

Report of Supervisory Committee

Dear Shareholders:

During the reporting period, the Supervisory Committee (the “Supervisory Committee”) of Guangdong Kelon Electrical Holdings Company Limited (the “Company”) thoroughly complied with the PRC Companies Law, the Listing Rules of Shenzhen Stock Exchange, the Listing Rules of Hong Kong Stock Exchange and the articles of association of the Company and earnestly carried out its duty to protect the legal interests of the employees and the shareholders of the Company as a whole. I, on behalf of the Supervisory Committee, would like to report to you the activities of the Supervisory Committee in 2004.

During the period, the Supervisory Committee’s main task included:

During the period, the Supervisory Committee held three meetings and considered and approved the Report of Supervisory Committee for 2003, the Annual Report and its Summary for 2003, the First Quarter Report for 2004, the Interim Report and its Summary for 2004 and the Resolution on re-election of the Supervisory Committee and the list of the nominated candidates for the 5th session of the Supervisory Committee.

During the period, the Supervisory Committee had given, to the extent of its function and power, independent opinion on the following subjects:

1. Lawful operation of the Company

The Supervisor Committee considered that significant decisions of the Company were scientific and reasonable and the procedures of the decisions were lawful and reasonable; the Company has established and fine tuned various internal management and control systems; the Directors and Senior Management of the Company discharged their duties in the Company diligently, and conducted no acts which were in violation of the laws, regulations, articles of association or with prejudice to the Company’s interests during the performance of their duties.

2. Inspection of the financial status of the Company

Deloitte Touche Tohmatsu has issued an auditors’ report for the Company which contains its qualified opinions. The assessment of the Supervisory Committee over the matters relating to the audit opinions issued by Deloitte Touche Tohmatsu is in line with that of the Board of Directors, except for the matters relating to the qualified opinions expressed in the auditing report. The Supervisory Committee considers that the financial report gives a true view of the state of affairs and operating results of the Company.

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3. Inspection of use of funds raised

There was no fund raising and no use of such fund of the Company in 2004.

4. Opinion on the acquisition and disposal of assets

The supervisory committee considered that disposal and acquisition of assets by the Company during the Reporting Period are conducted in an open, fair and just manner and that there was no prejudice to shareholders' interests or loss of assets of the Company incurred in such disposals and acquisitions.

5. Opinion on related transactions

The Supervisory Committee considered that related party transactions of the Company during the Reporting Period were conducted at arm's length and in a fair manner. The Committee was not aware of any acts which were prejudicial to the interest of the Company and its shareholders within such transactions.

6. Explanation by the supervisory committee in connection with the related matters of qualified opinions on 2004 auditor's report.

The supervisory committee totally agreed with the explanations of the Board of Directors on related matters of auditor's opinions.

The Supervisory Committees would like to take this opportunity to express its gratitude for the trust and support of the shareholders and the public. It will continue to explore ways to perform its supervision more effectively so as to serve and protect the interests of the shareholders.

By Order of the Supervisory Committee

Zeng Jun Hong

Chairman

Shunde District, Foshan City, Guangdong Province, the PRC, 28 April 2005