

Schedule 1

Statement of provisions for impairment of assets

For the year ended 2005

Prepared by Guangdong Kelon Electrical Holdings Company Limited

Currency: RMB

Items	Balance at the beginning of the year	Increase for the year	Decrease during the year			Balance at the end of the year
			Amount reversed for increase in asset value	Amount Transfer out for other reasons	Total	
1. Total provision for bad debts	190,206,453.96	572,712,089.46	-	-	-	762,918,543.42
Including: Account receivables	181,872,515.96	114,173,399.35	-	-	-	296,045,915.31
Other receivables	8,333,938.00	458,538,690.11	-	-	-	466,872,628.11
2. Total provision for impairment of short-term investments	-	-	-	-	-	-
Including: Stock investment	-	-	-	-	-	-
Bond investment	-	-	-	-	-	-
3. Total provision for impairment of inventories	133,768,360.00	275,251,947.89	-	-	-	409,020,307.89
Including: Raw material	32,595,020.00	160,766,274.09	-	-	-	193,361,294.09
Work in progress	83,935.00	13,788,016.17	-	-	-	13,871,951.17
Storage goods	101,089,405.00	100,697,657.63	-	-	-	201,787,062.63
4. Total provision for impairment of long-term investments	67,219,525.00	11,000,000.00	-	-	-	78,219,525.00
Including: Long-term stock investment	67,219,525.00	11,000,000.00	-	-	-	78,219,525.00
Long-term bond investment	-	-	-	-	-	-
5. Total provision for impairment of fixed assets	64,011,849.00	176,722,289.08	3,110,274.64	27,181,644.71	30,291,919.35	210,442,218.73
including: Machinery and equipment	12,243,692.22	134,583,169.99	3,110,274.64	2,207,522.22	5,317,796.86	141,509,065.35
Electronics, fixtures and furniture	9,000.00	8,948,058.48	-	-	-	8,957,058.48
Buildings and structures	51,759,156.78	5,858,267.16	-	24,974,122.49*	24,974,122.49*	32,643,301.45
Motor vehicles	-	1,042,610.89	-	-	-	1,042,610.89
Moulds	-	26,290,182.56	-	-	-	26,290,182.56
6. Provision for impairment of intangible assets	8,107,691.00	304,698,032.50	-	-	-	312,805,723.50
including: Land use right	5,214,752.00	18,207,006.81	-	-	-	23,421,758.81
Patent right	2,892,939.00	429,909.29	-	-	-	3,322,848.29
Trade mark	-	286,061,116.40	-	-	-	286,061,116.40
7. Provision for impairment of construction in progress	-	84,802,421.80	-	-	-	84,802,421.80
8. Provision for impairment on authorized loan	-	-	-	-	-	-

* include the reduction of provision of RMB24,447,968.00 for impairment of fixed assets due to the change of combination arrangement.

Schedule 2

Statement of Increase/decrease in equity

For the year ended 2005

Prepared by Guangdong Kelon Electrical Holdings Company Limited

Currency: RMB

Items	For this year	For previous year
1. Paid-in capital (or share capital)		
Balance at the beginning of the year	992,006,563.00	992,006,563.00
Addition during this year	—	—
Including: Transfer from capital reserve	—	—
Transfer from surplus fund	—	—
Transfer from profit distribution	—	—
Incremental capital (or share capital)	—	—
Reduction during the year	—	—
Balance at the end of the year	992,006,563.00	992,006,563.00
2. Capital reserve		
Balance at the beginning of the year	1,576,684,229.00	1,516,787,706.00
Addition during this year	4,415,419.75	59,896,523.00
including: Capital (or share capital) premium	—	—
Receipt of donated non-cash assets	—	—
Receipt of donated cash	—	—
Provision for stock investment	2,071,742.56	38,070,504.00
Transfer from appropriation	—	—
Difference of foreign currency exchange	—	—
Other capital reserves	2,343,677.19	21,826,019.00
Reduction during the year	—	—
including: Transfer to capital (or share capital)	—	—
Balance at the end of the year	1,581,099,648.75	1,576,684,229.00
3. Legal and discretionary surplus fund:		
Balance at the beginning of the year	—	—
Addition during this year	—	—
including: Accrued from net profit	—	—
including: Legal surplus reserve	—	—
Discretionary surplus reserve	—	—
Reserve fund	—	—
Enterprise expansion fund	—	—
Transfer from legal public welfare fund	—	—
Reduction during the year	—	—
including: Recovery of losses	—	—
Transfer to capital (or share capital)	—	—
Distribution of dividends or profits in cash	—	—
Distribution of dividends	—	—
Balance at the end of the year	—	—
including: Legal surplus reserve	—	—
Reserve fund	—	—
Enterprise expansion fund	—	—

Items	For this year	For previous year
4. Legal public welfare fund:		
Balance at the beginning of the year	114,580,901.49	114,580,901.49
Addition during this year	-	-
Including: Accrued from net profit	-	-
Reduction during the year	-	-
Including: Collective welfare expenditures	-	-
Balance at the end of the year	114,580,901.49	114,580,901.49
5. Undistributed profit		
Undistributed profit at the beginning of the year	(88,877,490.00)	156,920,660.77
Net profit for the year (net loss expressed as '-')	(3,693,615,437.69)	(245,798,150.77)
Distribution of profit for the year	-	-
Undistributed profit at the end of the year (uncovered losses expressed as '-')	(3,782,492,927.69)	(88,877,490.00)