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)

CLARIFICATION ANNOUNCEMENT

The Company wishes to clarify certain issues raised in recent media reports in the PRC in relation to the alleged cancellation of the special treatment on the Company's shares by the Shenzhen Stock Exchange.

This is an announcement made at the request of the Shenzhen Stock Exchange and in accordance with paragraph 2(2) of the Listing Agreement.

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The board of directors (the "Board") of Guangdong Kelon Electrical Holdings Company Limited (the "Company") wishes to clarify certain issues raised in recent media reports in the People's Republic of China (the "PRC") in relation to the alleged cancellation of the special treatment on the Company's shares by the Shenzhen Stock Exchange. According to the Listing Rules of the Shenzhen Stock Exchange, the Shenzhen Stock Exchange will exercise special treatment on a listed company's shares if such company's financial or other conditions are unusual which would render it difficult for investors to assess the company's prospects, resulting in possible damages to their interests. When the company's financial condition becomes normal and it has satisfied the relevant Listing Rules requirements of the Shenzhen Stock Exchange, the company is entitled to apply for a cancellation of the special treatment.

Recently, the media alleged that the Company's management disclosed information in relation to the cancellation of the special treatment on the Company's shares by the Shenzhen Stock Exchange. The Company wishes to clarify as follows:

1 As disclosed in the Company's revised results announcement dated 3 April 2003, the Company successfully turned from a loss-making position to a profit-making position during the financial year ended 31 December 2002 and recorded a profit of RMB101,276,990 and a net profit after extraordinary profit/loss of RMB92,819,455 (calculated according to generally accepted accounting principles in the PRC) while net assets per share was RMB2.60. Accordingly, on 3 April 2003, the Board of the Company passed a resolution to apply for a cancellation of the special treatment on the Company's shares in accordance with Rule 9.2.4 of Chapter 9 of the Listing Rules of the Shenzhen Stock Exchange (as revised in 2002) and the Company made such application on 3 April 2003.

2 As at the date of this announcement, apart from the disclosure referred to in item 1 above, neither the Company nor its management has disclosed any information to the public in relation to the cancellation of the special treatment on the Company's shares by the Shenzhen Stock Exchange.

3 Currently, the Shenzhen Stock Exchange is in the process of examining the Company's application for a cancellation of the special treatment on the Company's shares in accordance with the relevant requirements. The Company will make a further announcement on the progress of the above matter promptly and in accordance with the relevant disclosure requirements.

4 The newspapers designated by the Company for disclosure of information in the PRC and Hong Kong are Securities Times Daily (《證券時報》), China Securities Daily (《中國證券報》), Hong Kong Economic Journal, Ta Kung Pao (《大公報》) and《China Daily》. Investors should be aware that the Company will only release its announcements in the above newspapers.

By the Order of the Board
Guangdong Kelon Electrical Holdings Company Limited
Liu Cong Meng
Vice Chairman

Shunde, Guangdong, the PRC, 7 April 2003

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