

1. DIFFERENCE BETWEEN IFRS AND PRC GAAP

These financial statements are prepared according to PRC GAAP, which are different from these financial statements prepared according to IFRS.

As at 31 December 2002, the net profit and net assets were RMB101,277,000 and RMB2,575,001,000 respectively. These figures can be reconciled to that under IFRS as follows:

| | Net profit for the year ended 31 December 2002 RMB'000 | Net assets at 31 December 2002 RMB'000 |
|---|---|---|
| Amount stated in financial statements as per PRC GAAP | 101,277 | 2,575,001 |
| Adjustment according to IFRS: | | |
| – Adjustment on property, plant and equipment revaluation and related depreciation | (16,684) | 15,067 |
| Amount stated in financial statements as per IFRS | 84,593 | 2,590,068 |

2. FULLY DILUTED AND WEIGHTED AVERAGE RETURNS ON NET ASSETS AND EARNINGS PER SHARE

| Profit for the reporting period | 2002 | | | | 2001 | | | |
|--------------------------------------|------------------------------|---------------------|-----------------------------|---------------------|------------------------------|---------------------|-----------------------------|---------------------|
| | Returns on net assets (%) | | Earnings per share (RMB) | | Returns on net assets (%) | | Earnings per share (RMB) | |
| | Fully Diluted | Weighted Average | Fully Diluted | Weighted Average | Fully Diluted | Weighted Average | Fully Diluted | Weighted Average |
| Profit from principal operations | 39.82% | 40.68% | 1.03 | 1.03 | 31.00% | 23.87% | 0.77 | 0.77 |
| Operating profits | 4.47% | 4.57% | 0.12 | 0.12 | (54.20%) | (41.73%) | (1.35) | (1.35) |
| Net profit | 3.93% | 4.02% | 0.10 | 0.10 | (59.75%) | (46.01%) | (1.49) | (1.49) |
| Net profit after extraordinary items | 3.60% | 3.68% | 0.09 | 0.09 | (57.33%) | (44.15%) | (1.43) | (1.43) |

3. PROVISION FOR ASSETS IMPAIRMENT AT 31 DECEMBER 2002

Unit: RMB

| Items | Group (As restated, note1) | | | | At 31 December 2002 |
|--|-------------------------------|--------------------------|--------------------------------|----------------------------|---------------------------|
| | At 1 January 2002 | Increase for the year | acquisition of subsidiaries | Write-back for the year | |
| | | | | | |
| 1. Total provision for bad debt | 363,232,791 | 6,378,954 | 4,436,086 | (54,753,703) | 319,294,128 |
| Including: Accounts receivable | 190,823,758 | – | 4,436,086 | (54,753,703) | 140,506,141 |
| Other receivables | 172,409,033 | 6,378,954 | – | – | 178,787,987 |
| 2. Total provision for impairment of short-term investments | – | – | – | – | – |
| Including: Stock investments | – | – | – | – | – |
| 3. Total provision for impairment of inventories | 323,978,805 | 22,816,653 | 10,967,692 | (221,036,164) | 136,726,986 |
| Including: Finished goods | 273,831,903 | 9,343,774 | 4,077,457 | (201,523,607) | 85,729,527 |
| Work in progress | 1,646,597 | – | – | (1,646,597) | – |
| Raw materials | 48,500,305 | 13,472,879 | 6,890,235 | (17,865,960) | 50,997,459 |
| 4. Total provision for impairment of fixed assets | 59,137,584 | 30,099 | 2,207,522 | – | 61,375,205 |
| Including: Buildings and structures | 51,662,414 | 30,099 | – | – | 51,692,513 |
| Machinery and equipment | 7,466,170 | – | 2,207,522 | – | 9,673,692 |
| Furniture, fixture and office equipment | 9,000 | – | – | – | 9,000 |
| 5. Total provision for impairment of long-term investments | 145,329,641 | – | – | (74,129,000) | 71,200,641 |
| Including: Long-term equity investments | 145,329,641 | – | – | (74,129,000) | 71,200,641 |
| Long-term debt investments | – | – | – | – | – |

4. THE EXPLANATIONS TO THE ITEMS IN FINANCIAL STATEMENTS WHOSE FLUCTUATION RANGE IS OVER 30% (INCLUDING 30%) AND COVER THE TOTAL ASSETS OF BALANCE SHEET DATE OVER 5% (INCLUDING 5%) OR COVER THE TOTAL PROFIT IN THIS TEAR OVER 10% (INCLUDING 10%) AREAS FOLLOWS:

Items in balance sheet:

- (1) The increase in the amount of bank deposit is attributable to the increase in the amount of pledged deposit.
- (2) The increase in notes receivable and payable is attributable to the substantial increasing use of notes for the settlement of operating activities.
- (3) The increase in other receivables is attributable to the extended scope of consolidation.
- (4) The increase in taxes payables is attributable to the increase in sales.
- (5) The increase in other payables is attributable to the increase in bidding deposit received.
- (6) The increase in long-term loans is attributable to the increase in the mortgage loans to raise funds during the year.

Items in statement of income and profit appropriation:

- (1) The decrease in management fee is attributable to the reversal of provision for bad debt and provision for impairment of inventories for the year.

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