00	31,807,704.00	31,439,722.00	31,439,722.00
Undistributed profit	(564,247,677.68)	(458,578,259.57)	(607,666,441.99)	(501,997,023.88)
Total owners' equity	1,019,893,870.42	1,125,563,288.53	1,019,893,870.01	1,125,563,288.12
Total Liabilities and Owners' Equity	4,479,991,550.13	4,454,892,243.88	1,533,481,141.81	1,630,841,950.24

CHANGES IN OWNER'S EQUITY (Unaudited)

As at 30 June 2001

Item		2001	2000
1. Share capital			
Opening balance	1	873,370,000.00	873,370,000.00
Addition during the year	2	0.00	0.00
Including: transfer from capital reserve	3	0.00	0.00
transfer from common reserve	4	0.00	0.00
transfer from profit distribution	5	0.00	0.00
new share capital	6	0.00	0.00
Reduction during the year	10	0.00	0.00
Closing balance	15	873,370,000.00	873,370,000.00
2. Capital reserve			
Opening balance	16	603,393,721.00	603,393,721.00
Addition during the year	17	0.00	0.00
Including: premium of share capital	18	0.00	0.00
donation of provision for non-cash assets	19	0.00	0.00
cash donation	20	0.00	0.00
provision for equity investment	21	0.00	0.00
transfer from allocation	22	0.00	0.00
exchange difference	23	0.00	0.00
other capital reserve	30	0.00	0.00
Reduction during the year	40	0.00	0.00
Including: transfer to share capital	41	0.00	0.00
Closing balance	45	603,393,721.00	603,393,721.00
3. Statutory and discretionary common reserve			
Opening balance	46	75,570,123.00	120,236,582.00
Addition during the year	47	0.00	0.00
Including: allocation from net profit	48	0.00	0.00

	Including: statutory common reserve	49	0.00	0.00
	discretionary common reserve	50	0.00	0.00
	reserve fund	51	0.00	0.00
	corporate development fund	52	0.00	0.00
	transfer from statutory provident fund	53	0.00	0.00
	Reduction during the year	54	0.00	44,666,459.00
	Including: Making up for loss	55	0.00	
	transfer to share capital	56	0.00	
	distribution of cash dividend or profit	57	0.00	
	distribution of share dividend	58	0.00	
	Closing balance	62	75,570,123.00	75,570,123.00
	Including: statutory common reserve	63		
	reserve fund ⁶⁴			
	corporate development fund	65		
4.	Statutory provident fund			
	Opening balance	66	31,807,704.10	31,807,704.10
	Addition during the year	67	0.00	0.00
	Including: transfer from net profit	68	0.00	0.00
	Reduction during the year	70	0.00	0.00
	Including: welfare expenses	71	0.00	0.00
	Closing balance	75	31,807,704.10	31,807,704.10
5.	Undistributed profit:			
	Undistributed profit at the beginning of the year	76	(458,578,259.57)	(78,149,960.00)
	Net profit for the year	77	(105,669,418.11)	(363,597,324.39)
	Profit distribution for the year	78		
	Other transfer		0.00	(16,830,975.18)
	Undistributed profit at the end of the year	80	(564,247,677.68)	(458,578,259.57)

**PROVISION FOR DIMINUTION IN VALUE OF ASSETS STATEMENT
(APPENDIX TO BALANCE SHEET) (Unaudited)**

As at 30 June 2001

Item	Opening balance	Addition during the period	Transfer during the period	Closing balance
1. Total provision for bad debts	212,538,268.06	10,563,249.05	0.00	223,101,517.11
Including: accounts receivable	142,297,009.83	10,563,249.05		152,860,258.88
Other receivables	70,241,258.23			70,241,258.23
2. Total provision for diminution in value of short term investment	0.00			
Including: share investment				
bond investment				
3. Total provision for loss on realisation of inventories	41,305,042.89			41,305,042.89

	Including: stored commodities	18,060,356.18		18,060,356.18
	raw materials	23,244,686.71		23,244,686.71
4.	Total provision for permanent diminution in value	6,014,965.33		6,014,965.33
	Including: long term share investment	6,014,965.33		6,014,965.33
	long term bond investment	0.00		0.00
5.	Total provision for diminution in value of fixed assets	1,612,649.83	1,612,649.83	1,612,649.83
	Including: building and premises plant and machinery	1,612,649.83	1,612,649.83	1,612,649.83
6.	Provision for diminution in value of intangible assets			
	Including: patent trademark			
7.	Provision for diminution in value of construction in progress			
8.	Provision for diminution in value of trust loan			

PROFIT AND PROFIT APPROPRIATION STATEMENT (Unaudited)
As at 30 June 2001

	Group			Company		
	Period ended 30 June 2001 <i>Rmb</i>	Period ended 30 June 2000 <i>Rmb</i>	Year ended 31 December 2000 <i>Rmb</i>	Period ended 30 June 2001 <i>Rmb</i>	Period ended 30 June 2000 <i>Rmb</i>	Year ended 31 December 2000 <i>Rmb</i>
1. SALES REVENUE	611,252,828.76	551,649,403.00	1,320,048,191.38			
Less: Cost of sales	496,440,020.39	414,165,050.00	1,144,485,629.12			
Sales tax	2,602,896.95	1,208,928.00	8,126,470.39			
2. PROFIT ON SALES	112,209,911.42	136,275,425.00	167,436,091.87			
Add: other operating income	9,489,356.66	4,884,215.00	12,487,470.16			
Less: Provision for loss on realisation of inventories			(1,165,767.11)			
Less: Selling expenses	76,781,374.68	37,111,646.00	135,424,181.50			
General and administrative expenses	112,960,783.05	101,281,724.00	311,828,759.00	2,136,898.95	(2,980,210.00)	1,908,660.00
Financial expenses income	38,434,179.27	25,180,915.00	102,007,799.47	1,833,494.39	2,980,210.00	5,697,430.14
3. OPERATING PROFIT	(106,477,068.92)	(22,414,645.00)	(368,171,410.83)	(3,970,393.34)		(7,606,090.14)
Add: Investment income	506,482.43	688,049.00	2,595,843.64	(101,699,024.77)	(22,036,198.00)	(355,991,234.25)
Subsidy income	1,465,773.32		1,182,400.00			
Non-operating income	386,567.45	105,555.00	1,833,314.43			
Less: Non-operating expenses	1,745,247.62	600,192.00	1,588,428.53			

4. TOTAL PROFIT	(105,863,493.34)	(21,038,833.00)	(365,330,681.29)	(105,669,418.11)	(22,036,198.00)	(363,597,324.39)
Less:						
Income tax	230,366.75	997,365.00	302,082.31			
Minority shareholders' share of loss/(gain)	424,441.98		2,035,439.21			
5. NET PROFIT	(105,669,418.11)	(22,036,198.00)	(363,597,324.39)	(105,669,418.11)	(22,036,198.00)	(363,597,324.39)
Add: Undistributed profit at the beginning of the year	(458,578,259.57)	(78,149,960.00)	(78,149,960.00)	(501,997,023.88)	(76,902,265.00)	(76,902,265.42)
Other transfers			(16,782,122.03)			(61,497,434.07)
6. Distributable profit	(564,247,677.68)	(100,186,158.00)	(458,529,406.42)	(607,666,441.99)	(98,938,463.00)	(501,997,023.88)
Less: Transfer to statutory common reserve			48,853.15			
Transfer to statutory provident fund						
Transfer to employee reward and welfare fund						
Transfer to reserve fund						
Transfer to corporate development fund						
Repayment to investment						
7. Profit available for distribution to investors	(564,247,677.68)	(100,186,158.00)	(458,578,259.57)	(607,666,441.99)	(98,938,463.00)	(501,997,023.88)
Less: Proposed dividend for preference shares						
Transfer to discretionary common reserve						
Proposed dividend						
Dividend transferred to capital (or share capital) of ordinary shares						
8. Undistributed profit	(564,247,677.68)	(100,186,158.00)	(458,578,259.57)	(607,666,441.99)	(98,938,463.00)	(501,997,023.88)

APPENDIX TO PROFIT STATEMENT (Unaudited)

As at 30 June 2001

Profit during the period	Fully diluted return on net assets (%)	Weighted average return on net assets (%)	Fully diluted earnings per share <i>Rmb</i>	Weighted average earnings per share <i>Rmb</i>
Profit on sales	11.00	10.46	0.13	0.13
Operating profit	-10.44	-9.92	-0.12	-0.12
Net profit	-10.36	-9.85	-0.12	-0.12
Net profit after extraordinary items	-10.49	-9.97	-0.12	-0.12

CASH FLOW STATEMENT (Unaudited)

As at 30 June 2001

Group **Company**

Items	Rmb	Rmb
1. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	754,214,316.17	
Refund of tax	1,465,773.32	
Other cash received relating to operating activities	14,023,167.48	165,243.39
Sub-total of cash inflows	769,703,256.97	165,243.39
Cash paid for goods and services	527,293,045.45	
Cash paid to and on behalf of employees	89,759,913.22	
Tax paid	7,540,871.02	
Other cash paid relating to operating activities	42,791,745.45	2,065,276.95
Sub-total of cash outflows	667,385,575.14	2,065,276.95
Net cash flows from operating activities	102,317,681.83	(1,900,033.56)
2. Cash flows from investing activities:		
Proceeds from sale of long term investments	9,740.00	
Cash received from investment returns	506,482.43	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Cash received from other investing activities		
Sub-total of cash inflows	516,222.43	
Cash paid to acquire fixed assets, intangible assets and other long-term assets	67,665,336.39	3,600.00
Cash paid to acquire		
Cash paid to other investing activities	369,441.98	
Sub-total of cash outflows	68,034,778.37	3,600.00
Net cash flows from investing activities	(67,518,555.94)	(3,600.00)
3. Cash flows from financing activities:		
Cash received from investments		
Proceeds from borrowings	435,568,170.17	1,930,000.00
Other proceeds relating to financing activities	1,611,494.69	5,536,030.36
Sub-total of cash inflows	437,179,664.86	7,466,030.36
Cash repayments of amounts borrowed	430,081,200.00	
Cash paid in respect of distribution of dividend, profit and repayment of interest	25,911,988.27	1,746,809.34
Cash paid to other financing activities		(4,826.00)
Sub-total of cash outflows	455,993,188.27	1,751,635.34
Sub-total of cash flows from financing activities	(18,813,523.41)	5,714,395.02
4. Effect of foreign exchange rate changes on cash		
5. Net increase/(decrease) in cash and cash equivalents	15,985,602.48	3,810,761.46
1. Reconciliation of net loss to cash flows from operating activities:		
Net (loss)/profit	(105,669,418.11)	(105,669,418.11)

Add: Minority interest	(424,441.98)	
Add: Provision for diminution in value of assets	12,175,898.88	
Depreciation of fixed assets	52,424,936.27	71,622.00
Amortisation of intangible assets	1,676,261.12	
Amortisation of long term deferred expenses	1,751,868.85	1,751,868.85
Decrease of deferred expenses	(1,390,022.37)	
Increase in accrued expenses	14,133,685.69	6,373,390.68
Loss/(gain) on disposal of fixed assets, intangible assets and other long term assets		
Fixed assets written off		
Financial expenses	38,434,179.27	
Loss/(gain) arising from investments	(506,482.43)	101,699,024.77
deferred tax credit (less: debit)		
Decrease in inventories (less: increase)	(6,530,557.04)	
(increase) in operating receivables (less: increase)	11,336,779.27	(2,350,945.73)
Increase in operating payables (less: decrease)	85,848,104.45	5,219.00
Others (943,110.04)(3,780,795.02)
New cash flows from operating activities	102,317,681.83	(1,900,033.56)
2 Net increase/decrease in cash and cash equivalents:		
Cash at the end of the year	414,996,996.16	182,116,497.19
Less: Cash at the beginning of the year	399,011,393.68	178,305,735.73
Add: Cash equivalents at the end of the year		
Less: Cash equivalents at the beginning of the year		
Net increase/(decrease) in cash and cash equivalents	15,985,602.48	3,810,761.46

Administrator: Huang Ping Finance-in-charge: Liu Yongshun Preparator: Liu Xiulan

NOTES TO FINANCIAL STATEMENTS

a. Major Preparation Methods

1. Important Accounting Policies

- (1) The financial statements have been prepared in accordance with Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises for 2001 and the relevant supplementary regulations.
- (2) The Group adopts the Gregorian calendar which starts from 1 January and ends on 31 December as its accounting year.
- (3) The Group uses the Renminbi ("Rmb") as its reporting currency.
- (4) The Group adopts the accrual basis of accounting and historical costs of acquisition as stated.
- (5) Liability method is adopted to account for bad debts. Provision for bad debts is

made after the ageing analysis and collectibility of the accounts receivable and other receivables have been fully assessed.

- (6) Provision for diminution in value of each of the assets including fixed assets, construction in progress and intangible assets is made when each of their recoverable amounts is lower than their book values at the end of each year.
- (7) Inventories and long term investments are stated at the lower of their costs and market prices at the end of the year.
- (8) The Group contributes to a retirement scheme set up by the authorities in the respective city in which the entity is located. The annual contributions, based on certain percentages of the payroll costs, are made to the respective local governments which then undertake to assume the pension obligations to all retired employees of the Group. Such schemes are available to all employees of the Group. Other benefits provided to employees of the Group are charged to the profit and loss account as incurred.

2. Preparation Method of the Financial Statements

The consolidated financial statement of the Group is prepared in accordance with document (1995) No.11 "Provisional Regulations for Consolidated Financial Statement" issued by the Ministry of Finance.

The consolidated financial statement includes the financial statements of the Company and its subsidiaries. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

All significant inter-company balances and transactions between the Group have been eliminated in the preparation of the consolidated financial statement.

NOTES TO FINANCIAL STATEMENTS

1. Cash and Bank Balances

Items	Closing balance	Opening balance
Cash	189,443.99	168,595.49
Cash in bank	365,038,902.61	379,091,636.82
Other cash and bank balances	49,768,649.56	19,751,161.37
Total	414,996,996.16	399,011,393.68

2. Accounts receivable

Closing balance		Opening balance	
Rmb	Percentage	Rmb	Percentage

Ageing of amount due from third parties				
Within 1 year	714,111,759.80	66	658,923,832.26	61
1-2 years	140,288,088.67	13	208,469,130.36	19
2-3 years	103,072,245.82	10	103,499,885.24	9
3-4 years	48,760,783.29	4	42,078,083.07	4
Over 4 years	82,374,890.86	7	80,644,092.10	7
Sub-total	1,088,607,768.44	100	1,093,615,023.03	100
Amount due from other related parties	68,616,022.88		70,654,999.04	
Total	1,157,223,791.32		1,164,270,022.07	
Provision for doubtful debts	(152,860,258.88)		(142,297,009.83)	
Net	1,004,363,532.44		1,021,973,012.24	

3. Other receivables

	Closing balance		Opening balance	
	Rmb	Percentage	Rmb	Percentage
Ageing of amount due from third parties				
Within 1 year	167,910,076.86	50	173,360,503.27	46
1-2 years	76,112,288.13	22	100,572,756.09	27
2-3 years	23,105,515.15	7	35,954,701.99	10
3-4 years	39,075,506.01	11	24,536,444.10	6
Over 4 years	32,279,765.16	10	41,136,044.96	11
Total	338,483,151.31	100	375,560,450.41	100
Provision for doubtful debts	(70,241,258.23)		(70,241,258.23)	
Other receivables				
Net	268,241,893.08		305,319,192.18	

4. Inventories and provision for loss on realization of inventories

Items	Closing balance	Opening balance
Raw materials	119,961,763.50	134,009,248.27
Low value consumables	767,737.04	2,024,084.85
Work in progress	87,611,386.31	99,444,731.30
Finished goods	150,659,158.59	116,991,423.98

Total	359,000,045.44	352,469,488.40
Provision for loss on realisation of inventories	(41,305,042.89)	(41,305,042.89)
Net	317,695,002.55	311,164,445.51

Provision for loss on realisation of inventories is based on the difference between the cost and the net realisable value of inventories at year end.

5. Deferred expenses

	Opening balance <i>Rmb</i>	Additions <i>Rmb</i>	Amortization <i>Rmb</i>	Closing balance <i>Rmb</i>
Heating expenses	963,505.36	2,789,205.20	2,629,853.61	1,122,856.95
Insurance	1,510,823.61	4,261,554.71	3,834,195.95	1,938,182.37
Others	286,611.92	3,641,226.51	2,837,914.49	1,089,923.94
Total	2,760,940.89	10,691,986.42	9,301,964.05	4,150,963.26

6. Long term investment

	Closing balance <i>Rmb</i>	Reduction <i>Rmb</i>	Opening balance <i>Rmb</i>
Equity investment	28,533,125.99		28,533,125.99
Bond investment	1,460,208	9,740	1,469,948
Total	29,993,333.99		30,003,073.99
Provision for diminution in value	(6,014,965.33)		(6,014,965.33)
Net	23,978,368.66		23,988,108.66

The Company reduced investment in State bond for the year.

7. Construction in progress

Project name	Opening balance <i>Rmb</i>	Additions <i>Rmb</i>	Transferred to fixed assets <i>Rmb</i>	Closing balance <i>Rmb</i>
Hydroelectric project	40,176,074.11	11,661,844.98	5,289,517	46,548,402.09
Insulation workshop	3,155,878.70	237,912	1,096,111	2,297,679.70
Transformer substations	5,485,731		1,663,146	3,822,585

Boiler house	12,136,278.10	128,546		12,264,824.10
Transformer	49,177,331.33	26,105,214.28		75,282,545.61
Kingdom Hotel 24 & 25/F	11,316,088.21	2,117,879.50	5,521,480.31	7,912,487.40
Others	34,339,344.74	22,701,048.97	5,430,305	51,610,088.71
Total	155,786,726.19	62,952,445.73	19,000,559.31	199,738,612.61

Interest expenses of approximately Rmb 5,839,013.22 were capitalized as part of construction in progress for the year.

8. Long term deferred expenses

	Opening balance <i>Rmb</i>	Amortization <i>Rmb</i>	Closing balance <i>Rmb</i>
Arrangement, agency and related fees	1,751,868.85	1,751,868.85	0
Input tax credit	1,838,330.57		1,838,330.57
Total	3,590,199.42	1,751,868.85	1,838,330.57

9. Other long term assets

Type	Closing balance	Opening balance
Long term deposit	165,562,000	165,562,000
Amount due from related parties	163,891,136.80	161,508,536.80
Total	329,453,136.80	327,070,536.80

10. Financial expenses

Type	30.06.01	30.06.00
Interest income	1,611,494.69	195,716
Less: interest expenses	(39,488,970.59)	(25,089,941)
Others	(556,703.37)	(286,690)
Total	(38,434,179.27)	(25,180,915)

11. Other operating income

Item	30.06.01	30.06.00
Sales of materials	3,144,553.35	(2,069,174)
Others	6,344,803.31	6,953,389

Total	9,489,356.66	4,884,215
-------	--------------	-----------

12. Investment returns

Type	30.06.01	30.06.00
-------------	-----------------	-----------------

Bonus income	506,482.43	688,049
--------------	------------	---------

Total	506,482.43	688,049
-------	------------	---------

13. Non-operating income

Type	30.06.01	30.06.00
-------------	-----------------	-----------------

Net income from disposal of fixed assets	4,157	27,304
---	-------	--------

Penalty income	64,459.19	14,069
----------------	-----------	--------

Others	317,951.26	64,182
--------	------------	--------

Total	386,567.45	105,555
-------	------------	---------

14. Non-operating expenses

Type	30.06.01	30.06.00
-------------	-----------------	-----------------

Expense from technical school	84,746.80	89,639
-------------------------------	-----------	--------

Net loss from disposal of fixed assets	126,554.06	50,418
---	------------	--------

Others	1,533,946.76	460,135
--------	--------------	---------

Total	1,745,247.62	600,192
-------	--------------	---------

b. Analysis of changes over 30% in other financial data

- (1) Increase in other operating income by 94%, mainly due to increase in sale of materials;
- (2) Increase in selling expenses by 134%, mainly due to fierce market competition. In order to increase its product competitiveness and market share, the Company expanded its scope of after-sale services which led to increase in business trip expense, consultation fee and delivery fee;
- (3) Increase in non-operating expenses by 191%, mainly due to damage and retirement of raw materials;
- (4) Increase in deferred expenses by 50%, mainly due to increase in premium and local tax;

- (5) Decrease of long term deferred expenses by 49%, mainly due to the amortisation of USD financing fee;
- (6) Increase in receipt in advance by 41%, mainly due to increase in receipt in advance from customers.

B. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG (UNAUDITED)

1. Condensed Consolidated Profit and Loss Account (unit: Rmb)

Item	<i>Note</i>	30 June 2001 <i>Rmb</i>	31 December 2000 <i>Rmb</i>
Turnover	4(2)	608,649,931.81	550,440,475
Cost of sales		496,440,020.99	414,165,050
Gross profit		112,209,911.42	136,275,425
Other income		13,459,674.55	7,055,935
Distribution cost		(76,781,374.68)	(37,111,646)
Operating cost		(112,960,783.05)	(101,281,724)
Other operating expenses		(2,301,950.99)	(1,636,882)
Operatig(loss)/profit		(66,374,522.75)	3,301,108
Financing cost		(39,488,970.59)	(25,089,941)
Operating (loss)/profit		(66,374,522.75)	3,301,108
Finance cost		(39,488,970.59)	(25,089,941)
Profit before taxation		(105,863,493.34)	(21,788,833)
Taxation	4(3)	(230,366.75)	(997,365)
Profit after taxation		(106,093,860.09)	(22,786,198)
Minority interests		424,441.98	0
Profit attributable to shareholders		(105,669,418.11)	(22,786,198)
Earnings per share (Rmb)	4(6)	(0.12)	(0.026)

There are no other recognised gains or losses during the six months ended 30 June 2001 apart from the losses as shown above; therefore a separate statement of recognised gains and losses is not presented in these financial statements.

2. Condensed Consolidated Balance Sheet (unit: Rmb)

Item	Note	30 June 2001 Rmb	31 December 2000 Rmb
Non-current assets			
Property, plant and equipment		1,472,697,198.76	1,504,697,596.01
Construction in progress		199,738,612.61	155,786,726.19
Associates		7,933,560.99	7,933,560.99
Other investments		16,044,807.67	16,054,547.67
Deferred asset		1,838,330.57	1,838,330.57
Amounts due from the holding company and other related companies		163,891,136.80	161,508,536.80
Long term deposit		165,562,000.00	165,562,000.00
Other deferred items		-	1,751,868.85
		2,027,705,647.40	2,015,133,167.08
Current assets:			
Inventories		317,695,002.55	311,164,445.51
Trade debtors	4(8)	1,007,223,532.44	1,023,553,012.24
Deposits, other debtors and prepayments		618,491,571.58	610,030,225.37
Loans to a third party company		93,878,800.00	96,000,000.00
Cash and bank balances		414,996,996.16	399,011,393.68
		2,452,285,902.73	2,439,759,076.80
Current liabilities:			
Trade creditors		758,423,339.23	717,373,547.26
Other creditors, advances from customers and accruals		497,925,522.90	413,914,724.70
Current portion of long term bank loans		240,834,666.67	240,834,666.67
Bank and other loans		1,371,983,030.71	1,372,664,231.71
		2,869,166,559.51	2,744,787,170.34
Net current liabilities		(416,880,656.78)	(305,028,093.54)
Total assets less current liabilities		1,610,824,990.62	1,710,105,073.54

Capital and reserves			
Share capital	4(9)	873,370,000.00	873,370,000.00
Reserves		146,523,870.42	252,193,288.53
Shareholders' funds		1,019,893,870.42	1,125,563,288.53
Minority interests		18,443,337.05	18,812,779.03
Non-current liabilities			
Other long term liabilities		1,305,677.80	715,071.80
Long term bank loans		571,182,105.35	565,013,934.18
		1,610,824,990.62	1,710,105,073.54

3. Condensed Consolidated Cash Flow Statement (unit: Rmb'000)

Item	30 June 2001
Net cash outflow from operating activities	102,548
Net cash outflow from returns on investments and servicing of finance	(25,912)
Taxation	
PRC income tax paid	(230)
Net cash outflow from investing activities	(67,519)
Net cash (outflow)/inflow [before] financing	7,098
(Decrease)/increase in cash and cash equivalents	15,986
Cash and cash equivalents at 1 January	399,011
Cash and cash equivalents at 30 June	414,997
Analysis on the balance of cash and cash equivalents	
Cash and bank balances	414,997
Less: Bank deposits not counted as cash equivalents	0
Cash and cash equivalents	414,997

4. Notes to Condensed Interim Accounts Prepared in Accordance with Hong Kong Accounting Standards

(1) Accounting Policy

Save as the condensed cash flow statement does not present last year's corresponding comparative figures, the unaudited consolidated condensed interim report ("Interim Report") is prepared in accordance with Hong Kong Statements of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of accounting used in the preparation of the unaudited interim report are the same as those used in the financial statements for the year ended 31 December 2000.

(2) Turnover

It is sales revenue which represents the value of goods sold, net of value added tax ("VAT"). VAT represents a kind of sales tax assessed on the turnover of the subsidiaries of the Company at the statutory rate of 17%, net of input tax.

The Group is mainly engaged in manufacture and sale of system protection and transmission equipment including transformer, gas insulated switchgears, high-voltage disconnecter, power capacitor and enclosed busbars. Its principal place of business is the People's Republic of China (the "PRC").

	Turnover		Operating loss	
	Jan-June 2001 <i>Rmb</i>	Jan-June 2000 <i>Rmb</i>	Jan-June 2001 <i>Rmb</i>	Jan-June 2000 <i>Rmb</i>
Sale of goods	589,592,141.28	548,468,737	(61,174,450.57)	(3,617,449)
Hotel accommodation, food and beverage and entertaining services income	21,660,687.48	3,180,666	(5,200,072.18)	(316,341)
Sales tax	611,252,828.76 (2,602,896.95)	551,649,403 (1,208,928)		
	608,649,931.81	550,440,475	(66,374,522.75)	3,301,108

Most of the Group's sales and services income are derived from the PRC and the income earned outside the PRC is insignificant.

(3) Taxation

Explanation of income tax is set out at item v8 to [Significant Events] of the report.

For the six months ended 30 June 2001, the Group did not have any unprovided material deferred taxation

(4) Tax and surcharge

It is a surcharge at 11% of VAT.

(5) Transfer to reserve

For the six months ended 30 June 2001, no retained profit was transferred to any reserves.

(6) Earnings per share

During the period, loss per share is on the basis of loss after taxation and minority interests and the total number of shares amounting to 873,370,000 in issue as at the end of the period (2000: same accounting method).

(7) Interim dividend

The board of directors does not recommend the distribution of interim dividend for the six months ended 30 June 2001.

(8) Trade debtors and bills receivable

The ageing analysis of trade debtors and bills receivable as at 30 June 2001 was as follows:

	30 June 2001	31 December 2000
	<i>Rmb'000</i>	<i>Rmb'000</i>
Within 1 year	716,972	660,508
1 to 2 years	140,288	208,469
2 to 3 years	103,072	103,500
Over 3 years	131,136	122,722
Third parties	1,091,468	1,095,195
Related companies	68,616	70,655
	1,160,084	1,165,850
Provision for doubtful debt	(152,860)	(142,297)
Total	1,007,224	1,023,553

The turnover of the Group was mainly delivered from contract sales. The Group applies different credit policies to different customers. In general, sales invoices are issued when goods are delivered to and inspected by customers. Major part of the invoiced value is due on presentation. The remaining portion represents quality assurance deposit and is due upon the expiry date of the quality assurance period.

(9) Share capital

	30 June 2001	31 December 2000
Share capital	873,370,000	873,370,000
issued and paid-up capital	873,370,000	873,370,000
A shares (par value of Rmb1 per share) include:		
State-owned legal person shares	380,520,000	450,520,000
social legal person shares	91,300,000	21,300,000
circulating shares	143,600,000	143,600,000
H shares (par value of Rmb1 per share)	257,950,000	257,950,000
	873,370,000	873,370,000

(10) Related party transactions (unit: Rmb'000)

Significant related party transactions conducted between the Group and its related parties in the normal business scope are summarized as follows:

	Jan-June 2001 <i>Rmb'000</i>	Jan-June 2000 <i>Rmb'000</i>
Fellow subsidiaries:		
- sale of finished products and raw materials	32,633	1,481
- purchase of raw materials	24,423	22,447

The directors of the Company have confirmed that the above-mentioned transactions were carried out on normal commercial terms in the ordinary course of the business.

(11) Change in reserves (unit: Rmb)

For the six months ended 30 June 2001, no retained profit of the Group was transferred to any reserves.

	Capital Reserve <i>Rmb</i>	Statutory Common Reserve <i>Rmb</i>	Statutory Provident Fund <i>Rmb</i>	Discretionary Common Reserve <i>Rmb</i>	Accumulated Loss <i>Rmb</i>	Total
The Group's reserve at 30 December 2000	603,393,721	47,285,435.14	31,807,704.10	32,424,687.86	(462,718,259.57)	252,193,288.53
Loss at 30 June 2001	-	-	-	-	(105,669,418.11)	-
The Group's reserves at 30 June 2001	603,393,721	47,285,435.14	31,807,704.10	32,424,687.86	(568,387,677.68)	146,523,870.42

C. MATERIAL DIFFERENCE BETWEEN THE PRC ACCOUNTING REGULATIONS AND THE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN HONG KONG

As the "Accounting Regulations of the People's Republic of China for Joint Stock Enterprises", "Accounting Regulations for Business Enterprises", "Accounting Standards for Business Enterprises" and the supplementary regulations newly issued by the Ministry of Finance adopted by the Company are basically in line with the accounting principles generally accepted in Hong Kong, there are no material differences in items including the consolidated loss attributable to shareholders and consolidated net assets in accordance with the PRC accounting regulations and the generally accepted accounting principles in Hong Kong. Accordingly, except for the differences in respect of the classification and presentation of certain accounting items, information disclosed pursuant to the PRC Accounting Regulations is also applicable to shareholders of H shares as a reference.