



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)

**ANNOUNCEMENT ON THE INVESTIGATION BY
THE CHINA SECURITIES REGULATORY COMMISSION**

The Company received a formal notice of investigation from the CSRC on 31 May 2006 in relation to the failure of the Company to publish the Annual Report within the time limit prescribed by the relevant law and regulations in the PRC.

This announcement is made in accordance with Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Guangdong Kelon Electrical Holdings Company Limited (the "Company") received a formal notice of investigation from the China Securities Regulatory Commission (the "CSRC") on 31 May 2006, informing the Company that the CSRC has commenced formal investigation on the Company in respect of the failure by the Company to publish its annual report for the financial year ended 31 December 2005 (the "Annual Report") within the time limit prescribed by the relevant law and regulations in the People's Republic of China (the "PRC").

The Company will endeavour to cooperate with the CSRC in relation to its investigation on the Company and will disclose the relevant information in a timely manner as required by the relevant law and regulations in the PRC.

Trading in the A shares of the Company

As the Company is unable to publish 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 PRC, trading in the A shares of the Company on the Shenzhen Stock Exchange was suspended from 8 May 2006 until the Annual Report and the First Quarterly Report have been published.

If the Company is unable to publish 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 the 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 financial 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 the adequacy of the internal control measures of the Company, trading in the 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 Chu Jun, Mr. Yan You Song 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 Chu Jun, Mr. Yan You Song and Mr. Zhang Hong do not accept responsibility for the contents of this announcement.

Foshan City, Guangdong, the PRC, 1 June 2006

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