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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)
(Stock Code: 921)

CLARIFICATION AND UNUSUAL PRICE AND VOLUME MOVEMENT

The Company noted inaccurate statements made in various newspaper articles in Hong Kong and clarifies the contents of those newspaper articles in this announcement.

The following statement is made at the request of the Stock Exchange pursuant to rule 13.10 of the Listing Rules. The Board has noted the recent decrease in the price and increase in the trading volume of the shares of the Company and save as disclosed in the Profit Warning Announcement and in this announcement, wish to state that it is not aware of any reasons for such movement. The Board also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

At the request of the Company, trading in shares of the Company was suspended with effect from 9:30 a.m. on 28th April, 2005 pending the release of this announcement. As the Company wishes to allow additional time for investors to review this announcement, the Company has applied for resumption of trading in its shares with effect from 9:30 a.m. on 10th May, 2005.

The board of directors (the "Board") of Guangdong Kelon Electrical Holdings Company Limited (the "Company") noted various articles (the "Articles") which appeared in a number of newspapers in Hong Kong on 26th April and 27th April, 2005 quoting news from (第一財經日報) that the China Securities Regulatory Commission ("CSRC") has begun investigation into Greencool Technology Holdings Limited ("Greencool") in connection with possible misappropriation of funds of the Company for the purpose of taking over three companies listed in the People's Republic of China (the "PRC").

In connection with the Articles, the Company clarifies and confirms, amongst other things, the matters below.

1. The Company is being formally investigated by the CSRC for alleged breaches of securities laws and regulations in the PRC ("CSRC Investigation").

2. The Company is not the holding company of Greencool. As at the date of this announcement, and according to publicly available information, Greencool is indirectly interested in approximately 0.39% of the Company's total issued shares. Mr. Gu Chu Jun is an executive director and chairman of both the Company and Greencool. According to publicly available information, he is indirectly interested in approximately 62.59% and 26.43% of the total issued share capital of Greencool and the Company respectively for the purpose of the Securities and Futures Ordinance.

Further announcement in relation to the CSRC Investigation will be made as and when appropriate.

The following statement is made at the request of the Stock Exchange pursuant to rule 13.10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board has noted the recent decrease in the price and increase in the trading volume of the shares of the Company and save as disclosed in the Profit Warning Announcement and in this announcement, wish to state that it is not aware of any reasons for such movement. The Board also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the Company, the Board of the directors of which individually and jointly accept responsibility for the accuracy of this statement.

Investors shall exercise caution when dealing in the shares of the Company.

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By order of the Board of
Guangdong Kelon Electrical Holdings Company Limited
Gu Chu Jun
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. Chan Pei Cheong, Andy, Mr. Li Kung Man and Mr. Xu Xiao Lu.

Foshan City, Guangdong, the PRC, 9th May, 2005

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