

KELON 科龙

HISENSE KELON ELECTRICAL HOLDINGS COMPANY LIMITED

海信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 ON THE PROGRESS OF ASSETS DISPOSAL

This announcement is made pursuant to R13.09(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

I. SUMMARY OF THE TRANSACTION

Based on the results of the auction held at Chengdu Land Sales Market on 20 December 2007, Chengdu Kelon Refrigerator Co., Ltd. ("Chengdu Kelon"), a wholly-owned subsidiary of Hisense Kelon Electrical Holdings Company Limited (the "Company") and Chengdu Gandao Construction Comprehensive Development Corporation (成都幹道建設綜合開發總公司) ("Gandao Construction Corporation") entered into the Contract on the Transfer of State-owned Construction Land Use Right (Pai Zhuan (2007) Zi Di No.010) on 27 December 2007, whereby Chengdu Kelon transferred the State-owned Construction land use right of the land with a gross area of 51,673.51 sqm located at No. 51, Shuangqing Road, Chenghua Area (cheng guoyong 【1997】 Zi Di No.107) at a price of RMB372,049,440.00 to Gandao Construction Corporation.

Both the auctioneer commissioned and the transferee of the State-owned Construction Land Use Right are independent of and are not connected persons of the Company, and therefore the commission and the transaction do not constitute any connected transactions.

The Resolution on the Relocation and Extension and Technical Improvement of Kelon's Western Home Appliance Production Base was considered and approved by the Sixth Session of the Board of Directors on 29 August 2007. All independent non-executive directors of the Company have voted for these transactions.

The shareholders of the Company had approved the above resolution at the 2007 4th extraordinary general meeting of the Company on 10 October 2007, and authorised the management of the Company to implement the overall planning, assets disposal plan and investment plan in relation to the relocation, expansion and technical improvement of Kelon's Western Home Appliance Production Base.

II. INFORMATION OF THE TRANSFEREE

Chengdu Gandao Construction Comprehensive Development Corporation is a state-owned enterprise affiliated to Chengdu Gandao Construction Headquarters (Chengdu Municipal Administration Bureau). Set up in August 1992, Gandao Construction Corporation is a second-class real estate developer approved by Chengdu municipal government. As an economic entity, it principally engages in municipal basic construction with real estate development as its main business and also participates in multi-sector comprehensive operations. Its registered capital is RMB20 million.

III. PARTICULARS OF THE OBJECT OF THE TRANSACTION

(1) Basic information on the object of the transaction

1. The land covers a gross area of 62,624.27 sqm, of which, 51,673.51 sqm is attributable to net usable land and 10,950.75 sqm is attributable to requisitioned land;
2. The land is classified as grade 2 land for residential purpose (tolerant for public facility of $\leq 20\%$);
3. Expiration date of the land use rights
Residential portion: 30 April 2067; commercial portion: 30 April 2037.

(2) Valuation on the object of the transaction

Sichuan Huaheng Assets Appraisal Co., Ltd, an institution with security appraisal qualification, was appointed by Chengdu Kelon to carry out the valuation on the land. The appraised value of the land was RMB 277,686,100 on 30 June 2007. The value represented the land's market value after deducting the difference of grant premium of land use rights payable for auction and relevant auction expenses.

IV. MAJOR TERMS AND CONDITIONS OF THE TRANSACTION CONTRACT AND PRICING FOR THE TRANSACTION

(1) Major terms and conditions of the Transaction Contract

1. Parties:

Transferor: Chengdu Kelon Refrigerator Co., Ltd.(“Party A”)

Transferee: Chengdu Gandao Construction Comprehensive Development Corporation (“Party B”)

2. Total Consideration of the Transaction: RMB372,049,440.00

3. Payment Methods:

Party B has agreed to transfer the bidding deposit in the amount of RMB56,000,000.00 as the payment of part of the consideration, while the remaining balance of RMB316,049,440.00 will be paid to Party A in four instalments according to following schedule and amounts as follows:

The First Instalment: an amount of RMB2,000,000.00 shall be paid within 5 working days from the date of entering into of the Confirmation Letter ;

Note: Chengdu Kelon has received the first instalment on 27 December 2007.

The Second Instalment: an amount of RMB128,024,720.00 shall be paid before 29 December 2007.

After the payment of the abovementioned two instalments by Party B, Party A shall deliver the State-owned construction land use right to Party B on 2 January 2008.

The Third Instalment: 40% of the aggregate land price amounting to RMB 148,819,776.00 shall be paid within 30 working days from the date of entering into the Confirmation Letter.

The Fourth Instalment: 10% of the balance amounting to RMB 37,204,944.00 shall be paid within three months from the date of entering into the Transaction Contract on the Transfer of State-owned Construction Land Use Right.

(2) Details on Pricing

The transaction price was determined by way of public auction at Chengdu Land Sales Market on 20 December 2007.

V. OTHER ARRANGEMENTS BY THE COMPANY IN RESPECT OF THE DISPOSAL OF ASSETS

In accordance with the requirements of the relevant policies of Chengdu Dongtiaoban and the overall plan of the Company, the relocation of Chengdu Kelon must be completed by the end of 2007, so that Chengdu Kelon is required to dispose of the relevant assets.

All the proceeds from the disposal of assets will mainly be used to supplement the funding requirement of its operations and for the construction of Kelon's home appliance production base in western China

VI. PURPOSE OF THE DISPOSAL OF ASSETS AND ITS EFFECT ON THE COMPANY

The disposal of assets is part of the overall plan in relation to the relocation, expansion and technical improvement of Kelon's home appliance production base in western China. The consideration for the transfer of land use right of the state-owned construction land was RMB372,049,440.00, which will result in an increase of approximately RMB230,000,000 in the net profit for the year after deducting the difference in the premium for the land use right transfer, the auction expense, the net book value of the land, other relevant tax expenses, and the losses arising from the disposal of the factories and ancillary facilities, production equipment, electronic appliances, office equipment and moulds.

VII. DOCUMENT AVAILABLE FOR INSPECTION

The Transaction Contract on the Transfer of State-owned Construction Land Use Rights Pai Zhuan (2007) Zi Di No.010)

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 from 28 April 2005 to 10 May 2005, and has remained suspended since 10:00 a.m. on 16 June 2005, initially following various press releases regarding the investigation by the China Securities and Regulatory Commission on Greencool Technology Holdings Limited in connection with the possible misappropriation of funds of the Company. Greencool Technology Holdings Limited was then an indirect shareholder of the Company controlled by Mr. Gu Chu Jun, who was the then executive director and chairman of the Company and the controlling shareholder of Guangdong Greencool Enterprise Development Company Limited, the then single largest shareholder of the Company.

The Company is currently reviewing the relevant documents in relation to the suspension of H Shares, the events leading to such suspension and the actions taken by the Company and will submit a resumption proposal to the Stock Exchange as soon as practicable.

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

As at the date of this announcement, the Company's directors are Mr. Tang Ye Guo, Mr Yang Yun Duo, Mr Wang Shi Lei, Ms. Yu Shu Min, Mr. Lin Lan and Ms. Liu Chun Xin; 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, 28 December 2007