

Report of the Supervisory Committee

Dear shareholders:

During the Reporting Period, the Supervisory Committee of the Company (the “Supervisory Committee”) thoroughly complied with the Company Law of the PRC, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the Listing Rules and the articles of association of the Company and earnestly carried out its duty to protect the legal interests of the Company, the Company’s employees and the shareholders of the Company as a whole. We, pursuant to the articles of association of the Company, would like to report to you the activities of the Supervisory Committee during 2005:

I. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the Supervisory Committee held three meetings:

- (1) The term of the fourth Supervisory Committee has ended. The first extraordinary general meeting for 2005 was held on 15 January 2005, where two supervisors were elected representing the shareholders, these two supervisors will form the fifth Supervisory Committee together with Ms. He Si, a supervisor representing the staff of the Company.

The first meeting of the fifth Supervisory Committee was held on 15 January 2005, at the conference room of the Company’s head office in Shunde district, Foshan City, Guangdong Province. The meeting was attended by all of the three supervisors of the Supervisory Committee and was held in accordance with the Company Law of the PRC and the relevant provisions of the articles of association of the Company. The meeting was chaired by Mr. Zeng Jun Hong. The meeting considered and approved the resolution to elect Mr. Zeng Jun Hong as chairman of the Fifth Supervisory Committee for a term commencing from the date of approval of the resolution to the expiry date of the term of the Fifth Supervisory Committee.

The announcement of the resolutions passed at the meeting was published in China Securities Journal, Securities Times, Hong Kong Commercial Daily and China Daily on 18 January 2005.

- (2) A meeting of the Supervisory Committee was held on 28 April 2005 at the conference room of the Company’s head office in Shunde district, Foshan City, Guangdong Province. The meeting was attended by all of the three supervisors in person, namely, Mr. Zheng Jun Hong, Mr. Bai Yun Feng and Ms. He Si. The meeting was held in accordance with the Company Law of the PRC and the articles of association of the Company. The full text and the summary of the Company’s annual report for the year 2004, the amendment to certain provisions of the Rules Governing Procedures of Supervisory Committee Meetings, the Report of the Supervisory Committee of the Company for the year 2004, the Company’s first quarterly report for the year 2005 and Opinions of the Supervisory Committee on the Board’s explanation of matters relating to the qualified opinions in the auditors’ report for the year 2004 were considered and approved at the meeting.

The announcement of the resolutions passed at the meeting was published in China Securities Journal, Securities Times, Hong Kong Commercial Daily and China Daily on 29 April 2005.

- (3) A meeting of the Supervisory Committee was held on 30 August 2005 at the conference room of the Company’s headquarters in Shunde district, Foshan City, Guangdong Province. The meeting was attended by two of the three supervisors Ms. He Si attended the meeting in person, while Mr. Bai Yun Feng attended the meeting and voted by way of telephone conference. The Company was unable to contact Mr. Zeng Jun Hong and as such Mr. Zeng Jun Hong was absent from the meeting. The meeting was held in accordance with the Company Law of the PRC and the articles of association of the Company. The full text and the summary of the interim report for 2005, the explanation of the Supervisory Committee for the changes in matters relating to the qualified opinions in the auditors’ report for the year 2004, the explanation of the Supervisory Committee for the retrospective adjustments to the financial statements disclosed in the previous years were considered and approved at the meeting.

The announcement of the resolutions passed at the meeting was published in China Securities Journal, Securities Times, Hong Kong Commercial Daily and China Daily on 31 August 2005.

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II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2005

As at the date of this announcement, Mr. Zeng Jun Hong, a supervisor of the Company cannot be contacted; Mr. Bai Yun Feng and Mr. Liu Zhan Cheng, being supervisors of the Company, attended the Supervisory Committee meeting and reviewed this report; however, no supervisory resolutions were reached. Mr. Liu Zhan Cheng, a supervisor of the Company, agreed as to the content of the audit report prepared by the auditor and the explanations made by the Board in relation to the audit opinions. The opinions of Mr. Bai Yun Feng, a supervisor of the Company, are as follows:

"I have made investigations into relevant matters as set out in this report and noticed the following: (i) the auditors were not provided with sufficient audit information in respect of qualified opinions, and therefore prepared an audit report with emphasised matters incorporated with qualified opinions; (ii) the reasons for the decrease of profit of the Company, including provisions made for fixed assets, construction in progress, finished products and raw materials etc. Based on the uncertain reasons mentioned above, I am not in a position to make any comment as to the content of this report and therefore I abstain from voting.

Opinions relating to relevant significant matters in this report:

1. The opinions in relation to the execution progress of the Sales Agency Agreement, the Supplemental Sales Agency Agreement and the Second Supplemental Agency Agreement entered into between the Company and Hisense Agent:

I have limited understanding of the agreements mentioned above. I am of the opinion that it is necessary for the Board of the Company to engage accounting firms to audit the execution progress of the sales agency agreements and complete the audit as soon as possible.

2. Opinions in relation to the amount of the funds of the Company embezzled by Mr. Gu Chu Jun, the former president of the Company and his related parties and relevant settlement measures:

I agree that the Company take any lawful action to recover the Company's funds embezzled by Mr. Gu Chu Jun, the Greencool companies and third parties to best protect the interests of the Company.

3. Opinions in relation to accounting methods of provisions for impairment losses of the Company:

I have qualified opinions as to the provisions made by the Company for fixed assets, construction in progress, inventory and raw materials etc.

Investors are reminded to exercise caution in respect of the opinions mentioned above.

As I cannot make any comment in respect of the report with emphasised matters incorporated with qualified opinions, I am not able to make any comment to the Board's specific explanation, so I abstain from voting.

The Supervisory Committee of Guangdong Kelon Electrical Holdings Company Limited

Shunde District, Foshan City, Guangdong Province, the PRC, 11 August 2006