

## STATEMENTS OF CASH FLOWS

For the year ended 31 December 2001

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

(Expressed in RMB)

	Note	The Group		The Company	
		2001	2000	2001	2000
		(Restated, Note 3)	(Restated, Note 3)	(Restated, Note 3)	(Restated, Note 3)
<b>1. Cash flow from operating activities:</b>					
Cash received from sale of goods or rendering of services		<b>4,659,473,911</b>	5,311,941,041	<b>4,189,772,644</b>	761,730,188
Refund of taxes and levies		<b>43,728,843</b>	10,846,636	<b>6,557,769</b>	10,846,636
Cash received from other operating activities		<b>19,339,857</b>	18,145,810	<b>21,784,158</b>	7,135,191
Sub-total of cash inflows from operating activities		<b>4,722,542,611</b>	5,340,933,487	<b>4,218,114,571</b>	779,712,015
Cash paid for purchasing of goods and services		<b>(3,607,830,681)</b>	(3,368,415,325)	<b>(3,231,042,950)</b>	(136,540,087)
Cash paid to and on behalf of employees		<b>(384,007,181)</b>	(382,063,695)	<b>(243,463,001)</b>	(47,077,670)
Taxes paid		<b>(162,072,763)</b>	(197,961,400)	<b>(89,159,022)</b>	(66,424,833)
Cash paid for other operating activities		<b>(420,538,251)</b>	(341,195,436)	<b>(206,945,937)</b>	(271,208,856)
Sub-total of cash outflows from operating activities		<b>(4,574,448,876)</b>	(4,289,635,856)	<b>(3,770,610,910)</b>	(521,251,446)
Net cash flows from operating activities		<b>148,093,735</b>	1,051,297,631	<b>447,503,661</b>	258,460,569
<b>2. Cash flows from investing activities:</b>					
Cash received from disposal of investments		—	639,000	—	—
Cash received from investment income		—	—	—	—
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		<b>81,796,652</b>	6,118,913	<b>58,091,669</b>	—
Cash received from other investing activities		<b>12,552,101</b>	12,577,944	<b>10,652,955</b>	9,198,266
Sub-total of cash inflows from investing activities		<b>94,348,753</b>	19,335,857	<b>68,744,624</b>	9,198,266
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>(307,488,842)</b>	(285,385,965)	<b>(221,293,772)</b>	(65,047,346)
Cash paid for investments		<b>(16,849,108)</b>	(14,948,244)	<b>(83,845,424)</b>	(34,634,554)
Cash paid for other investing activities	6(33)	<b>(837,572,947)</b>	—	<b>(837,574,947)</b>	(242,548)
Sub-total of cash outflows from investing activities		<b>(1,161,910,897)</b>	(300,334,209)	<b>(1,142,714,143)</b>	(99,924,448)
Net cash flows from investing activities		<b>(1,067,562,144)</b>	(280,998,352)	<b>(1,073,969,519)</b>	(90,726,182)

**STATEMENTS OF CASH FLOWS** (Cont'd)

For the year ended 31 December 2001

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

(Expressed in RMB)

	Note	The Group 2001	2000 (Restated, Note 3)	The Company 2001	2000 (Restated, Note 3)
<b>3. Cash flows from financing activities</b>					
Proceeds from equity financing		—	—	—	—
Proceeds from borrowings		<b>863,446,591</b>	51,410,000	<b>610,000,000</b>	—
Cash received from other financing activities		—	—	—	—
Sub-total of cash inflows from financial activities		<b>863,446,591</b>	51,410,000	<b>610,000,000</b>	—
Repayment of borrowings		—	(474,888,878)	—	(20,000,000)
Cash paid for distribution of dividends or profits		<b>(92,864,732)</b>	(297,898,102)	<b>(63,960,478)</b>	(248,784,857)
Cash paid for other financing activities		—	—	—	—
Sub-total of cash outflows from financing activities		<b>(92,864,732)</b>	(772,786,980)	<b>(63,960,478)</b>	(268,784,857)
Net cash flows from financing activities		<b>770,581,859</b>	(721,376,980)	<b>546,039,522</b>	(268,784,857)
<b>4. Effect of changes in foreign exchange rate</b>		<b>310,501</b>	(2,290,170)	—	(3,415,304)
<b>5. Net (decrease) increase in cash and cash equivalents</b>		<b>(148,576,049)</b>	46,632,129	<b>(80,426,336)</b>	(104,465,774)

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

## STATEMENTS OF CASH FLOWS (Cont'd)

For the year ended 31 December 2001

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

(Expressed in RMB)

Supplementary information	Note	The Group 2001	2000	The Company 2001	2000
		(Restated, Note 3)		(Restated, Note 3)	
<b>1 Reconciliation of net loss to net cash flows from operating activities:</b>					
Net loss		(1,555,573,089)	(830,653,498)	(1,555,573,089)	(830,653,498)
Add: Minority interests		(13,656,567)	(176,110,879)	—	—
Provision for impairment loss of assets		635,312,265	222,687,227	572,381,389	—
Depreciation of fixed assets		248,504,370	277,274,774	93,800,639	82,417,494
Amortization of intangible assets		10,885,801	9,985,843	7,571,501	6,671,543
Amortization of Long-term expenditures		165,538,180	126,481,870	39,754,299	46,107,958
Decrease in deferred expenditures (less: increase)		3,146,279	20,337,084	4,005,834	5,294,103
Increase in accruals (less: decrease)		16,444,056	232,427,385	363,250,682	(46,970,545)
Loss from disposals of fixed assets, intangible assets and other long-term assets		15,057,482	5,544,048	12,685,498	1,653,069
Loss from write off of fixed assets		—	—	—	—
Financial costs		86,687,871	73,030,754	54,337,938	27,297,184
Investment income (add: loss)		99,063,264	1,829,000	398,888,349	765,869,331
Deferred tax liabilities (loss: debit)		—	—	—	—
Increase in inventories (add: decrease)		229,149,767	(415,569,606)	(1,058,213,037)	308,929,566
Increase in operating receivables (add: decrease)		63,764,853	655,811,943	94,475,035	49,932,678
Increase in operating payables (less: decrease)		143,769,203	848,221,686	1,420,138,623	(158,088,314)
Others		—	—	—	—
Net cash flows from operating activities		148,093,735	1,051,297,631	447,503,661	258,460,569
<b>2 Non-cash investing and financing activities:</b>					
Debts transferred to capital		—	—	—	—
Convertible bonds due within one year		—	—	—	—
Fixed assets purchased under finance leases		—	—	—	—
<b>3 Net increase in cash and cash equivalents:</b>					
Cash, end of period	6(33)	651,196,564	799,772,613	381,358,836	461,785,172
Less: Cash, beginning of period	6(33)	(799,772,613)	(753,140,484)	(461,785,172)	(566,250,946)
Add: Cash and cash equivalents, end of period		—	—	—	—
Less: Cash and cash equivalents, beginning of period		—	—	—	—
Net decrease in cash and cash equivalents.		(148,576,049)	46,632,129	(80,426,336)	(104,465,774)

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

Legal Representative  
**Gu Chu Jun**

Financial Controller  
**Li Zhi Cheng**

Prepared by  
**Liang Li Ling**