



**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)**

**NOTICE ON MAJOR LITIGATIONS AND ARBITRATIONS**

This announcement is published in accordance with the disclosure obligations under Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of Guangdong Kelon Electrical Holdings Company Limited (the "Company") published on 27 August 2005. Further details of the Company's existing litigations and arbitrations are set out below.

**I. Particulars of major litigations with the amount in dispute exceeding RMB5,000,000 (a total of 23 cases)**

The following sets forth the relations between the subsidiaries involved herein and the Company:

As at the date hereof, the Company holds:–

- (i) 60% equity interest in Guangdong Kelon Air-Conditioner Co., Ltd. ("Kelon Air-Conditioner");
- (ii) 30% equity interest in Yangzhou Kelon Electrical Company Limited (揚州科龍電器有限公司) ("Yangzhou Kelon"), while Kelon Development Co., Ltd. (Hong Kong), a subsidiary of the Company, holds the remaining 70% equity interest;
- (iii) 60% equity interest in Jiangxi Kelon Industrial Development Co., Ltd., while Kelon Development Co., Ltd. (Hong Kong), a subsidiary of the Company, holds the remaining 40% equity interest;
- (iv) 70% equity interest in Guangdong Kelon Refrigerator Co., Ltd. and indirectly the remaining 30% interests through subsidiaries of the Company;
- (v) 70% equity interest in Guangdong Kelon Fittings Co., Ltd. and indirectly the remaining 30% interest through subsidiaries of the Company; and
- (vi) 40% equity of Wuhu Ecan Motors Co., Ltd. and indirectly the remaining 40% interest through subsidiaries of the Company.

Jiangxi Kelon Industrial Development Co., Ltd., a subsidiary of the Company, holds 80% equity interest in Shangqiu Kelon Electrical Co. Ltd. (商丘科龍電器有限公司) ("Shangqiu Kelon"), while Yangzhou Kelon, another subsidiary of the Company, holds its remaining 20% equity interest. Jiangxi Kelon Industrial Development Co., Ltd., a subsidiary of the Company, also holds 70% equity interest in Kaifeng Kelon Air-Conditioner Co., Ltd.

1. Claims against the Company by 加西貝拉壓縮機有限公司 (Jiaxi Beila Company Compressor Company Limited) (“Jiaxi Beila”) in relation to a guarantee contract

On 14 July 2005, the Intermediate People’s Court of Jiaxing, Zhejiang Province, accepted the case of the claims against the Company initiated by Jiaxi Beila (the “plaintiff”) in relation to a guarantee contract. On 14 July 2005, the Company received litigation documents, including copies of “Notice of Producing Evidence”, “Notice of Defense” and “Statement of Claims”.

The plaintiff demanded the Company to perform the joint guarantees for the repayment of overdue debts of more than RMB16,920,000, which the nine subsidiaries of the Company had defaulted; the 59,280,000 shares of state shares in Huayi Compressor Holdings Company Limited (華意壓縮機股份有限公司) (“Huayi Compressor”) held by the Company were sequestered by the Intermediate People’s Court of Jiaxing, Zhejiang Province.

The case is being processed.

2. Claims against the Company by Jiaxi Beila in relation to a guarantee contract

On 29 July 2005, the Intermediate People’s Court of Jiaxing, Zhejiang Province, accepted the case of claims against the Company (as defendant) initiated by Jiaxi Beila (as plaintiff) in relation to a guarantee contract. On 29 July 2005, the Company received litigation documents, including copies of “Notice of Producing Evidence”, “Notice of Defense” and “Statement of Claims”.

The plaintiff sued and demanded the Company, as guarantor, to assume the liability of the joint guarantees for the amounts due by 30 July and 30 August and the purchase price in the amount of RMB33,126,941 for the 144 compressors (invoice not yet issued), which the nine subsidiaries of the Company had defaulted.

The case is being processed.

3. Claims against the Company, Kelon Air-Conditioner and 佛山市誠豐模具塑料有限公司 (Foshan City Chengfeng Mould Plastic Materials Company Limited) (“Foshan Chengfeng”) by 興業銀行廣州分行 (Xinye Bank Guangzhou Branch) (“Xinye Bank”) in relation to loan contracts

On 31 August 2005, the Guangzhou Intermediate People’s Court of Guangdong Province accepted the claims against the Company (as first defendant), Kelon Air-Conditioner (as second defendant) and Foshan Chengfeng (as third defendant) by Xinye Bank (as plaintiff) in relation to loan contracts. On 2 September 2005, the Company received copies including “Notice of Producing Evidence”, “Notice of Defense”, “Statement of Claims” and other documents of proceedings.

Based on the loan contracts, the plaintiff demanded the repayment of RMB15,000,000 plus interests thereon by the Company (as drawer), Kelon Air-Conditioner (as endorser) and Foshan Chengfeng (as holder).

The case is being processed.

4. Claims against the Company, Kelon Air-Conditioner and Foshan Chengfeng by Xinye Bank in relation to loan contracts

On 31 August 2005, the Guangzhou Intermediate People's Court of Guangdong Province accepted the claims against the Company (as first defendant), Kelon Air-Conditioner (as second defendant) and Foshan Chengfeng (as third defendant) by Xinye Bank (as plaintiff) in relation to loan contracts. On 2 September 2005, the Company received "Notice of Producing Evidence", "Notice of Defense", "Statement of Claims" (copies) and other documents of proceedings.

Based on the loan contracts, the plaintiff demanded payment of RMB5,000,000 plus interests thereon, to be borne by the Company (as bill issuer), Kelon Air-Conditioner (as endorser) and Foshan Chengfeng (as bill holder).

The case is being processed.

5. Claims against the Company, Kelon Air-Conditioner and Foshan Chengfeng by Xinye Bank in relation to loan contracts

On 31 August 2005, the Guangzhou Intermediate People's Court of Guangdong Province accepted the claims against the Company (as first defendant), Kelon Air-Conditioner (as second defendant) and Foshan Chengfeng (as third defendant) by Xinye Bank (as plaintiff) in relation to loan contracts. On 2 September 2005, the Company received "Notice of Producing Evidence", "Notice of Defense", "Statement of Claims" (copies) and other documents of proceedings.

Based on the loan contracts, the plaintiff demanded payment of RMB15,000,000 plus interests thereon, to be borne by the Company (as bill issuer), Kelon Air-Conditioner (as endorser) and Foshan Chengfeng (as bill holder).

The case is being processed.

6. Claims against Yangzhou Kelon and the Company by 中國銀行股份有限公司揚州分行 (Bank of China Yangzhou Branch) in relation to loan contracts

On 2 August 2005, the Yangzhou Intermediate People's Court of Jiangsu Province made a Civil Judgment (2005) 揚訴保字第16號 to freeze the deposit of RMB1,000,000 or seal up equivalent value of assets of Yangzhou Kelon (a subsidiary of the Company) and the Company, and practically, certain deposit has been frozen and certain machines and equipment have been sealed up.

On 9 August 2005, the Intermediate People's Court of Yangzhou City of Jiangsu Province made a Civil Judgment (2005) 揚訴保字第17號 to freeze the deposits of RMB12,000,000 of Yangzhou Kelon and the Company or seal up the equivalent value of assets.

On 17 August 2005, the Company acknowledged receipt of the above Civil Judgment. The copy of the "Statement of Claims", court summons and other litigation documents so far.

7. Claims against the Company by 浙江杭蕭鋼構股份有限公司 (Jiejiang Hangxiu Ganggou Holdings Company Limited) (“Jiejiang Hangxiu”) in relation to a construction contract

On 22 August 2005, the Intermediate People’s Court of Foshan City of Guangdong Province accepted the case of claims against the Company (as defendant) initiated by Jiejiang Hangxiu (as plaintiff) in relation to a construction contract, and subsequently sent the copy of the statement of claims and relevant documents to the Company on 23 August 2005.

The plaintiff alleged that it had undertaken the construction works of the Company’s 簡易倉庫廠房 (Jianyi Factory Warehouse) Plants No. 1 and No. 2 and the defendant defaulted in payment of RMB1,193,000 of construction fees. The plaintiff thus sued the Company for payment of RMB1,193,000 of construction fees and RMB17,660,000 of default penalties.

The case is being processed.

8. Claims against Jiangxi Kelon Industrial Development Company Limited (江西科龍實業發展有限公司) (“Jiangxi Kelon”) and the Company by 中國建設銀行股份有限公司南昌昌北支行 (China Construction Bank Nanchang Changbei Branch) in relation to loan contracts

On 22 August 2005, the Higher People’s Court of Jiangxi Province accepted the case of the claims against the Company’s subsidiary Jiangxi Kelon (as first defendant) and the Company (as second defendant) initiated by 中國建設銀行股份有限公司南昌昌北支行 (China Construction Bank Nanchang Changbei Branch) in relation to loan contracts. On 27 August 2005, the Company acknowledged receipt of litigation documents, including the plaintiff’s statement of claims.

The plaintiff alleged that for reason of the negative effect on and damages to the interests under the loan contract resulting from the deterioration of operations of Jiangxi Kelon and the Company, it demanded early release of the loan contract entered with Jiangxi Kelon (as borrower) and the Company (as guarantor), and petitioned to the Court for an order that Jiangxi Kelon make an early repayment of the loan of RMB140,000,000 and that the Company undertake joint guaranty liability.

The case is being processed.

9. Claims against Yangzhou Kelon and the Company by 招商銀行股份有限公司南京分行 (China Merchant Bank Nanjing Branch) in relation to loan contracts

On 8 August 2005, the Nanjing Intermediate People’s Court accepted the claims against Yangzhou Kelon (as first defendant), and the Company (as second defendant) by 招商銀行股份有限公司南京分行 (China Merchant Bank Nanjing Branch) (as plaintiff) in relation to loan contracts. On 12 August 2005, Yangzhou Kelon and the Company acknowledged receipt of copies of “Statement of Claim” and other documents from the plaintiff.

The plaintiff demanded repayment of the principal of RMB20,000,000 of the loan plus interests thereon up to the repayment date by Yangzhou Kelon, and the Company as guarantor undertake joint guaranty liability for the above principal of the loan and interest thereon.

The case is being processed.

10. Claims against Jiangxi Kelon and the Company by 招商銀行南昌分行疊山路支行 (China Merchant Bank Nanchang Branch Dieshanlu Sub-branch) in relation to loan contracts

On 8 August 2005, the Superior People's Court of Jiangxi Province accepted the claims against Jiangxi Kelon (as first defendant) and the Company (as second defendant) by 招商銀行南昌分行疊山路支行 (China Merchant Bank Nanchang Branch Dieshanlu Sub-branch) (as plaintiff) in relation to loan contracts. On 22 August 2005, the Company received "Statement of Claims" and other documents of proceedings sent by the Superior People's Court of Jiangxi Province in relation to claims against Jiangxi Kelon and the Company by 招商銀行南昌分行疊山路支行 (China Merchant Bank Nanchang Branch Dieshanlu Sub-branch) in relation to loan contracts.

The plaintiff alleged that it discounted certain bank acceptance bills issued by Jiangxi Kelon to the amount of RMB43,013,270.97, while Jiangxi Kelon only submitted a deposit of 30% of the total value and the outstanding balance of RMB30,109,289.68 remained unsettled. Although part of the acceptance bill was not yet due, the plaintiff demanded termination of the above agreement and immediate settlement by Jiangxi Kelon pursuant to the "Credit Agreement" and the Company taking over the collateral liabilities as guarantor.

On 5 September 2005, the Company received a Civil Judgment sent by the Superior People's Court of Jiangxi Province for suspension of the trial.

11. Arbitration between 深圳發展銀行佛山分行 (Shenzhen Development Bank Foshan Branch) on the one part and the Company, 廣東科龍冰箱有限公司 (Guangdong Kelon Refrigerators Company Limited) ("Kelon Refrigerators"), Kelon Air-Conditioner and 廣東科龍配件有限公司 (Guangdong Kelon Fittings Co., Ltd.) ("Kelon Fittings") on the other in relation to bank advance upon acceptance of bills.

On 7 July 2005, 佛山仲裁委員會 (Foshan Arbitration Committee) accepted the arbitration between 深圳發展銀行佛山分行 (Shenzhen Development Bank Foshan Branch) (as claimant) and the Company (as claimee) and its subsidiaries, namely Kelon Refrigerators (as claimee), Kelon Air-Conditioner (as claimee) and Kelon Fittings (as claimee) in relation to bank advance upon acceptance of bills. On 18 July 2005, the claimees acknowledged receipt of copies of arbitration application and other documents from the applicant.

For reason of bank advance upon acceptance of bills, the claimer demanded the Company to settle the bank advance on bills, its subsidiaries, namely Kelon Refrigerators (as claimee), Kelon Air-Conditioner (as claimee) and Kelon Fittings (as claimee) as the guarantors to assume their guarantee obligations, and the four claimees to settle the bank advance upon acceptance of bills of RMB28,640,000 plus interest thereon up to 6 July 2005 of RMB249,147.5, and all cost of the arbitration to be borne by the four respondents in accordance with the integrated credit facility contracts and the bills upon acceptance contracts entered into with Shenzhen Development Bank Foshan Branch (as claimer).

The case is being processed.

12. Claims against Kelon Air-Conditioner by 廣東威靈電機製造有限公司 (Guangdong Weiling Electric Machines Manufacturing Company Limited) (“Guangdong Weiling”) in relation to a sale and purchase contract.

On 23 June 2005, the Intermediate People’s Court of Foshan accepted the case of the claims against Kelon Air-Conditioner (as defendant) initiated by Guangdong Weiling (as plaintiff) in relation to a sale and purchase contract, and on the same day, Kelon Air-Conditioner acknowledged receipt of the litigation documents from the plaintiff, including a copy of the statement of claims.

The plaintiff demanded Kelon Air-Conditioner to make payment of the overdue purchase price of RMB26,873,844.91 plus damages for the default.

The case is being processed.

13. Claims against Kelon Air-Conditioner by 大連三洋壓縮機有限公司 (Dalian Sanyo Compressor Company Limited) (“Dalian Sanyo”) in relation to a sale and purchase contract

On 10 June 2005, the People’s Court of Gangjingzi District, Dalian, issued a civil judgment letter ((2005) Gan Min Er Chu Zi Civil No. 1597) and sequestrated properties of Kelon Air-Conditioner, the subsidiary of the Company, in total value of RMB8,930,000.

Kelon Air-Conditioner has not received any litigation documents such as the copy of the plaintiff’s statement of claims in relation to the litigation or court summon so far.

14. Claims against Kelon Air-Conditioner by 東莞信濃馬達有限公司 (Dongguan Xinnong Motors Company Limited) (“Dongguan Xinnong”) in relation to a sale and purchase contract

On 22 July 2005, the Intermediate People’s Court of Foshan, Guangdong Province, accepted the case of the claims against the Company’s subsidiary Kelon Air-Conditioner (as defendant) initiated by Dongguan Xinnong (as plaintiff) in relation to a sale and purchase contract. On 25 July 2005, Kelon Air-Conditioner received litigation documents, including copies of “Notice of Producing Evidence”, “Notice of Defense” and “Statement of Claims”.

The plaintiff alleged that Kelon Air-Conditioner defaulted in payment of a total purchase price of RMB10,463,359.99 and deposit of RMB499,770.80. An amount of RMB500,000 was subsequently repaid. As at the date of litigation, there was still an outstanding amount of RMB10,463,130.79 payable to the plaintiff, which initiated proceedings against Kelon Air-Conditioner for payment of the unpaid purchase price.

The case is being processed.

15. Claims against Kelon Air-Conditioner by 佛山市南海飛鵬塑膠金屬有限公司 (Foshan City Nanhai Feipeng Plastic Gold Metal Company Limited) (“Nanhai Feipeng”) in relation to sale and purchase contract

On 26 July 2005, the People’s Court of Shunde district in Foshan city accepted the case of the claims against the Company’s subsidiary Kelon Air-Conditioner (as defendant) initiated by Nanhai Feipeng (as plaintiff) in relation to a sale and purchase contract.

On 27 July 2005, Kelon Air-Conditioner received litigation documents, including copies of “Notice of Producing Evidence”, “Notice of Defense” and “Statement of Claims”.

The plaintiff alleged that Kelon Air-Conditioner defaulted in payment of a total purchase price of RMB7,907,250.98 and that the amount due for payment as at the date of initiating legal action was RMB7,017,722.20. The plaintiff demanded payment of the above overdue amount plus interest thereon.

The case is being processed.

16. Claims against Kelon Air-Conditioner by 廣東美芝製冷設備有限公司 (Guangdong Meizhi Coolant Facilities Company Limited) (“Guangdong Meizhi”) in relation to a sale and purchase contract

On 29 July 2005, the Intermediate People’s Court of Foshan city accepted the case of the claims against the Company’s subsidiary Kelon Air-Conditioner (as defendant) initiated by Guangdong Meizhi (as plaintiff) in relation to a sale and purchase contract. On 1 August 2005, Kelon Air-Conditioner acknowledged receipt of litigation documents from the plaintiff, including a copy of its statement of claims.

Based on the sale and purchase contract in dispute, the plaintiff demanded Kelon Air-Conditioner to make payment of the overdue purchase price of RMB20,427,122.85 plus interest thereon of RMB266,573.95.

The case is being processed.

17. Claims against Kelon Air-Conditioner by 佛山市順德區容桂寶盈五金塑料廠 (Foshan City Shende District Rongguai Baoying Gold Metal Materials Factory) (“Rongguai Baoying”) in relation to a sale and purchase contract

On 2 August 2005, the People’s Court of Shunde District in Foshan City accepted the case of the claims against the Company’s subsidiary Kelon Air-Conditioner (as defendant) initiated by Rongguai Baoying (as plaintiff) in relation to a sale and purchase contract. On 2 August 2005, Kelon Air-Conditioner acknowledged receipt of litigation documents, including copies of “Notice of Producing Evidence”, “Notice of Defense” and “Statement of Claims”.

The plaintiff alleged that Kelon Air-Conditioner defaulted in payment of purchase price of RMB5,926,745.55 and demanded Kelon Air-Conditioner to make payment of the above overdue purchase price plus interest thereon.

The case is being processed.

18. Claims against Kelon Air-Conditioner by 佛山市順德區順寶包裝印刷實業有限公司 (Foshan City Shunde District Shunbao Packaging Printing Industrial Company Limited) (“Shunbao”) in relation to a sale and purchase contract

On 15 August 2005, the People’s Court of Shunde District in Foshan City accepted the case of the claims against the Company’s subsidiary Kelon Air-Conditioner (as defendant) initiated by Shunbao (as plaintiff) in relation to a sale and purchase contract, and on the same day, Kelon Air-Conditioner acknowledged receipt of the litigation documents from the plaintiff, including a copy of its statement of claims.

The plaintiff demanded the dependant to make payment of the overdue purchase price of RMB8,000,536.88 plus interest thereon.

The case is being processed.

19. Claims against 建萊銅業(廣東)有限公司 (Jianlai Copper Industry (Guangdong) Company Limited) (“Jianlai Copper Industry”) and Kelon Air-Conditioner by 順德市容桂農村信用合作社 (Shunde Ronggui Rural Credit Cooperative) (“Rural Credit”) in relation to bills settlement

On 22 August 2005, the People’s Court of Shunde District of Foshan City issued (2005) Shun Fa Min Er Chu Zi No. 03581 “Notification of Involvement in the Litigation” so as to entangle the Company’s subsidiary Kelon Air-Conditioner (as defendant) in the claims against Jianlai Copper Industry initiated by Rural Credit in relation to bills settlement. On the same date, Kelon Air-Conditioner acknowledged receipt of the notification and the “Application for Entangling Kelon Air-Conditioner as Defendant in the Case” by Jianlai Copper Industry and relevant documents regarding the case.

On the grounds of claims in relation to bills settlement, the plaintiff demanded Jianlai Copper Industry to settle the bills in the amount of RMB9,100,000 and interest thereon. While the defendant Jianlai Copper Industry subsequently demanded Kelon Air-Conditioner to make the payment on the grounds that Kelon Air-Conditioner, as the drawee of the bills, should be responsible for the payment.

The case is being processed.

20. Claims against Kelon Air-Conditioner by 洛陽銅加工集團有限責任公司 (Luoyang Copper Processing Group Corporation) (“Luoyang Copper Processing”) in relation to a contracting agreement

On 13 July 2005, the People’s Court of Luoyang Advanced and New Technology Development Zone of Henan Province accepted the case of the claims against the Company’s subsidiary Kelon Air-Conditioner (as defendant) initiated by Luoyang Copper Industry (as plaintiff) in relation to a contracting agreement. On 15 July 2005, Kelon Air-Conditioner acknowledged receipt of the copy of the statement of claims of the plaintiff and relevant documents.

The plaintiff demanded Kelon Air-Conditioner to settle the defaulted processing fees in the amount of RMB8486692.08, the interest thereon calculated to 10 July 2005 in the amount of RMB622,017.4, and refund of RMB100,000 of bidding deposit.

The case is being processed.

21. Claims against 蕪湖盈嘉電機有限公司 (Wuhu Yingjia Electric Machines Company Limited) (“Wuhu Yingjia”) by 交通銀行蕪湖分行 (Bank of Communications Wuhu Branch) in relation to loan contracts

On 2 August 2005, the Wuhu Intermediate Court of An Hui Province made a Civil Judgment (2005) 蕪中訴保字第023號 to take preservation measures to freeze the deposit of the Company’s subsidiary Wuhu Yingjia, and seal up its assets of RMB10,000,000 in response to the application of pre-litigation assets preservation made by Bank of Communications Wuhu Branch.

On 16 August 2005, the Company received the Notice of Implementation Assistance issued by the Wuhu Intermediate Court of An Hui Province, whereby the Company was notified to assist in withholding the purchase price of RMB10,000,000 payable to Wuhu Yingjia.

Wuhu Yingjia has not received the statement of claims from the plaintiff and the documents of proceedings from the court so far.



22. Claims against Shangqiu Kelon, 商丘冰熊冷藏設備有限公司 (Shangqiu Bingxong Refrigeration Facilities Company Limited) (“Shangqiu Bingxong”) and 商丘格林柯爾冷藏汽車有限公司 (Shangqiu Greencool Refrigeration Trucks Company Limited) (“Shangqiu Greencool”) by 河南冰熊冰粒機有限公司 (Henan Bingxong Ice Cube Machines Company Limited) (“Henan Bingxiong”) and 河南冰熊空調器有限公司 (Henan Bingxong Air-conditioner Company Limited) (“Henan Bingxong Air-conditioner”) in relation to an asset transfer contract

On 5 August 2005, the Intermediate People’s Court of Shangqiu City of Henan Province accepted the case of the claims against the Company’s indirect subsidiaries, namely Shangqiu Kelon (as defendant), Shangqiu Bingxong (as defendant) and Shangqiu Greencool (as defendant) initiated by Henan Bingxiong (as first plaintiff) and Henan Bingxong Air-conditioner (as second plaintiff) in relation to an asset transfer contract. On 5 August 2005, Shangqiu Kelon acknowledged receipt of the litigation documents, including the statement of claims.

The two plaintiffs alleged that on 29 November 2003, 河南冰熊集團有限公司 (Henan Bingxong Group Company Limited) (“Henan Bingxong Group”) and its subsidiaries, namely Henan Bingxong Ice Cube Machines and Henan Bingxong Air-conditioner entered into the “Contract for the Transfer of Assets of Certain Companies Controlled by Henan Bingxong Group” with Shangqiu Bingxong, which stipulated that 商丘冰熊冷藏設備有限公司 acquired the relevant assets of Henan Bingxong Ice Cube Machines and Henan Bingxong Air-conditioner for the considerations of RMB840,000 and RMB5,000,000 respectively.

On 6 July 2005, Shangqiu Kelon entered into the “Contract for the Transfer of Assets between Shangqiu Bingxong and Shangqiu Kelon” with Shangqiu Bingxong, pursuant to which Shangqiu Bingxong transferred to Shangqiu Kelon the assets it had acquired from Henan Bingxong Ice Cube Machines for a consideration of RMB840,000. Shangqiu Greencool made a joint guarantee in respect of the above assets transfer. The plaintiffs alleged that Shangqiu Bingxong and Shangqiu Kelon failed to settle the transfer amounts and demanded payment of the transfer price in the amount of RMB5,840,000, interest thereon and default penalties.

The case is being processed.

23. Claims against Jiangxi Kelon and Kai Feng Kelon Air-Conditioner Co., Ltd. (開封科龍空調器有限公司) (“Kaifeng Kelon”) by 河南省開封經濟技術開發(集團)公司 (Henan Province Kaifeng Economic Technology Development (Group) Company) (“Henan Kaifeng”) in relation to joint venture contract

On 28 July 2005, the Intermediate People’s Court of Kaifeng City of Henan Province accepted the case in relation to the claims against the Company’s subsidiaries, namely Jiangxi Kelon (as defendant) and Kaifeng Kelon (as defendant), initiated by Henan Kaifeng (as plaintiff) in relation to joint venture contract. On 11 August 2005, Jiangxi Kelon and Kaifeng Kelon acknowledged receipt of relevant litigation documents, including the statement of claims.

The plaintiff alleged that it entered into a joint venture contract with Jiangxi Kelon to jointly establish Kaifeng Kelon. Currently Jiangxi Kelon failed to perform its obligations of capital contribution in accordance with the joint venture contract, which resulted in impossibility of gaining its anticipated benefits, such that the plaintiff appealed to the court to order the release of the joint venture contract and demanded for damages of RMB27,160,000 from Jiangxi Kelon and Kaifeng Kelon.

The case is being processed.

## **II. General status of the litigations**

Up to 31 August 2005, the Company and its subsidiaries were involved in 108 litigations with a total amount of RMB594,144,533.3.

Among the above litigations involving the Company and its subsidiaries, the Company and its subsidiaries acted as plaintiffs in 17 litigations with a total amount of RMB15,063,908.95 and acted as defendants in 91 litigations with a total amount of RMB579,080,624.35.

Among the litigations involving the Company and its subsidiaries, save for the 23 material litigations and arbitrations disclosed above involving an amount exceeding RMB5,000,000 each (the total amounts were RMB477,794,765.63), the remaining 85 litigations involved an amount of less than RMB5,000,000 each (the total amounts were RMB116,349,767.67).

## **III. Litigations and arbitrations set out herein may have the following impact on the Company's profits for the current period:**

The material litigations and arbitrations set out herein may result in a decrease of profits of RMB17,981,861.13 for the current period. As at the date of this announcement, the Company (including its subsidiaries) has no other discloseable litigations or arbitrations which are not yet disclosed.

## **Suspension of trading in Shares**

The Company notes certain press articles in Hong Kong and the PRC recently regarding an agreement on transfer of legal person shares entered into between the Company's single largest shareholder, Guangdong Greencool Enterprise Development Company Limited ("Greencool Enterprise") and Hisense Group Company Limited (海信集團有限公司). The Company has made written enquiry with Greencool Enterprise and other related parties with the relevant disclosure obligation in relation to such reports. Pursuant to the listing rules of the Shenzhen Stock Exchange, trading in the Company's A Shares will be suspended with effect from 9:30 a.m. on Tuesday, 13 September 2005 pending the release of an announcement in this relation.

At the request of the Company, trading in 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 publication of a further announcement in relation to, amongst others, the financial, production and trading position of the Group, trading in shares of the Company will remain suspended until further notice.

By order of the Board of  
**Guangdong Kelon Electrical Holdings Company Limited**  
**Liu Cong Meng**  
*Vice 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.*

*As disclosed in the Company's announcements dated 1, 4, 12, 26, 30 and 31 August 2005, Mr. Gu and Mr. Yan You Song ("Mr. Yan") are being formally investigated by the PRC police department and are subject to procedures adopted by the PRC police department in connection with criminal offences. The Company has been informed on 30 August 2005 that Mr. Zhang Hong, a director, has also been formally investigated by the PRC police department and subject to procedures for alleged economic crime since 2 August 2005. None of them can be contacted as at the date hereof. As such, Mr. Gu, Mr. Yan and Mr. Zhang Hong do not accept responsibility for the contents of this announcement.*

Foshan City, Guangdong, the PRC, 12 September 2005

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