

KELON 科龙

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 2004

1. IMPORTANT NOTICE

- 1.1 The Board of Directors of Guangdong Kelon Electrical Holdings Company Limited (the "Company") warrants that the information in this report is accurate, not misleading and no material omission and the directors are jointly and severally responsible for the truthfulness, accuracy and completeness of the contents of this report.
- 1.2 The financial statements set out in this report are unaudited ones.
- 1.3 The full version of the Company's balance sheet, income statement and cash flow statement is published on the website designated by the Shenzhen Stock Exchange for release of information <http://www.cninfo.com.cn/default.htm>.
- 1.4 Mr. Gu Chu Jun, Chairman of the Company, and Mr. Gary Li Chi Sing, 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: Guangdong Kelon

Stock Code: 00921

Secretary for the Board

Representative of securities related affairs

Name: Liu Cong Meng (acting at the same time
as Executive President)
Gary Li Chi Sing

Zhong Liang

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2.2 Financial Information

2.2.1 Major Accounting Data and Financial Indicators

	End of the Reporting Period	End of Last Financial Year	(Unit: RMB) Increase/ Decrease over End of Last Financial Year (%)
Total assets	11,668,857,803	9,432,791,214	23.71
Shareholders' equity (excluding minority interests)	3,015,480,478	2,808,730,941	7.36
Net assets per share	3.0398	2.8314	7.36
Adjusted net assets per share	2.8460	2.6439	7.64

	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	674,458,344	1,200,617,216	276.89
Earnings per share	0.048	0.2085	46.99
Return on net assets	1.58%	6.86%	35.47
Return on net assets after extraordinary items	1.69%	6.85%	46.54

	(Unit: RMB) Amount
Extraordinary profit and loss items	
Other expenses	-3,795,546
Subsidy income	212,942
Interest received from related parties	332,645
Total	<u>-3,249,959</u>

2.2.2 Income Statement (see Attachment)

2.3 Table of total number of shareholders and top ten/substantial shareholders at the end of the Period

Total number of shareholders at the end of the Period 67,149

The shareholdings of the top ten/substantial shareholders

Name of Shareholder (in full name)	Shareholdings at the end of the Period (Number of shares)	Class
Greencool Enterprise Development Company Limited	204,775,755	A shares
The Hongkong and Shanghai Banking Corporation Limited	145,951,596	H shares
Shunde Economic Consultancy Company	68,666,667	A shares
Shunde Xin Hong Enterprise Company Limited	57,436,439	A shares
Standard Chartered Bank	57,356,000	H shares
Guotai Junan Securities (Hong Kong) Limited	37,921,000	H shares
First Shanghai Securities Limited	26,999,000	H shares
Shenyin Wanguo Securities (H.K.) Limited	23,840,000	H shares
Citibank, N.A.	16,501,484	H shares
Liu Chong Hing Bank Limited	16,000,000	H shares

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 After two years' efforts on optimizing its overall internal management, implementing steady expansion on scale, adopting strict control on costs, reorganizing and expanding its sales network and sales team as well as continuously enhancing its core technologies to improve its competitiveness, the Company entered into a fast growth period in 2004.

During the Period, the Company adhered to the management concept of "Technologically Led and Profitability Driven" and invested strong efforts in the R&D of energy saving domestic appliances. In the refrigerator operation, after last year's remarkable achievement in which the Company's Ronshen BCD-209S refrigerator won the "Energy Saving Grand Prix" award under the refrigerator manufacturer incentive program sponsored by a number of organizations, including United Nations Development Programme, the Company broke another energy saving world record again in the Period by launching two Ronshen refrigerator models BCD-209S/ET consuming as low as 0.33 unit of electricity per day. In the air-conditioner operation, during the Period, the Company's "Shuang Xiao Wang" air-conditioner successfully passed the test carried out by national authorities, with cooling efficiency reaching 7.0, setting a new energy saving world record. The above-mentioned technologies guarantee the Company a leading position in the refrigerator and air-conditioner industry.

Despite all the adverse factors (including price increases in raw materials) faced by most domestic appliance makers in the PRC, however, the Company's advantages on scale and cost control began to take shape. Adding to global warming, extensive area of electricity shortage and governmental introduction and support to environmental energy saving products, the Company's technical advantages in energy saving domestic appliances were fully put forth. During the Period, the Company continued to achieve satisfactory results, recording a net profit of RMB48 million. The revenues from refrigerator and air-conditioner operations grew 6.01% when compared to the corresponding period in 2003. The Company's export sales continued to grow rapidly, with the export sales revenues rose by 48.53% when compared to the corresponding period last year. In order to improve its competitiveness, the Company will keep on enhancing its effort on the technical research in domestic appliances, maintaining strict cost control and further developing its "Project of Perfection", so as to lay a solid foundation for the Company to become a leading international manufacturer of domestic appliances.

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

Applicable Not Applicable

Classified by operations or products	Income from principal operations (RMB ten thousand)	Cost of principal operations (RMB ten thousand)	Gross profit (%)
Refrigerators	89,682.04	67,913.81	24.3
Air-conditioners	82,024.63	66,734.28	18.6
Freezers	4,290.44	3,454.48	19.5
Others	6,082.49	4,959.82	18.5
Including: Related party transactions	1,886.29	1,427.92	24.3
Total	<u>182,079.60</u>	<u>143,062.39</u>	<u>21.4</u>

3.1.2 Seasonal or cyclical characteristics of the Company's operations

Applicable Not Applicable

The sales of the major products of the Company such as refrigerators and air-conditioners are subject to seasonal fluctuation. During the Reporting Period, sales of air-conditioners were in the low season.

3.1.3 Profit structure for the Reporting Period (Material changes in the proportions of total profit attributable to 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

Items	July to September 2004		January to June 2004		Change in proportion of total profit (%)
	Amount (RMB ten thousand)	Proportion of total profit (%) (RMB ten thousand)	Amount (RMB ten thousand)	Proportion of total profit (%)	
Profit from principal operation	39,008.59	968.23	102,801.09	661.47	46.38
Expenses for the Period	35,703.77	886.21	88,115.02	566.98	56.3

Notes:

As sales in the Period under review were in low season, the sales revenue declined when compared to that of the previous period, and proportionally higher expenses also brought the profit down, as a result, the proportion of total profit attributable to profit from principal operation increased.

3.1.4 Material changes in the principal operations and its structure as compared with the previous reporting period and the explanation thereof

Applicable Not Applicable

3.1.5 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

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

Applicable Not Applicable

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

Applicable Not Applicable

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 2004 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

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

Applicable Not Applicable

Guangdong Kelon Electrical Holdings Company Limited
Gu Chu Jun
Chairman

27th October, 2004

STATEMENTS OF INCOME AND PROFIT APPROPRIATION (Combined)*For the period ended 30 September 2004*

Prepared by Guangdong Kelon Electrical Holdings Company Limited

(Unit: RMB)

Items	July to September 2004 (Unaudited)	January to September 2004 (Unaudited)	July to September 2003 (Unaudited)	January to September 2003 (Unaudited)
1. Revenue from principal operations	1,820,795,917	6,751,812,161	1,717,504,879	5,032,571,326
Less: Cost of sales	1,430,623,840	5,333,509,912	1,314,629,762	3,822,397,129
Sales tax and surcharge	86,134	205,401	73,283	319,886
2. Profit from principal operations	390,085,943	1,418,096,848	402,801,834	1,209,854,311
Add: Other operating profit (loss)	14,351,967	37,567,729	8,584,621	24,293,145
Less: Distribution costs	251,120,073	883,038,759	238,256,525	705,021,848
Administrative expenses	79,799,872	257,769,470	110,043,184	251,622,963
Financial Expenses	26,117,782	97,379,699	28,766,812	82,410,634
3. Operating profit	47,400,183	217,476,649	34,319,934	195,092,011
Add: Investment profit (loss)	(3,529,218)	(15,862,500)	(4,026,860)	(16,810,062)
Subsidy income	212,942	212,942	513	18,703
Non-operating income	-	6,762,591	5,406,009	10,030,105
Less: Non-operating expenses	3,795,546	12,889,296	2,166,452	2,966,420
4. Total profit	40,288,361	195,700,386	33,533,144	185,364,337
Less: Income Tax	(2,661,382)	1,682,817	873,241	6,807,329
Minority interests	(4,656,996)	(12,781,588)	271,348	1,562,348
5. Net profit	47,606,739	206,799,157	32,388,555	176,994,660
Add: Unappropriated profits, beginning of the year	-	184,436,195	-	(1,211,930,161)
Utilisation of statutory common reserve to make up losses	-	-	-	965,024,306
Utilisation of capital reserve to make up losses	-	-	-	229,161,802
6. Profit available for appropriation	-	391,235,352	-	159,250,607
Less: Appropriations to statutory common reserve surplus	-	-	-	-
Appropriations to statutory common welfare fund	-	-	-	-
7. Profit available for appropriations to shareholders	-	391,235,352	-	159,250,607
Less: Appropriations to discretionary reserve	-	-	-	-
Dividends on ordinary shares	-	-	-	-
8. Unappropriated profits	-	391,235,352	-	159,250,607

The notes form part of the financial statements.

Supplementary information:

1. Gains from sales, disposal of business divisions or investee companies	-	-	-	-
2. Loss from natural disasters	-	-	-	-
3. Total profit increased (decreased) due to change of accounting policy	-	-	-	-
4. Total profit increased (decreased) due to change of accounting estimates	-	-	-	-
5. Loss from debt restructuring	-	-	-	-
6. Others	-	-	-	-

Legal Representative: **Gu Chu Jun**

Financial Controller: **Gary Li Chi Sing**

Prepared by: **Yan Guo Ru**

STATEMENTS OF INCOME AND PROFIT APPROPRIATION (The Company)

For the period ended 30 September 2004

Prepared by Guangdong Kelon Electrical Holdings Company Limited

(Unit: RMB)

Items	July to September 2004 (Unaudited)	January to September 2004 (Unaudited)	July to September 2003 (Unaudited)	January to September 2003 (Unaudited)
1. Revenue from principal operations	1,455,013,034	4,975,445,575	1,249,563,744	3,578,073,731
Less: Cost of sales	1,242,050,230	4,254,005,967	955,376,028	2,879,548,422
Sales tax and surcharge	28,643	96,163	62,478	198,629
2. Profit from principal operations	212,934,161	721,343,445	294,125,238	698,326,680
Add: Other operating profit (loss)	2,156,298	2,138,647	841,254	2,050,602
Less: Distribution costs	159,908,659	667,403,973	195,767,641	604,427,521
Administrative expenses	36,553,613	93,017,282	58,359,099	67,461,910
Financial Expenses	14,972,351	44,818,554	8,103,592	32,385,158
3. Operating profit	3,655,836	(81,757,717)	32,736,160	(3,897,307)
Add: Investment profit (loss)	40,779,821	300,396,969	4,005,998	172,482,325
Subsidy income	-	-	-	18,190
Non-operating income	-	4,814,525	4,629,975	7,136,781
Less: Non-operating expenses	615,628	8,864,563	1,664,172	2,241,993
4. Total profit	43,820,029	214,589,214	39,707,961	173,497,996
Less: Income Tax	-	-	-	-
Minority interests	-	-	-	-
5. Net profit	43,820,029	214,589,214	39,707,961	173,497,996
Add: Unappropriated profits, beginning of the year	-	197,890,645	-	(1,194,186,108)
Utilisation of statutory common reserve to make up losses	-	-	-	965,024,306
Utilisation of capital reserve to make up losses	-	-	-	229,161,802
6. Profit available for appropriation	-	412,479,859	-	173,497,996
Less: Appropriations to statutory common reserve surplus	-	-	-	-
Appropriations to statutory common welfare fund	-	-	-	-

7.	Profit available for appropriations to shareholders	-	412,479,859	-	173,497,996
	Less: Appropriations to discretionary reserve	-	-	-	-
	Dividends on ordinary shares	-	-	-	-
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8.	Unappropriated profits	-	412,479,859	-	173,497,996
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The notes form part of the financial statements.

Supplementary information:

1.	Gains from sales, disposal of business divisions or investee companies	-	-	-	-
2.	Loss from natural disasters	-	-	-	-
3.	Total profit increased (or decreased) due to change of accounting policy	-	-	-	-
4.	Total profit increased (or decreased) due to change of accounting estimates	-	-	-	-
5.	Loss from debt restructuring	-	-	-	-
6.	Others	-	-	-	-

Legal Representative: **Gu Chu Jun**

Financial Controller: **Gary Li Chi Sing**

Prepared by: **Yan Guo Ru**

By order of the Board of
Guangdong Kelon Electrical Holdings Company Limited
Gu Chu Jun
Chairman

As at the date of this announcement, the Company's executive directors are Mr. Gu Chu Jun, Mr. Liu Cong Meng, Mr. Li Zhen Hua, Mr. Yan You Song, Mr. Zhang Hong and Mr. Fang Zhi Guo; and the independent non-executive directors are Mr. Chan Pei Cheong, Andy, Mr. Li Kung Man and Mr. Xu Xiao Lu.

Foshan City, Guangdong, the PRC, 27th October, 2004

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