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KELON 科龙

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)

Announcement

The Board of the Company announces that the Company's interim report for the six months ended 30 June 2002 has not been reviewed by the Company's auditors or audit committee. This constituted a breach of paragraph 39 of Appendix 16 to the Listing Rules and the Stock Exchange has indicated to the Company that it reserves the right to take any action, if appropriate, under the Listing Rules against the Company.

The board of directors (the "Board") of Guangdong Kelon Electrical Holdings Company Limited (the "Company") announces that the Company's interim report for the six months ended 30 June 2002 (the "Interim Report") has not been reviewed by its auditors or audit committee. The reason for this is that pursuant to the requirements of the Shenzhen Listing Rules, the Company had to release the Interim Report on 27 August 2002 whereas Deloitte Touche Tohmatsu and 德勤華永會計師事務所 (the "Auditors") were appointed as the Company's auditors in Hong Kong and the People's Republic of China respectively, on 28 July 2002, accordingly there was not enough time for the Auditors to review the Interim Report. Further, the current audit committee of the Company was only formed on 16 August 2002 and the Company did not have an audit committee immediately before that, accordingly there was not enough time for the current audit committee to review the Interim Report before the deadline for its release.

As a result of the above, the independent non-executive directors of the Company, namely, Mr Chen Wen Hui, Mr Chan Pei Cheong, Andy and Ms Yu Xiao Yang, abstained from voting in respect of the approval of the Interim Report at the Board's meeting held on 26 August 2002. The executive directors of the Company confirmed the accuracy, truth and completeness of the Interim Report at such board meeting. The Company will make a further announcement in this regard, where appropriate.

As neither the Auditors nor the audit committee of the Company has reviewed the Interim Report, this constituted a breach of paragraph 39 of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and the Stock Exchange has indicated to the Company that it reserves the right to take any action, if appropriate, under the Listing Rules against the Company.

By the Order of the Board
Guangdong Kelon Electrical Holdings Company Limited
Liu Cong Meng
Vice Chairman

Shunde, Guangdong, the PRC, 26 August 2002

"Please also refer to the published version of this announcement in the South China Morning Post"