

Statement of Provisions for Impairment of Assets

Schedule 1

STATEMENT OF PROVISIONS FOR IMPAIRMENT OF ASSETS

For the year ended 2006

Prepared by Guangdong Kelon Electrical Holdings Company Limited

Currency: RMB

Items	Balance at the beginning of the year	Increase during the year	Decrease during the year		Total	Balance at the end of the year
			Amount reversed for increase in asset value	Amount transferred out for other reasons		
1. Total provision for bad debts	762,918,543.42	12,175,894.87	—	98,419,532.11	98,419,532.11	676,674,906.18
Including: Account receivables	296,045,915.31	3,934,983.53	—	79,491,401.40	79,491,401.40	220,489,497.44
Other receivables	466,872,628.11	8,240,911.34	—	18,928,130.71	18,928,130.71	456,185,408.74
2. Total provision for impairment of short-term investments	—	—	—	—	—	—
Including: Stock investment	—	—	—	—	—	—
Bond investment	—	—	—	—	—	—
3. Total provision for impairment of inventories	424,805,977.74	42,700,140.04	—	345,022,901.02	345,022,901.02	122,483,216.76
Including: Raw material	205,323,043.26	9,110,441.90	—	152,954,250.92	152,954,250.92	61,479,234.24
Work in progress	17,518,765.79	1,502,837.32	—	6,536,588.91	6,536,588.91	12,485,014.20
Storage goods	201,964,168.69	32,086,860.82	—	185,532,061.19	185,532,061.19	48,518,968.32
4. Total provision for impairment of long-term investments	78,219,525.00	—	—	—	—	78,219,525.00
Including: Long-term stock investment	78,219,525.00	—	—	—	—	78,219,525.00
Long-term bond investment	—	—	—	—	—	—
5. Total provision for impairment of fixed assets	213,752,943.19	23,888,658.43	—	26,950,140.76	26,950,140.76	210,691,460.86
Including: Machinery and equipment	143,730,814.49	13,394,261.61	—	9,568,508.91	9,568,508.91	147,556,567.19
Electronics, fixtures and Furniture	9,023,157.23	272,406.18	—	5,729,191.92	5,729,191.92	3,566,371.49
Buildings and structures	32,868,745.07	3,215,914.03	—	763,982.66	763,982.66	35,320,676.44
Motor vehicles	1,840,043.84	315,410.35	—	88,784.15	88,784.15	2,066,670.04
Moulds	26,290,182.56	6,690,666.26	—	10,799,673.12	10,799,673.12	22,181,175.70
6. Provision for impairment of intangible assets	312,805,723.50	—	—	—	—	312,805,723.50
Including: Land use right	23,421,758.81	—	—	—	—	23,421,758.81
Patent right	3,322,848.29	—	—	—	—	3,322,848.29
Trade mark	286,061,116.40	—	—	—	—	286,061,116.40
7. Provision for impairment of construction in progress	97,293,806.28	1,496,239.73	—	45,203,605.41	45,203,605.41	53,586,440.60
8. Provision for impairment on authorized loan	—	—	—	—	—	—

Statement of Provisions for Impairment of Assets

Schedule 2

STATEMENT OF INCREASE/DECREASE IN EQUITY

For the year ended 2006

Prepared by Guangdong Kelon Electrical Holdings Company Limited

Currency: RMB

Items	Line number	For this year	For previous year
1. Paid-in capital (or share capital)			
Balance at the beginning of the year	1	992,006,563.00	992,006,563.00
Addition during this year	2	—	—
Including: Transfer from capital reserve	3	—	—
Transfer from surplus fund	4	—	—
Transfer from profit distribution	5	—	—
Incremental capital (or share capital)	6	—	—
Reduction during the year	10	—	—
Balance at the end of the year	15	992,006,563.00	992,006,563.00
2. Capital reserve			
Balance at the beginning of the year	16	1,581,099,648.75	1,576,684,229.00
Addition during this year	17	27,002,478.45	4,415,419.75
Including: Capital (or share capital) premium	18	—	—
Receipt of donated non-cash assets	19	—	—
Receipt of donated cash	20	—	—
Provision for stock investment	21	11,009,933.04	2,071,742.56
Transfer from appropriation	22	—	—
Difference of foreign currency exchange	23	—	—
Other capital reserves	30	15,992,545.41	2,343,677.19
Reduction during the year	40	—	—
Including: Transfer to capital (or share capital)	41	—	—
Balance at the end of the year	45	1,608,102,127.20	1,581,099,648.75

Statement of Provisions for Impairment of Assets

Items	Line number	For this year	For previous year
3. Legal and discretionary surplus fund:			
Balance at the beginning of the year	46	114,580,901.49	114,580,901.49
Addition during this year	47	—	—
Including: Accrued from net profit	48	—	—
Including: Legal surplus reserve	49	—	—
Discretionary surplus reserve	50	—	—
Reserve fund	51	—	—
Enterprise expansion fund	52	—	—
Transfer from legal public welfare fund	53	—	—
Reduction during the year	54	—	—
Including: Recovery of losses	55	—	—
Transfer to capital (or share capital)	56	—	—
Distribution of dividends or profits in cash	57	—	—
Distribution of dividends	58	—	—
Balance at the end of the year	62	114,580,901.49	114,580,901.49
Including: Legal surplus reserve	63	—	—
Reserve fund	64	—	—
Enterprise expansion fund	65	—	—
4. Legal public welfare fund:			
Balance at the beginning of the year	66	—	—
Addition during this year	67	—	—
Including: Accrued from net profit	68	—	—
Reduction during the year	70	—	—
Including: Collective welfare expenditures	71	—	—
Balance at the end of the year	75	—	—
5. Undistributed profit			
Undistributed profit at the beginning of the year	76	(3,800,717,444.16)	(83,179,976.18)
Net profit for the year (net loss expressed as '—')	77	24,120,753.48	(3,717,537,467.98)
Distribution of profit for the year	78	—	—
Undistributed profit at the end of the year (uncovered losses expressed as '—')	80	(3,776,596,690.68)	(3,800,717,444.16)