

KELON 科龙

梦想无界 科技无限



夯實基礎，成就未來
Building for the Future

貳零零壹年中期報告
2001 INTERIM REPORT

The Board of Directors ("Directors") of Guangdong Kelon Electrical Holdings Company Limited (the "Company") is pleased to announce the unaudited consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001 (the "Period"), together with the unaudited comparative figures for the corresponding period in 2000. The consolidated interim financial statements have not been audited but have been reviewed by the Company's audit committee and auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT

(Amounts expressed in thousands of Renminbi)

	For the six months ended 30 June	
	2001	2000
	(unaudited)	(unaudited)
Turnover	2,791,077	3,093,468
Cost of sales	(2,151,842)	(2,357,672)
Gross profit	639,235	735,796
Other revenue	42,983	18,794
Distribution costs	(462,032)	(407,115)
Administrative expenses	(165,543)	(169,451)
Other operating expenses	(1,360)	(13,012)
Profit from operations	53,283	165,012
Finance cost	(48,436)	(39,147)
Share of profits from investments under equity method	7,030	—
Profit before taxation and minority interests (Note 3)	11,877	125,865
Income tax expense (Note 4)	(8)	(7,280)
Profit after taxation but before minority interests	11,869	118,585
Minority interests	3,829	(8,103)
Net profit for the period	15,698	110,482
Dividends (Note 5)	—	212,289
Earnings per share (Note 6)		
— Basic	0.02	0.11

CONDENSED CONSOLIDATED BALANCE SHEET

(Amounts expressed in thousands of Renminbi)

	As of 30 June 2001	As of 31 December 2000
	(unaudited)	(audited)
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment (Note 10)	2,700,811	2,833,684
Construction-in-progress	27,184	26,171
Investments in associates (Note 9)	283,966	148,119
Goodwill	183,132	186,999
Other assets	75,928	40,074
	<hr/>	<hr/>
Total non-current assets	3,271,021	3,235,047
	<hr/>	<hr/>
Current assets		
Cash and bank deposits	1,769,672	838,710
Notes receivable	150,922	280,256
Accounts receivable (Note 8)	267,446	141,913
Inventories	1,962,298	1,736,641
Due from holding company (Note 15)	113,888	280,612
Due from related companies (Note 15)	35,189	196,762
Deposits, prepayments and other receivables	384,679	184,824
Tax recoverable	137,129	186,842
	<hr/>	<hr/>
Total current assets	4,821,223	3,846,560
	<hr/>	<hr/>

	As of 30 June 2001 <u>(unaudited)</u>	As of 31 December 2000 <u>(audited)</u>
Current liabilities		
Short-term bank loans	(602,813)	(437,700)
Long-term bank loans, current portion	(4,559)	(19,777)
Notes payable	(1,142,298)	(216,355)
Trade deposits from customers	(182,183)	(530,957)
Accounts payable (Note 11)	(832,957)	(506,450)
Accruals and other payables	(488,394)	(626,777)
Warranty provision	(142,608)	(144,172)
Due to related companies (Note 15)	(98,146)	(148)
Total current liabilities	<u>(3,493,958)</u>	<u>(2,482,336)</u>
Net current assets	<u>1,327,265</u>	<u>1,364,224</u>
Total assets less current liabilities	<u>4,598,286</u>	<u>4,599,271</u>
Non-current liabilities		
Long-term borrowings, non-current portion	(232,665)	(237,306)
Pension liabilities	(117,148)	(117,148)
Other long-term liabilities	(6,424)	—
Total non-current liabilities	<u>(356,237)</u>	<u>(354,454)</u>
	<u>4,242,049</u>	<u>4,244,817</u>
CAPITAL AND RESERVES		
Issued capital (Note 12)	992,007	992,007
Reserves (Note 7)	2,875,729	2,874,174
Retained earnings	298,048	282,349
	<u>4,165,784</u>	<u>4,148,530</u>
MINORITY INTERESTS (Note 16)	<u>76,265</u>	<u>96,287</u>
	<u>4,242,049</u>	<u>4,244,817</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Amounts expressed in thousands of Renminbi)

	For the six months ended 30 June	
	2001	2000
	(unaudited)	(unaudited)
Net cash flows from operating activities	1,035,303	1,017,774
Returns on investments and servicing of finance	(16,491)	(251,534)
Taxation	—	(57,581)
Investing activities	(218,467)	(76,243)
Net cash flows before financing	800,345	632,416
Financing	129,061	(503,694)
Increase in cash and cash equivalents	929,406	128,722
Cash and cash equivalents, beginning of period	838,710	753,140
Effect of foreign currency translation	1,556	8,886
Cash and cash equivalents, end of period	1,769,672	890,748

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts expressed in thousands of Renminbi)

	For the six months ended 30 June							
	2001						2000	
	Issued	Share	Statutory	Revaluation	Cumulative	Retained		
	capital	premium	reserves	reserve	translation	earnings	Total	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	reserve	(unaudited)	(unaudited)	
					(unaudited)		Total	
							(unaudited)	
Balance as of 1 January								
— As previously reported	992,007	2,160,621	343,743	373,570	(3,760)	282,349	4,863,208	
— Prior year adjustment (Note 20)	—	—	—	—	—	—	188,147	
As restated	992,007	2,160,621	343,743	373,570	(3,760)	282,349	5,051,355	
Net profit for the period	—	—	—	—	—	15,698	110,482	
Dividends	—	—	—	—	—	—	(212,289)	
Translation differences	—	—	—	—	1,556	—	8,886	
Balance as of 30 June	<u>992,007</u>	<u>2,160,621</u>	<u>343,743</u>	<u>373,570</u>	<u>(2,204)</u>	<u>298,047</u>	<u>4,958,434</u>	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi except otherwise stated)

1. PRINCIPLES AND BASIS OF CONSOLIDATION

The accompanying condensed consolidated financial statements include the accounts of Guangdong Kelon Electrical Holdings Company Limited (the "Company") and its consolidated subsidiaries (hereinafter together with the Company referred to as the "Group").

All significant intercompany balances and transactions, including intercompany profits and losses and resulting unrealised profits and losses are eliminated on consolidation. Condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

- (a) During the six months ended 30 June 2001, the Company had set up the following new subsidiaries and associates:

Name of the entity	Place and date of incorporation/ establishment	Percentage of equity interest attributable to the Group		Issued capital/ Registered capital (Rmb)	Principal activities
		2001			
		Directly	Indirectly		
<i>Subsidiaries</i>					
Pioneer Holding Group	PRC 4 June 2001	80%	—	30,000,000	Research and develop industrial and commercial computer system
<i>Associated companies</i>					
Chongqing Rongsheng Kelon Refrigerator Co., Ltd. ("Chongqing Rongsheng")	PRC 19 February 2001	28%	—	1,000,000	Sale of refrigerators
Sichuan Rongsheng Kelon Refrigerator Co., Ltd. ("Sichuan Rongsheng")	PRC 21 February 2001	—	28%	2,000,000	Sale of refrigerators
Shunde Wangao Import and Export Co., Ltd.	PRC 7 June 2001	20%	—	3,000,000	Import and export business

- (b) During the six months ended 30 June 2001, the Company had increased its investment in the following subsidiary:

<u>Name of the entity</u>	Percentage of equity interest attributable to the Group		Amount of original investment	Additional investment	Revised investment amounts
	As of 31 December 2000	As of 30 June 2001	(Rmb)	(Rmb)	(Rmb)
<u>Subsidiary</u>					
Yingkou Kelon Refrigerator Co., Ltd ("Yingkou Kelon")	67%	78.79%	133,492,430	24,753,677	158,246,107

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

- a. The accompanying condensed interim consolidated financial statements are prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Committee and Appendix 16 of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the accounting for minority interests in one of the Group's subsidiaries, which is further explained in Note 16 to the condensed financial statements.
- b. The principal accounting policies adopted in preparing the interim condensed financial statements of the Group are the same as those adopted in the preparation of the annual financial statements as at and for the year ended 31 December 2000, except that financial instruments are recognised and measured in accordance with IAS 39, which is effective from 1 January 2001 (Note 18). In addition, there is no change of accounting policies as the result of the implementation of revised IAS 12, which is also effective from 1 January 2001.
- c. The financial assets purchased and sold in regular way are accounted for on the day of transaction. Gain or loss arising from changes in the fair value of those available-for-sales financial assets that are measured at fair value subsequent to initial recognition are included in net profit or loss for the period.

3. PROFIT BEFORE TAXATION AND MINORITY INTERESTS

Profit before taxation and minority interests in the condensed consolidated income statements was determined after charging (crediting) the following items:

	For the six months ended 30 June	
	2001 (Unaudited) RMB'000	2000 (Unaudited) RMB'000
Interest expenses	43,864	42,705
Depreciation of fixed assets	210,659	182,196
Interest income	(27,373)	(3,854)

4. TAXATION

Taxation consisted of:

	For the six months ended 30 June	
	2001 (Unaudited) RMB'000	2000 (Unaudited) RMB'000
Company and subsidiaries		
PRC enterprise income tax	—	7,280
Hong Kong profits tax	—	—
Overseas tax	—	—
	—	7,280
Associates		
PRC enterprise income tax	8	—
	8	7,280

The Group companies provide for taxation on the basis of their income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

The Company is normally subject to an enterprise income tax ("EIT") at a rate of 24%, which is applicable to enterprises located in coastal open economic zone. As the Company is designated as a key enterprise in Guangdong Province, pursuant to the document Yue Fu Han (1997) 157 issued by Guangdong Provincial Government, the Company is entitled to a preferential EIT rate of 15% for 2001. Pursuant to Caishui (2000) No.99 issued in October 2000, the above preferential tax treatment would remain effective until 31 December 2001.

The Company's subsidiaries, Guangdong Kelon Refrigerator Co., Ltd. ("Kelon Refrigerator"), Guangdong Kelon Air-Conditioner Co., Ltd. ("Kelon Air-Conditioner"), Shunde Rongqi Kelon Fittings Co., Ltd. ("Kelon Fitting") and Shunde Rongsheng Plastic Products Co., Ltd. ("Rongsheng Plastic") are incorporated in coastal open economic zone, are subject to an EIT rate of 24%. Guangdong Kelon Mould Co., Ltd. ("Kelon Mould") is an advanced technology enterprise and is subject to an EIT rate of 15%. Pursuant to "Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises" ("Income Tax Law"), they are entitled to preferential tax treatment with full exemption from EIT for two years starting from the first profitable year of operations, after offsetting all tax losses carried forward from the previous years (at most five years), followed by a 50% reduction in tax rate for the next three years. In 2001, Kelon Refrigerator, Kelon Air-Conditioner and Rongsheng Plastic are subject to an EIT rate of 12%. Kelon Mould is subject to an EIT rate of 15%. Kelon Fittings is exempt from EIT.

The Company's subsidiary, Chengdu Kelon Refrigerator Co., Ltd. ("Chengdu Kelon") is subjected to an EIT rate of 30%. The Company's subsidiary, Yingkou Kelon, incorporated in coastal open economic zone, is subject to an EIT rate of 24%. Pursuant to "Income Tax Law", they are also entitled to preferential tax treatment, with full exemption from income tax for two years starting from the first profitable year of operations, after offsetting all tax losses carried forward from the previous years (at most five years), followed by a 50% reduction in tax rate for the next three years. As at 30 June 2001, Chengdu Kelon is still in loss position and does not require to pay tax. Yingkou Kelon is subject to an EIT rate of 12% in 2001.

Hong Kong profits tax for the Company's subsidiaries in Hong Kong has been provided at a rate of 16% on estimated assessable profit which was earned in or derived from Hong Kong.

As of 30 June 2001, deferred tax assets not recognised in the condensed financial statements were analysed into:

	June 30	December 31
	2001	2000
	(unaudited)	(audited)
	Rmb'000	Rmb'000
Accelerated depreciation allowances	—	(1,346)
Tax losses	115,183	129,367
Fixed assets revaluation	(5,855)	(3,321)
	109,328	124,700

5. DIVIDENDS

The directors do not recommend any interim dividend for the six months ended 30 June 2001 (six months ended 30 June 2000: Nil).

Dividend of Rmb212,289,000 declared during the six months ended 30 June 2000 represented final dividend for the year ended 31 December 1999.

6. EARNINGS PER SHARE

The calculation of basic earning per share was based on the unaudited consolidated net profit of approximately Rmb15,698,000 for the six months ended 30 June 2001 (six months ended 30 June 2000: Rmb110,482,000) divided by the weighted average number of 992,006,563 ordinary shares (six months ended 30 June 2000: 992,006,563 shares) in issue during the period.

No diluted earnings per share is presented because there was no diluted potential ordinary shares outstanding during the year.

7. RESERVES

There is no appropriation of net profit to reserves during the six months ended 30 June 2001 (six months ended 30 June 2000: nil). In accordance with the Company's articles of association, these appropriations will be proposed, if there is any, by the Board of Directors for the approval from the annual general meetings of shareholders.

8. ACCOUNTS RECEIVABLE

Accounts receivable were generated mainly from the sales of refrigerators and air-conditioners. The age of accounts receivable was analysed as follows:

	As of 30 June 2001	As of 31 December 2000
	(unaudited)	(audited)
	Rmb'000	Rmb'000
— not exceeding one year	323,801	219,961
— more than one year but not exceeding two years	98,243	79,098
— more than two years	4,456	1,910
	426,500	300,969
Less: provision for doubtful debts	(159,054)	(159,056)
	267,446	141,913

9. INVESTMENTS IN ASSOCIATES

Investments in associates consisted of:

	As of 30 June 2001	As of 31 December 2000
	(unaudited)	(audited)
	Rmb'000	Rmb'000
Investments in associates, at fair value on the date of transaction	238,682	237,714
Share of results of associates	(88,890)	(95,912)
Due from associates	134,174	6,317
	283,966	148,119

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2001, the Group has acquired total fixed assets amounted to approximately Rmb110,928,000.

11. ACCOUNTS PAYABLE

As of 30 June 2001, the Group's accounts payable were aged for less than one year.

12. ISSUED CAPITAL

There was no movement in the issued capital of the Company in the interim reporting period.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Group's cash and bank deposit, short-term borrowings and other current financial assets and liabilities approximate their fair value due to the short-term maturity of these instruments.

The carrying amount of the long-term bank loans approximate the fair value of these loans.

14. SEGMENTAL INFORMATION

The Group is principally engaged in the manufacture and sale of refrigerators and air-conditioners. Analysis of financial information by business segment is as follows:

	For the six months ended 30 June 2001			For the six months ended 30 June 2000		
	Refrigerator	Air-conditioner	Consolidated	Refrigerator	Air-conditioner	Consolidated
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Turnover	1,264,086	1,526,991	2,791,077	1,789,590	1,303,878	3,093,468
Profit from operations	17,318	35,965	53,283	149,766	15,246	165,012
Profit after taxation but before minority interests	8,612	3,257	11,869	115,210	3,375	118,585
Minority interests	5,132	(1,303)	3,829	(6,753)	(1,350)	(8,103)
Net profit for the period	13,744	1,954	15,698	108,457	2,025	110,482

The refrigerator's business does not have seasonality. The air-conditioner's business has seasonality, with the slow season from August to November of each year.

15. RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions carried out in the ordinary course of business between the Group and related parties for the six months ended 30 June 2001 and the respective balances with the related companies as of 30 June 2001:

a. Transaction with related companies

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sale of goods/raw material to		
— GKG (<i>Note i</i>)	9,777	28,160
— Shunde Cheung Tat (<i>Note ii</i>)	—	319,207
— Shunde Huao (<i>Note iii</i>)	22,026	—
— Sanyo-Kelon (<i>Note iv</i>)	11,524	25,007
— Chongqing Rongsheng (<i>Note v</i>)	56,307	—
— Sichuan Rongsheng (<i>Note xi</i>)	47,481	—
Purchase of goods/raw material from		
— GKG (<i>Note i</i>)	101,029	85,980
— Shunde Huao (<i>Note iii</i>)	185,212	—
— Sanyo-Kelon (<i>Note iv</i>)	1,369	1,774
Advertising fee paid to Kelon		
Advertising (<i>Note vi</i>)	19,299	55,477
Advertising fee paid to C&Y (<i>Note vii</i>)	19,080	—
Finance charges charged to		
GKG (<i>Note i</i>)	18,967	—
	18,967	—

b. Balances due from (to) related companies

	As of 30 June 2001 (unaudited) Rmb'000	As of 31 December 2000 (audited) Rmb'000
Balance due from GKG (<i>Note i</i>)	113,888	280,612
Balances due from related companies		
— Shunde Cheung Tat (<i>Note ii</i>)	—	121,429
— Chengdu Xinxing (<i>Note viii</i>)	34,000	34,000
— Others (<i>Note ix</i>)	1,189	41,333
	35,189	196,762
Balance due to related companies		
— Shunde Huaao (<i>Note iii</i>)	(94,689)	—
— Others	(3,457)	(148)
	(98,146)	(148)

Note i: Under the licence agreement ("Licence Agreement") dated 6 July 1996 made between Guangdong Kelon (Rongsheng) Group Company Limited ("GKG"), the holding company of the Group, and the Company, GKG granted to the Company an exclusive right to use the trademarks "Kelon" and "Ronshen" for no consideration (i) as registered in the PRC and Hong Kong, and/or (ii) as may from time to time be registered and/or in respect of which applications for registration may be made with the trademarks registry of any other territory by GKG and /or (iii) all "Kelon" or "Ronshen" trademark registrations as may be assigned to GKG from time to time on freezers, refrigerators and other similar or related products and such other products as may be requested by the Company from time to time which are not objected by GKG, on a worldwide basis, for a term equivalents to the period of validity of the relevant registration. GKG may use and, with the prior written consent of the Company, allow third party to use, such trademarks on production other than the types of products covered by the Licence Agreement. At present, the Group has used the trademarks of "Kelon" and "Ronshen" on the refrigerators' products and "Kelon" on the air-conditioners products under the above-mentioned Licence Agreement.

The Group had sold goods to GKG and purchased raw material from GKG during the six months ended 30 June 2001.

The Group made payments on behalf of GKG in the settlement of GKG's operating expenses. On the other hand, GKG also made payments on behalf of the Group in the settlement of the Group's purchase of material and other operating expenses.

The Group and GKG used the banking facilities of each other for the purpose of effective utilisation of banking facilities. The Group charged GKG financial expenses at market interest rate based on average net balance due from GKG. During the six months ended 30 June 2001, the Group has charged GKG finance charges of approximately Rmb18,967,000 in connection with the advances made to GKG (six months ended 30 June 2000: nil).

As of 30 June 2001, long-term bank loan of Rmb200,000,000 of the Company was guaranteed by GKG (As of 31 December 2000: Rmb200,000,000).

Kelon Refrigerator, Kelon Air-Conditioner and GKG have an agreement ("Cost Sharing Agreement") whereby GKG agreed to share part of the advertising and promotional costs incurred by Kelon Refrigerator and Kelon Air-Conditioner in promoting the brand names of "Kelon" and "Ronshen" which are owned by GKG as referred above. According to the Cost Sharing Agreement, GKG agreed to share advertising costs of Rmb235,000,000 for 2000. During the period from 1 January 2001 to 30 June 2001, no such advertising cost sharing arrangement was entered into with GKG.

As of 30 June 2001, total amount due from GKG was Rmb113,888,000 (as of 31 December 2000: Rmb280,612,000).

Note ii: The Group sold refrigerators to Shunde Cheung Tat Household Appliance Co., Ltd. ("Shunde Cheung Tat"). Shunde Cheung Tat is a PRC registered company and obtained significant financial support from GKG. For the six months ended 31 June 2000, the sale of refrigerators to Shunde Cheung Tat amounted to Rmb319,207,000. Prior to 31 December 2000, the Group entered into agreement and bought back certain unsold refrigerators from Shunde Cheung Tat for Rmb98,292,000. The amount represents the lower of cost and net realisable value of the unsold refrigerators at the time of buy-back. During the six months ended 30 June 2001, the Group did not have any transactions with Shunde Cheung Tat. The balance due from Shunde Cheung Tat as of 31 December 2000 amounted to approximately Rmb121,429,000 was repaid during the period ended 30 June 2001.

Note iii: Shunde Huao Electrical Company Limited ("Shunde Huao") is a subsidiary of GKG.

Note iv: Guangdong Sanyo-Kelon Refrigerator Co., Ltd. ("Sanyo-Kelon") is an associated company of the Group.

Note v: Chongqing Rongsheng is an associated company of the Group.

Note vi: The Group engaged Kelon Advertising Company ("Kelon Advertising") as one of its advertising agency. Kelon Advertising is a wholly-owned subsidiary of GKG. For the six months ended 30 June 2001, the Group made payment of Rmb19,299,000 (for the six months ended 30 June 2000: Rmb55,477,000) to Kelon Advertising in connection with advertising activities in respect of Kelon brands.

Note vii: Kelon Development Company Limited ("KDC"), a subsidiary of the Company, entered into an agreement with Qin Jia Yuan Shares Company Limited ("QJY") on 23 September 2000 regarding the subscription of shares by KDC in Communication and You Holdings Company Limited ("C&Y") as well as setting out the respective rights and obligations of QJY and KDC as shareholders of C&Y and setting out the basis on which the business and affairs of C&Y would be managed and controlled.

C&Y is principally engaged in the media advertising and marketing business, including but not limited to:

- (a) the provision of production support on audio-visual program;
- (b) marketing of shows to overseas broadcasting entities;
- (c) provision of promotion, public relations, advertising consultancy services to advertisers and factory owners;
- (d) production of special audio-visual programmes for advertisers and factory owners; and
- (e) obtaining advertising air time from various media and selling such air time to advertising clients.

In accordance with the agreement, KDC subscribed for 25 shares in C&Y at a consideration of HK\$12,000,000 and QJY subscribed for 73 shares in C&Y at a consideration of HK\$2,000,000 and the assignment of certain advertising and business contracts to C&Y. QJY also acquired 1 share in C&Y from each of C&Y's initial subscribers for cash at par.

During the six months ended 30 June 2001, the Group paid HK\$18,000,000 for the sponsorship air time from C&Y.

As the sole shareholder of QJY is the spouse of Dr. Philip Yu Hong Wong, a non-executive director of the Company, QJY is a connected person of the Company under the Listing Rules.

Note viii: The Company made prepayments amounting to an aggregate sum of Rmb34,000,000 indirectly through its subsidiary, Chengdu Kelon to Chengdu Xinxing Electrical Appliance Holdings Company Limited ("Chengdu Xinxing"), which is an associate of Chengdu Engine (Group) Company Limited ("Chengdu Engine"), the minority investor of Chengdu Kelon. As consideration for such prepayment, Chengdu Xinxing has agreed to repay Chengdu Kelon by supplying an agreed number of refrigerator parts together with interest payments at an annual rate of 9.504% for Rmb30,000,000 and 9% for Rmb4,000,000. The prepayment was guaranteed by Chengdu Engine and Chengdu Kelon has the right to deduct from any dividends payable to Chengdu Engine the outstanding amount of any payments (in whatever form) due from Chengdu Xinxing directly or indirectly to the Company. As security for Chengdu Engine's performance of its obligations under the above guarantee, Chengdu Engine has charged its entire interests in Chengdu Kelon in favour of the Company.

Note ix: The Group has advanced money to certain related parties of GKG. The advances outstanding from these related parties as of 31 December 2000 amounted to approximately Rmb28,551,000. The obligation to repay of these advances are taken up by GKG prior to 30 June 2001.

Note x: Except for prepayment paid to Chengdu Xinxing (Note viii) and due from GKG (Note i), all balances with related parties are non-interest bearing, unsecured and have no fixed repayment terms.

Note xi: Sichuan Rongsheng is an associated company of the Group.

16. MINORITY INTERESTS

As of 30 June 2001, cumulative losses applicable to the minority interest of one of the Group's subsidiaries exceeded the minority interest in the equity of the subsidiary ("the excess loss") by approximately Rmb156,812,000 (31 December 2000: 158,115,000). Management is currently in discussion with the minority shareholder and believes that the minority shareholder will ultimately make additional financial contribution to absorb the excess loss, and accordingly, has allocated the excess loss to the minority interests in the Group's 30 June 2001 condensed consolidated financial statements.

17. COMMITMENTS

Capital commitments as of 30 June 2001 were as follows:

	As of 30 June 2001	As of 31 December 2000
	(unaudited)	(audited)
	Rmb'000	Rmb'000
Contracted but not provided for		
— Purchase of property	38,700	—
— Purchase of plant and equipment	5,780	13,297
— Purchase of advertisement and/or sponsorship air time	16,120	21,200
	<u>16,120</u>	<u>21,200</u>

18. CHANGE IN ACCOUNTING POLICY

From 1 January 2001, the Group changed its accounting policy with respect to the recognition and measurement of the financial instruments to conform to IAS 39 "Financial Instruments: Recognition and Measurement".

After initial recognition of a financial asset or financial liability at cost, the Group now measured each major class of the financial instruments, at the reliable fair value or amortised cost in accordance with IAS 39. The financial assets purchased and sold in regular way are accounted for on the day of transaction. Gain or loss arising from changes in the fair value of those available-for-sale financial assets that are measured at fair value subsequent to initial recognition are included in net profit or loss for the period.

The adoption of IAS 39 did not have a significant effect to the opening balances to these condensed financial statements.

For the six months ended 30 June 2001, there is no gain or loss arising from changes in the fair value of those available-for-sale financial assets that are measured at fair value subsequent to initial recognition.

19. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group activities expose it to a variety of financial risks, including credit risk and interest rate risk.

Financial risk management is carried out by the Finance department under policies approved by the Board of Directors.

Credit risk, or the risk of counterparties defaulting, are controlled by the application of credit terms and monitoring procedures.

The Group's income and operating cash flows are substantially independent of changes in market prices interest rates.

The Group has no significant concentration of other financial risks, including foreign exchange risk.

(b) Fair value estimation

The fair value of publicly traded securities is based on quoted market prices at the balance sheet date.

In assessing the fair value of non-trading securities and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

20. PRIOR YEAR ADJUSTMENT

In accordance with the revised IAS 10 "Events After the Balance Sheet Date", dividends proposed or declared after the balance sheet date are no longer permitted to be recognised as a liability as at the balance sheet date. This change in accounting policy has been applied retrospectively with the result that the retained earnings of the Group and the Company as at 1 January 2000 were increased by approximately Rmb212,289,000, representing the dividends declared by the Company after the respective balance sheet dates.

In addition, prior to 1 January 2000, expenditures incurred prior to commencement of business operations of individual subsidiaries and certain of the pension costs are deferred and amortised on a straight-line basis over a period of five and twenty years, respectively. With the adoption of IAS 38 "Intangible Assets" for the year ended 31 December 2000, the Group changed its accounting policy whereby all pre-operating expenditures and pension costs are expensed as incurred.

The effect of changes in accounting policies had been accounted for retrospectively as prior year adjustments as follows:

	Group	
	<u>2001</u>	<u>2000</u>
	<i>Rmb'000</i>	<i>Rmb'000</i>
Retroactive effect of change of accounting policies on beginning retained earnings		
— dividends	—	212,289
— write-off of pre-operating expenditures	—	(13,267)
— write-off of deferred pension costs	—	(10,875)
	<u>—</u>	<u>188,147</u>

21. PRIOR YEAR COMPARATIVES

Certain comparative figures for the six months ended 30 June 2000 and as of 31 December 2000 have been reclassified to conform to the current interim period's presentation.

RESULTS

For the Period, turnover of the principal activities of the Group was approximately RMB2,791,000,000, representing a decrease of approximately 9.8% over the corresponding period in 2000, while net profit decreased by about 85% to approximately RMB15,700,000.

DIVIDENDS

At a meeting of the Directors held on 28 August 2001, the Directors resolved not to pay any interim dividend to shareholders (2000: nil).

REVIEW OF OPERATIONS AND PROSPECTS

Operations of the Group

The Group's principal activities include refrigerators and air-conditioners product development, manufacturing and the sale of such products in the domestic and overseas markets. The Group's refrigerator business was mainly conducted under the "Kelon" and "Ronshen" brands, whereas its air-conditioner business was under the "Kelon" and "Huabao" brands.

Despite continued keen competition in the PRC domestic appliances market during the first half of 2001, the Group's strong commitment to its "honesty and integrity" business strategy has led to meaningful improvements.

In 2001, the Group's efforts in expanding its sales channels were rewarded with a significant increase in its coverage, as demonstrated by a growth of 40% in the number of contracted distributors for refrigerator as compared with last year. The number of distributors is expected to continue to increase in the second half of the year. Proportion of retail sales to overall sales increased by 14% as compared with last year. For air-conditioners the number of contracted distributors increased by 32% over last year. For new products the success ratio increased significantly and new models were very well received by consumers. As a result, new refrigerator models developed with ten new technologies accounted for 78% of the total sales for the first half of 2001. Besides, a series of new air-conditioners will be put onto the market. The total sales volume of air-conditioners for the past 6 months already matched the volume for the entire year 2000.

During the Period, the Group successfully increased awareness in cost control among the staff. Through measures such as combined purchase and optimization of product mix, the Group managed to lower the production costs of refrigerators and air-conditioners by 13% and 12% respectively over that of the same period in the previous year. In addition, distribution costs were well under control despite increased efforts in developing its sales channels.

The above results were attributable to the Group's corporate culture of "Honesty, Cooperation, Learning and Creativity". As part of corporate reform, the Group attracted overseas and domestic professionals from the industry and established a management team of profound expertise and experience. These professionals were deployed into their respective fields of expertise to bring their talents into full play.

According to the "PRC Urban Household Appliances Market Survey 2000" released jointly by the Institute of Market Economy under the Development Research Center of the State Council, the Department of Economic Operation of the Ministry of Information Industry, the Research and Development Department of the Information Center of the State and the PRC Home Appliances Trade Association in May 2001, the "Rongsheng" and "Kelon" refrigerators came first in four areas — "Most Frequently Mentioned Products", "Most Recognized Brand", "Market Share" and "Expected Purchase Rate".

Operating Strategy

The operating strategy of the Group for 2001 revolves around sales reform, technological upgrade, cost control and expansion in business scope.

I. Sales Reform

1. The Group completed its re-engineering program and transformed from production-oriented to market-oriented. The establishment of the Group's 28 provincial branches throughout the PRC in 2001 marked the decentralization of our sales platform. With this change, the development of sales channels and response to market changes are now more timely and efficient;

2. The “500-5000 Project” and “Hundred-store Project” were launched by the Group’s refrigerators and air-conditioners business units respectively. By strengthening its network with hundreds of leading shopping malls, supermarkets and chain stores throughout the PRC, the Group stepped up its investment in and development of retail outlets and will continue its efforts to increase the proportion of its sales to end retailers;
3. The Group reviewed and registered its existing service network and upgraded its network structure. The Group established a management structure of: “Headquarters - Customer Services Centres - Service Chain Stores - Franchised Stores” and is committed to promote our brand for customer service: “Total Carefree”; and
4. On the exports front, the Group effectively expanded its sales channels via exhibitions, company visits, the Internet and other channels. The number of countries and regions the Group now exports to surged from 23 last year to 74 this year. Meanwhile, sales volume and foreign exchange earned in the first half of this year increased by 67% and 160% respectively over the corresponding period of last year.

II. Technological Upgrade

1. Product development for refrigerators in 2001 placed particular emphasis on the prevailing features of “energy saving” and “environmental friendliness”. Development of other new products are also adjusted on a timely basis in response to market changes. For air-conditioners, the Group kicked-off 110 new product development projects and 14 new designs that reached sample testing stage, 9 completed small-batch testing and 18 completed medium-batch testing. During second half of the year, the Group will develop more new products not only for domestic markets but also for exports to cater for customer demands;
2. Technical collaborations and exchanges were established with renowned PRC institutions such as Tsinghua University, Xian Jiaotong University, Fuzhou University and the Chinese Academy of Sciences. In addition, the Group is constructing one of the most advanced laboratories on refrigeration systems in the PRC; and

3. During first half of the year, the Group established Pioneer Holding Group, a hi-tech industrial entity in Beijing, to enhance the technology content and quality of traditional Kelon appliances. This will form the Group's core technological innovation strength for the development of new products and technologies for the next five to ten years. In addition, the new company can become a new profit center that opens up new operation frontiers by functioning as the incubator of hi-tech research results.

III. Stringent Cost Control

1. The Group completed a comprehensive analysis of its existing cost structure to formulate and implement cost control measures in every area from procurement, design and technology, and production;
2. The Group established an information collection and analysis system for prices of raw materials as well as competitors' products and suppliers, so as to provide sufficient support for its pricing and adjustment policies;
3. The Group enhanced and further improved its tender mechanism by splitting its purchase department into three separate regimes of pricing, procurement and approval of new vendors; and
4. The Group expanded coverage for items required tendering procurement. It successfully reduced the difference among purchase prices in Guangdong, Chengdu and Yingkou by joint tendering and procurement efforts.

IV. Expansion of Business Scope

1. Following its successful development of core technologies for Intelligence Control Household Systems, the Group is now in the preliminary stage of product commercialization. Working in conjunction with real estate developers, the Group has now set up a number of show flats equipped with such systems; and

2. Regarding our B2B procurement platform, which has been set up to lower purchase cost, we are working together with Wuxi Little Swan, a washing machine manufacturer, to merge and restructure our respective platforms in an attempt to create a larger PRC home appliance procurement platform.

Successful implementation of the above strategies has strengthened the Group's overall foundation in 2001. This helps further improve the Group's competitiveness. The Directors are confident about the Group's bright future prospect.

TRUST DEPOSITS

As of 30 June 2001, the Company did not have any trust deposits with any financial institutions in the PRC or deposits with any financial institutions in the PRC, which are allowed to be withdrawn only upon maturity. All of the Company's deposits have been placed with commercial banks in the PRC and Hong Kong and the Company has not encountered any collection difficulties.

UNIFIED INCOME TAX AND LOCAL TAX REFUND PRIVILEGE

The Company is not aware of any government policy change so far that may affect the Company's tax rate.

EMPLOYEE HOUSING SCHEME

The Company has an incentive scheme with the objective of retaining middle management and technical staff. Under the scheme, the Company can at its discretion sell residential flats to the employees selected by the Company at book value. The employees pay a purchase price by monthly installments for ten years. Such monthly installments carried no interest element before 1997 but was subsequently revised so that effective from 1997 they all carried interest charges. The monthly installments are deducted automatically from the employees' monthly salaries. Title of properties will remain with the Company until the installments are fully paid by the employees. If an employee leaves the Company or is dismissed by the Company during the repayment period, the installment payments already made by the employee will be treated as rental payment and no refund of installment payments will be necessary.

As of 30 June 2001, a total of 571 (2000: 391) employees participated in this scheme. During the Period, no employee has fully paid up the installments and accordingly the titles of the properties remained with the Company.

THE IMPACT OF THE PRC'S ENTRY INTO WTO ON THE GROUP

The household appliances industry is among the first in the PRC to embrace the market economy. Following the deepening of the PRC's economic reform, most of the famous household appliances enterprises from overseas have set up factories in the PRC to compete for a share in the domestic market. In essence, the market for household appliances in the PRC is already on the road to globalization. In view of the Group's sound competitiveness in the household appliances industry, benefits brought by the PRC's entry into the WTO are expected to outweigh any potential setbacks. Once it becomes a member of the WTO, the PRC will have to reduce its import tariffs, and prices of imported goods will drop as a result. PRC enterprises will nonetheless be subject to considerable pressure in the short run. Yet, in the long run, the PRC's entry into the WTO will speed up the process of globalization for leading players in the industry. Meanwhile, the decrease in tariffs will also lead to a decline in the costs of crucial components imported from overseas, thereby reducing the costs of operation of PRC enterprises, which will in turn enhance their competitiveness. Furthermore, the PRC's entry into the WTO will open up more promising opportunities for PRC enterprises to explore the overseas markets. The Group believes that through strengthening its research and development capability, the establishment of network infrastructure and brand name promotion, and leveraging on its competitive edge, it can certainly strengthen and further enhance its position in both the domestic and international markets.

SOURCES OF WORKING CAPITAL AND CAPITAL

Net cash inflow from operating activities for the first half of 2001 amounted to approximately RMB1,035,000,000.

As at 30 June 2001, the Company had bank balances and cash on hand totaling RMB1,769,000,000 and bank loan balance totaling RMB840,000,000.

Meanwhile, capital expenditure for the first half of 2001 amounted to approximately RMB218,000,000.

As at 30 June 2001, the net proceeds from the Company's initial public offering and subsequent placement of H shares and public offer of A shares have been applied as the Group's capital expenditure and working capital.

SHARE CAPITAL STRUCTURE

As at 30 June 2001, the share capital structure of the Company was as follows:

	Percentage of Total Number of Shares	Issued Share Capital (%)
Domestic shares	422,416,755	42.58
H shares	459,589,808	46.33
A shares	110,000,000	11.09
	<hr/>	<hr/>
Total	992,006,563	100
	<hr/> <hr/>	<hr/> <hr/>

TOP TEN/SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, the top ten shareholders of the Company (including shareholders who registered an interest of more than 10% of the issued share capital of the Company) were as follows:

Name of Shareholders	Class	Shares Held	Percentage of Holding
Guangdong Kelon (RongSheng) Group Company Limited ("GKG")	Domestic	337,915,755	34.06%
The Hongkong and Shanghai Banking Corporation Ltd.	H Shares	90,083,271	9.08%
Standard Chartered Bank	H Shares	34,486,300	3.48%
ICEA Securities Limited	H Shares	24,787,000	2.50%
Citibank N.A.	H Shares	19,913,802	2.01%
XINDAS LIMITED	H Shares	13,155,000	1.33%
Vickers Ballas Hong Kong Securities Ltd.	H Shares	11,094,000	1.12%
Hang Seng Bank Ltd.	H Shares	9,793,000	0.99%
Bank of Bermuda Ltd.	H Shares	9,762,000	0.98%
Celestial Asia Securities Holdings Limited	H Shares	9,595,000	0.97%

INTERESTS OF DIRECTORS AND SUPERVISORS

As at 30 June 2001, the interests of the directors and supervisors of the Company in the share capital of the Company were as follows:

Director/Supervisor	Type of Interest	Number of Domestic Shares
Cai Shier	Personal	100,000
Li Diqiang	Personal/Family	105,000
He Si	Personal/Family	50,000

PURCHASE, SALE AND REDEMPTION OF SHARES

The proceedings in respect of the approval and disclosure of the H Share Repurchase Scheme have been completed and the Directors are of the view that the Company will repurchase such securities in the market under appropriate circumstances.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the securities of the Company or its subsidiaries during the Period.

SIGNIFICANT EVENTS

A resolution concerning the change of Directors of the Company was considered and approved at the general meeting on 18 June 2001. Wang Guoduan, Chen Dingbang and Liang Yuanying resigned as Directors of the Company. Xu Tiefeng, Li Zhenhua, Qu Yunbo, Yu Chor Woon, Carol and Zhang Xusheng were appointed as Directors of the Company.

Xu Tiefeng was elected by the Directors as the Chairman of the Company on 29 June 2001. At the same time, resignations by Chen Tongxing and Fan Chorwah, Vincent for personal reasons were accepted by the Directors.

Neither the Company nor its subsidiaries were involved in any material litigation or significant arbitration during the Period.

STATEMENT OF AFFAIRS RELATED TO THE AUDITORS' REPORT FOR 2000

The management of the Company is under negotiation with certain minority shareholders in respect of the excess loss in a subsidiary of the Group, which gave rise to the auditors' qualified opinion arising from disagreement about accounting treatment, which was expressed in the auditors' report for 2000 prepared by Arthur Andersen & Co. on 27 April 2001. It is the belief of the Company that such minority shareholders will ultimately contribute additional capital to cover the excess loss.

In the financial statements of the Company reviewed by Arthur Andersen & Co. for the six months ended 30 June 2001, there was still disagreement about the accounting treatment in respect of such excess loss attributable to minority shareholders.

CODE OF BEST PRACTICE

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice contained in Appendix 14 of the Listing Rules, in any part of the Period.

DOCUMENT AVAILABLE FOR INSPECTION

The original copy of the interim report signed by the Chairman will be available for inspection at the following address:

No. 8 Ronggang Road
Ronggui, Shunde
Guangdong Province
China

By Order of the Board
Xu Tiefeng
Chairman

Shunde, 28 August 2001

SUPPLEMENTARY INFORMATION AS REQUIRED BY
THE STOCK EXCHANGE OF HONG KONG LIMITED
IN RELATION TO THE COMPANY'S A SHARE
INTERIM RESULTS ANNOUNCEMENT

1. FINANCIAL SUMMARY

Prepared in accordance with PRC Accounting Standards ("PRC GAAP")

	For the six months ended 30 June		For the year ended 31 December
	2001 (Unaudited)	2000 (Unaudited)	2000 (Unaudited)
Turnover from principal activities	2,791,119,830	3,093,467,978	3,869,502,617
Net profit (loss)	19,750,961	126,431,247	(672,537,438)
Non-recurring items			
— Loss on disposals of assets	—	11,717	5,544,048
— Amortization of goodwill	8,648,884	5,024,906	10,197,000
Net profit (loss) before non-recurring items	28,399,845	131,467,870	(656,796,390)
Earnings per share	0.02	0.13	-0.68
Earnings per share considering share change after the balance sheet date	0.02	0.13	-0.68
Return on net assets (%)	0.48%	2.57%	-16.34%
	30 June 2001 (Unaudited)	31 December 2000 (Unaudited)	
Total assets	7,930,262,396	6,893,105,945	
Asset-liability ratio (%)	46.76%	38.77%	
Shareholders' equity (excluding minority interests)	4,137,302,548	4,115,994,899	
Net assets per share	4.17	4.15	
Adjusted net assets per share	3.93	3.92	
Net assets per share considering share change after balance sheet date	4.17	4.15	
Net cash flow from operating activities per share	1.04	1.10	

The calculation formulae for the key financial indicators as shown in the financial summary are as follows:

Earnings per share = net profit/weighted average number of ordinary shares outstanding for the Period.

Return on net assets = net profit/shareholders' equity as of the Period end x 100%.

Asset-liability ratio = total liabilities/total assets x 100%

Net assets per share = shareholders' equity as of the Period end/ number of shares outstanding as of the Period end.

Adjusted net assets per share = (shareholders' equity as of the Period end — accounts receivable aged over 3 years — deferred expenses — net loss on disposals of (current, fixed) assets — pre-operating expenditures — long-term deferred expenditures — negative balance of housing fund)/number of ordinary shares outstanding as of the Period end.

* If earnings per share is calculated as "net profit/number of ordinary shares outstanding at the end of the period", then the earnings per share for the six months ended 30 June 2001 is RMB0.02 (for six months ended 30 June 2000: RMB0.13).

BALANCE SHEETS

(Prepared in accordance with PRC GAAP)

(Denominated in RMB)

Note	Group		Company	
	30 June 2001	31 December 2000	30 June 2001	31 December 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
ASSETS				
CURRENT ASSETS:				
Cash at bank and on hand	1,769,670,408	838,710,032	1,511,125,841	461,842,796
Notes receivable	150,924,313	280,255,647	126,433,633	4,123,740
Dividends receivable	—	—	—	—
Interest receivable	—	—	—	—
Accounts receivable	331,228,324	297,542,830	136,598,501	6,424,447
Other receivables	544,839,199	460,048,067	1,626,256,045	2,279,594,405
Prepayments	51,916,969	67,149,203	28,622,194	21,216,776
Subsidy receivable	—	—	—	—
Inventories	1,962,298,332	1,736,641,111	1,549,554,961	21,186,421
Deferred expenses	7,372,337	7,448,872	4,293,305	5,081,115
Investments in debt securities, current portion	—	—	—	—
Other current assets	—	—	—	—
Total current assets	4,818,249,882	3,687,795,762	4,982,884,480	2,799,469,700
LONG-TERM INVESTMENTS:				
Long-term equity investments	340,788,463	338,261,758	1,191,302,098	1,149,148,415
Long-term investments in debt securities, non-current portion	—	—	—	—
Total long-term investments	340,788,463	338,261,758	1,191,302,098	1,149,148,415

	Note	Group		Company	
		30 June 2001	31 December 2000	30 June 2001	31 December 2000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
FIXED ASSETS:					
Fixed assets, cost		3,353,575,343	3,367,402,922	1,344,587,143	1,340,207,640
Less: Accumulated depreciation		(1,152,180,504)	(1,063,555,842)	(348,485,296)	(300,895,062)
Fixed assets, net		2,201,394,839	2,303,847,080	996,101,847	1,039,312,578
Less: impairment provision					
for fixed assets		—	—	—	—
Fixed assets, net		2,201,394,839	2,303,847,080	996,101,847	1,039,312,578
Project materials		—	—	—	—
Construction-in-progress	5	27,184,050	26,171,005	21,836,919	19,626,516
Fixed assets pending disposal		—	—	—	—
Total fixed assets		2,228,578,889	2,330,018,085	1,017,938,766	1,058,939,094
INTANGIBLE ASSETS					
AND OTHER ASSETS:					
Intangible assets		308,214,022	313,969,738	210,663,191	213,998,965
Long-term deferred expenditures	6	234,431,140	223,060,602	100,305,579	39,217,469
Other long-term assets		—	—	—	—
Total intangible assets and other assets		542,645,162	537,030,340	310,968,770	253,216,434
DEFERRED TAXATION:					
Deferred tax assets		—	—	—	—
TOTAL ASSETS		7,930,262,396	6,893,105,945	7,503,094,114	5,260,773,643

	Note	Group		Company	
		30 June 2001	31 December 2000	30 June 2001	31 December 2000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term loans	7	669,812,967	437,700,000	575,700,000	355,700,000
Notes payable		1,075,297,157	216,354,679	879,785,083	151,203,183
Accounts payable		832,957,346	506,449,676	42,546,694	3,812,243
Advances from customers		182,183,216	553,272,123	182,385,689	—
Salary payable		17,133,086	64,363,358	4,909,215	29,124,040
Staff welfare payable		6,539,725	3,511,001	3,431,025	40,282
Dividends payable		—	—	—	—
Taxes payable		(137,464,155)	(186,842,451)	(110,306,344)	(16,379,242)
Pay to others		18,721,428	1,990,693	3,684,706	1,847,785
Other payables		184,481,775	163,179,095	1,001,367,240	287,625,599
Accruals		357,356,310	373,291,354	319,575,526	14,423,878
Provision		140,076,546	164,616,546	140,076,546	—
Current portion of long-term liabilities		4,559,058	19,777,334	—	—
Other current liabilities		448,658	—	156,833	—
Total current liabilities		3,352,103,117	2,317,663,408	3,043,312,213	827,397,768
LONG-TERM LIABILITIES:					
Long-term loans		232,665,320	237,306,327	200,000,000	200,000,000
Debentures		—	—	—	—
Long-term payable		119,436,707	117,147,785	117,148,000	113,621,706
Special payable		—	—	—	—
Other long-term payable		4,137,068	—	3,128,771	—
Total long-term liabilities		356,239,095	354,454,112	320,276,771	313,621,706

	Note	Group		Company	
		30 June 2001 (Unaudited)	31 December 2000 (Unaudited)	30 June 2001 (Unaudited)	31 December 2000 (Unaudited)
DEFERRED TAXATION:					
Deferred tax liabilities		—	—	—	—
Total liabilities		3,708,342,212	2,672,117,520	3,363,588,984	1,141,019,474
MINORITY INTERESTS					
		84,617,636	104,993,526	—	—
SHAREHOLDERS' EQUITY:					
Share capital	8	992,006,563	992,006,563	992,006,563	992,006,563
Capital surplus	9	2,451,222,837	2,451,222,837	2,451,222,837	2,451,222,837
Reserve surplus		343,742,703	343,742,703	343,742,703	343,742,703
Including: common					
welfare reserve		114,580,901	114,580,901	114,580,901	114,580,901
Retained earnings		352,533,027	332,782,066	352,533,027	332,782,066
Currency translation differences		(2,202,582)	(3,759,270)	—	—
Total shareholders' equity		4,137,302,548	4,115,994,899	4,139,505,130	4,119,754,169
TOTAL LIABILITIES AND					
SHAREHOLDERS' EQUITY					
		7,930,262,396	6,893,105,945	7,503,094,114	5,260,773,643

STATEMENT OF IMPAIRMENT PROVISION FOR ASSETS

(Prepared in accordance with PRC GAAP)

(Denominated in RMB)

	31 December 2000	Provision	Reversal	30 June 2001
Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
1. Provision for doubtful accounts	159,056,119	—	1,667	159,054,452
Including: Accounts receivable	159,056,119	—	1,667	159,054,452
Other receivables	—	—	—	—
2. Provision for impairment in value of short-term investments				
Including: Investments in stocks	—	—	—	—
Investments in debt securities	—	—	—	—
3. Provision for inventory obsolescence	198,538,611	42,965,941	93,760,867	147,743,685
Including: Commodities	166,274,203	42,965,941	73,104,156	136,135,988
Raw materials	32,264,408	—	20,656,711	11,607,697
4. Provision for impairment in value of long-term investments	74,129,000	—	—	74,129,000
Including: Long-term equity investments	74,129,000	—	—	74,129,000
Long-term investments in debt securities	—	—	—	—
5. Provision for impairment in value of fixed assets	—	—	—	—
Including: Buildings	—	—	—	—
Machinery and equipment	—	—	—	—
6. Provision for impairment in value of intangible assets	—	—	—	—
Including: Patent	—	—	—	—
Trademark	—	—	—	—
7. Provision for impairment in value of construction-in-progress	—	—	—	—
8. Provision for impairment in value of entrusted loans	—	—	—	—

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Prepared in accordance with PRC GAAP)

(Denominated in RMB)

	For the six months ended	
	30 June 2001	30 June 2000
	(Unaudited)	(Unaudited)
1. Share capital		
Beginning of period	992,006,563	992,006,563
Addition during the period	—	—
Including: transfer from capital surplus	—	—
transfer from reserve surplus	—	—
transfer from profit		
appropriation	—	—
issue of shares	—	—
Decrease during the period	—	—
End of period	992,006,563	992,006,563
2. Capital surplus		
Beginning of period	2,451,222,837	2,451,222,837
Addition during the period	—	—
Including: premium on share capital	—	—
reserve for non-cash assets		
received as donation	—	—
reserve for cash received		
as donation	—	—
investment surplus reserve	—	—
fund transfer in	—	—
translation reserve	—	—
revaluation reserve	—	—
other reserve	—	—
Decrease during the period	—	—
Including: transfer to share capital	—	—
End of period	2,451,222,837	2,451,222,837

	For the six months ended	
	30 June 2001	30 June 2000
	(Unaudited)	(Unaudited)
3. Statutory and discretionary reserve surplus		
Beginning of period	229,161,802	229,161,802
Addition during the period	—	—
Including: appropriation from net profit	—	—
Including: statutory reserve surplus	—	—
discretionary reserve surplus	—	—
reserve fund	—	—
enterprise development fund	—	—
transfer from statutory reserve	—	—
Decrease during the period	—	—
Including: offsetting losses	—	—
transfer to share capital	—	—
appropriation of cash dividends or profit	—	—
appropriation of stock dividends	—	—
End of period	229,161,802	229,161,802
Including: Statutory reserve surplus	229,161,802	229,161,802
Reserve fund	—	—
Enterprise development fund	—	—
4. Common welfare fund		
Beginning of period	114,580,901	114,580,901
Addition during the period	—	—
Including: appropriation from net profit	—	—
Decrease during the period	—	—
End of period	114,580,901	114,580,901
5. Retained earnings		
Beginning of period	332,782,066	1,005,319,504
Net profit during the period	19,750,961	126,431,247
Profit appropriation during the period		
End of period	352,533,027	1,131,750,751

STATEMENTS OF INCOME AND PROFIT APPROPRIATION

(Prepared in accordance with PRC GAAP)

(Denominated in RMB)

Note	Group			Company			
	For the six months ended	For the six months ended	For the year ended 31	For the six months ended	For the six months ended	For the year ended 31	
	30 June 2001	30 June 2000	December 2000	30 June 2001	30 June 2000	December 2000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Turnover	10	2,791,119,830	3,093,467,978	3,869,502,617	2,303,478,772	171,367,725	142,811,543
Less: Cost of sales		(2,144,503,435)	(2,350,333,173)	(3,250,533,167)	(1,802,081,123)	(162,717,932)	(136,006,123)
Sales tax		(43,086)	—	—	(43,086)	—	—
Profit from principal operations, net		646,573,309	743,134,805	618,969,450	501,354,563	8,649,793	6,805,420
Add: Profit from other operations	11	11,805,566	16,108,746	11,333,777	1,611,755	52,815	(448,135)
Less: Operating expenses		(462,032,471)	(407,115,370)	(918,195,704)	(439,228,622)	—	—
General and administrative expenses		(169,181,635)	(165,177,781)	(631,116,249)	(57,837,134)	(52,965,284)	(34,090,713)
Financial expenses	12	(21,063,011)	(39,146,994)	(73,030,754)	(712,896)	(15,176,424)	(27,297,184)
Operating profit (loss)		6,101,758	147,803,406	(992,039,480)	5,187,666	(59,439,100)	(55,030,612)
Add: Investment income		7,021,464	7,600	(1,829,000)	15,273,684	190,976,638	(607,753,554)
Subsidy income		—	96,601	175,300	—	96,601	175,300
Non-operating income	13	2,737,599	2,581,300	12,929,298	77,545	97,545	61,580
Less: Non-operating expenses	14	(292,665)	(5,936,897)	(20,505,821)	(787,934)	(530,437)	(5,393,224)

Note	Group			Company		
	For the six months ended	For the six months ended	For the year ended 31	For the six months ended	For the six months ended	For the year ended 31
	30 June 2001	30 June 2000	December 2000	30 June 2001	30 June 2000	December 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit (loss) before taxation	15,568,156	144,552,010	(1,001,269,703)	19,750,961	131,201,247	(667,940,510)
Less: Taxation	—	(7,280,485)	(5,494,391)	—	(4,770,000)	(4,596,928)
Minority interests	4,182,805	(10,840,278)	334,226,656	—	—	—
Net profit (loss)	19,750,961	126,431,247	(672,537,438)	19,750,961	126,431,247	(672,537,438)
Add: Retained earnings, beginning of period	332,782,066	1,005,319,504	1,005,319,504	332,782,066	1,005,319,504	1,005,319,504
Others	—	—	—	—	—	—
Profit available for distribution	352,533,027	1,131,750,751	332,782,066	352,533,027	1,131,750,751	332,782,066
Less: Statutory reserve surplus	—	—	—	—	—	—
Common welfare fund	—	—	—	—	—	—
Profit available for shareholders	352,533,027	1,131,750,751	332,782,066	352,533,027	1,131,750,751	332,782,066
Less: Discretionary reserve fund	—	—	—	—	—	—
Cash Dividend	—	—	—	—	—	—
Stock Dividend	—	—	—	—	—	—
Retained earnings, end of period	352,533,027	1,131,750,751	332,782,066	352,533,027	1,131,750,751	332,782,066

Profit for the reporting period (Unaudited)	Group				Company			
	Return on net assets		Earnings per share		Return on net assets		Earnings per share	
	Fully Weighted		Fully Weighted		Fully Weighted		Fully Weighted	
	diluted	average	diluted	average	diluted	average	diluted	average
Profit from principal operations	15.63%	15.67%	0.65	0.65	12.11%	12.14%	0.51	0.51
Operating profit	0.15%	0.15%	0.01	0.01	0.13%	0.13%	0.01	0.01
Net profit	0.48%	0.48%	0.02	0.02	0.48%	0.48%	0.02	0.02
Net profit before non-recurring items	0.69%	0.69%	0.03	0.03	0.69%	0.69%	0.02	0.02

CASH FLOW STATEMENTS

(Prepared in accordance with PRC GAAP)

(Denominated in RMB)

	For the six months ended 30 June 2001	
	Group	Company
	(Unaudited)	(Unaudited)
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	3,878,048,447	2,318,527,736
Refund of taxes and levies	14,532,426	—
Other cash received relating to operating activities	14,250,500	1,611,755
Sub-total of cash inflows	<u>3,906,831,373</u>	<u>2,320,139,491</u>
Cash paid for purchases of goods and services	(2,237,239,044)	(896,058,075)
Cash paid to and on behalf of employees	(365,295,499)	(243,044,421)
Taxes paid	(28,814,236)	(44,258,925)
Other cash paid relating to operating activities	(240,181,839)	(81,541,629)
Sub-total of cash outflows	<u>(2,871,530,618)</u>	<u>(1,264,903,050)</u>
Net cash flows from operating activities	<u>1,035,300,755</u>	<u>1,055,236,441</u>

**For the six months ended
30 June 2001**

	Group	Company
	(Unaudited)	(Unaudited)
II. Cash flows from investing activities:		
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	12,137,914	—
Other cash received relating to investing activities	27,373,054	24,725,045
Sub-total of cash inflows	<u>39,510,968</u>	<u>24,725,045</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	(112,562,166)	(34,424,470)
Cash paid for acquisition of investments	(4,154,125)	(26,880,000)
Other cash paid relating to investing activities	(113,888,295)	(164,539,807)
Sub-total of cash outflows	<u>(230,604,586)</u>	<u>(225,844,277)</u>
Net cash flows from investing activities	<u>(191,093,618)</u>	<u>(201,119,232)</u>
III. Cash flows from financing activities:		
Proceeds from borrowing	165,112,967	220,000,000
Sub-total of cash inflows	<u>165,112,967</u>	<u>220,000,000</u>
Repayment of borrowings	(19,859,283)	—
Cash paid for distribution of dividends, profits or interest expenses	(43,864,048)	(24,834,164)
Other cash paid relating to financing activities	(16,193,085)	—
Sub-total of cash outflows	<u>(79,916,416)</u>	<u>(24,834,164)</u>
Net cash flows from financing activities	<u>85,196,551</u>	<u>195,165,836</u>

**For the six months ended
30 June 2001**

	Group	Company
	(Unaudited)	(Unaudited)
IV. Effect of change in foreign exchange rate	1,556,688	—
V. Net increase in cash and cash equivalents	930,960,376	1,049,283,045

**For the six months ended
30 June 2001**

	Group	Company
	(Unaudited)	(Unaudited)
1. Reconciliation of net profit to net cash flows from operating activities:		
Net profit	19,750,961	19,750,961
Add: Minority interests	(4,182,805)	—
Provision for impairment in value of assets	42,964,274	42,965,941
Depreciation of fixed assets	125,443,400	47,590,234
Amortization of intangible assets	5,755,716	3,335,773
Amortization of Long-term expenditures	61,479,510	31,299,088
Decrease in deferred expenses	76,535	787,810
Increase in accrued expenses (less: decrease)	(15,935,044)	305,151,648
Financial expenses	16,490,994	109,119
Investment loss	(7,021,464)	(15,273,684)
Increase in inventories	(268,623,162)	(1,571,334,481)
Decrease in operating receivables	152,195,788	1,280,373,100
Increase in operating payables	906,906,052	910,480,932
Others	—	—
	1,035,300,755	1,055,236,441
Net cash flows from operating activities	1,035,300,755	1,055,236,441

**For the six months ended
30 June 2001**

	Group	Company
	(Unaudited)	(Unaudited)
2. Investing and financing activities that do not involve cash receipts and payments:	—	—
Repayment of debts by the transfer of investments	—	—
Current portion of convertible debenture		
Fixed assets purchased in the form of finance lease	—	—
	—	—
3. Net increase in cash and cash equivalents:		
Cash and cash equivalents, end of period	1,769,670,408	1,511,125,841
Less: Cash and cash equivalents, beginning of period	838,710,032	461,842,796
	—	—
Net increase in cash and cash equivalents	930,960,376	1,049,283,045

I. CHANGE OF ACCOUNTING POLICIES

The Company adopted the "Accounting Regulations for Joint Stock Limited Companies" in the financial statements in the previous year. Pursuant to Cai Kuai Zi (2000) No. 25, Cai Kuai Zi (2001) No.17 and Cai Kuai (2001) No. 43 promulgated by Ministry of Finance, from 1 January 2001, the Company adopted new "Accounting Regulation for Enterprises" and changed the accounting policies as follows:

1. Prior to 1 January 2001, expenditures incurred prior to commencement of business operations of individual subsidiaries are amortized within five years based on straight-line method. With the adoption of "Accounting Regulation for Enterprises", the Company changed its accounting policy whereby all pre-operating expenditures are expensed as incurred. The effect of changes in accounting policies had been accounted for retrospectively. Therefore, the Group's retained earnings as at the beginning of 2000 was decreased by RMB13,267,000, the net profits for the period from 1 January to 30 June 2000 and the year ended 31 December 2000 were increased by RMB1,919,240 and RMB5,131,102 respectively.
2. Prior to 1 January 2001, pension cost was amortized within twenty years based on straight-line method. This deferred pension cost has no future benefit, hence the Company changed its accounting policy whereby this pension cost is expensed as incurred. The effect of changes in accounting policies had been accounted for retrospectively. Therefore, the Group's retained earnings as at the beginning of 2000 was decreased by RMB10,875,000, the net profits for the period from 1 January to 30 June 2000 and the year ended 31 December 2000 were increased by RMB375,000 and RMB750,000 respectively.

II. CONSOLIDATION SCOPE AND BASIS OF PRESENTATION

As of 30 June 2001, the Company had the following subsidiaries and associates:

Name of the entity	Place and date of incorporation/ establishment	Investment cost of the Group	Percentage of equity interest attributable to the Company		Registered capital	Principal activities
			Directly	Indirectly		
<i>Subsidiaries</i>						
Kelon Development Company Limited ("Kelon Development")	Hong Kong 17 August 1993	HK\$ 10,000,000	100%	—	HK\$ 5,000,000	Investment holding
Guangdong Kelon Refrigerator Co., Ltd. ("Kelon Refrigerator")	PRC 25 December 1995	US\$ 26,800,000	70%	30%	US\$ 26,800,000	Manufacture and sale of refrigerators
Guangdong Kelon Air-conditioner Co. Ltd. ("Kelon Air-Con")	PRC 19 March 1996	RMB 281,000,000	60%	—	US\$ 36,150,000	Manufacture and sale of air-conditioners
Shunde Rongsheng Plastic Products Co., Ltd. ("Rongsheng Plastic")	PRC 18 October 1991	RMB 85,780,000	45%	25%	US\$ 14,800,000	Manufacture of plastic parts
Chengdu Kelon Refrigerator Co., Ltd. ("Chengdu Kelon") (i)	PRC 19 November 1996	RMB 140,000,000	45%	25%	RMB 200,000,000	Manufacture and sale of refrigerators
Yingkou Kelon Refrigerator Co., Ltd. ("Yingkou Kelon")	PRC 15 December 1996	RMB 134,000,000	42%	36.79%	RMB 200,000,000	Manufacture and sale of refrigerators
Guangdong Kelon Mould Co., Ltd. ("Kelon Mould")	PRC 20 July 1994	RMB 86,940,000	40%	30%	US\$ 15,000,000	Manufacture of moulds
Pearl River Electric Refrigerator Company Limited ("Pearl River")	Hong Kong 26 July 1985	HK\$ 400,000	—	100%	HK\$ 400,000	Trading of materials and parts
Wetherell Developments Limited	The British Virgin Islands 1 July 1997	US\$1	—	100%	US\$1	Advertising agency

Name of the entity	Place and date of incorporation/ establishment	Investment cost of the Group	Percentage of equity interest attributable to the Company		Registered capital	Principal activities
			Directly	Indirectly		
<i>Subsidiaries</i>						
Kelon Financial Services Limited	British Virgin Islands 13 January 1999	US\$ 50,000	—	100%	US\$ 50,000	Investment holding
Kelon Electric Appliances Co., Ltd.	Hong Kong 29 August 1991	HK\$ 10,000	—	100%	HK\$ 10,000	Property investment
Kelon (Japan) Limited	Japan 22 May 1996	JPY 990,000,000	—	90%	JPY 1,100,000,000	Technical research and trading of electrical household appliances
Shunde Rongqi Kelon Fittings Co., Ltd.	PRC 24 November 1999	US\$ 5,620,000	70%	30%	US\$ 5,620,000	Manufacture and sale of components of air-conditioners
Kelondotcom Limited	The British Virgin Islands 21 February 2000	US\$ 50,000	—	100%	US\$ 50,000	Dormant
Kelondotcom (Hong Kong) Limited	Hong Kong 7 June 1999	HK\$2	—	100%	HK\$2	Dormant
EDAS Developments (BV) Limited	The British Virgin Islands 1 March 2000	US\$ 50,000	—	100%	US\$ 50,000	Dormant
EDAS.com (Shenzhen) Limited	PRC 28 June 2000	US\$ 600,000	—	100%	US\$ 600,000	Internet website
Pioneer Holding Group	PRC 4 June 2001	RMB 24,000,000	80%	—	RMB 30,000,000	Research and develop industrial and commercial computer system

Name of the entity	Place and date of incorporation/ establishment	Investment cost of the Group	Percentage of equity interest attributable to the Company		Registered capital	Principal activities
			Directly	Indirectly		
<i>Associates</i>						
Guangdong Sanyo-Kelon Refrigerator Co., Ltd. ("Sanyo-Kelon")	PRC 25 December 1995	RMB 104,280,000	44%	—	RMB 237,000,000	Manufacture and sale of freezers
Huayi Compressor Holdings Company Limited ("Huayi Compressor")	PRC 13 June 1996	RMB 255,360,000	22.725%	—	RMB 237,250,000	Manufacture and sale of compressors
Shunde Kelon Household Electrical Appliance Company Limited ("Kelon Household")	PRC 16 July 1999	RMB 2,500,000	25%	—	RMB 10,000,000	Manufacture and sale of electrical household appliances
Communication and You Holdings Company Limited ("C&Y")	Hong Kong 14 August 2000	HK\$ 12,000,000	—	25%	HK\$100	Advertising
Chongqing Rongsheng Kelon Refrigerator Co., Ltd. ("Chongqing Rongsheng")	PRC 19 February 2001	RMB 280,000	28%	—	RMB 1,000,000	Sale of refrigerators
Sichuan Rongsheng Kelon Refrigerator Co., Ltd. ("Sichuan Rongsheng")	PRC 21 February 2001	RMB 280,000	—	28%	RMB 2,000,000	Sale of refrigerators
Shunde Wangao Import and Export Co., Ltd. ("Shunde Wangao")	PRC 7 June 2001	RMB 600,000	20%	—	RMB 3,000,000	Import and export business

III. TAXATION

(a) Value-added tax ("VAT")

The Group is subject to VAT, which is charged at a rate of 17%. Pursuant to VAT regulation, input VAT paid on purchases of goods can be used to offset the output VAT on sales.

(b) Enterprise income tax (“EIT”)

The Group provides for taxation on the basis of its statutory profit for financial reporting purposes, adjusted for income and expense items, which are not assessable or deductible for income tax purposes after considering all available tax benefits.

Deferred taxation is provided under liability method in respect of significant temporary differences between profit as stated in the financial statements and profit as computed for income tax purpose. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are not recognised unless the related benefit will be crystallised in the foreseeable future.

The Company is normally subject to an EIT at a rate of 24%, which is applicable to enterprises located in coastal open economic zone. As the Company is designated as a key enterprise in Guangdong Province, pursuant to the document Yue Fu Han (1997) 157 issued by Guangdong Provincial Government, the Company is entitled to a preferential EIT rate of 15% for 2001. Pursuant to Cai Shui (2000) No.99 issued in October 2000, the above preferential tax treatment would remain effective until 31 December 2001.

The Company’s subsidiaries, Guangdong Kelon Refrigerator Co., Ltd. (“Kelon Refrigerator”), Guangdong Kelon Air-Conditioner Co., Ltd. (“Kelon Air-Conditioner”), Shunde Rongqi Kelon Fittings Co., Ltd. (“Kelon Fitting”) and Shunde Rongsheng Plastic Products Co., Ltd. (“Rongsheng Plastic”), incorporated in coastal open economic zone, are subject to an EIT rate of 24%. Guangdong Kelon Mould Co., Ltd. (“Kelon Mould”) is an advanced technology enterprise and is subject to an EIT rate of 15%. Pursuant to “Income Tax Law of the People’s Republic of China for Enterprises with Foreign Investment and Foreign Enterprises” (“Income Tax Law”), they are entitled to preferential tax treatment with full exemption from EIT for two years starting from the first profitable year of operations, after offsetting all tax losses carried forward from the previous years (at most five years), followed by a 50% reduction in tax rate for the next three years. In 2001, Kelon Refrigerator, Kelon Air-Conditioner and Rongsheng Plastic are subject to an EIT rate of 12%, Kelon Mould is subject to an EIT rate of 15%, Kelon Fittings is exempt from EIT.

The Company’s subsidiary, Chengdu Kelon Refrigerator Co., Ltd. (“Chengdu Kelon”) is subjected to an EIT rate of 30%. The Company’s subsidiary, Yingkou Kelon Refrigerator Co., Ltd. (“Yingkou Kelon”), incorporated in coastal open economic zone, is subject to an EIT rate of 24%. Pursuant to Income Tax Law, they are also entitled to preferential tax treatment, with full exemption from income tax for two years starting from the first profitable year of operations, after offsetting all tax losses carried forward from the

previous years (at most five years), followed by a 50% reduction in tax rate for the next three years. As at 30 June 2001, Chengdu Kelon is still in loss position and does not require to pay tax. Yingkou Kelon is subject to an EIT rate of 12% in 2001.

Hong Kong profits tax for the Company's subsidiaries in Hong Kong has been provided at a rate of 16% on estimated assessable profit which was earned in or derived from Hong Kong.

IV. NOTES TO THE FINANCIAL STATEMENTS OF THE GROUP

1. ACCOUNTS RECEIVABLE

(1) Aging analysis of accounts receivable is as follows:

Aging	30 June 2001				31 December 2000			
	Balance	Percentage	Provision	Net	Balance	Percentage	Provision	Net
	(Unaudited)		(Unaudited)	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)
Within one year	387,583,225	79%	(56,354,901)	331,228,324	375,590,411	82%	(78,047,581)	297,542,830
One to two years	98,243,462	20%	(98,243,462)	—	79,097,944	17%	(79,097,944)	—
Two to three years	4,456,089	1%	(4,456,089)	—	1,910,594	1%	(1,910,594)	—
Total	<u>490,282,776</u>	<u>100%</u>	<u>(159,054,452)</u>	<u>331,228,324</u>	<u>456,598,949</u>	<u>100%</u>	<u>(159,056,119)</u>	<u>297,542,830</u>

(2) As of 30 June 2001, the Group's five largest debtors were as follows:

Name	Outstanding balance	Aging	Nature
Sanyo-Kelon	39,646,535	Within 1 year	Credit sales
Jiangsu Suning Household Appliance Co., Ltd.	22,256,772	0-2 year	Credit sales
Sichuan Rongsheng	20,551,783	Within 1 year	Credit sales
Harbin Hei Tian E Company Limited	12,192,357	0-2 year	Credit sales
Henan Peng Yun Electric Appliance Co., Ltd.	6,767,506	Within 1 year	Credit sales

(3) Balances of accounts receivable do not include any amounts due from companies which held more than 5% of the Company's share capital.

2. OTHER RECEIVABLES

(1) Aging analysis of other receivables is as follows:

Aging	30 June 2001				31 December 2000			
	Balance	Percentage	Provision	Net	Balance	Percentage	Provision	Net
	(Unaudited)		(Unaudited)	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)
Within one year	456,177,580	84%	—	456,177,580	416,006,393	90%	—	416,006,393
One to two years	47,002,202	9%	—	47,002,202	44,041,674	10%	—	44,041,674
Two to three years	41,659,417	7%	—	41,659,417	—	—	—	—
Total	544,839,199	100%	—	544,839,199	460,048,067	100%	—	460,048,067

(2) As of 30 June 2001, the Group's five largest other receivable balances were as follows:

Name	Outstanding balance	Aging	Nature
Labor Union*	117,148,000	Within one year	Fund transfer
Guangdong Kelon (Rongsheng) Group Company Limited ("GKG")	113,888,295	Within one year	Advance and cost sharing (Note 15)
Shunde Export Tax Refund Bureau	102,119,210	0 - 2 years	Refund of export VAT
Kelon Household	36,220,621	Within one year	Advance
Sanyo-Kelon	34,181,100	Within one year	Advance

* In 2001, the Company transferred the long-term pension liability to its Labor Union, the latter is responsible for managing this fund. As of 30 June 2001, this fund was transferred to the Labor Union's bank account, but the corresponding legal procedure is still in progress.

(3) Except for those stated in note 15, balances of other receivables do not include any amounts due from companies which held more than 5% of the Company's share capital.

3. INVENTORIES

Breakdown of inventories is as follows:

	30 June 2001			31 December 2000		
	Balance	Provision	Net	Balance	Provision	Net
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Raw materials	385,555,280	(11,607,697)	373,947,583	435,022,820	(32,264,408)	402,758,412
Work-in-progress	59,199,072	(1,775,971)	57,423,101	69,242,467	(1,968,783)	67,273,684
Finished goods	1,665,287,665	(134,360,017)	1,530,927,648	1,430,914,435	(164,305,420)	1,266,609,015
Total	<u>2,110,042,017</u>	<u>(147,743,685)</u>	<u>1,962,298,332</u>	<u>1,935,179,722</u>	<u>(198,538,611)</u>	<u>1,736,641,111</u>

4. LONG-TERM INVESTMENTS

	For the six months ended 30 June 2001			
	Beginning of period	Increase	Decrease	End of period
	(Unaudited)			(Unaudited)
Investments in associates (a)	215,730,633	8,452,389	(270,925)	223,912,097
Other long-term equity investments	9,660,695	1,983,388	—	11,644,083
	225,391,328	10,435,777	(270,925)	235,556,180
Premium on equity investments (b)	186,999,430	1,010,737	(8,648,884)	179,361,283
	<u>412,390,758</u>	<u>11,446,514</u>	<u>(8,919,809)</u>	<u>414,917,463</u>
Provision for impairment in value of investments in associates (c)		<u>(74,129,000)</u>		<u>(74,129,000)</u>

(a) Investments in associates

Company	Investment period	Investment cost		Share of profit			Total		
		31 December 2000	Increase (Decrease) during the period	31 December 2000	Increase (Decrease) during the period	31 December 2000	Increase (Decrease) during the period	31 December 2000	30 June 2001
Sanyo-Kelon	25 years	104,280,000	—	104,280,000	(30,151,000)	3,531,132	(26,619,868)	74,129,000	77,660,132
Huayi Compressor	Unlimited	118,013,641	—	118,013,641	8,368,000	873,207	9,241,207	126,381,641	127,254,848
Shunde Kelon	Unlimited	2,500,000	—	2,500,000	—	(270,925)	(270,925)	2,500,000	2,229,075
C&Y	Unlimited	12,719,992	—	12,719,992	—	1,936,115	1,936,115	12,719,992	14,656,107
Shunde Wangao	Unlimited	—	600,000	600,000	—	—	—	—	600,000
Chongqing									
Rongsheng	1 year	—	280,000	280,000	—	577,412	577,412	—	857,412
Sichuan Rongsheng	2 years	—	280,000	280,000	—	374,523	374,523	—	654,523
		237,513,633	1,160,000	238,673,633	(21,783,000)	7,021,464	(14,761,536)	215,730,633	223,912,097

(b) Premium on equity investments

Premium on equity investments arose from the excess of purchase consideration over the fair value of net assets on the date of purchase of Kelon Air-conditioner, Huayi Compressor and Yingkou Kelon. The premium is amortized using a straight-line method over investment period as specified in the investment contracts or 10 years if no investment period was regulated.

Company	Original value		Accumulated amortisation			Balance		
	31 December 2000	Increase (Decrease) during the period	30 June 2001	31 December 2000	Increase (Decrease) during the period	30 June 2001	31 December 2000	30 June 2001
Kelon Air-Conditioner	66,596,234	—	66,596,234	(7,214,593)	(1,141,955)	(8,356,548)	59,381,641	58,239,686
Huayi Compressor	137,346,359	—	137,346,359	(9,728,570)	(7,456,929)	(17,185,499)	127,617,789	120,160,860
Yingkou Kelon	—	1,010,737	1,010,737	—	(50,000)	(50,000)	—	960,737
	203,942,593	1,010,737	204,953,330	(16,943,163)	(8,648,884)	(25,592,047)	186,999,430	179,361,283

(c) Provision for impairment in value of investments in associates

Sanyo-Kelon has been in loss since commencing operation. Though it has made profit during the period from January to June 2001, the Board of Directors of the Company considered the profitability of Sanyo-Kelon was not stable and expected it would be in loss in the next few years. Therefore, the Company provided for 100% permanent diminution in value over its book value of the investment.

5. CONSTRUCTION-IN-PROGRESS

Movement of construction-in-progress is as follows:

Project name	For the six months ended 30 June 2001				End of period	Source of capital	Project status
	Beginning of period	Additions	Transfer to fixed assets	Other transfers			
	(Unaudited)						
Kelon Beijing	1,535,080	9,278,521	—	—	10,813,601	Working capital	Under construction
Renovation of staff quarters	8,667,366	796,800	(9,464,166)	—	—	Working capital	Completed
Office building of Sanda Centre	4,692,313	3,049,155	—	—	7,741,468	Working capital	Under construction
Huabao project	1,540,186	212,480	(1,292,866)	—	459,800	Working capital	Under construction
Kelon project	2,005,780	1,504,783	(2,132,673)	—	1,377,890	Working capital	Under construction
Others	7,730,280	2,541,457	(3,480,446)	—	6,791,291	Working capital	Under construction
	<u>26,171,005</u>	<u>17,383,196</u>	<u>(16,370,151)</u>	<u>—</u>	<u>27,184,050</u>		

No capitalized interest was included in the balance of construction-in-progress.

6. LONG-TERM DEFERRED EXPENDITURES

Movement of long-term deferred expenditures is as follows:

Items	For the six months ended 30 June 2001			
	Beginning of period	Additions	Amortizations	End of period
	(Unaudited)			(Unaudited)
Moulds and spare parts	164,393,872	63,871,609	(58,351,748)	169,913,733
Expense incurred in upgrading leased fixed assets	51,965,870	8,666,356	(2,094,727)	58,537,499
Others	6,700,860	312,083	(1,033,035)	5,979,908
	<u>223,060,602</u>	<u>72,850,048</u>	<u>(61,479,510)</u>	<u>234,431,140</u>

7. SHORT-TERM LOANS

Nature	Currency	30 June 2001	Interest rate per annum
		(Unaudited)	
Bank loan			
— Mortgage loans*	RMB	64,112,967	5%-6.43%
— Guarantee loans**	RMB	30,000,000	6.435%
— Credit loans	RMB	605,700,000	5.58%-6.435%
		<u>669,812,967</u>	

* Mortgage loans amounted to Rmb22,000,000 were secured by machinery and equipment with net book value of approximately Rmb38,000,000; Mortgage loans amounted to Rmb42,112,967 were secured by letter of credit.

** Guarantee loans represent borrowings of Chengdu Kelon which were guaranteed by the Company.

Nature	Currency	31 December	Interest rate
		2000	per annum
		(unaudited)	
Bank loan			
— Mortgage loan*	RMB	22,000,000	5.3625%-6.43%
— Guarantee loan**	RMB	60,000,000	5.85%
— Credit loan	RMB	355,700,000	5.85%-6.53%
		<u>437,700,000</u>	

* Mortgage loans were secured by machinery and equipment with net book value of approximately Rmb38,378,000.

** Guarantee loans represent borrowings of Chengdu Kelon which were guaranteed by the Company.

8. SHARE CAPITAL

	Number of share (RMB1 per share) and amount			Percentage of equity interest as of 30 June 2001
	31 December 2000	Increase (decrease)	30 June 2001	
	(Unaudited)		(Unaudited)	
(1) Unlisted shares				
PRC domestic shares, in form of legal person shares	337,915,755	—	337,915,755	34.06%
PRC domestic shares, held by the employees	84,501,000	—	84,501,000	8.52%
Total unlisted shares	<u>422,416,755</u>	<u>—</u>	<u>422,416,755</u>	<u>42.58%</u>
(2) Listed shares				
H shares	459,589,808	—	459,589,808	46.33%
A shares	110,000,000	—	110,000,000	11.09%
Total listed shares	<u>569,589,808</u>	<u>—</u>	<u>569,589,808</u>	<u>57.42%</u>
(3) Total shares	<u>992,006,563</u>	<u>—</u>	<u>992,006,563</u>	<u>100.00%</u>

9. CAPITAL RESERVE

Movement of capital reserve is as follows:

Items	For the six months ended 30 June 2001			
	Beginning of period	Addition	Deduction	End of period
	(Unaudited)			(Unaudited)
Premium in share capital	2,433,526,092	—	—	2,433,526,092
Assets received as donation	17,696,745	—	—	17,696,745
Total	<u>2,451,222,837</u>	<u>—</u>	<u>—</u>	<u>2,451,222,837</u>

10. TURNOVER

Breakdown of turnover is as follows:

	For the six months ended 30 June	
	2001	2000
	(unaudited)	(unaudited)
Sales of refrigerators	1,264,118,025	1,789,589,847
Sales of air-conditioners	1,527,001,805	1,303,878,131
	<u>2,791,119,830</u>	<u>3,093,467,978</u>

11. PROFIT FROM OTHER OPERATIONS

Breakdown of profit from other operations is as follows:

	For the six months ended 30 June	
	2001	2000
	(unaudited)	(unaudited)
Other operating income		
Sales of raw materials and scraps	194,017,619	105,726,109
Others	646,941	3,058,868
Subtotal	194,664,560	108,784,977
Other operating cost		
Cost of sales of raw materials and scraps	182,349,669	92,673,791
Others	509,325	2,440
Subtotal	182,858,994	92,676,231
Profit from other operations	11,805,566	16,108,746

12. FINANCIAL EXPENSES

Breakdown of financial expenses is as follows:

	For the six months ended 30 June	
	2001	2000
	(unaudited)	(unaudited)
Interest expense	43,864,049	42,705,021
Interest income	(27,373,054)	(3,853,580)
Exchange (gain) loss, net	1,999,501	(160,312)
Bank charges	2,572,515	455,865
	21,063,011	39,146,994

13. NON-OPERATING INCOME

Breakdown of non-operating income is as follows:

	For the six months ended 30 June	
	2001	2000
	(unaudited)	(unaudited)
Insurance compensation	—	1,022,798
Others	2,737,599	1,558,502
Total	2,737,599	2,581,300

14. NON-OPERATING EXPENSES

Breakdown of non-operating expenses is as follows:

	For the six months ended 30 June	
	2001	2000
	(unaudited)	(unaudited)
Medical insurance	—	3,813,247
Others	292,665	2,123,650
Total	292,665	5,936,897

15. RELATIONSHIP WITH RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Relationship with related parties

(a) Related party with controlling relationship

<u>Name</u>	<u>Place of incorporation</u>	<u>Principal activity</u>	<u>Relationship</u>	<u>Nature</u>	<u>Legal representative</u>
GKG	Shunde Guangdong, PRC	Investment holding	Holding Company	Limited liability	Li Zhen Hua

- (b) Movements of registered capital of related party with controlling relationship

For six months ended 30 June 2001					
Name	Beginning of period		Increase	Decrease	End of period
	Amount	Percentage			
GKG	30,000,000		—	—	30,000,000

- (c) Movements of the Company's share capital held by related party with controlling relationship

For six months ended 30 June 2001									
Name	Beginning of period		Increase		Decrease		End of period		
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	
GKG	337,915,755	34.06%	—	—	—	—	337,915,755	34.06%	

- (d) Nature of related parties without controlling relationship

Name	Relationship
Chendu Xinxing Electrical Appliance Holdings Company Limited ("Chengdu Xinxing")	Associate of minority shareholder of Chengdu Kelon
Shunde Cheng Tat Household Appliance Co., Ltd. ("Shunde Cheung Tat")	Financially supported by GKG
Shunde Kelon Advertising Company ("Kelon Advertising")	Subsidiary of GKG
Kelon Household	Associate of the Company
Sanyo-Kelon	Associate of the Company
Shunde Huao Electrical Company Limited ("Shunde Huao")	Subsidiary of GKG

(2) Related party transactions

(i) During the Period, there were no transactions carried out between the Group and related parties, of which transaction prices were above or lower than the normal market prices.

(ii) Related party transactions

During the Period transactions with related companies comprised:

	For the six months ended 30 June	
	2001	2000
	(unaudited)	(unaudited)
Sale of goods/raw material to		
— GKG (<i>Note i</i>)	9,776,700	28,159,675
— Shunde Cheung Tat (<i>Note ii</i>)	—	319,206,723
— Shunde Huaao	22,025,583	—
— Sanyo-Kelon	11,524,848	25,006,769
— Chongqing Rongsheng	56,306,920	—
— Sichuan Rongsheng	47,480,960	—
Purchase of goods/raw material from		
— GKG (<i>Note i</i>)	101,029,415	85,980,295
— Shunde Huaao	185,212,612	—
— Sanyo-Kelon	1,369,320	1,774,408
Advertising fee paid to Kelon		
Advertising (<i>Note iii</i>)	19,299,000	55,477,000
Advertising fee paid to C&Y		
(<i>Note iii</i>)	19,080,000	—
Finance charges charged to GKG		
(<i>Note i</i>)	18,967,400	—

(iii) Related party balances

	30 June 2001	31 December 2000
	(Unaudited)	(UnAudited)
Accounts receivable		
— Shunde Cheung Tat (<i>Note ii</i>)	—	121,429,165
— Sanyo-Kelon	39,646,535	28,484,336
— Sichuan Rongsheng	20,551,783	—
— Chongqing Rongsheng	2,432,224	—
— Others	1,151,807	5,716,018
	<u>63,782,349</u>	<u>155,629,519</u>
Other receivables		
— GKG (<i>Note i</i>)	113,888,295	280,612,660
— Chengdu Xinxing (<i>Note iv</i>)	34,000,000	34,000,000
— Sanyo-Kelon	34,181,100	—
— Others	37,410,119	35,617,050
	<u>219,479,514</u>	<u>350,229,710</u>
Accounts payable		
— Shunde Huaao	94,689,035	—
— Others	3,457,451	—
	<u>98,146,486</u>	<u>—</u>

- (i) Under the licence agreement (“Licence Agreement”) dated 6 July 1996 made between GKG, the holding company of the Group, and the Company, GKG granted to the Company an exclusive right to use the trademarks “Kelon” and “Ronshen” for no consideration (i) as registered in the PRC and Hong Kong, and/or (ii) as may from time to time be registered and/or in respect of which applications for registration may be made with the trademarks registry of any other territory by GKG and /or (iii) all “Kelon” or “Ronshen” trademark registrations as may be assigned to GKG from time to time on freezers, refrigerators and other similar or related products and such other products as may be requested by the Company from time to time

which are not objected by GKG, on a worldwide basis, for a term equivalent to the period of validity of the relevant registration. GKG may use and, with the prior written consent of the Company, allow third party to use, such trademarks on production other than the types of products covered by the Licence Agreement. At present, the Group has used the trademarks of "Kelon" and "Ronshen" on the refrigerators' products and "Kelon" on the air-conditioners products under the above-mentioned Licence Agreement.

The Group had sold goods to GKG and purchased raw material from GKG during the six months ended 30 June 2001.

The Group made payments on behalf of GKG in the settlement of GKG's operating expenses. On the other hand, GKG also made payments on behalf of the Group in the settlement of the Group's purchase of material and other operating expenses.

The Group and GKG used the banking facilities of each other for the purpose of effective utilisation of banking facilities. The Group charged GKG financial expenses at market interest rate based on average net balance due from GKG. During the six months ended 30 June 2001, the Group has charged GKG finance charges of approximately Rmb18,967,400 in connection with the advances made to GKG (six months ended 30 June 2000: nil).

As of 30 June 2001, long-term bank loan of Rmb200,000,000 of the Company was guaranteed by GKG (As of 31 December 2000: Rmb200,000,000).

Kelon Refrigerator, Kelon Air-Conditioner and GKG have an agreement ("Cost Sharing Agreement") whereby GKG agreed to share part of the advertising and promotional costs incurred by Kelon Refrigerator and Kelon Air-Conditioner in promoting the brand names of "Kelon" and "Ronshen" which are owned by GKG as referred above. According to the Cost Sharing Agreement, GKG agreed to share advertising costs of Rmb235,000,000 for 2000. During the period from 1 January 2001 to 30 June 2001, no such advertising cost sharing arrangement was entered into with GKG.

As of 30 June 2001, total amount due from GKG was Rmb113,888,295 (As of 31 December 2000: Rmb280,612,660).

- (ii) The Group sold refrigerators to Shunde Cheung Tat. Shunde Cheung Tat is a PRC registered company and obtained significant financial support from GKG. For the six months ended 31 June 2000, the sale of refrigerators to Shunde Cheung Tat amounted to Rmb319,206,723. Prior to 31 December 2000, the Group entered into agreement and bought back certain unsold refrigerators from Shunde Cheung Tat for Rmb98,292,000. The amount represents the lower of cost and net realisable value of the unsold refrigerators at the time of buy-back. During the six months ended 30 June 2001, the Group did not have any transactions with Shunde Cheung Tat. The balance due from Shunde Cheung Tat as of 31 December 2000 amounted to Rmb121,429,165 was repaid during the period ended 30 June 2001.
- (iii) The Group engaged Kelon Advertising as one of its advertising agency. Kelon Advertising is a wholly-owned subsidiary of GKG. For the six months ended 30 June 2001, the Group made payment of Rmb19,299,000 (for the six months ended 30 June 2000: Rmb55,477,000) to Kelon Advertising in connection with advertising activities in respect of Kelon brands.

Kelon Development Company Limited ("KDC"), a subsidiary of the Company, entered into an agreement with Qin Jia Yuan Shares Company Limited ("QJY") on 23 September 2000 regarding the subscription of shares by KDC in C&Y as well as setting out the respective rights and obligations of QJY and KDC as shareholders of C&Y and setting out the basis on which the business and affairs of C&Y would be managed and controlled.

C&Y is principally engaged in the media advertising and marketing business, including but not limited to:

- (a) the provision of production support on audio-visual program;
- (b) marketing of shows to overseas broadcasting entities;
- (c) provision of promotion, public relations, advertising consultancy services to advertisers and factory owners;
- (d) production of special audio-visual programmes for advertisers and factory owners; and

- (e) obtaining advertising air time from various media and selling such air time to advertising clients.

In accordance with the agreement, KDC subscribed for 25 shares in C&Y at a consideration of HK\$12,000,000 and QJY subscribed for 73 shares in C&Y at a consideration of HK\$2,000,000 and the assignment of certain advertising and business contracts to C&Y. QJY also acquired 1 share in C&Y from each of C&Y's initial subscribers for cash at par.

During the six months ended 30 June 2001, the Group paid HK\$18,000,000 for the sponsorship air time from C&Y.

As the sole shareholder of QJY is the spouse of Dr. Philip Yu Hong Wong, a non-executive director of the Company, QJY is a connected person of the Company under the Listing Rules.

- (iv) The Company made prepayments amounting to an aggregate sum of Rmb34,000,000 indirectly through its subsidiary, Chengdu Kelon to Chengdu Xinxing, which is an associate of Chengdu Engine (Group) Company Limited ("Chengdu Engine"), the minority investor of Chengdu Kelon. As consideration for such prepayment, Chengdu Xinxing has agreed to repay Chengdu Kelon by supplying an agreed number of refrigerator parts together with interest payments at an annual rate of 9.504% for Rmb30,000,000 and 9% for Rmb4,000,000. The prepayment was guaranteed by Chengdu Engine and Chengdu Kelon has the right to deduct from any dividends payable to Chengdu Engine the outstanding amount of any payments (in whatever form) due from Chengdu Xinxing directly or indirectly to the Company. As security for Chengdu Engine's performance of its obligations under the above guarantee, Chengdu Engine has charged its entire interests in Chengdu Kelon in favour of the Company.
- (v) The Group has advanced money to certain related parties of GKG. The advances outstanding from these related parties as of 31 December 2000 amounted to approximately Rmb28,551,000. The obligation to repay of these advances are taken up by GKG prior to 30 June 2001.

Except for prepayment paid to Chengdu Xinxing (Note iv) and due from GKG (Note i), all balances with related parties are non-interest bearing, unsecured and have no fixed collection or repayment terms.

V. IMPACT OF IAS ADJUSTMENTS ON NET PROFIT/NET ASSETS

	Consolidated net profit for the six months ended 30 June		Consolidated net assets as of	
	2001	2000	30 June 2001	31 December 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As reported in accordance with PRC GAAP	19,750,961	126,431,247	4,137,302,548	4,115,994,899
Impact of adjustments:				
— Adjustments on amortization of goodwill	3,771,166	—	3,771,166	—
— Adjustments on fixed assets revaluation surplus and related depreciation	(7,823,557)	(7,731,843)	24,709,802	32,533,359
— Write-off of pre-operating expenditures	—	(8,217,309)	—	—
As restated in accordance with IAS	15,698,570	110,482,095	4,165,783,516	4,148,528,258

VI. MAJOR CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS

Balance in the consolidated balance sheets as of 30 June 2001 which changed more than 30% compared to those as of 31 December 2000 and represented more than 5% of the total asset of the Group as of 30 June 2001 is as follows:

	30 June	31 December	Changes	
	2001	2000	Amount	%
	(Unaudited)	(Unaudited)		
Cash at bank and on hand (i)	1,769,670,408	838,710,032	930,960,376	111%

Balances in the consolidated statements of income and profit appropriation for the period ended 30 June 2001 which changed more than 30% compared to those for the period ended 30 June 2000 and represented more than 10% of the profit before taxation of the Group for the period ended 30 June 2001 are as follows:

	For the six months ended 30 June		Changes	
	2001	2000	Amount	%
	(Unaudited)	(Unaudited)		
Financial expenses (ii)	21,063,011	39,146,994	-18,083,983	-46%
Investment income (iii)	7,021,464	7,600	7,013,864	923%
Non-operating expenses (iv)	292,665	5,936,897	-5,644,232	-95%
Taxation (v)	—	7,280,485	-7,280,485	-100%
Minority interests (vi)	4,182,805	(10,840,278)	15,023,083	138%

- (i) The Group strengthened the cash management by properly using credit facilities and strict control over cash payments. Therefore, the balance of cash at bank and on hand as of 30 June 2001 increased.
- (ii) The Group charged GKG financial expenses at market interest rate based on average net balance due from GKG. During the six months ended 30 June 2001, the Group has charged GKG finance charges of approximately Rmb18,967,000 in connection with the advances made to GKG. (Note15). Therefore the financial expenses decreased accordingly.

- (iii) For the period ended 30 June 2001, the Group's associates make profit. The Company used equity accounting method to record its investments in associates, hence investment income from associates increased accordingly.
- (iv) In 2001, The Group recorded medical issuance expense in general and administration expense instead of non-operating expenses, hence non-operating expense decreased.
- (v) Decrease in EIT expense was consistent with the decrease of profit during the period ended 30 June 2001.
- (vi) Some subsidiaries of the Company made profit in 2001, hence the profit attributable to the minority shareholders increased accordingly.

V. DOCUMENT AVAILABLE FOR INSPECTION

Including the following documents:

- (i) A copy of the interim report signed by the Chairman of the Company;
- (ii) A copy of the financial statements signed and stamped by the Legal Representative and Finance Director of the Company;
- (iii) The original copy of announcements of the Company published during the reporting period in the newspapers designated by the China Securities Regulatory Commission and the original copy of the relevant supporting documents;
- (iv) Articles of Association of the Company; and
- (v) A copy of the interim report published in other stock exchange market.

The above documents will be available for inspection at the following address:

Secretariat to the Board of Directors
No. 8 Ronggang Road
Ronggui, Shunde
Guangdong Province, the PRC



信为本

廣東科龍電器股份有限公司

Guangdong Kelon Electrical Holdings Company Limited