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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: 0921)**

### **ANNOUNCEMENT DISCLOSEABLE TRANSACTION**

The Board is pleased to announce that on 15 March 2007, Kelon Electric, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with the Purchaser to dispose of the Property for a consideration of HK\$123,295,400.

Since the consideration ratio of the Property Disposal is more than 5% but less than 25 % and each of the applicable percentage ratios as defined in Chapter 14 of the Listing Rules is less than 25%, the Property Disposal constitutes a discloseable transaction of the Company which is subject to the notification and announcement requirements under Rules 14.34 to 14.39 of the Listing Rules.

A circular containing, among other things, details of the Sale and Purchase Agreement will be despatched to the shareholders of the Company in accordance with the requirements under the Listing Rules as soon as practicable.

### **THE SALE AND PURCHASE AGREEMENT**

The Board is pleased to announce that on 15 March 2007, Kelon Electric, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with the Purchaser in relation to the disposal of the Property to the Purchaser for a consideration of HK\$123,295,400.

#### **Date**

15 March 2007

#### **Parties**

- (1) Kelon Electric, as the vendor; and
- (2) the Purchaser, as the purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and the ultimate beneficial owner of the Purchaser are third parties independent of the Company and connected parties (as defined in the Listing Rules) of the Company.

#### **Subject of Disposal**

Pursuant to the Sale and Purchase Agreement, Kelon Electric has agreed to sell and the Purchaser has agreed to acquire the Property.

## **Consideration**

The consideration for the Property Disposal is HK\$123,295,400 and was paid/is payable by the Purchaser in the following manners:

- (1) The sum of HK\$3,700,000, being initial deposit and part payment of the consideration, was paid by the Purchaser on 14 March 2007 to Kelon Electric's solicitors as stakeholders;
- (2) The sum of HK\$8,629,540, being further deposit and further part payment of the consideration, was paid by the Purchaser on 15 March 2007; and
- (3) The sum of HK\$110,965,860, being the balance of the consideration, to be paid by the Purchaser on or before the Completion Date.

Kelon Electric has entrusted a professional property sales agency, Centaline Property Agency Limited, which is a third party independent of the Company and its connected persons as defined in the Listing Rules, to dispose of the Property with a minimum price of HK\$107,000,000, being the appraised value of the Property appraised by Vigers Appraisal and Consulting Limited, which is a third party independent of the Company and its connected persons as defined in the Listing Rules, on 15 July 2006. The consideration was determined after arm's length negotiations between the parties with reference to the prevailing market value of similar properties in the market in the same area.

## **INFORMATION OF THE PROPERTY**

The Property has a total area of 1,467.86 m<sup>2</sup> and is located at the whole of 25/F., Harbour Centre, 25 Harbour Road, Hong Kong. The Property was acquired by the Kelon Electric in 1993 and it is free from any mortgage at present. The residual term of use of the Property is 36 years. The Property is for commercial use and is sold subject to three tenancies expiring on 15 January 2009, 30 November 2009 and 5 April 2008, respectively.

Net Profits in the sum of HK\$1,677,349.470 (audited) and HK\$1,922,085.21 (unaudited) (both before and after taxation and extraordinary items) were attributable to the Property in the 2005 and 2006 financial years, respectively.

According to the appraisal report of the Property by Vigers Appraisal dated 15 July 2006, the Property has a appraised value of HK\$107,000,000. As at 28 February 2007, its net book value was HK\$66,884,000. The current market value method was adopted in appraising the Property.

When compared the net book value of the Property as at 28 February 2007, i.e. HK\$66,884,000, with the consideration for the Property Disposal, i.e. HK\$123,295,400, there is a premium of value of HK\$56,411,400. The gains expected to accrue by the Company as a result of the Property Disposal, after taxation and payment of relevant expenses incidental to the Property Disposal, is in the approximate sum of HK\$54,000,000.

Part of the Property is considered as investment properties, while part of the Property is considered as self-used properties in the account of the Company. The reason for the difference in value between the valuation amount of the Property as at 15 July 2006 and the net book value of the Property on 28 February 2007 is that different basis was adopted in assessing the two values. The valuation amount of the Property as at 15 July 2006 was assessed with reference to the market value of other similar properties, while the net book value of the Property as at 28 February 2007 was assessed with reference to appropriate accounting principle. i.e. taking into account the historical cost of the Property with deduction of relevant depreciation (regarding the part of the Property which is considered as self-used properties) and other relevant expenses over the years.

## **REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE AGREEMENT**

The Company is principally engaged in the manufacture and sales of refrigerators and air-conditioners. The Property is a non-core asset of the Company. The Property Disposal is an initiative by the Company to dispose of its non-core assets and enhance its assets structure, which will facilitate the optimal utilization of the assets of the Company.

The Company estimates that all of the net proceeds from the Property Disposal, which is in the approximate sum of HK\$54,000,000.00, will be used as working capital for the Company's production operation. Since additional working capital and cashflow will be provided for further development of the Company, the Property Disposal will help to further enhance the operating conditions of the Company.

The Directors (including the independent non-executive Directors) consider that the Property Disposal is beneficial to the Company and the Shareholders as a whole and the terms and conditions in the Sale and Purchase Agreement are fair and reasonable.

## **INFORMATION RELATING TO THE COMPANY**

The Company is principally engaged in the manufacture and sales of refrigerators and air-conditioners.

## **INFORMATION RELATING TO KELON ELECTRIC**

Kelon Electric, a wholly-owned subsidiary of the Company, was incorporated in Hong Kong and is principally engaged in property investment.

## **INFORMATION RELATING TO THE PURCHASER**

The Purchaser was incorporated in Hong Kong and is principally engaged in property investment.

## **DISCLOSEABLE TRANSACTION**

Since the consideration ratio of the Property Disposal is more than 5% but less than 25 % and each of the other applicable percentage ratios as defined in Chapter 14 of the Listing Rules is less than 25%, the Property Disposal constitutes a discloseable transaction of the Company which is subject to the notification and announcement requirements under Rules 14.34 to 14.39 of the Listing Rules.

A circular containing, among other things, details of the Sale and Purchase Agreement will be despatched to the shareholders of the Company in accordance with the requirements under the Listing Rules as soon as practicable.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“A Shares”	Domestic ordinary Shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“Board”	The board of Directors
“Company”	Guangdong Kelon Electrical Holdings Company Limited, a company incorporated in the PRC with limited liability and listed on the main board of the Stock Exchange and Shenzhen Stock Exchange
“Completion Date”	On or before 6th July 2007 between 9:30 a.m. to 5:00 p.m. on a weekday and 9:30 a.m. to 12:30 p.m. on a Saturday, subject to the Purchaser’s right of postponement pursuant to the Sale and Purchase Agreement
“Directors”	The current directors of the Company
“H Shares”	Overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Kelon Electric”	Kelon Electric Appliances Co., Ltd (科龍電器有限公司), a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Property”	The whole of 25/F., Harbour Centre, 25 Harbour Road, Hong Kong in Inland Lot No. 8392
“Property Disposal”	The disposal of the Property from the Kelon Electric to the Purchaser pursuant to the Sale and Purchase Agreement
“Purchaser”	Getway Limited (佳瑋有限公司), a company incorporated in Hong Kong
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sale and Purchase Agreement”	The sale and purchase agreement dated 15 March 2007 entered between Kelon Electric and the Purchaser to dispose of the Property
“Share(s)”	Share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares

“Shareholder(s)”	Holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary” or “Subsidiaries”	Has the meaning defined in sections 2 and 2B of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong)
“%”	Per cent.

## **SUSPENSION OF TRADING IN THE H SHARES OF THE COMPANY**

At the request of the Company, trading in the H shares of the Company was suspended with effect from 10:00 a.m. on 16 June 2005 until further notice.

By order of the Board of  
**Guangdong Kelon Electrical Holdings Company Limited**  
**Tang Ye Guo**  
*Chairman*

*As at the date of this announcement, the Company’s executive directors are Mr. Tang Ye Guo, Ms. Yu Shu Min, Mr. Yang Yun Duo, Mr. Wang Shi Lei, Mr. Lin Lan and Mr. Xiao Jian Lin; and the Company’s independent non-executive directors are Mr. Zhang Sheng Ping, Mr. Lu Qing and Mr. Cheung Yui Kai, Warren.*

Foshan City, Guangdong, the PRC, 22 March 2007

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