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: 921)

ANNOUNCEMENT

Board meeting

The Company announces certain matters considered at the board meeting held today.

Resignation of independent non-executive Directors

The independent non-executive Directors have notified the Company of withdrawal and amendment of their resignations submitted to the Company earlier.

Interim Results

The Company expects to release its 2005 interim results on 31st August, 2005.

At the request of the Company, trading in shares of the Company was suspended with effect from 10:00 a.m. on 16th June, 2005 pending the release of an announcement in relation to price sensitive information. Subject to the publication of an announcement in relation to the financial, production and trading position of the Group, trading in shares of the Company will remain suspended until further notice.

BOARD MEETING

The Board of Directors ("Board") of Guangdong Kelon Electrical Holdings Company Limited (the "Company") despatched notice of board meeting to all directors of the Company ("Directors") by fax, by telephone and by mail on 2nd August, 2005 in respect of a board meeting proposed to be held on 12th August, 2005 at 10:00 a.m. at the Company's headquarters. Out of the nine Directors, six Directors including executive Directors, Mr. Liu Cong Meng, Mr. Li Zhen Hua and independent non-executive Directors, Mr. Chan Pei Cheong, Andy, Mr. Li Kung Man and Mr. Xu Xiao Lu attended the meeting in person while executive Director, Mr. Fang Zhi Guo attended the meeting by telephone. The meeting was chaired by the Company's vice chairman, Mr. Liu Cong Meng and was convened in accordance with the Company Law of the People's Republic of China (the "PRC") and the articles of association of the Company. The following matters were considered:

(1) As disclosed in the Company's announcement dated 1st August, the Company's chairman, Mr. Gu Chu Jun ("Mr. Gu") has been formally investigated by the PRC police department and is subject to procedures adopted by the PRC police department in connection with criminal offences, for alleged economic crime. As such, Mr. Gu is not in a position to properly fulfill his duties as chairman of the Company. In order to maintain the Company's production and operation, in accordance with the Company Law of the PRC and the articles of association of the Company and CSRC related documents, the Board of Directors has resolved to remove Mr. Gu as chairman of the Company. In the interim, Mr. Liu will be responsible for the duties of the Company's chairman.

    There were six votes in favour of the above resolution with nil vote against or abstain.

(2) It was resolved that a professional body be appointed to assess the impact and loss suffered by the Company as a result of Mr. Gu and others alleged economic crime which has caused the Company to breach certain securities law of the PRC. The Company's president will formulate a resolution proposal taking into account the results of such investigation and assessment.

    There were six votes in favour of the above resolution with nil vote against or abstain.

(3) It was resolved that the Company's president raised the operation and management proposal of the Company in emergency situation.

    There were six votes in favour of the above resolution with nil vote against or abstain.

RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Reference is made to the announcement of the Company dated 28th June, 2005 in relation to the resignation of the Company's three independent non-executive Directors.

On 12th August, 2005, the Company received declarations from its three independent non-executive Directors, Mr. Chan Pei Cheong, Andy, Mr. Li Kung Man and Mr. Xu Xiao Lu withdrawing and amending their resignation.

The principal text of the declaration by Mr. Li Kung Man and Mr. Xu Xiao Lu as translated into English is as follows:

"I am an independent non-executive director of Guangdong Kelon Electrical Holdings Company Limited (the "Company"). Due to the violation of laws and regulations during the operation and management process by Mr. Gu Chu Jun and others, I have not been able to properly fulfill my duties as an independent non-executive director. As Mr. Gu and others have now been formally investigated by the PRC police department and are subject to procedures adopted by the PRC police department in connection with criminal offences for alleged economic crime, the reason for my resignation is removed. Owing to my responsibilities to the Company, I am willing to work with the Company together in this difficult situation and withdraw my resignation and supplemental information thereof submitted to the Company on 24th and 28th June, 2005 respectively, and continue to act as an independent non-executive director of the Company."

The following is the principal text of the declaration by Mr. Chan Pei Cheong as translated into English:

"I am an independent non-executive director of Guangdong Kelon Electrical Holdings Company Limited ("the Company"). Due to the violation of laws and regulations during the operation and management process by Mr. Gu Chu Jun and others, I have not been able to properly fulfill my duties as an independent non-executive director. As Mr. Gu and others have now been formally investigated by the PRC police department and are subject to procedures adopted by the PRC police department in connection with criminal offences for alleged economic crime, the reason for my resignation is removed. Owing to my responsibilities to the Company, I am willing to work with the Company together in this difficult situation and amend my resignation letter and supplemental information thereof submitted to the Company on 24th and 28th June, 2005 respectively and change the effective time of my resignation from 23rd August, 2005 to 23rd November, 2005. After 23rd November, 2005, I shall not be responsible for the duties of the Company's independent non-executive director."

The Company has been advised by its PRC legal advisers that the withdrawal and amendment of the resignations above are in accordance with relevant laws of the PRC and the articles of association of the Company.

2005 INTERIM RESULTS

The Company noted certain matters which arose during the investigation by the CSRC from 5th April, 2005. In order to truly, accurately and completely disclose the Company's 2005 interim results, the Company is now conducting investigation into such matters. This has caused the Company not being able to meet the original time to release the 2005 interim results on 22nd August, 2005 as previously communicated to the Shenzhen Stock Exchange. The Company now expects to issue its 2005 interim results on 31st August, 2005.

At the request of the Company, trading in shares of the Company was suspended with effect from 10:00 a.m. on 16th June, 2005 pending the release of an announcement in relation to price sensitive information. Subject to the publication of an announcement in relation to the financial, production and trading position of the Group, trading in shares of the Company will remain suspended until further notice.

By order of the Board of
Guangdong Kelon Electrical Holdings Company Limited
Liu Cong Meng
Vice 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.

As disclosed in the Company's announcements dated 1st, 4th and 8th August, 2005, Mr. Gu and Mr. Yan You Song ("Mr. Yan") are being formally investigated by the PRC police department and are subject to procedures adopted by the PRC police department in connection with criminal offences. Neither of them can be contacted as at the date hereof. The Company is not aware of whether Mr. Zhang Hong ("Mr. Zhang") is also currently subject to the same procedures, but the Company is unable to contact him. As such, Mr. Gu, Mr. Yan and Mr. Zhang Hong do not accept responsibility for the contents of this Announcement.

Foshan City, Guangdong, the PRC, 12th August, 2005

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