



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)

CLARIFICATION ANNOUNCEMENT

Reference is made to the Notice of EGM and the Board Resolutions Announcement.

As a result of inaccuracies in the translation of the Notice of EGM and the Board Resolutions Announcement, certain information relating to the details of the candidates nominated to be the executive directors and independent non-executive directors of the Company in the Notice of EGM and the Board Resolutions Announcement are not entirely accurate. This announcement contains the correct details of each of the candidates nominated to be the executive directors and independent non-executive directors of the Company.

Reference is made to the notice of extraordinary general meeting (the “EGM”) of Guangdong Kelon Electrical Holdings Company Limited (the “Company”) dated 10 May 2006 (the “Notice of EGM”) relating to the EGM to be held on 26 June 2006, and the Announcement of the Resolutions of Board Meeting of the Company dated 9 May 2006 (the “Board Resolutions Announcement”) relating to the meeting of the board of directors (the “Board”) of the Company held on 9 May 2006.

As a result of inaccuracies in the translation of the Notice of EGM and the Board Resolutions Announcement, certain information relating to the details of the candidates nominated to be the executive directors and independent non-executive directors of the Company in the Notice of EGM and the Board Resolutions Announcement are not entirely accurate. The correct details of each of the candidates nominated to be the executive directors and independent non-executive directors of the Company are set out in this announcement.

1. Notice of EGM

Notes numbered 6 to 14 of the Notice of EGM are replaced as set out below:

“6. Ms. Yu Shu Min, aged 55, graduated from The Management Institute for Executives of the Chinese Academy of Sciences (中科院管理幹部學院) with a bachelor degree in 1998. Ms. Yu has successively served as the deputy party committee secretary of 青島市電子儀表工業總公司 (Qingdao Municipal Electronics Instrument Industrial Corporation) from February 1995 to March 1997; the deputy party committee secretary and the vice president of 海信集團有限公司 (Hisense Group Company) (“Hisense Group”) from March 1997 to April 1998; the vice president of Hisense Group and the general manager of 青島海信電器股份有限公司 (Qingdao Hisense Electric Co., Ltd.) (“Hisense Electrical Appliances”), a company with its shares listed on the Shanghai Stock Exchange of the PRC from April 1998 to November 1999; the chief executive officer of Hisense Group and the chairman of the board of directors of Hisense Electrical Appliances from November 1999 to July 2001. Ms. Yu has been the vice chairman of the board of directors of Hisense Group, the president of Hisense Group and the chairman of the board of directors of Hisense Electrical Appliances since July 2001. As disclosed in the announcement issued by the Company dated 14 September 2005, 青島海信空調有限公司 (Qingdao Hisense Air-Conditioner Company Limited) (“Hisense Air-Conditioner”) has entered into an equity transfer agreement with 廣東格林柯爾企業發展有限公司 (Guangdong Greencool Enterprise Development Company Limited) (“Guangdong Greencool”), the single largest shareholder of the Company, under which Guangdong Greencool intends to transfer 262,212,194 domestic legal person shares of the Company to Hisense Air-Conditioner, representing 26.43% of the Company’s total issued share capital. The aforesaid transfer is expected to complete after the relevant regulatory approvals have been obtained. Hisense Air-Conditioner is a subsidiary controlled by Hisense Group, which, through 青島海信電子產業控股股份有限公司 (Qingdao Hisense Electronics Holdings Company Limited), indirectly holds 93% equity interest in Hisense Air-Conditioner. Under Rule 14A.11(4) of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Ltd (the “Listing Rules”), each of Hisense Group and its subsidiaries is deemed to be an associate of the Company’s existing substantial shareholder, Guangdong Greencool, and is therefore a connected person of the Company. Ms. Yu does not currently hold any position in the Company or any of its subsidiaries. Ms. Yu is to stand for election as an executive director of the Company for a term of three years commencing from the approval of her appointment at the EGM, subject however to the articles of association of the Company. Ms. Yu will not be entitled to any remuneration from the Company during the term of her directorship if her appointment is approved at the EGM. As at the date of this notice, Ms. Yu has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”). Save as disclosed herein, Ms. Yu has not held any directorships in public listed companies in the past three years and is not connected with any directors, senior management or substantial or controlling shareholder of the Company. Ms. Yu confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no matters that need to be brought to the attention of the shareholders of the Company.

7. Mr. Tang Ye Guo, aged 43, graduated from Tianjin University of Finance and Economics with a master degree in accounting in 1995. He has been a teacher of the Economics and Management Institution of Shandong University from July 1987 to October 1997; the deputy general manager and general accountant of Hisense Electrical Appliances from October 1997 to November 1999; the general manager of Hisense Electrical Appliances from November 1999 to August 2003; an assistant to the president and later vice president of Hisense Group, and general manager and chairman of the board of directors of Hisense Air-Conditioner from August 2003 to September 2005. He has been the chairman of Hisense Air-Conditioner, a director of Hisense Electrical Appliances and president of the Company since September 2005. Mr. Tang is to stand for election as an executive director of the Company for a term of three years commencing from the approval of his appointment at the EGM, subject however to the articles of association of the Company. Mr. Tang received approximately RMB866,500 for the year ended 31 December 2005, which is the emolument for acting as the president of the Company, and no additional benefit will be received by Mr. Tang in his capacity as an executive director of the Company if his appointment is approved at the EGM. As at the date of this notice, Mr. Tang has no interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Tang has not held any directorships in public listed companies in the past three years and is not connected with any directors, senior management or substantial or controlling shareholder of the Company. Mr. Tang confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no matters that need to be brought to the attention of the shareholders of the Company.
8. Mr. Xiao Jian Lin, aged 38, holds a master degree in economics. Mr. Xiao graduated from the accounting department of Xiamen University in 1995. He has been a teacher of the accounting department of Guizhou College of Finance and Economics from September 1988 to July 1992, and has worked successively as deputy director of the Operation Center of 青島海信集團公司 (Qingdao Hisense Group Company) (“Qingdao Hisense Group”) from April 1997 to January 1999; director, assistant to the president, and director of the Finance Centre of Hisense Group from January 1999 to March 2000; director, vice president, and head of the accounting and finance department of Hisense Group from February 2002 to September 2005. He has been a director of Hisense Group, a director of Hisense Air-Conditioner and vice president of the Company since September 2005. Mr. Xiao is to stand for election as an executive director of the Company for a term of three years commencing from the approval of his appointment at the EGM, subject however to the articles of association of the Company. Mr. Xiao received approximately RMB442,200 for the year ended 31 December 2005, which is the emolument for acting as the vice president of the Company, and no additional benefit will be received by him in his capacity as an executive director of the Company if his appointment is approved at the EGM. As at the date of this notice, Mr. Xiao has no interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Xiao has not held any directorships in public listed companies in the past three years and is not connected with any directors, senior management or substantial or controlling shareholder of the Company. Mr. Xiao confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no matters that need to be brought to the attention of the shareholders of the Company.

9. Mr. Zhang Ming, aged 36, graduated from Tianjin University of Commerce with a bachelor degree in 1995. Mr. Zhang has successively served in the Development and Planning Department of Hisense Electrical Appliances from July 1995 to August 1998; the deputy director in Capital Operation Department of Qingdao Hisense Group from August 1998 to February 2000; the deputy director of the Strategic Development Department of Hisense Group from February 2000 to February 2002; the director of the Strategic Development Department of Hisense Group from February 2002 to February 2004. He has been the chief supervisor at the Capital Operation Department of Hisense Group since 2004. Mr. Zhang does not currently hold any position in the Company or any of its subsidiaries. Mr. Zhang is to stand for election as an executive director of the Company for a term of three years commencing from the approval of his appointment at the EGM, subject however to the articles of association of the Company. Mr. Zhang will not be entitled to any remuneration from the Company during the term of his directorship if his appointment is approved at the EGM. As at the date of this notice, Mr. Zhang has no interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Zhang has not held any directorships in public listed companies in the past three years and is not connected with any directors, senior management or substantial or controlling shareholder of the Company. Mr. Zhang confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no matters that need to be brought to the attention of the shareholders of the Company.
10. Mr. Su Yu Tao, aged 40, graduated from the Beijing Institute of Technology with a bachelor degree in 1989. Mr. Su has worked successively as the deputy director of the Material Management Department and the Supply Department of Hisense Electrical Appliances from July 1989 to April 1997; a deputy director and director of the Production Planning Department and the Material Sourcing Department of Hisense Air-Conditioner from April 1997 to October 2000; assistant to general manager, deputy general manager, and general manager of Hisense Air-Conditioner from October 2000 to February 2004; the general manager of 海信(北京)電器有限公司 (Hisense (Beijing) Electrical Appliances Company Limited) from February 2004 to September 2005. Mr. Su has been a director of Hisense Air-Conditioner and vice president of the Company since September 2005. Mr. Su is to stand for election as an executive director of the Company for a term of three years commencing from the approval of his appointment at the EGM, subject however to the articles of association of the Company. Mr. Su received approximately RMB442,200 for the year ended 31 December 2005, which is the emolument for acting as the vice president of the Company, and no additional benefit will be received by him in his capacity as an executive director of the Company if his appointment is approved at the EGM. As at the date of this notice, Mr. Su has no interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Su has not held any directorships in public listed companies in the past three years and is not connected with any directors, senior management or substantial or controlling shareholder of the Company. Mr. Su confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no matters that need to be brought to the attention of the shareholders of the Company.

11. Mr. Lin Lan, aged 48, graduated with a doctorate in mechanical engineering from the Tennessee Technological University in America in 1993. Mr. Lin has 20 years of experience in the research and development of corporate management, sales and marketing and project development. He was the manager of the Power System Software Development Department of 西門子諮詢公司 (Simons, now known as “AMEC Limited” in the UK) between 1995 and 1998, and was responsible for the development and management of the simulative systems of dynamic power systems, large scale paper manufacturing plants and large chemical plants. From 1998 to May 2002, Mr. Lin worked as a senior project manager and senior engineer for GE動力系統公司 (GE Power Systems), responsible for the advancement of equipment and technology of several thermal power plants and atomic plants. He has been vice president of the Company since September 2002. Mr. Lin is to stand for election as an executive director of the Company for a term of three years commencing from the approval of his appointment at the EGM, subject however to the articles of association of the Company. Mr. Lin received approximately HK\$1,560,000 for the year ended 31 December 2005, which is the emolument for acting as the vice president of the Company, and no additional benefit will be received by him in his capacity as an executive director of the Company if his appointment is approved at the EGM. As at the date of this notice, Mr. Lin has no interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Lin has not held any directorships in public listed companies in the past three years and is not connected with any directors, senior management or substantial or controlling shareholder of the Company. Mr. Lin confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no matters that need to be brought to the attention of the shareholders of the Company.
12. Mr. Cheung Yui Kai, Warren, aged 39, is a Hong Kong permanent resident. He graduated from the University of Southern Queensland in Australia with a bachelor’s degree in business and is a CPA in Hong Kong. He has over 13 years of investment banking experiences in the Asian Pacific Region. From 1992 to 1995, he served as a senior manager in 渣打(亞洲)有限公司 (Standard Chartered (Asia) Limited). In 1995 he served as senior manager in 渣打澳洲有限公司 (Standard Chartered Australia Limited). From 1995 to 2000, he served as an assistant director in 荷銀融資亞洲有限公司 (ABN AMRO Corporate Finance (Asia) Limited). From 2000 to 2003, he served as a director in 軟庫金滙(香港)有限公司 (SB1 E2-Capital (HK) Limited). From 2003 to 2005 he served as a director in 凱利融資有限公司 (Hercules Capital Limited). Currently, he is a director of business development in 寶來資本(亞洲)有限公司 (Polaris Capital (Asia) Limited). Since 2003, he has been appointed as an independent non-executive director of 美亞娛樂資訊集團有限公司 (Mei Ah Entertainment Group Limited), a Hong Kong listed company. Mr. Cheung does not currently hold any position in the Company or any of its subsidiaries. Mr. Cheung is to stand for election as an independent non-executive director of the Company for a term of three years commencing from the approval of his appointment at the EGM, subject however to the articles of association of the Company. Mr. Cheung will be entitled to an annual remuneration from the Company during the term of his directorship in an amount of RMB240,000, which has been determined by reference to (1) the emoluments received by the directors of the Company in previous years; and (2) the emoluments received by the directors of comparable listed companies. As at the date of this notice, Mr. Cheung has no interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Cheung has not held any directorships in public listed companies in the past three years and is not connected with any directors, senior management or substantial or controlling shareholder of the Company. Mr. Cheung confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no matters that need to be brought to the attention of the shareholders of the Company.

13. Mr. Zhang Sheng Ping, aged 41, graduated with a master of science from Shandong University, PhD in Economics from Nankai University, and post-doctorate in Finance from Peking University. From July 1987 to June 2000, he worked as a tutor, lecturer and an associate professor at the School of Economics, Shandong University. Since August 2002 he has been an associate professor at the Guanghua School of Management, Peking University. Mr. Zhang's main research areas are financial economics and corporate finance; and his representative academic achievements include "Preferences, beliefs, information and securities prices"; "WTO rules and establishment of trust among its members"; "Investor's emotional hypothesis and its application in Chinese Stock Markets"; "Feasibility of developing hi-tech venture capital investment in China"; and "Economic analysis on protection of intellectual property". He has participated and completed a number of the research projects funded by 國家自然科學基金 (National Science Foundation of China (NSFC)) and 社會科學基金 (National Social Science Foundation of China (NSSFC)), and was awarded "The 10th (2002) Sun Yefang Economic Science Prize" and "the Second Prize at the 9th Excellent Achievement Award of Humanities and Social Sciences, Peking University". Mr. Zhang does not currently hold any position in the Company or any of its subsidiaries. Mr. Zhang is to stand for election as an independent non-executive director of the Company for a term of three years commencing from the approval of his appointment at the EGM, subject however to the articles of association of the Company. Mr. Zhang will be entitled to an annual remuneration from the Company during the term of his directorship in an amount of RMB60,000, which has been determined by reference to (1) the emoluments received by the directors of the Company in previous years; and (2) the emoluments received by the directors of comparable listed companies. As at the date of this notice, Mr. Zhang has no interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Zhang has not held any directorships in public listed companies in the past three years and is not connected with any directors, senior management or substantial or controlling shareholder of the Company. Mr. Zhang confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no matters that need to be brought to the attention of the shareholders of the Company.

14. Mr. Lu Qing, aged 40, postgraduate in finance, senior accountant, a partner of 中和正信會計師事務所 (Zhonghe Zhengxin Certified Public Accountants), and a director of 山東省會計學會 (Shandong Provincial Accounting Society). He is also a registered accountant on securities and futures and a registered public valuer in the PRC. From 1989 to 1994 he served as the chief finance officer of 山東省冶金工業總公司 (Shandong Provincial Metallurgical Industry Corporation), from 1994 to 1999 as the deputy manager of 山東陽光會計師事務所 (Shandong Yangguang Certified Public Accountants), from 1999 to 2001 as the deputy manager of 山東中立信會計師事務 (Shandong Zhong Li Xin Certified Public Accountants), and from 2001 to 2003 as a partner of 天一會計師事務所 (Tianyi Certified Public Accountants). Since 2003 he has been a partner of 中和正信會計師事務 (Zhonghe Zhengxin Certified Public Accountants). In January 2002, he completed his study at the training class for independent directors of listed companies run jointly by the CSRC and Fudan University. Mr. Lu does not currently hold any position in the Company or any of its subsidiaries. Mr. Lu is to stand for election as an independent non-executive director of the Company for a term of three years commencing from the approval of his appointment at the EGM, subject however to the articles of association of the Company. Mr. Lu will be entitled to an annual remuneration from the Company during the term of his directorship in an amount of RMB60,000, which has been determined by reference to (1) the emoluments received by the directors of the Company in previous years; and (2) the emoluments received by the directors of comparable listed companies. As at the date of this notice, Mr. Lu has no interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Lu has not held any directorships in public listed companies in the past three years and is not connected with any directors, senior management or substantial or controlling shareholder of the Company. Mr. Lu confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no matters that need to be brought to the attention of the shareholders of the Company.”

2. Board Resolutions Announcement

The details of Mr. Zhang Ming, Mr. Zhang Sheng Ping and Mr. Cheung Yui Kai, Warren, in Appendix I of the Board Resolutions Announcement, entitled “Profiles of Candidates for Executive Director and Independent Non-Executive Director”, are replaced as set out below:

“Mr. Zhang Ming, aged 36, graduated from Tianjin University of Commerce with a bachelor degree in 1995. Mr. Zhang has successively served in the Development and Planning Department of Hisense Electrical Appliances from July 1995 to August 1998; as the deputy director in the Capital Operation Department of Qingdao Hisense Group from August 1998 to February 2000; as the deputy director of the Strategic Development Department of Hisense Group from February 2000 to February 2002; and as the director of the Strategic Development Department of Hisense Group from February 2002 to February 2004. He has been the chief supervisor at the Capital Operation Department of Hisense Group since 2004.

Mr. Zhang has a connected relationship with the Company or the controlling shareholder and effective controller of the Company, and does not hold any shares in the Company. He has not been penalized by the CSRC or other authorities and Stock Exchanges.

Mr. Zhang Sheng Ping, aged 41, graduated with a master of science from Shandong University, PhD in Economics from Nankai University, and post-doctorate in Finance from Peking University. From July 1987 to June 2000, he worked as a tutor, lecturer and an associate professor at the School of Economics, Shandong University. Since August 2002 he has been an associate professor at the Guanghua School of Management, Peking University. Mr. Zhang's main research areas are financial economics and corporate finance; and his representative academic achievements include "Preferences, beliefs, information and securities prices"; "WTO rules and establishment of trust among its members"; "Investor's emotional hypothesis and its application in Chinese Stock Markets"; "Feasibility of developing hi-tech venture capital investment in China"; and "Economic analysis on protection of intellectual property". He has participated and completed a number of the research projects funded by 國家自然科學基金 (National Science Foundation of China (NSFC)) and 社會科學基金 (National Social Science Foundation of China (NSSFC)), and was awarded "The 10th (2002) Sun Yefang Economic Science Prize" and "the Second Prize at the 9th Excellent Achievement Award of Humanities and Social Sciences, Peking University".

Mr. Zhang does not have any relationship with the Company or any controlling shareholder and effective controller of the Company, and does not hold any share of the Company. He has not been penalized by the CSRC or other authorities and Stock Exchanges.

The annual remuneration for Mr. Zhang as recommended by the Board is RMB60,000. There has been no other remuneration in any form payable to Mr. Zhang by the Company. The proposed remuneration is subject to consideration by the general meeting of the Company.

Mr. Cheung Yui Kai, Warren, aged 39, is a Hong Kong permanent resident. He graduated from the University of Southern Queensland in Australia with a bachelor's degree in business and is a CPA in Hong Kong. He has over 13 years of investment banking experiences in the Asian Pacific Region. From 1992 to 1995, he served as a senior manager in 渣打(亞洲)有限公司 (Standard Chartered (Asia) Limited). In 1995 he served as senior manager in 渣打澳洲有限公司 (Standard Chartered Australia Limited). From 1995 to 2000, he served as an assistant director in 荷銀融資亞洲有限公司 (ABN AMRO Corporate Finance (Asia) Limited). From 2000 to 2003, he served as a director in 軟庫金滙(香港)有限公司 (SB1 E2-Capital (HK) Limited). From 2003 to 2005 he served as a director in 凱利融資有限公司 (Hercules Capital Limited). Currently, he is a director of business development in 寶來資本(亞洲)有限公司 (Polaris Capital (Asia) Limited). Since 2003, he has been appointed as an independent non-executive director of 美亞娛樂資訊集團有限公司 (Mei Ah Entertainment Group Limited), a Hong Kong listed company.

Mr. Cheung does not have any relationship with the Company or any controlling shareholder and effective controller of the Company, and does not hold any share of the Company. He has not been subject to any penalization by the CSRC or other authorities and Stock Exchanges.

The annual remuneration for Mr. Cheung as recommended by the Board is RMB 240,000. There has been no other remuneration in any form payable to Mr. Cheung by the Company. The proposed remuneration is subject to consideration by the general meeting of the Company."

Trading in the A Shares of the Company

As the Company is unable to despatch the annual report of the Company for the year ended 31 December 2005 (the “Annual Report”) and the quarterly report of the Company for the three months ended 31 March 2006 (the “First Quarterly Report”) on or before 30 April 2006 as required by the relevant law and regulations in the People’s Republic of China (the “PRC”), trading in the A shares of the Company on the Shenzhen Stock Exchange will be suspended from 8 May 2006 until the Annual Report and the First Quarterly Report have been despatched.

If the Company is unable to despatch the Annual Report and the First Quarterly Report by 30 June 2006, trading in the A shares of the Company will resume on 3 July 2006 and the procedures in relation to a warning of risk of delisting will be implemented in respect of the A shares of the Company.

Trading in the H Shares of the Company

At the request of the Company, trading in H Shares of the Company was suspended with effect from 10:00 a.m. on 16 June 2005 pending the release of an announcement in relation to price sensitive information. Subject to the publication of the annual results of the Company for the year ended 31 December 2005 and further announcements in relation to, amongst others, the financial, production and trading position of the Group, and the satisfaction by The Stock Exchange of Hong Kong Limited of the adequacy of the internal control measures of the Company, trading in H 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. Li Kung Man and Mr. Xu Xiao Lu.

As disclosed in the Company’s previous announcements, Mr. Gu, Mr. Yan and Mr. Zhang Hong had been formally arrested by the Foshan City Police. None of them can be contacted as at the date hereof. 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, 15 May 2006

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