



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: 0921)

**PROPOSALS FOR AMENDMENTS TO CERTAIN PROVISIONS OF THE
ARTICLES OF ASSOCIATION**

According to the requirements of relevant laws and regulations and regulatory documents, including “Regulations on Enhancing Protection of Public Shareholders’ Rights” issued by China Securities Regulatory Commission(CSRC), “Rules Governing the Listing of Shares” (Revised in 2004) and “(tentative)Work Guidance in respect of Online Voting of Shareholders’ General Meetings of Listed Companies” issued by Shenzhen Stock Exchange, and Guangdong Zhengjian 【2005】 No.61 Document “Notice of Amendments to the Articles of Association” and “Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited”, and based on the specific circumstances of the Company, Guangdong Kelon Electrical Holdings Company Limited (hereinafter referred to as “the Company”) made the following amendments to the “Articles of Association of Guangdong Kelon Electrical Holdings Company Limited” (hereinafter referred to as “Articles(s)”):

1. A new Provision be added to the existing Article 7.6 as Provision 4:

The existing Article is as follows:

Article 7.6 In addition to the obligations imposed by the laws and administrative regulations or required by the listing rules of the stock exchange on which the shares of the Company are listed, the controlling shareholder, in exercising the power as a shareholder, shall not exercise his voting rights in a manner prejudicial to the interests of all or some of the shareholders when making decision on the following matters:

- (1) to relieve a director or supervisor of his duty to act in good faith in the best interests of the Company;
- (2) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another), in any manner, the assets of the Company, including but not limited to an opportunity beneficial to the Company;
- (3) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another) the individual rights of other shareholders, including but not limited to rights to distributions and voting rights, save and except that the restructuring of the Company shall be submitted for approval by the shareholders in Shareholders’ General Meeting in accordance with these Articles of Association.

The existing Article is hereby amended as follows:

Article 7.6 In addition to the obligations imposed by the laws and administrative regulations or required by the listing rules of the stock exchange on which the shares of the Company are listed, the controlling shareholder, in exercising the power as a shareholder, shall not exercise his voting rights in a manner prejudicial to the interests of all or some of the shareholders when making decision on the following matters:

- (1) to relieve a director or supervisor of his duty to act in good faith in the best interests of the Company;
- (2) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another), in any manner, the assets of the Company, including but not limited to an opportunity beneficial to the Company;
- (3) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another) the individual rights of other shareholders, including but not limited to rights to distributions and voting rights, save and except that restructuring of the Company shall be submitted for approval by the shareholders in Shareholders' General Meeting in accordance with these Articles of Association.
- (4) Controlling shareholders and beneficial controller of the Company have the obligations to act in good faith towards the Company and public shareholders of the Company. Controlling shareholders shall strictly exercise their rights as contributors in accordance with the laws. Controlling shareholders shall not take advantage of connected transactions, profit distribution, asset restructuring, external investment, capital appropriation and loan guarantee to the detriment of the legal interests of the Company and public shareholders, nor shall they make use of their position as controlling shareholders to harm the interests of the Company and public shareholders.

2. Provision 14 under existing Article 8.2 be amended:

The existing Article is as follows:

Article 8.2 The Shareholders' General Meeting shall exercise the following functions and powers:

- (1) to decide on the Company's business policies and investment plans;
- (2) to elect and replace directors and to decide on matters relating to the remuneration of directors;
- (3) to elect and replace those supervisors who are shareholders' representatives, and to decide on matters relating to the remuneration of supervisors;
- (4) to consider and approve reports of the board of directors;
- (5) to consider and approve reports of the supervisory committee;
- (6) to consider and approve the Company's annual financial budget and final accounts;

- (7) to consider and approve the Company's profit distribution proposal and proposal for making up losses;
- (8) to pass resolutions on the increase or reduction of the Company's registered capital;
- (9) to pass resolutions on matters such as merger, division, dissolution and liquidation of the Company;
- (10) to pass resolutions on the issuance of Company bonds;
- (11) to pass resolutions on the appointment, removal or non-renewal of the services of auditors for the Company;
- (12) to amend these Articles of Association;
- (13) to consider any motion proposed by shareholders representing 5 per cent or more of the shares of the Company carrying the right to vote;
- (14) to consider and approve any external investment and asset disposal activities which meet any one of the following criterion:
 - (a) exceeding 50% of the Company's total asset value as set out in its latest audited financial statements;
 - (b) exceeding 50% of the Company's net asset value as set out in its latest audited financial statements;
 - (c) exceeding 50% of the absolute value of the Company's net profit or loss as set out in its audited financial statements of previous year;
 - (d) any other external investment and asset disposal activities which are required by laws and regulations to be examined by a Shareholders' General Meeting or which a Shareholders' General Meeting considers it necessary to examine;
- (15) other matters which are required by laws and administrative regulations and these Articles of Association to be decided upon at a Shareholders' General Meeting.

The Board of Directors shall make decision in respect of any external investment and asset disposal activities which do not meet the criterion set out in Provision (14) of this Article. However, the provisions set out in Article 10.16 of these Articles of Association shall apply to the disposal of fixed assets.

The existing Article is hereby amended as follows:

Article 8.2 The Shareholders' General Meeting shall exercise the following functions and powers:

- (1) to decide on the Company's business policies and investment plans;
- (2) to elect and replace directors and to decide on matters relating to the remuneration of directors;

- (3) to elect and replace those supervisors who are shareholders' representatives, and to decide on matters relating to the remuneration of supervisors;
- (4) to consider and approve reports of the board of directors;
- (5) to consider and approve reports of the supervisory committee;
- (6) to consider and approve the Company's annual financial budget and final accounts;
- (7) to consider and approve the Company's profit distribution proposal and proposal for making up losses;
- (8) to pass resolutions on the increase or reduction of the Company's registered capital;
- (9) to pass resolutions on matters such as merger, division, dissolution and liquidation of the Company;
- (10) to pass resolutions on the issuance of Company bonds;
- (11) to pass resolutions on the appointment, removal or non-renewal of the services of auditors for the Company;
- (12) to amend these Articles of Association;
- (13) to consider any motion proposed by shareholders representing 5 per cent or more of the shares of the Company carrying the right to vote;
- (14) to consider and approve any external investment and asset disposal activities which meet any one of the following criterion:
 - (a) the total assets involved in the transaction account for more than 50% of the Company's total assets as set out in its latest audited consolidated financial statements, and where there is a book value or an appraised value of the total assets, the calculation will be based on the higher value;
 - (b) the income of the principal business of the subject matter (e.g. shareholding) of the transaction in the latest accounting year accounts for more than 50% of the income of the principal business of the Company as set out in its audited consolidated financial statements for the latest accounting year, and where the absolute value is more than Renminbi 50,000,000;
 - (c) the net profit of the subject matter (e.g. shareholding) of the transaction in the latest accounting year accounts for more than 50% of the net profit of the Company as set out in its audited consolidated financial statements for the latest accounting year, and where the absolute value is more than 5,000,000;
 - (d) the transacted amount (including obligation and expenses undertaken by the listed company) of the transaction accounts for more than 50% of the net assets of the listed company as set out in its latest audited consolidated financial statements, and where the absolute value is more than Renminbi 50,000,000;

- (e) the profit resulting from the transaction accounts for more than 50% of the net profit of the listed company as set out in its audited consolidated financial statements for the latest accounting year, and where the absolute value is more than Renminbi 5,000,000;
 - (f) if the figures involved in the above calculation are negative, their absolute values shall be used for the calculation;
 - (g) any other external investment and asset disposal activities which are required by laws and regulations to be examined by Shareholders' General Meeting or which a Shareholders' General Meeting considers it necessary to examine;
- (15) other matters which are required by laws and administrative regulations and these Articles of Association to be decided upon at a Shareholders' General Meeting.

The Board of Directors shall make decisions in respect of any external investment and asset disposal activities which do not meet the criterion set out in Provision (14) in this Article. However, the provisions set out in Article 10.16 of these Articles of Association shall apply to the disposal of fixed assets.

3. Existing Article 8.9 be amended:

The existing Article is as follows:

Article 8.9 When the Company convenes an annual Shareholders' General Meeting, shareholders holding 5% or more of the total voting shares of the Company shall have the right to propose new motions in writing to the Company, and the Company shall place such motions on the agenda for such annual Shareholders' General Meeting provided that such motions are matters falling under the authority of the Shareholders' General Meeting.

The existing Article is hereby amended as follows:

Article 8.9 Under the circumstances as set out in Article 8.35 of these Articles of Association, after the Company has published the notice of Shareholders' General Meeting, the notice of the Shareholders' General Meeting shall be re-published within three days after the record date.

4. A new article be added as Article 8.10:

Article 8.10 Subsequent to the issue of the notice of meeting, the Board may not bring up any new motion concerning matters not listed in the notice of meeting. Any alteration to the original motion shall be notified to the shareholders at least 15 days before the holding of the Shareholders' General Meeting, failing which the date of holding of the meeting shall be postponed to ensure an interval period of not less than 15 days.

When the Company convenes an annual Shareholders' General Meeting, shareholders or supervisory committee holding 5% or more of the total voting shares of the Company shall have the right to propose new motions in writing to the Company, and in the event that these new motions are new matters unspecified in the notice of meeting of the Board while at the same time they are matters falling within "Opinions on the Standardization of Shareholders' General Meetings of Listed Companies"(amended in 2000), the proposer of the motion shall submit such motion to the Board for examination and announcement by the Board ten days before the Shareholders' General Meeting, and the Board shall place such motions on the agenda for such Shareholders' General Meeting.

Where the substantial shareholder proposes a new motion on profit distribution, the motion shall be submitted to the Board at least 10 days before the date of the annual Shareholders' General Meeting for announcement by the Board. If the motion is submitted less than 10 days before the annual Shareholders' General Meeting, the substantial shareholder shall not propose any new profit distribution motion at the forthcoming annual Shareholders' General Meeting.

Apart from the above, other motions may be submitted to the Board for its announcement before the annual Shareholders' General Meeting or may be proposed at the annual Shareholders' General Meeting directly.

Where the annual Shareholders' General Meeting adopts the means of online voting, the motion put forward by the proposer shall be submitted to the Board at least ten days before holding of the annual Shareholders' General Meeting for announcement by the Board. Motions proposed at the meeting or other motions which have not been announced shall not be included in the matters to be voted upon at the Shareholders' General Meeting.

Where amendments are made to motions proposed or new motions are added before the holding of a Shareholders' General Meeting, the Company shall give supplemental notice of the Shareholders' General Meeting within the specified time to disclose the contents of the amended motions, or the name, shareholding percentage of the shareholder who requests to add new motions, and also the contents of the new motions.

Where motions are cancelled before the holding of a Shareholders' General Meeting, the Company shall publish a notice of such cancellation five trading days before the date of the Shareholders' General Meeting to disclose the specific reasons for such cancellation.

5. Existing Article 8.10 be renumbered as Article 8.11.
6. Existing Article 8.11 be renumbered as Article 8.12 and a provision be added as new Provision 3:

The existing Article is as follows:

Article 8.11 Notice of a Shareholders' General Meeting shall satisfy the following requirements:

- (1) it shall be in writing;
- (2) it shall specify the place, date and time of the meeting;

- (3) it shall state the matters to be considered at the meeting;
- (4) it shall provide such information and explanation as are necessary for the shareholders to make an informed decision on the matters to be considered; this principle includes but not limited to proposals made to amalgamate the Company with another, to repurchase shares of the Company, to restructure the share capital, or to re-organize the Company in any other way, and specific terms of the proposed transaction must be provided in detail together with the relevant contract (if any), and the reasons and effects must be properly explained;
- (5) it shall contain a disclosure of the nature and extent, if any, of material interests of any director, supervisor, manager or other senior management officer in the proposed transaction and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;
- (6) it shall contain the full text of any special resolution proposed to be passed at the meeting;
- (7) it shall contain conspicuously a statement that a shareholder entitled to attend and vote at the meeting shall be entitled to appoint one or more proxies to attend such meeting and to vote on his behalf and that such proxy need not be a shareholder;
- (8) it shall contain the record date of the share interest of shareholders who are entitled to attend the Shareholders' General Meeting;
- (9) it shall specify the time and place for lodging proxy forms for the relevant meeting;
- (10) it shall contain the name of the contact person and contact methods for matters relating to the meeting.

The existing Article is hereby amended as follows:

Article 8.12 Notice of a Shareholders' General Meeting shall satisfy the following requirements:

- (1) it shall be in writing;
- (2) it shall specify the place, date and time of the meeting;
- (3) where the Shareholders' General Meeting is convened and an online voting system is provided for shareholders, the commencing time and ending time for online voting, the voting procedures and the matters to be considered shall be specified in the notice of the Shareholders' General Meeting;
- (4) it shall state the matters to be considered at the meeting;

- (5) it shall provide such information and explanation as are necessary for the shareholders to make an informed decision on the matters to be considered, this principle includes but not limited to proposals made to amalgamate the Company with another, to repurchase shares of the Company, to restructure the share capital, or to re-organize the Company in any other way, and specific terms of the proposed transaction must be provided in detail together with the relevant contract (if any), and the reasons and effects must be properly explained;
- (6) it shall contain a disclosure of the nature and extent, if any, of material interests of any director, supervisor, manager or other senior management officer in the proposed transaction and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;
- (7) it shall contain the full text of any special resolution proposed to be passed at the meeting;
- (8) it shall contain conspicuously a statement that a shareholder entitled to attend and vote at the meeting shall be entitled to appoint one or more proxies to attend such meeting and to vote on his behalf and that such proxy need not be a shareholder;
- (9) it shall contain the record date of the share interest of shareholders who are entitled to attend the Shareholders' General Meeting;
- (10) it shall specify the time and place for lodging proxy forms for the relevant meeting;
- (11) it shall contain the name of the contact person and contact methods for matters relating to the meeting.

7. Existing Article 8.14 be renumbered as Article 8.15 and be amended:

The existing Article is as follows:

Article 8.14 Any shareholder who is entitled to attend and vote at a Shareholders' General Meeting of the Company shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy to attend and vote on his behalf. A proxy so appointed shall exercise the following rights pursuant to such authorization:

- (1) the shareholder's right to speak at the meeting;
- (2) the right to demand or join in demand for a poll;
- (3) the right to vote by hand or on a poll, provided that when a shareholder has appointed more than one proxy, such proxies may only vote on a poll.

The existing Article is hereby amended as follows:

Article 8.15 To effectively protect the right of public shareholders to take part in the Shareholders' General Meeting, any shareholder who is entitled to attend and vote at a Shareholders' General Meeting of the Company shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy to attend and vote on his behalf. A proxy so appointed shall exercise the following rights pursuant to such authorization:

- (1) the shareholder's right to speak at the meeting;
- (2) the right to demand or join in demand for a poll;
- (3) the right to vote by hand or on a poll, provided that when a shareholder has appointed more than one proxy, such proxies may only vote on a poll.

8. A new article be added as Article 8.16:

Article 8.16 The Board of Directors, independent directors and shareholders who meet the relevant stipulated conditions are entitled to collect voting rights from other shareholders at the Shareholders' General Meeting. The collection of such voting rights shall be without consideration, and sufficient information shall be disclosed to the person from whom the rights are collected.

9. Existing Articles 8.15 to 8.21 be renumbered as new Articles 8.17 to 8.23.

10. A new article be added as Article 8.24:

Article 8.24 The Company shall, subject to the Shareholders' General Meetings being legally and validly held, encourage larger proportion of participation of public shareholders at Shareholders' General Meetings through various means, including using modern information technology to establish an online voting platform.

11. A new article be added as Article 8.25:

Article 8.25 Where the Company convenes its Shareholders' General Meeting, except for on-the-spot meeting, the Board shall decide whether to provide an online voting platform to the shareholders. However, where the Company convenes its Shareholders' General Meeting to consider such matters as set out in Article 8.35 of these Articles of Association, online voting platform shall be provided to the shareholders.

Relevant requirements issued by China Securities Regulatory Committee shall be complied with when implementing online voting for the Company's its Shareholders' General Meeting.

Where online voting is adopted for the Shareholders' General Meeting, all shareholders whose names appear on the register of members on the record date for the purpose of the Shareholders' General Meeting, are entitled to exercise their voting rights through the online voting system of the Shareholders' General Meeting, provided that the voting right of the same shares shall be exercised only by one of the following ways: on-the-spot voting, online voting or otherwise as specified. In the event that the voting right of the same share is repeatedly exercised by means of on-the-spot voting and online voting, the on-the-spot voting shall prevail.

Where shareholders of the Company or their authorized proxies exercise their voting rights through the online voting system of the Shareholders' General Meeting, they shall participate in the voting within the effective time as stipulated in the notice of the Shareholders' General Meeting.

Shareholders of the Company or their authorized proxies shall be entitled to examine their voting results through the online voting system of the Shareholders' General Meeting.

12. Existing Articles 8.22 to 8.27 be renumbered as new Articles 8.26 to 8.31.

13. Existing Article 8.23 be amended and renumbered as new Article 8.27:

The existing Article is as follows:

Article 8.23 At any Shareholders' General Meeting, a resolution shall be decided on a show of hands unless a poll is demanded before or after a vote is carried out by a show of hands:

- (1) by the chairman of the meeting;
- (2) by at least two shareholders present in person or by proxy entitled to vote thereat;
- (3) by one or more shareholders present in person or by proxy separately or jointly representing 10% or more of all shares carrying the right to vote at the meeting.

Unless a poll is demanded, a declaration by the chairman that a resolution has been passed on a show of hands and the recording of such in the minutes of meeting shall be conclusive evidence of the fact that such resolution has been passed. There is no need to provide evidence of the number or proportion of votes in favor of or against such resolution.

The demand for a poll may be withdrawn by the person who demanded the same.

The existing Article is hereby amended as follows:

Article 8.27 At any Shareholders' General Meeting, a resolution shall be decided on a show of hands unless a poll is demanded before or after a vote is carried out by a show of hands:

- (1) by the chairman of the meeting;
- (2) by at least two shareholders present in person or by proxy entitled to vote thereat;
- (3) by one or more shareholders present in person or by proxy representing 10% or more of all shares carrying the right to vote at the meeting.

Unless a poll is demanded, a declaration by the chairman that a resolution has been passed on a show of hands and the recording of such in the minutes of meeting shall be conclusive evidence of the fact that such resolution has been passed. There is no need to provide evidence of the number or proportion of votes in favor of or against such resolution.

The demand for a poll may be withdrawn by the person who demanded the same.

14. A new article be added as Article 8.32:

Article 8.32 Where online voting is provided to shareholders for the Shareholders' General Meeting, the voting results shall be announced by the representative of the vote counter at the meeting only after the vote counter has consolidated and calculated the voting results for each resolution by means of on-the-spot voting, online voting and other means as specified.

Where a Shareholders' General Meeting is held to consider the matters as set out in Article 8.35 of these Articles of Association and the approval of public shareholders by separate voting shall be required, the total voting rights and the voting results of public shareholders shall be calculated separately as well.

Where there are many resolutions to be passed at the Shareholders' General Meeting and one shareholder votes only upon one or some of such resolutions, the shareholder shall be deemed as present at the meeting and therefore be taken into account in calculating the total number of shareholders present at the meeting. Where the shareholder has not expressed any opinion on other resolutions, the shareholder shall be deemed as having abstained from voting.

Before the results of online voting are formally announced, the Company and substantial shareholders shall be under confidentiality in relation to the voting.

15. Existing Articles 8.28 to 8.29 be renumbered as new Articles 8.33 to 8.34 accordingly.

16. A new article be added as Article 8.35:

Article 8.35 The following matters shall not be implemented or applied for unless they have been approved by special resolutions at the Shareholders' General Meeting and passed by more than half of the voting rights of the public shareholders present at the Shareholders' General Meeting:

- (1) the issue by the Company of additional new shares to the public (including the issue of overseas listed foreign shares or other certificates of securities nature), the issue of convertible bonds of the Company and placing of shares to existing shareholders (except for shares which controlling shareholders have undertaken to subscribe for in full wholly in cash before the Shareholders' General Meeting is held);
- (2) any material assets restructuring of the Company in which the total consideration for the assets to be purchased exceeds the audited net book value of the assets purchased by 20% or more;
- (3) the repayment by shareholders of their debts due to the Company using their shareholding in the Company;
- (4) the overseas listing of subsidiaries of the Company which have a material impact on the Company;
- (5) any relevant matter in the development of the Company which will have material effect on the interests of the public shareholders.

17. Existing Article 8.30 to 8.36 be renumbered as Article 8.36 to 8.42

18. A new article be added as Article 8.43:

Article 8.43 The announcement for resolutions of a Shareholders' General Meeting shall include the following:

- (1) the time, venue, voting manner, convener and chairman of the meeting, and descriptions on whether it is in compliance with the relevant laws, rules, regulations and the Articles of Association;
- (2) the number of attending shareholders (their proxies), the total number of shares represented and its proportion to the total number of voting shares of the Company, and descriptions on attendance of holders of listed and unlisted shares at the meeting respectively;
- (3) the way of voting on each resolution;
- (4) the voting results of each resolution, and the number of shares representing votes in favour of, against or abstained from voting with respect to each resolution by holders of listed and unlisted shares respectively. In the event that a resolution is voted at the meeting, the announcement shall state the name of proposing shareholders, the proportion of their shareholdings and content of such resolution. When voting on connected transactions at the meeting, the announcement shall include a statement on the related shareholders who abstain from voting. For resolutions required to be voted by holders of listed shares individually, the announcement shall include a special statement. In the event that any proposed resolution is not passed, or that any resolution previously passed is amended at the current Shareholders' General Meeting, the announcement shall include a statement accordingly.
- (5) summarized legal opinion, or in the event that any resolution is added, voted against or amended at the Shareholders' General Meeting, the whole text of such legal opinion shall be disclosed.

Where the Company convenes a Shareholders' General Meeting to consider and approve the resolutions stated in Article 8.35, the announcement shall also set out the number of public shareholders voting at the Shareholders' General Meeting, the total number of shares held by them, its proportion to the total number of shares held by the public shareholders, the voting results as well as the shareholdings of the 10 largest public shareholders voting at the Shareholders' General Meeting and the voting results.

19. Existing Article 8.37 to 8.38 be renumbered as Article 8.44 to 8.45

20. Existing Article 10.4 be amended as follows:

The existing Article is as follows:

Article 10.4 The Board of Directors of the Company shall before the date of the Shareholders' General Meeting disclose details about the nominated directors in the notice of the Shareholders' General Meeting to ensure that shareholders have enough knowledge about the nominees when they cast their votes.

A nominated director shall give an undertaking in writing prior to the Shareholders' General Meeting to the effect that he/she has accepted the nomination, and confirms that the information about him/her as disclosed to the public is true and complete and promises that he/she will duly perform the responsibilities as directors if he/she is elected a director of the Company.

The existing Article is hereby amended as follows:

Article 10.4 The Board of Directors of the Company shall before the date of the Shareholders' General Meeting disclose details about the nominated directors in the notice of the Shareholders' General Meeting to ensure that shareholders have enough knowledge about the nominees when they cast their votes.

A nominated director shall give an undertaking in writing prior to the Shareholders' General Meeting to the effect that he/she has accepted the nomination, and confirms that the information about him/her as disclosed to the public is true and complete and promises that he/she will duly perform the responsibilities as directors if he/she is elected a director of the Company.

New director shall sign a "Directors' Declaration and Undertakings" and present it to the Board of Directors and the stock exchange where the shares of the Company are listed for filing.

21. Existing Article 10.14 be amended as follows:

The existing Article is as follows:

Article 10.14 The Company shall establish the Board of Directors which shall be accountable to the Shareholders' General Meeting and report its work thereto. The Board of Directors shall comprise not less than eight and not more than ten directors (the specific number of directors shall be approved at a Shareholders' General Meeting), of which there shall be at least five executive directors who shall be responsible for dealing with the daily affairs designated by the Company, and at least two independent non-executive directors who shall not be responsible for the daily affairs. The Board of Directors shall have one Chairman.

The Chairman of the Board of Directors shall be a director of the Company and he shall be elected and removed by more than one-half of all directors. The period of office of the Chairman shall be three years and he shall be eligible for re-election and re-appointment.

The existing Article is hereby amended as follows:

The Company shall establish the Board of Directors which shall be accountable to the Shareholders' General Meeting and report its work thereto. The Board of Directors shall comprise nine directors (the specific number of directors shall be approved at a Shareholders' General Meeting), of which there shall be six executive directors who shall be responsible for dealing with the daily affairs designated by the Company, and three independent non-executive directors who shall not be responsible for the daily affairs. The Board of Directors shall have one Chairman.

The Chairman of the Board of Directors shall be a director of the Company and he shall be elected and removed by more than one-half of all directors. The period of office of the Chairman shall be three years and he shall be eligible for re-election and re-appointment.

22. Existing Article 10.19 be amended as follows:

The existing Article is as follows:

Article 10.19 The Board of Directors shall hold meetings at least twice every year. The meeting shall be convened by the Chairman of the Board of Directors and a written notice of meeting shall be given to all directors 10 days before the date of the meeting.

The existig Article is hereby amended as follows:

The Board of Directors shall hold meetings at least four times every year. The meeting shall be convened by the Chairman of the Board of Directors and a written notice of meeting shall be given to all directors 14 days before the date of the meeting.

23. A new article be added as Article 10.32:

Article 10.32 The announcement for resolutions of a Board Meeting shall include the following:

- (1) the time and means of issue of notice of the meeting;
- (2) the time, venue and voting manner of the meeting, and descriptions on whether it is in compliance with the relevant laws, rules, regulations and the Articles of Association;
- (3) the number and names of directors present in person or by their representatives and absent at the meeting, the reasons for such absence and names of such representing directors;
- (4) the number of votes in favour of, against and abstained from voting with respect to each resolution, and the reasons for voting by the relevant directors against or abstained from voting with respect to each resolution;
- (5) for connected transactions, the announcement shall state the names of directors who shall abstain from voting, and reason and result thereof;

- (6) where a prior consent of independent directors is required to be obtained or an individual opinion is required to be given by independent directors, the announcement shall include a statement on the prior consent or given opinion;
- (7) details of resolutions to be considered and approved and the resolutions passed at the meeting.

24. Existing Article 10.32 be renumbered as Article 10.33

25. Existing Article 10.33 be amended and renumbered as Article 10.34 and 10.35:

The existing Article is as follows:

Article 10.33 The Company shall appoint independent directors according to its need.

The following persons shall not be appointed to act as independent directors:

- (1) any employee of the Company or its subsidiaries and that employee's immediate relatives and principal associates ("immediate relatives" include spouse, parents and children and "principal associates" include brothers and sisters, parents-in-law, sons/daughters-in-law, the spouses of brothers and sisters and the brothers and sisters of the spouses);
- (2) any natural person shareholder who, directly or indirectly, holds 1% or more of the issued shares in the Company or is one of the ten largest shareholders of the Company, and its respective immediate relatives;
- (3) any employee who, directly or indirectly, holds 5% or more of the issued shares in the Company or is one of the five largest shareholders of the Company, or its immediate relatives;
- (4) any person who falls within any of the above three categories over the course of the most recent year;
- (5) any person who provides financial, legal or consultancy services to the Company or its subsidiaries.

The existing Article is hereby amended as follows:

Article 10.34 The Board of Directors shall appoint independent directors.

Independent directors shall comprise one third or more of the Board of Directors of the Company, of whom there shall be at least one accounting professional. An independent director shall faithfully perform his duties and protect the Company's interests, in particular, ensuring that the legal interests of public shareholders are not impaired.

An independent director shall discharge his duties independently without being affected by the majority shareholders of the Company, de facto controllers or units or individuals with a conflict of interest with the Company.

Article 10.35 An independent director shall have his own independency. The following persons shall not act as an independent director:

- (1) any employee of the Company or its subsidiaries and that employee's immediate relatives and principal associates ("immediate relatives" include spouse, parents and children and "principal associates" include brothers and sisters, parents-in-law, sons/daughters-in-law, the spouses of brothers and sisters and the brothers and sisters of the spouses);
- (2) any natural person shareholder, directly or indirectly, holds 1% or more of the issued shares in the Company or is one of the ten largest shareholders of the Company, and its respective immediate relatives;
- (3) any employee who, directly or indirectly, holds 5% or more of the issued shares in the Company or is one of the five largest shareholders of the Company, or its immediate relatives;
- (4) any person who falls within any of the above three categories over the course of the most recent year;
- (5) any person who provides financial, legal or consultancy services to the Company or its subsidiaries.

26. A new article be added as Article 10.36:

Article 10.36 The Company's Board of Directors, supervisory committee, shareholders individually or jointly holding more than 1 percent of the issued shares of the Company may nominate a candidate for independent director and a decision by voting will be made at the Shareholders' General Meeting.

27. A new article be added as Article 10.37:

Article 10.37 Substantial connected transactions and appointment or dismissal of accountants of the Company shall be approved by more than one-half of the independent directors before submitting the proposal of the same to the Board of Directors for discussion. Proposal of the independent directors to the Board of Directors for the convening of Extraordinary General Meeting and Board meeting, and for open collection of voting rights from other shareholders before the Shareholders' General Meeting shall be approved by more than one-half of the independent directors. If unanimously agreed by all independent directors, independent directors can independently appoint external auditors and consultancies to conduct auditing and make enquiries on specific matters at the expenses of the Company.

28. A new article be added as Article 10.38:

Article 10.38 An independent director shall attend the meetings of the Board of Directors as scheduled, have an understanding of the production and operation of the Company, and take initiative to conduct investigation and obtain information necessary for decision-making. Independent directors shall submit their report to the Annual General Meeting of the Company, describing the discharge of their duties.

29. A new article be added as Article 10.39:

Article 10.39 The Company shall establish a system of work for independent directors with the secretary to the Board of Directors actively assisting the independent directors as to the fulfillment of their duties. The Company shall ensure that an independent director has the same rights to information as other directors, and shall provide independent directors with relevant materials and information in a timely manner, report on the performance of the Company regularly and, when necessary, arrange for independent directors to conduct on-site investigations.

30. Original Article 10.34 be renumbered as Article 10.40

31. A new article be added as Article 10.41

Article 10.41 Independent directors may resign before expiry of their term. Independent directors shall submit to the Board of Directors a written report in relation to their resignation stating any situation relating to their resignation or which they consider to be necessary to draw to the attention of the shareholders and creditors of the Company.

Shall the resignation of independent directors results in the number of independent directors or of members of the Board of Directors falling below the statutory or minimum requirement as stipulated in the Articles of Associations, independent directors shall continue to perform their duties in accordance with laws, administrative regulations and the Articles of Associations until the independent directors who are elected in the by-election assume their offices. The Board of Directors shall convene a Shareholders' General Meeting within two months to elect independent directors. Independent directors may cease to perform their duties if a Shareholders' General Meeting is not held within the two months' period.

32. Existing Article 10.35 be renumbered as Article 10.42.

The existing Article is as follows:

Article 10.35 Independent directors shall have the following special functions and powers:

- (1) Any connected transaction the aggregate consideration of which exceeds \$3 million or 5% of the latest audited net asset value of the Company shall first be approved by the independent directors before submission to the Board of Directors for discussion;
- (2) Before making a decision, independent directors may appoint intermediaries to produce reports of independent financial advisors as a basis for their decision;
- (3) Proposal to the Board of Directors to appoint or remove accountants;
- (4) Proposal to the Board of Directors to convene Extraordinary General Meetings;
- (5) Independent appointment of an external auditing firms or consultancy firms;
- (6) Publicly approach Shareholders to gather their votes before the Shareholders' General Meeting is convened.

The existing Article is hereby amended as follows:

Article 10.42 To fully utilize his function, an independent director shall, apart from the powers conferred on him under the Company Law and the relevant laws and regulations, also be conferred the following special functions and powers by the Company:

- (1) subject to the consent of half or more of all the independent directors, to endorse material connected transactions (being such connected transactions between the Company and a connected person and total amount of which exceeds \$ 3 million and 0.5% of the Company's latest audited net asset value), to appoint or to dismiss certified accountants firms before submission to the Board of Directors for discussion.
- (2) subject to the consent of half or more of all the independent directors, to propose to the Board of Directors to convene an Extraordinary General Meeting;
- (3) subject to the consent of half or more of all the independent directors, to propose to convene the Board Meeting;
- (4) subject to the consent of half or more of all the independent directors, to solicit votes from shareholders prior to the Shareholders' General Meeting;
- (5) subject to the consent of all the independent directors, to independently engage external auditors and advisors to review and provide advice on specific matters at the expense of the Company.

33. The existing Articles 10.36 to 10.42 be renumbered as Articles 10.43 to 10.49

34. A new article be added as Article 11.6:

Article 11.6 The Company shall take an active role in establishing an adequate system of investor relationship management and enhance communications between the Company and its shareholders, especially its public shareholders, through various channels. The Company Secretary shall be responsible for the management of investor relationships of the Company.

35. Existing Article 13.2 be amended:

The existing Article is as follows:

Article 13.2 The supervisory committee shall comprise no less than three but no more than five members. The exact number of the supervisory committee is subject to the approval of the Shareholders' General Meeting. One of the Supervisors shall act as the chairman of the supervisory committee. The appointment and removal of the chairman of the supervisory committee shall be made by a resolution passed by two-thirds or more of the members of the supervisory committee. The term of office for members of the supervisory committee shall be three years and the members shall be eligible for reelection.

The existing Article is hereby amended as follows:

Article 13.2 The supervisory committee shall comprise three members. The exact number of the supervisory committee is subject to the approval of the Shareholders' General Meeting. One of the Supervisors shall act as the chairman of the supervisory committee. The appointment and removal of the chairman of the supervisory committee shall be made by a resolution passed by two-thirds or more of the members of the supervisory committee. The term of office for members of the supervisory committee shall be three years and the members shall be eligible for reelection.

36. Existing Article 13.3 be amended:

The existing Article is as follows:

Article 13.3 The supervisory committee shall comprise two or three shareholders' representatives who shall be elected or removed by the Shareholders' General Meeting and one or two employee representatives of the Company who shall be elected or removed by the employees democratically.

The existing Article is hereby amended as follows:

Article 13.3 The supervisory committee shall comprise two shareholders' representatives who shall be elected or removed by the Shareholders' General Meeting and one employee representative of the Company who shall be elected or removed by the employees democratically.

37. A new article be added as Article 13.4

Article 13.4 Newly appointed supervisors shall sign the "Supervisors' Declaration and Undertakings" and present it to the supervisory committee of the Company and the stock exchange where the shares of the Company are listed for filing within one month after their appointments are approved by the Shareholders' General Meeting and employee representatives' general meeting.

38. Existing Articles 13.4 to 13.9 be renumbered as Articles 13.5 to 13.10

39. A new provision be added to existing Article 14.1 as Provision 10:

The existing Article is as follows:

Article 14.1 A person may not serve as a Director, Supervisor, manager or other senior management of the Company if any of the following circumstances shall apply:

- (1) a person without civil capacity or with limited civil capacity;
- (2) a person who has committed offences relating to corruption, bribery, conversion of property, misappropriation of property or disruption of social economic order, and has been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence, or who has been deprived of their political rights due to the commission of a criminal offence, where less than five years have elapsed since the date of restoring their political rights;

- (3) a person who was a former director, a factory manager or a manager of a company or enterprise which was declared bankrupt and was liquidated due to mismanagement and who was personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the Company or enterprise;
- (4) a person who was legal representatives of a company or enterprise which had its business licence revoked due to violation of laws and who was personally liable, where less than three years have elapsed since the date of the revocation of the business licence;
- (5) a person who has a relatively substantial amount of debts due and outstanding;
- (6) a person who is under criminal investigation by judicial organization for violation of criminal law and the investigation is not yet concluded;
- (7) a person who is not eligible for enterprise leadership according to laws and administrative regulations;
- (8) a non-natural person;
- (9) a person convicted of contravention of the relevant securities regulations by a relevant government authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five years have elapsed since the date of the conviction.

The existing Article is hereby amended as follows:

Article 14.1 A person may not serve as a Director, Supervisor, manager or other senior management of the Company if any of the following circumstances shall apply:

- (1) a person without civil capacity or with limited civil capacity;
- (2) a person who has committed offences relating to corruption, bribery, conversion of property, misappropriation of property or disruption of social economic order, and has been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence, or who has been deprived of their political rights due to the commission of a criminal offence, where less than five years have elapsed since the date of restoring their political rights;
- (3) a person who was a former director, a factory manager or a manager of a company or enterprise which was declared bankrupt and was liquidated due to mismanagement and who was personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the Company or enterprise;
- (4) a person who was legal representatives of a company or enterprise which had its business licence revoked due to violation of laws and who was personally liable, where less than three years have elapsed since the date of the revocation of the business licence;
- (5) a person who has a relatively substantial amount of debts due and outstanding;

- (6) a person who is under criminal investigation by judicial organization for violation of criminal law and the investigation is not yet concluded;
- (7) a person who is not eligible for enterprise leadership according to laws and administrative regulations;
- (8) a non-natural person;
- (9) a person convicted of contravention of the relevant securities regulations by a relevant government authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five years have elapsed since the date of the conviction.
- (10) a person under any of the circumstances specified in section 57 and 58 of the Companies Law and is designated by the Securities Regulatory Commission to be a person who may not enter into the market and such designation has not been discharged, and if the person is announced as unsuitable person by the stock exchange where the Company's shares are listed where less than two years have elapsed since the announcement.

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 Province, the PRC, 28 April, 2005