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)

SHARE REFORM PROPOSAL OF HUAYI COMPRESSOR COMPANY LIMITED

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

Guangdong Kelon Electrical Holdings Company Limited (the "Company"), being one of the Non-freely Transferable Shareholders of Huayi Compressor, has agreed to make a proposal to the board of directors of Huayi Compressor so that there will be an increase of 5.724 freely transferable shares for every 10 freely transferable shares held by the holders of such shares of Huayi Compressor by way of capitalization of reserves of Huayi Compressor (on the basis of "offering shares", equivalent to the holders of the freely transferable shares of Huayi Compressor will receive 3 freely transferable shares for every 10 freely transferable shares held by such shareholders of Huayi Compressor). All the non-freely transferable shares of Huayi Compressor held by the Company will be converted into freely transferable shares subject to the undertakings as set out hereunder upon completion of the Share Reform Plan, the liquidity of the assets of the Company will increase and the Company's interest in Huayi Compressor will be diluted from 22.73% to 18.79% though the number of shares held by the Company in Huayi Compressor will remain unchanged.

The Proposal was considered at the meeting of the sixth Board by way of written resolutions on 10 November 2006 and was approved with 9 affirmative votes, 0 dissenting vote and 0 abstaining vote. The Board also agrees to authorize the board of directors of Huayi Compressor to deal with the relevant issues relating to the Share Reform Plan. The independent non-executive directors of the Company also approves the Proposal at the said Board meeting.

So far as the Company is aware, Huayi Compressor will communicate with the Non-freely Transferable Shareholders and the holders of its freely transferable shares regarding the Share Reform Plan, the Company shall convene further Board meeting to consider the Share Reform Plan after such communication and will make timely disclosure in respect thereof.

Undertakings

As part of the Share Reform Plan, the Non-freely Transferable Shareholders, including the Company, will, subject to completion of the Share Reform Plan, undertake as follows:

(i) the freely transferable shares of Huayi Compressor held by the Non-freely Transferable Shareholders as a result of the Share Reform Plan will be subject to a lock-up period (the "Lock-up Period") of 12 months upon the implementation date of the Share Reform Plan and such shares cannot be traded nor transferred to other parties during the Lock-up Period;

(ii) for the period of 12 months following the Lock-up Period, the number of freely-transferable shares of Huayi Compressor (comprising those converted from originally non-freely transferable shares of Huayi Compressor) which the Non-freely Transferable Shareholders may sell on any stock exchange shall not exceed 5% of the entire share capital of Huayi Compressor; and

(iii) for the period of 24 months following the Lock-up Period, the number of freely-transferable shares of Huayi Compressor (comprising those converted from originally non-freely transferable shares of Huayi Compressor) which the Non-freely Transferable Shareholders may sell on any stock exchange shall not exceed 10% of the entire share capital of Huayi Compressor.

In the event that the Non-freely Transferable Shareholders sell or transfer the shares of Huayi Compressor during the Lock-up Period, the proceeds for such sales or transfer shall be transferred to the accounts of Huayi Compressor and will be shared by all shareholders of Huayi Compressor.

The Non-freely Transferable Shareholders shall be liable for the loss sustained by other shareholders of Huayi Compressor as a result of or incidental to any non-compliance of the above undertakings by the Non-freely Transferable Shareholders.

The Company shall comply with the above undertakings in accordance with the relevant laws and regulations and the Company did not make any undertakings apart from those legally required.

Changes in shareholdings of the shares of Huayi Compressor

The shareholding structure of Huayi Compressor before and after the implementation of the Share Reform Plan is set out below:

	Shares	Before implementation of the Share Reform Plan		After implementation of the Share Reform Plan	
		No. of shares	Percentage to the entire share capital of Huayi Compressor	No. of shares	Percentage to the entire share capital of Huayi Compressor
1.	Non-freely Transferable Shares	165,367,800	63.40%	165,367,800	52.41%
2.	Freely Transferable Shares	95,486,037	36.60%	150,142,244	47.59%
	Total:	260,853,837	100%	315,510,044	100%

Changes in shareholdings of the non-freely transferable shares of Huayi Compressor

The shareholding structure of the non-freely transferable shares of Huayi Compressor before and after the implementation of the Share Reform Plan is set out below:

	Name of Shareholders	Before implementation of the Share Reform Plan		After implementation of the Share Reform Plan	
		No. of non-freely transferable shares held	Percentage to the entire share capital of Huayi Compressor	No. of non-freely transferable shares held	Percentage to the entire share capital of Huayi Compressor
1.	Huayi Electrical	106,087,800	40.67%	106,087,800	33.62%
2.	The Company	59,280,000	22.73%	59,280,000	18.79%
	Total:	165,367,800	63.40%	165,367,800	52.41%

Consideration

The Share Reform Plan will be carried out by way of capitalization of reserves of Huayi Compressor.

Effects of the Share Reform Plan on the Company

Upon the completion of the Share Reform Plan (on the basis of an increase of 5.724 shares for every 10 shares), the Company's interest in Huayi Compressor will be diluted from 22.73% to 18.79% though the number of shares held by the Company in Huayi Compressor will remain unchanged.

Reasons for and benefits of the Share Reform Plan

In order to comply with the relevant requirements and procedures prescribed under the "Guidelines of the State Council for Promoting the Reform and Opening-Up and Sustained Development of the Capital Market《關於推進資本市場改革開放和穩定發展的若干意見》" promulgated by the State Council of the PRC and the "Administrative Measures on the Non-tradable Share Reform of Listed Company《上市公司股權分置改革管理辦法》" promulgated by the CSRC, the Board considers that it is in the interest of the Company as a whole, being one of the Non-freely Transferable Shareholders, to agree to the Proposal for the Share Reform Plan of Huayi Compressor.

INFORMATION RELATING TO THE COMPANY

The Company is principally engaged in the manufacture and sales of refrigerators and air-conditioners.

INFORMATION RELATING TO HUAYI COMPRESSOR

Huayi Compressor was incorporated in the PRC on 13 June 1996 with a registered capital of RMB260,853,800. It is listed in the Shenzhen Stock Exchange with stock code 000404. Its authorised representative is Mr. Yu Xiao Bing. Its registered address is 28 Xinchang Road East, Jingdezhen City, Jiangxi Province, the PRC. It is principally engaged in the production and sales of fluorine-free compressors, refrigerators and related accessories, the processing of refrigerating equipment with imported materials and imported samples, the assembly of refrigerating equipment with imported parts, trade of refrigerating equipment, the processing and sales of hardware accessories, and export trading business.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

"Board"	The board of Directors
"Company"	Guangdong Kelon Electrical Holdings Company Limited, a company incorporated in the PRC with limited liability and listed on the main board of the Stock Exchange and Shenzhen Stock Exchange
"CSRC"	China Securities Regulatory Commission of the PRC
"Directors"	The directors of the Company
"H Shares"	Overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Huayi Compressor"	華意壓縮機股份有限公司(Huayi Compressor Company Limited), a company listed in the PRC whose A shares are listed on the Shenzhen Stock Exchange
"Huayi Electrical"	景德鎮華意電器總公司, a company incorporated in the PRC and is a national legal person share shareholder of Huayi Compressor.
"Kelon Mould"	Guangdong Kelon Mould Co., Ltd. (廣東科龍模具有限公司), a company incorporated in the PRC on 28 June 1995 and which is an indirect subsidiary of the Company
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Non-freely Transferable Shareholders"	Holders of the non-freely transferable shareholders of Huayi Compressor, including the Company and Huayi Electrical
"PRC"	The People's Republic of China
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Rongsheng Plastic"	Shunde Rongsheng Plastic Products Co,. Ltd (佛山市順德區容聲膠製品廠有限公司), a company incorporated in the PRC on 18 October 1991 and which is an indirect non-wholly owned subsidiary of the Company
"Share(s)"	Share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares

"Share Reform Plan"	The plan under which there will be an increase of 5.724 freely transferable shares for every 10 freely transferable shares held by the holders of such shares of Huayi Compressor by way of capitalization of reserves of Huayi Compressor (equivalent to the holders of the freely transferable shares of Huayi Compressor will receive 3 freely transferable shares for every 10 freely transferable shares held by such shareholders of Huayi Compressor)
"Shareholder(s)"	Holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary" or "Subsidiaries"	Has the meaning defined in sections 2 and 2B of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong)
"%"	Per cent.

Suspension of 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 further announcements in relation to, amongst others, the financial, production and trading position of the Company, 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
Tang Ye Guo
Chairman

As at the date of this announcement, the Company's executive directors are Mr. Tang Ye Guo, Ms. Yu Shu Min, Mr. Su Yu Tao, Mr. Xiao Jian Lin, Mr. Lin Lan and Mr. Zhang Ming; and the Company's independent non-executive directors are Mr. Zhang Sheng Ping, Mr. Lu Qing and Mr. Cheung Yui Kai, Warren.

Foshan City, Guangdong, the PRC, 10 November 2006

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