



GUANGDONG KELON ELECTRICAL HOLDINGS COMPANY LIMITED
廣東科龍電器股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00921)

ANNOUNCEMENT OF RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2005

1. IMPORTANT NOTICE

- 1.1 As Mr. Gu Chu Jun, Mr. Yan You Song and Mr. Zhang Hong, the directors of the Company, have been formally investigated by the PRC police department and are subject to criminal procedures for alleged economic crime, the above three directors are unable to confirm the truthfulness, accuracy and completeness of the content of this Report.

Except the above three directors, the board of directors of the Company (the "Board") and the remaining directors confirm that there is no false representation, misleading statement or material omission in this Report, and are severally and jointly responsible for the truthfulness, accuracy and completeness of the content of this Report;

- 1.2 The meeting were intended to be attended by 9 directors while six were present at the meeting, as Mr. Gu Chu Jun, Mr. Yan You Song and Mr. Zhang Hong, the executive directors of the Company, were unable to attend the meeting. Independent non-executive directors Mr. Chan Pei Cheong, Andy and Mr. Xu Xiao Lu attended and voted at the meeting by way of telephone conference.
- 1.3 These quarterly results for the three months ended 30 September 2005 (the "Reporting Period") have not been audited.
- 1.4 Mr. Liu Cong Meng, Vice Chairman of the Company, and Mr. Xiao Jian Lin, Vice Financial Controller of the Company, warrant that the contents of this Report are accurate and complete.

2. COMPANY INFORMATION

2.1 Company Profile

Stock Abbreviation:	Kelon	
Stock Code:	000921	
	Secretary for the Board	Representative of securities related affairs
Name:	Liu Cong Meng (alternative) Gary Li Chi Sing	Zhong Liang
Correspondence Address:	No. 8, Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province	No. 8, Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province
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2.2 Financial Information

2.2.1 Major Accounting Data and Financial Indicators

Unit: RMB

	End of the Reporting Period	End of Last Financial Year	Increase/Decrease over End of Last Financial Year (%)
Total assets	7,816,047,686.00	11,168,371,788.39	-30.02%
Shareholders' equity (excluding minority interests)	1,352,828,879.50	2,642,912,869.49	-48.81%
Net assets per share	1.3637	2.6642	-48.81%
Adjusted net assets per share	1.3256	2.6222	-49.45%
	The Reporting Period	Beginning of Financial Year to End of the Reporting Period	Increase/Decrease over Corresponding Period of Last Year (%)
Net cash flows from operating activities	-138,146,643.30	-3,313,645,700.09	-120.48%
Earnings per share	-0.8204	-1.3113	-1,809.17%
Earnings per share (note)	-0.8204	-	-
Return on net assets	-60.16%	-96.15%	-61.74%
Return on net assets after extraordinary items	-60.33%	-96.37%	-62.02%

Unit: RMB

Extraordinary profit and loss items	Amount
Income from items other than operations	1,681,186
Subsidy income	117,446
Interest income from related parties	496,485
	<hr/>
Total	<u>2,295,117</u>

2.2.2 *Statement of Income and Profit Appropriation (attached below)*

2.3 Table of total number of shareholders and top ten listed shareholders at the end of the Reporting Period

Unit: shares

Total number of shareholders at the end of the Reporting Period 66,753

The shareholdings of the top ten listed shareholders

Name of Shareholder (in full name)	Shareholdings at the end of the Period	Class (A, B, H or others)
The Hong Kong and Shanghai Banking Corporation Limited	49,937,925	H shares
Bank of China (Hong Kong) Limited	49,232,000	H shares
Guotai Junan Securities (Hong Kong) Limited	40,965,000	H shares
HSBC NOMINEES (HONG KONG) LIMITED	40,106,904	H shares
First Shanghai Securities Limited	25,878,000	H shares
Hang Seng Securities Limited	20,235,000	H shares
Shenyin Wanguo Securities (H.K.) Ltd.	19,951,000	H shares
Liu Chong Hing Bank Limited	16,000,000	H shares
Dah Sing Bank, Limited	15,000,000	H shares
Standard Chartered Bank (Hong Kong) Limited	13,564,500	H shares

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Brief Analysis of the Overall Business Activities of the Company during the Reporting Period

3.1.1 Management Discussion and Analysis

During the Reporting Period, the Company was still continuously affected by the adverse factors resulting from the alleged economic crime committed by Mr. Gu Chu Jun, former chairman of the Company, and other relevant persons. Financial institutions, suppliers and distributors have not completely recovered their confidence in the Company. The Company was still experiencing relatively great difficulties in bank financing, bank credit and lending. A substantial part of the Company's production of refrigerators and air-conditioners was interrupted during the first half of the Reporting Period as a result of the pressure on the Company's cash flow position. The Company's normal production and operations were as a result affected significantly. In addition, due to the effect of the above interruptions, the Company's products were unable to be supplied to the market on a timely basis during the Reporting Period and old-model products were still required as replacement, resulting in a very low gross profit margin during the Reporting Period. During the Reporting Period, the Company retained its staff and paid their salaries and wages on a timely basis in the hope of resuming its normal production promptly. The other necessary operation costs and expenses of the Company had also not been reduced, which are the reasons why the Company's operation costs during the Reporting Period had not significantly fallen. The above factors ultimately led to continued losses for the Reporting Period, and sales revenue totaling RMB544,052,145 and net losses totaling RMB813,866,052 were recorded. Losses mentioned above included normal operating loss of this quarter and provisions made for, or accrued to, expenses already incurred but not provided for, bad debts, value decline in inventories and stock check loss. Items and amounts so provided for or accrued to are as follows:

Unpaid charges accrued:	RMB272,396,414.76
Added provision for bad debt:	RMB30,163,570
Added provision for value decline in inventories:	RMB167,472,299.00
Stock check loss:	RMB21,854,894.48

The Board considers that the adjusted items mentioned above involve huge amounts of expenditure that were paid out before the third quarter. The cause of such expenditure may involve deliberate concealment of spending. Accordingly, the Board already requested the management to conduct an in depth investigation into this matter. If any actual concealment is found, the Board will pursue legal liability against the wrongdoer.

3.1.2 *Principal business or products representing 10% or more of the income from principal operations or total profit from principal operations*

Applicable Not Applicable

Unit: (RMB) '0000

Operations or products	Income from principal operations	Cost of principal operations	Gross Margin (%)
Refrigerators	21,583.45	21,159.06	1.97
Air-conditioners	21,943.67	21,277.58	3.04
Freezers	3,741.53	4,144.22	-10.76
Others	7,136.56	7,093.74	0.60
Including: Related party transactions	866.82	849.77	1.97
Total	54,405.21	53,674.60	1.34

3.1.3 *Seasonal or cyclical characteristics of the Company's operations*

Applicable Not Applicable

The sales of the major products of the Company such as air-conditioners are subject to seasonal fluctuations. The Reporting Period was amid the low season for the sales of air-conditioners.

3.1.4 *Profit structure for the Reporting Period (material changes in the proportion of total profit attributable to profit from principal operations, profit from other operations, costs for the period, investment income, subsidy income and net non-operating income as compared with the previous reporting period and the explanation thereof)*

Applicable Not Applicable

Unit: (RMB) '0,000

Item	From July to September 2005		From January to June 2005		Ratio of changes of percentage in the total profits (%)
	Amount	Proportion of total profit (%)	Amount	Proportion of total profit (%)	
Profit from principal operations	725.77	-0.88	41,323.73	-82.44	81.56
Costs during the period	85,497.01	-103.69	89,464.68	-178.48	74.79

Reasons:

1. Insufficient production output of refrigerators and air-conditioners during the Reporting Period has caused the Company's production cost to go up, which in turn has led to a decrease in gross profit margin and profit from principal operations.
2. During the Report Period, the operation costs and expenses of the Company did not decrease significantly as the Company maintained all essential expenses with an aim to resume normal production and operation in the nearest future.

3.1.5 Material changes in principal operations and their structures as compared with the previous reporting period and the explanation thereof

Applicable Not Applicable

3.1.6 Material changes in the profitability (gross profit margin) of principal operations as compared with the previous reporting period and the explanation thereof

Applicable Not Applicable

Cost factors:

1. With the rising cost of raw materials since the second half of 2004, the cost of raw materials of all products in 2005 was generally higher than that of the same period of last year.
2. Fixed cost allocated to each product was higher due to the significantly low production output of the Company since May 2005.

Sales factors:

Domestic sales

1. The year of 2005 witnesses an intense competition in the domestic market with a further decrease in gross profit margin in the industry.
2. Due to the significantly low production output of the Company since May, only a few new products were released in the domestic market. In order to maintain the market share, sales products primarily consisted of inventory and strategic discount items.

Export sales

1. Sales of export products were made on agreed prices under the terms of the contracts/orders executed earlier in the year. Thus, the impact of a decrease in gross profit margin resulting from a further increase in cost was unavoidable.
2. As a result of the insufficient production capacity, in the latter half of 2005 export products have been sold mostly to large-scale strategic customers, whose orders feature large sales volume and relatively low gross profit margin.

3.2 Analysis and illustration of significant events and their implications and resolutions

Applicable

Not Applicable

- 1 On 14 July 2005, the Company received the Civil Matter Verdict (2005) Jia Min Er Chu Zi No.113 (the “Verdict”) and the Attachment Order (2005) Jia Min Er Chu Zi No.113 (“Attachment Order”) from the Intermediate People’s Court of Jiaxing City of Zhejiang Province (“Jiaxing Court”). Pursuant to the Verdict issued by the Jiaxing Court, the Company’s bank deposit of RMB17,100,000 was frozen, or, alternatively, the same value of its assets were seized and detained. In addition, on the basis of the Verdict, the Jiaxing Court seized on 7 July 2005 a total of 59,280,000 promoters state-owned shares together with bonus shares and placement shares held by the Company in Huayi Compressor (Stock Code: 000404) in accordance with laws. The Company holds in aggregate 59,280,000 state-owned shares in Huayi Compressor, representing 22.73% of its total share capital (details were set out in the “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” and “China Daily” on 19 July 2005). On 2 August 2005, the Company received the Verdict (2005) Gan Min Su Qian Bao Zi No.2-1 from the Higher People’s Court of Jiangxi Province (“Jiangxi Court”), which held that the bank deposit of RMB140,000,000 held by Jiangxi Kelon and the Company was frozen, or, alternatively, the same value of their assets were seized and detained (details were set out in the “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” and “China Daily” on 9 August 2005). On 5 August 2005, the Company received a Notice to Assist in Enforcement from the Higher People’s Court of Jiangxi Province (“Jiangxi Court”) relating to the case that the China Construction Bank Holdings Company Limited Nan Cheong Cheong Bei Branch filed a claim against the Company’s indirect wholly-owned subsidiary, Jiangxi Kelon Industrial Development Company Limited (“Jiangxi Kelon”) and the Company in relation to a Borrowing and Guarantee Agreement. The Jiangxi Court gave a judgment to freeze the 80% equity interests held by Jiangxi Kelon in Shangqiu Kelon Electrical Company Limited with effect from 5 August 2005 to 5 August 2006, during which period no pledge or transfer of such equity is permitted without the approval of the Jiangxi Court (details were set out in the “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” and “China Daily” on 9 August 2005). Details of the other material litigations and arbitrations during the Reporting Period were set out in the “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” and “China Daily” on 13 September 2005. Disclosures concerning the latest development of the above litigations will be made by the Company in due course.

2. On 13 September 2005, the Company received from 青島海信空調有限公司 (Qingdao Hisense Air-Conditioner Company Limited) (“Hisense Air-Conditioner”) a copy of “The Agreement relating to the Transfer of Shares of Guangdong Kelon Electrical Holdings Company Limited between Guangdong Greencool Enterprise Development Company Limited and Qingdao Hisense Air-Conditioner Company Limited”, which was entered into by Guangdong Greencool Enterprise Development Company Limited (“Greencool”), the Company’s single largest shareholder, and Hisense Air-Conditioner dated 9 September 2005 (“Equity Transfer Agreement”) (details were set out in the “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” and “China Daily” on 14 September 2005). On 30 September 2005, the Company received the Supplemental Agreement to the Equity Transfer Agreement (details were set out in the “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” on 10 October 2005, and “The Standard” on 3 October 2005). Hisense Air-Conditioner and Greencool disclosed “廣東科龍電器股份有限公司上市公司收購報告書” (The Report on the Acquisition of the Listed Company-Guangdong Kelon Electrical Holdings Company Limited) on 12 October 2005 and “廣東科龍電器股份有限公司股東持股變動報告書” (The Report on Changes in Shareholding of the Shareholders of Guangdong Kelon Electrical Holdings Company Limited) on 22 October 2005, respectively (details were set out in the “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” and “China Daily” on 12 October 2005 and 22 October 2005). The Equity Transfer is still in the process as of to date.
3. The Company was informed by the China Securities Registration Clearing Company Limited Shenzhen Branch on 3 August 2005 that the interest, being 262,212,194 promoter domestic legal person shares (Shareholder Code: 0800000264) in the Company (Stock code: 000921), representing approximately 26.43% of the total issued share capital of the Company, held by the Company’s single largest shareholder, Greencool, had been frozen by the Intermediate People’s Court of the Shenzhen City with effect from 28 July 2005 to 27 July 2006 (details were set out in the “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” and “China Daily” on 5 August 2005). On 21 September 2005, the Company received from the Intermediate People’s Court of Foshan City of Guangdong Province (“the Intermediate People’s Court of Foshan City”) a List of Foreclosure (Fo Zhong Fa Li Bao Zi No.265 (2005)): Pending the foreclosure of 262,212,194 legal person shares in the Company (Stock Code: 000921; Stock abbreviated name: Guangdong Kelon) held by Greencool (Shareholder Code: 0800000264) and all the bonus shares, placement shares and bonus dividends and other interests thereof (details were set out in the “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” and “China Daily” on 22 September 2005).
4. The Company and 青島海信營銷有限公司 (“Hisense Agent”)(the related party of Hisense Air-Conditioner) entered into the Sales Agency Agreement and the Supplemental Agreement on 16 September 2005 and 26 September 2005, respectively, pursuant to which, Hisense Agent will purchase the products of the Company by way of prepayment and will act as the sales agent of the Company’s domestic sales products by way of distribution during the transitional period (the period ending 31 March 2006) (details were set out in the “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” and “China Daily” on 27 September 2005). The Agreements have been reviewed and approved by the Board and are subject only to the shareholders’ approval in general meeting. A general meeting will be held as soon as practicable to discuss the Agreements.

3.3 Changes in accounting policies, estimates and scope of consolidation and major accounting errors and the explanation thereof

Applicable Not Applicable

After investigation, a subsidiary of the Company had sold scrap materials to two customers in the 2003-2004 financial year. Determining from the investigation of the relevant transactions, the Company found that two sums of revenue from sales of scrap materials in 2003-2004 financial year were inappropriate. As a result, an excessive sum of RMB49,936,000 of revenue from other activities was recognized in the 2003-2004 financial year. During the compilation of comparable financial statements of the previous and current years, adjustments were made by the Company in relation to the above error which was taken as a material accounting error. The resulting impact was that at the beginning of the current year, the Company's unallocated profit decreased by RMB48,363,800, provisions for bad debts were written back by RMB1,572,200, trade receivables at the beginning of the current year decreased by RMB7,172,300, while other receivables at the beginning of the current year decreased by RMB42,763,700.

3.4 Explanation of the Board and the Supervisory Committee in relation to any "non-standard opinion" arising from audit

Applicable Not Applicable

3.5 Loss forecast or alert of significant change in the accumulated net profit for the period from the beginning of the financial year to the end of the next reporting period as compared with the corresponding period in the previous year and the explanation thereof

Applicable Not Applicable

It is expected that the accumulated net profit during the period from the beginning of this year to the end of the next reporting period will be a loss.

3.6 On-going adjustments on the Company's published annual business plans or budget

Applicable Not Applicable

3.7 Special commitments made by holders of unlisted shares during the equity separation reform (股權分置改革) and the implementation thereof

Applicable Not Applicable

For and on behalf of the Board of Directors
Guangdong Kelon Electrical Holdings Company Limited
Vice Chairman
Liu Cong Meng

28 October 2005

BALANCE SHEET

Currency Unit: RMB

Items	At the end of the Period		At the end of last year	
	The Group	The Company	The Group	The Company
Current assets				
Bank balances and cash	663,106,636.00	85,777,622.00	2,320,120,532.00	1,177,175,655.00
Short-term investments	—	—	—	—
Notes receivable	136,106,238.00	114,734,379.00	792,903,018.00	506,457,634.00
Dividends receivable	—	—	—	—
Interests receivable	—	—	—	—
Accounts receivable	636,873,676.00	329,692,124.00	699,815,328.00	542,936,448.55
Other receivables	63,623,348.81	1,761,064,360.14	226,180,104.31	1,692,453,331.49
Prepayments	587,885,900.00	24,290,788.00	197,803,725.00	26,244,296.00
Subsidy receivables	59,578,640.00	—	20,796,124.00	—
Inventories	2,174,901,850.40	661,310,718.00	3,259,818,997.08	1,358,855,198.08
Deferred expenditures	12,953,964.20	5,562,503.00	4,368,346.00	2,869,526.00
Long-term debt investments				
due within one year	—	—	—	—
Other current assets	—	—	—	—
Total current assets	<u>4,335,030,253.41</u>	<u>2,982,432,494.14</u>	<u>7,521,806,174.39</u>	<u>5,306,992,089.12</u>
Long-term investment				
Long-term equity investments	81,091,381.00	1,579,658,302.00	93,945,657.00	1,756,637,808.00
Long-term debt investments	—	—	—	—
Total long-term investments	81,091,381.00	1,579,658,302.00	93,945,657.00	1,756,637,808.00
Combined differences	—	—	—	—
Fixed assets:				
Fixed assets, at cost	4,365,404,770.39	1,447,895,105.79	4,289,997,578.00	1,448,426,106.00
Less: Accumulated depreciation	2,390,792,533.40	713,967,124.00	2,165,216,534.00	667,853,330.00
Fixed assets, net	1,974,612,236.99	733,927,981.79	2,124,781,044.00	780,572,776.00
Less: Provisions for impairment of fixed assets	64,014,413.40	—	64,011,849.00	—
Fixed assets, net	1,910,597,823.59	733,927,981.79	2,060,769,195.00	780,572,776.00
Construction materials	—	—	—	—
Project under construction	413,968,979.00	42,979,586.00	349,490,180.00	33,061,019.00
Disposal of fixed assets	—	—	—	—
Total fixed assets	<u>2,324,566,802.59</u>	<u>776,907,567.79</u>	<u>2,410,259,375.00</u>	<u>813,633,795.00</u>
Intangible assets and other assets:				
Intangible assets	1,016,477,965.00	839,155,493.80	1,071,066,931.00	887,902,262.00
Long-term deferred expenditure	24,881,284.00	15,240,354.90	37,293,651.00	25,424,841.00
Other long-term assets	—	—	—	—
Long-term receivables due more than one year	34,000,000.00	—	34,000,000.00	—
Total intangible assets and other assets	<u>1,075,359,249.00</u>	<u>854,395,848.70</u>	<u>1,142,360,582.00</u>	<u>913,327,103.00</u>
Deferred tax debt	—	—	—	—
Grand total of assets	<u><u>7,816,047,686.00</u></u>	<u><u>6,193,394,212.63</u></u>	<u><u>11,168,371,788.39</u></u>	<u><u>8,790,590,795.12</u></u>

Current liabilities:				
Short-term borrowings	1,811,205,319.00	942,587,212.00	2,911,715,168.00	1,172,365,000.00
Notes payable	497,501,829.00	166,465,281.00	1,719,560,637.00	1,987,375,448.00
Accounts payable	2,396,497,403.00	1,663,205,709.00	1,939,251,222.01	955,442,361.01
Advance from customers	378,556,884.00	335,575,467.00	852,637,382.00	765,356,039.00
Accrued payroll	23,288,066.00	7,479,005.00	25,677,559.00	7,052,331.00
Staff welfare payables	–	–	620,445.00	–
Dividend payable	–	–	–	–
Taxes payable	(88,198,803.00)	(21,343,910.00)	(17,959,863.48)	(44,294,605.48)
Payable to others	3,025,697.00	1,187,638.00	4,355,736.00	970,585.00
Other payables	401,752,094.00	423,356,871.00	347,707,583.00	367,546,767.00
Accruals	535,465,632.10	479,670,246.20	197,017,170.37	172,229,478.37
Provision	121,679,037.40	121,679,037.40	119,337,512.00	119,337,512.00
Long-term borrowings due within one year	–	–	4,215,420.00	–
Other current liabilities	–	–	–	–
Total current liabilities	<u>6,080,773,158.50</u>	<u>4,119,862,556.60</u>	<u>8,104,135,970.90</u>	<u>5,503,380,915.90</u>
Long-term liabilities:				
Long-term borrowings	–	–	16,723,295.00	–
Debenture payables	–	–	–	–
Long-term payables	81,202,989.00	76,186,274.00	69,962,105.00	64,991,061.00
Special item payables	–	–	–	–
Other long-term liabilities	–	–	–	–
Accrued liabilities of investee enterprise	–	249,037,195.00	–	173,408,114.00
Total long-term liabilities	<u>81,202,989.00</u>	<u>325,223,469.00</u>	<u>86,685,400.00</u>	<u>238,399,175.00</u>
Deferred taxes:				
Deferred taxes credit	–	–	–	–
Total liabilities	<u>6,161,976,147.50</u>	<u>4,445,086,025.60</u>	<u>8,190,821,370.90</u>	<u>5,741,780,090.90</u>
Minority interests	<u>301,242,659.00</u>	–	<u>334,637,548.00</u>	–
Stakeholders' interest				
(or shareholders' interests):				
Paid-in capital (or share capital)	992,006,563.00	992,006,563.00	992,006,563.00	992,006,563.00
Less: returned investments	–	–	–	–
Paid-in capital (or share capital), net	992,006,563.00	992,006,563.00	992,006,563.00	992,006,563.00
Capital reserve	1,594,396,880.00	2,007,829,321.40	1,576,684,229.00	1,997,201,731.00
Surplus reserve	114,580,901.49	114,580,901.49	114,580,901.49	114,580,901.49
Including: Common welfare fund	114,580,901.49	114,580,901.49	114,580,901.49	114,580,901.49
Unappropriated profits	(1,340,777,552.59)	(1,366,108,598.86)	(39,967,903.00)	(54,978,491.27)
Including: cash dividend	–	–	–	–
Unrecognized investment loss	–	–	–	–
Exchange differences	(7,377,912.40)	–	(390,921.00)	–
Stakeholders' interest (or shareholders' interests)	<u>1,352,828,879.50</u>	<u>1,748,308,187.03</u>	<u>2,642,912,869.49</u>	<u>3,048,810,704.22</u>
Grand total of liabilities and shareholders' interest (or shareholders' interests)				
	<u><u>7,816,047,686.00</u></u>	<u><u>6,193,394,212.63</u></u>	<u><u>11,168,371,788.39</u></u>	<u><u>8,790,590,795.12</u></u>

STATEMENT OF INCOME AND PROFIT APPROPRIATION FOR THE PERIOD

Currency Unit: RMB

Items	This Reporting Period		Same period of last year	
	The Group	The Company	The Group	The Company
1. Revenue from principal operations	544,052,145.00	499,672,855.60	1,820,795,917.00	1,455,013,034.00
Less: Cost of principal operations	536,745,974.40	397,958,440.40	1,430,623,840.00	1,242,050,230.00
Tax and surcharge of principal operations	48,464.29	34,272.63	86,134.00	28,643.00
2. Profit from principal operations	7,257,706.31	101,680,142.57	390,085,943.00	212,934,161.00
Add: Other operating profit/(loss)	18,577,475.00	1,256,400.58	14,351,967.00	2,156,298.00
Less: Operating expenses	484,848,630.17	408,417,888.84	251,120,073.00	159,908,659.00
Administrative expenses	342,964,275.93	138,125,274.20	79,799,872.00	36,553,613.00
Finance costs	27,157,177.47	15,742,769.01	26,117,782.00	14,972,351.00
3. Operating profit	(829,134,902.26)	(459,349,388.90)	47,400,183.00	3,655,836.00
Add: Investment income (loss)	2,757,055.45	(292,300,703.57)	(3,529,218.00)	40,779,821.00
Subsidy income	117,445.91	–	212,942.00	–
Non-operating income	2,978,361.09	2,186,307.97	–	–
Less: Non-operating expenses	1,297,174.85	319,809.36	3,795,546.00	615,628.00
4. Profit before taxation	(824,579,214.66)	(749,783,593.86)	40,288,361.00	43,820,029.00
Less: Income tax	(28,433.51)	–	(2,661,382.00)	–
Minority interests	(10,684,729.51)	–	(4,656,996.00)	–
Add: Unrecognised investment loss of current period	–	–	–	–
5. Net (loss)/profit	(813,866,051.64)	(749,783,593.86)	47,606,739.00	43,820,029.00
Add: Unappropriated profit at the beginning of the period	–	–	–	–
Other transfers	–	–	–	–

6.	Profit available for appropriation	(813,866,051.64)	(749,783,593.86)	47,606,739.00	43,820,029.00
	Less: Utilisation of statutory common reserve	-	-	-	-
	Utilisation of statutory welfare fund	-	-	-	-
	Utilisation of employees rewards and welfare funds	-	-	-	-
	Utilisation of reserve fund	-	-	-	-
	Utilisation of corporation development fund	-	-	-	-
	Returned profit investments	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7.	Profit available for appropriation to shareholders	(813,866,051.64)	(749,783,593.86)	47,606,739.00	43,820,029.00
	Less: Dividend payable to preference shares	-	-	-	-
	Utilisation of discretionary reserve	-	-	-	-
	Dividend payable to ordinary shares	-	-	-	-
	Dividend of ordinary shares transferred to capital	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8.	Unappropriated profit	<u>(813,866,051.64)</u>	<u>(749,783,593.86)</u>	<u>47,606,739.00</u>	<u>43,820,029.00</u>

Supplementary information to Statement of Income

1.	Income derived from disposal or divestment of division or investees	-	-	-	-
2.	Loss incurred by natural disaster	-	-	-	-
3.	Increase (or decrease) in total profit due to changes in the accounting policies	-	-	-	-
4.	Increase (or decrease) in total profit due to changes in the accounting estimates	-	-	-	-
5.	Loss incurred for debt restructuring	-	-	-	-
6.	Others	-	-	-	-

STATEMENT OF INCOME AND PROFIT APPROPRIATION (FROM THE BEGINNING OF THE YEAR TO THE END OF THE PERIOD)

Currency Unit: RMB

Items	From the beginning of the year to the end of the Period		Same period of last year	
	The Group	The Company	The Group	The Company
1. Revenue from principal operations	5,102,324,888.00	2,672,279,795.00	6,751,812,161.00	4,975,445,575.00
Less: Cost of principal operations	4,681,491,247.00	2,477,250,233.00	5,333,509,912.00	4,254,005,967.00
Tax and surcharge of principal operations	338,596.29	145,616.63	205,401.00	96,163.00
2. Profit from principal operations	420,495,044.71	194,883,945.37	1,418,096,848.00	721,343,445.00
Add: Other operating profit/(loss)	14,760,033.00	1,105,257.78	37,567,729.00	2,138,647.00
Less: Operating expenses	1,089,481,578.00	919,121,339.55	883,038,759.00	667,403,973.00
Administrative expenses	562,801,254.00	218,268,359.00	257,769,470.00	93,017,282.00
Finance expenses	97,334,044.00	46,474,097.00	97,379,699.00	44,818,554.00
3. Operating profit	(1,314,361,798.29)	(987,874,592.40)	217,476,649.00	(81,757,717.00)
Add: Investment income (loss)	(12,854,275.55)	(324,301,800.40)	(15,862,500.00)	300,396,969.00
Subsidy income	268,797.91	–	212,942.00	–
Non-operating income	4,740,800.29	3,031,766.57	6,762,591.00	4,814,525.00
Less: Non-operating expenses	3,624,916.85	1,985,481.36	12,889,296.00	8,864,563.00
4. Gross profit	(1,325,831,392.49)	(1,311,130,107.59)	195,700,386.00	214,589,214.00
Less: Income tax	8,373,146.71	–	1,682,817.00	–
Minority interests	(33,394,889.61)	–	(12,781,588.00)	–
Add: Unrecognized investment loss for the Period	–	–	–	–
5. Net profit	(1,300,809,649.59)	(1,311,130,107.59)	206,799,157.00	214,589,214.00
Add: Unappropriated profit at the beginning of the period	(39,967,903.00)	(54,978,491.27)	184,436,195.00	197,890,645.00
Other transferred profit	–	–	–	–

STATEMENT OF CASH FLOWS (FROM THE BEGINNING OF THE YEAR TO THE END OF THE PERIOD)

Currency Unit: RMB

Items	From the beginning of the year to the end of the Period	
	The Group	The Company
1. Cash flows from operating activities:		
Cash received from sales of goods and services rendered	5,189,659,351.15	3,433,143,338.29
Tax rebate received	116,885,476.81	–
Cash received from other operating activities	4,655,429.23	928,002.23
Sub-total of cash inflows	<u>5,311,200,257.19</u>	<u>3,434,071,340.52</u>
Cash paid for purchase of goods and services	4,609,087,227.47	3,586,973,783.11
Cash paid to and on behalf of staff	256,106,512.76	97,995,158.00
Taxes paid	74,709,921.53	45,988,029.34
Cash paid for other operating activities	702,661,165.53	502,274,138.25
Sub-total of cash outflows	<u>5,642,564,827.28</u>	<u>4,233,231,108.70</u>
Net cash flows from operating activities	<u>(331,364,570.09)</u>	<u>(799,159,768.18)</u>
2. Cash flows from investing activities:		
Cash received from disposal of investments	–	–
Cash received from acquired investment gains	–	–
Net cash received on disposal of fixed assets, intangible assets and other long-term assets	–	–
Cash received on other investment related activities	963,887,925.00	892,445,933.98
Sub-total of cash inflows	<u>963,887,925.00</u>	<u>892,445,933.98</u>
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	139,215,806.95	15,161,833.19
Cash paid for investments	–	–
Cash paid for other investment related activities	–	–
Sub-total of cash outflows	<u>139,215,806.95</u>	<u>15,161,833.19</u>
Net cash inflows from investing activities	<u>824,672,118.05</u>	<u>877,284,100.79</u>
3. Cash flows from financing activities		
Cash received from acquired investment	–	–
Cash received from borrowings	2,264,767,134.04	436,497,000.00
Cash received from other fund raising related activities	–	–
Sub-total of cash inflows	<u>2,264,767,134.04</u>	<u>436,497,000.00</u>
Cash paid for debt repayment	3,361,061,563.04	666,274,788.00
Cash paid for appropriation of dividend, profit or payment of interests	90,139,089.96	47,298,643.63
Cash paid for other fund raising related activities	–	–
Sub-total of cash outflows	<u>3,451,200,653.00</u>	<u>713,573,431.63</u>
Net cash flows from financing activities	<u>(1,186,433,518.96)</u>	<u>(277,076,431.63)</u>

4. Effect of foreign exchange rate changes on cash	—	—
5. Net increase in cash and cash equivalents	<u>(693,125,971.00)</u>	<u>(198,952,099.02)</u>

Supplementary information

Currency Unit: RMB

Items	From the beginning of the year to the end of the Period	
	The Group	The Company
1. Restate net profit as cash flows for operating activities		
Net profit	<u>(1,300,809,649.59)</u>	<u>(1,311,130,107.59)</u>
Add: Provisions for assets impairment	197,635,869.49	73,031,011.61
Fixed assets depreciation	243,276,184.82	72,227,186.78
Amortisation of intangible assets	55,587,950.21	45,586,408.00
Amortisation of long-term deferred expenditures	25,393,576.59	8,682,423.98
Decrease (less: Increase) in deferred expenditure	(18,766,274.97)	(2,692,977.00)
Increase (less: Increase) in accruals	356,406,766.15	342,890,376.88
Losses (less: gains) on disposal of fixed assets, intangible assets and other long-term assets	948,500.93	501,254.36
Financial expenses	90,205,237.30	39,502,982.45
Investment loss (less: gain)	29,035,987.94	324,301,800.40
Decrease (less: Increase) in inventories	1,084,917,146.67	697,544,480.08
Decrease in operating receivables	208,214,690.00	106,575,978.55
Increase (less: decrease) in operating payables	(1,270,015,666.02)	(1,196,180,586.68)
Gain and loss of minority shareholders	(33,394,889.61)	—
Net cash flows from operating activities	<u>(331,364,570.09)</u>	<u>(799,159,768.18)</u>
2. Investment and financing activities not related to cash income and expenses		
3. Increase in cash and cash equivalents:		
Balance of cash and cash equivalents at the end of the period	<u>324,407,531.00</u>	<u>32,181,833.98</u>
Less: Balance of cash and cash equivalents at the beginning of the period	<u>1,017,533,502.00</u>	<u>231,133,933.00</u>
Net increase in cash and cash equivalents	<u>(693,125,971.00)</u>	<u>(198,952,099.02)</u>

“Please also refer to the published version of this announcement in China Daily”