

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 2003, the net profit and net assets of the financial statements prepared according to PRC GAAP were approximately RMB202,180,000 and RMB2,808,731,000 respectively. These figures can be reconciled to those under IFRS as follows:

	Net profit for the year ended 31 December 2003 <i>RMB'000</i>	Net assets at 31 December 2003 <i>RMB'000</i>
Amounts stated in financial statements as per PRC GAAP	202,180	2,808,731
Adjustment according to IFRS:		
– Adjustment on property, plant and equipment revaluation and related depreciation	(11,010)	2,135
Amounts stated in financial statements as per IFRS	191,170	2,810,866

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

	2003			
	Returns on net assets (%)		Earnings per share (RMB)	
	Fully Diluted	Weighted Average	Fully Diluted	Weighted Average
Profit for the reporting period				
Profit from principal operations	59.98	62.32	1.70	1.70
Operating profits	9.44	9.81	0.27	0.27
Net profit	7.20	7.48	0.20	0.20
Net profit after extraordinary items	6.87	7.14	0.19	0.19

3. NET PROFIT AFTER EXTRAORDINARY ITEMS

	2003 <i>RMB'000</i>
Net profit	202,180,248
Less: Non-operation income	10,402,787
Non-operation expenses	(5,494,299)
Subsidy income	18,190
Loss in disposal of investee enterprise	(216,831)
Reversal of assets impairment provided in previous year	4,374,562
Net profit after extraordinary items	193,095,839

4. PROVISION FOR ASSETS IMPAIRMENT AT 31 DECEMBER 2003

	At 1 January 2003		Provision for the year		Reversal for the year		Write back for the year		At 31 December 2003	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
1. Total provision for bad debt	319,294,128	300,785,980	9,858,108	-	4,374,562	-	172,409,033	172,409,033	152,368,641	128,376,947
Including:										
Accounts receivable	140,506,141	128,376,947	9,674,351	-	602,476	-	-	-	149,578,016	128,376,947
Other receivables	178,787,987	172,409,033	183,757	-	3,772,086	-	172,409,033	172,409,033	2,790,625	-
2. Total provision for impairment on short term equity investments	-	-	-	-	-	-	-	-	-	-
Including:										
Stock investments	-	-	-	-	-	-	-	-	-	-
3. Total provision for inventories	136,726,986	108,200,007	35,261,035	30,812,035	-	-	68,068,305	52,009,814	103,919,716	87,002,228
Including:										
Finished goods	85,729,527	77,749,219	32,491,035	30,812,035	-	-	52,934,137	48,687,633	65,286,425	59,873,621
Work in progress	-	-	172,000	-	-	-	-	-	172,000	-
Raw materials	50,997,459	30,450,788	2,598,000	-	-	-	15,134,168	3,322,181	38,461,291	27,128,607
4. Total provision for impairment on fixed assets	61,375,205	-	96,742	-	-	-	-	-	61,471,947	-
Including:										
Buildings and structures	51,692,513	-	96,742	-	-	-	-	-	51,789,255	-
Machinery and equipment	9,673,692	-	-	-	-	-	-	-	9,673,692	-
Furniture, fixture and Office equipment	9,000	-	-	-	-	-	-	-	9,000	-
5. Total provision for impairment on long-term investments	71,200,641	59,381,641	7,837,883	-	-	-	-	-	79,038,524	59,381,641
Including:										
Long-term equity investments	71,200,641	59,381,641	7,837,883	-	-	-	-	-	79,038,524	59,381,641
Long-term debt investments	-	-	-	-	-	-	-	-	-	-

5. FOLLOWING ARE ANALYSES OF THE ACCOUNTING ITEMS OF WHICH CHANGES ARE UP TO 30% (INCLUDING 30%) AND WHICH REPRESENT OVER 5% (INCLUDING 5%) OF THE TOTAL ASSETS AT THE BALANCE SHEET DATE OR OVER 10% (INCLUDING 10%) TOTAL PROFIT DURING THE REPORTING PERIOD:

Bank balances and cash

The increase in bank balances and cash is mainly attributable to an increase in cash flow from operating activities.

Accounts receivable

The increase in accounts receivable is attributable to a rise in sales revenue.

Other receivables

The decrease in other receivables is mainly attributable to the transfer of the amount due from GKG in exchange for intangible assets according to the debt transfer agreement.

Inventories

The increase in inventories is attributable to (1) a rise in stock resulting from the growth in sales; (2) an increase in purchase of materials.

Intangible assets

The increase in intangible assets is attributable to the exchange of the amount due from GKG for trademarks and land use rights.

Notes payable

The increase in notes payable is attributable to an increase in purchase of materials and more frequent utilization of notes as a means of settlement in its operating activities.

Accounts payable

The increase in accounts payable is attributable to an increase in purchase of materials.

Capital reserve

The decrease in capital reserve is attributable to the utilization of surplus reserve by the Company in the current year to offset losses as incurred during previous years.

Sales and cost of sales

The increase in sales is mainly attributable to the launch of new advanced technological products and an increase in sales volume, thus leading to an increase in cost of sales.

Other operating profit

The increase in other operating profit is mainly attributable to the sales of scrap materials.

Administrative expenses

The increase in administrative expenses is mainly attributable to decrease in the reversal of provisions for bad debts and inventories as compared to previous year.

Financial expenses

The increase in financial expenses is mainly attributable to the increase in use of acceptances notes to settle its debts from operations, and accordingly, an increase in the financial expenses.

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