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If you have sold or transferred all your shares in **HISENSE KELON ELECTRICAL HOLDINGS COMPANY LIMITED**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Hisense KELON Ronshen
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)

PROPOSED APPOINTMENT OF DIRECTORS
AND
FORMATION OF SYSTEM OF THE BOARD OF DIRECTORS
AND
FORMATION OF SYSTEM OF SUPERVISORY COMMITTEE
AND
FORMATION OF SYSTEM OF INDEPENDENT NON-EXECUTIVE DIRECTORS

A notice convening the extraordinary general meeting (the “EGM”) of Hisense Kelon Electrical Holdings Company Limited (the “Company”) to be held at the conference room of the Company’s head office, Shunde District, Foshan City, Guangdong Province, the People’s Republic (the “PRC”) on 16 April 2008 at 9:30 a.m. is set out on pages 24 to 26 of this circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and lodge the same with the Company’s Branch Share Registrar in Hong Kong, Hong Kong Registrars Limited of Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 24 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof if you so wish.

26 February 2008

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Company”	Hisense Kelon Electrical Holdings Company Limited, a company incorporated in the PRC with limited liability and the H shares of which are listed on the main board of the Stock Exchange and the A shares of which are listed on the Shenzhen Stock Exchange
“EGM”	the extraordinary general meeting of the Company to be held at the Company’s head office, Shunde District, Foshan City, Guangdong Province, the People’s Republic of China (the “PRC”) on 16 April 2008 at 9:30 a.m., notice of which is set out on pages 24 to 26 of this circular
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Tang Ye Guo
Ms. Yu Shu Min
Mr. Wang Shi Lei
Mr. Lin Lan
Ms. Liu Chun Xin

Registered office:

No. 8 Ronggang Road
Ronggui Street
Shunde District
Foshan City
Guangdong Province
China

Independent non-executive Directors:

Mr. Zhang Sheng Ping
Mr. Lu Qing
Mr. Cheung Yui Kai, Warren

Rooms 3104-06
Singa Commercial Centre
No. 148 Connaught Road West
Hong Kong

26 February 2008

To the Shareholders

Dear Sir or Madam,

**PROPOSED APPOINTMENT OF DIRECTORS
AND
FORMATION OF SYSTEM OF THE BOARD OF DIRECTORS
AND
FORMATION OF SYSTEM OF SUPERVISORY COMMITTEE
AND**

FORMATION OF SYSTEM OF INDEPENDENT NON-EXECUTIVE DIRECTORS

INTRODUCTION

The purpose of this circular is to provide you with information regarding the following:

- (1) The proposed appointment of the directors;
- (2) the formation of the “System of the Board of Directors”;

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- (3) the formation of the “System of Supervisory Committee”; and
- (4) the formation of the “System of the Independent Non-Executive Directors”.

PROPOSED APPOINTMENT OF DIRECTORS

The Board has considered and approved the proposed appointment of Mr. Zhang Ming as the director of the sixth Board, the details of which are set out in the announcement of the Company dated 26 February 2008 relating to the resolutions of the Board, the biography of Mr. Zhang is set out in note no. (1) of the Notice of the EGM in page 25 of this circular.

FORMATION OF THE SYSTEM OF THE BOARD

In order to improve the corporate governance and management of the Company, the Board approved “the System of the Board” in the Board meeting held on 30 October 2007, details of the system are as follows:

Chapter One General Rules

- Article 1 In order to clarify the responsibilities and rights of the board of directors (the “Board”), standardize the internal organizational and operational procedures, establish sound legal-person governance structure, and ensure the scientific and effective decision-making of the Board, the following rules were formulated based on such laws, rules and regulations as the Company Laws of the People’s Republic of China (hereinafter referred to as the “Company Law”), Guidelines for Articles of Association of Listed Companies issued by the China Securities Regulatory Commission (the “CSRC”) as well as the relevant requirements under the Articles of Association of the Company and the relevant laws and regulations of Hong Kong.
- Article 2 The Board shall, on the basis of fully understanding the situation, carry out its responsibilities in an honest and conscientious manner, so as to best safeguard the interest of the Company and its shareholders.

Chapter Two Nature and Composition of the Board

- Article 3 The Board is an executive branch of the Company. It shall exercise the duties and rights conferred by the relevant laws and regulations, the Articles of Association and the shareholders’ general meetings and be responsible to the shareholders’ general meetings.
- Article 4 The Board is composed of nine directors. The members of the Board shall be approved by the shareholders’ general meetings. At least one third of the members of the Board shall be independent non-executive directors.

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Chapter Three Rights and Statutory Duties of the Board

Article 5 The Board shall conscientiously perform the required duties under relevant laws, regulations and the Articles of Association, and ensure that the Company complies with the requirements of laws, regulations and the Articles of Association. It shall also treat all the shareholders equally and pay attention to the interests of the other stake-holders.

Article 6 The Board shall be responsible to the shareholders' general meetings and exercise the following functions and powers:

- (1) to be responsible for convening shareholders' general meetings and report on its work to the shareholders' general meetings;
- (2) to implement the resolutions passed at the shareholders' general meetings;
- (3) to determine the Company's business plans and investment plans;
- (4) to formulate the Company's annual budgets and final accounts;
- (5) to formulate the Company's profit distribution proposals and loss recovery proposals;
- (6) to formulate the proposals for increase or reduction of the Company's registered capital, and proposals for issue of the Company's bonds;
- (7) to formulate proposals for material acquisitions or disposals of the Company, and merger, division and dissolution of the Company;
- (8) with the authority granted by the shareholders' general meeting, to determine the Company's external investment, acquisition of sale assets, disposal of assets, external guarantees, entrusted asset management, and connected transactions;
- (9) to decide on the establishment of the Company's internal management bodies;
- (10) to appoint or dismiss the Company's general manager and secretary of the Board; to appoint or dismiss the Company's vice general manager and financial officers as nominated by the general manager and determine their remunerations and penalties;
- (11) to formulate the basic management system of the Company;
- (12) to formulate the proposals for any amendment to the Articles of Association;

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- (13) to manage disclosure of information of the Company;
- (14) to propose to the shareholders' general meetings to appoint or replace the accounting firm as the accountant of the Company;
- (15) to listen to the work report of the general manager of the Company and examine the related work;
- (16) to exercise other functions and powers as stipulated by laws and administrative regulations or conferred by the general meetings and the Articles of Association.

Except for the above resolutions (6), (7) and (12) which shall be approved by over two third of the members of the Board, the remaining resolutions as mentioned above may be approved by a simple majority of the members of the Board.

- Article 7 The Board shall be responsible for the explanation at the general meetings of the matters relating to the non-standard and unqualified opinions expressed by registered accountant with regard to the financial reports of the Company.

Chapter Four Directors

- Article 8 The directors shall be diligent and loyally carry out their duties, and shall not avoid fulfilling their duties and obligations under the pretext of being not informed, energy-less or knowledge-less.
- Article 9 Newly appointed directors shall, within one month after the approval of his/her appointment by the general meeting, sign the Directors' Declaration and Commitment, and report to the Board and stock exchange where the shares of the Company are listed.
- Article 10 The directors shall actively participate in relevant training sessions to better understand their rights, obligations and duties as directors, and familiarize themselves with relevant laws and regulations and master the necessary knowledge and skills.
- Article 11 No director shall act on behalf of the Company or the Board without the requirement of the Articles of Association or the lawful authorization of the Board. In the event that a director is acting on his/her behalf, which may be reasonably deemed to be acting on the behalf of the Company or the Board by a third party, such director shall state his/her stance and identity in advance.
- Article 12 The directors shall attend board meetings in a conscientious and responsible fashion, and express clear-cut opinions on the resolutions proposed at such meetings. In case a director is unable to attend the board meeting in person,

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he/she shall appoint by writing another director as proxy to vote on his/her behalf, and he/she shall accept legal responsibility independently.

The directors may tender their resignation before the expiry of their term of office. The directors shall submit a written resignation letter to the Board for their resignation.

Article 13 In the case of the insufficient quorum of the board meetings of the Company resulting from the resignation of a director, the resignation of such director shall become effective until the vacancy due to his/her resignation has been filled by another director. The remaining directors shall convene an extraordinary general meeting as soon as possible to fill the vacancy due to such resignation. The newly elected director shall hold office until the expiry of the term of the then existing board of directors. Prior to the voting of the election of directors at the general meeting, the responsibilities and rights of such resigning director and remaining directors shall be subject to reasonable restrictions.

Other than the situations as mentioned above, the resignation of a director shall take effect upon the receipt of the resignation letter by the Board.

In case of vacancy of director of the Company due to reasons other than the resignation of a director, the Board may appoint an individual to fill the casual vacancy, and such individual shall act as a director until the election of a new director by the general meeting. The requirement as set out in the aforementioned article shall be applicable on the term of office of the new director.

Article 14 In case of the unilateral termination of employment by a director whose term of office has not expired, such director shall be liable for the losses of the Company caused thereby.

Article 15 As approved by the general meetings, the Company may purchase liability insurance for its directors. However, such insurance is not applicable on liability caused by the breaching by the director of the requirements of laws, regulations and the Articles of Association.

Article 16 The directors shall comply with the requirements of laws, regulations and the Articles of Association, and carry out their duties loyally to safeguard the interest of the Company. In the event of clash between their personal interest and that of the Company and its shareholders, the directors shall act in the interest of the Company and its shareholders and promise that they shall:

- (1) exercise their rights within their stipulated powers;
- (2) not enter into any contract or transaction with the Company without the requirement of the Articles of Association or the knowingly authorization of the Board;

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- (3) not make use of inside information to seek benefits for themselves or the others;
- (4) not engage, whether individually or jointly, in any form of activity which is similar to the business of the Company or which may cause damage to the interest of the Company;
- (5) not accept bribery or other unlawful income or encroach on the assets of the Company by manipulating their positions;
- (6) not embezzle the funds of the Company or lend the funds of the Company to the others;
- (7) not manipulate their positions to seize or accept business opportunities for themselves or the others which would otherwise belong to the Company;
- (8) not accept commission income in relation to the transactions of the Company without the knowingly authorization of the general meetings;
- (9) not keep the assets of the Company under any account opened under their name or that of any other individual;
- (10) not utilize the assets of the Company to provide guarantee for debts of the shareholders of the Company or any other individual;
- (11) not leak out confidential information in relation to the Company obtained during their term of office without the knowingly authorization of the Board. However, they may disclose such information to the court or other governmental authorities in case of:
 - a. the requirement of the law;
 - b. the demand of public interest;
 - c. the demand of lawful interest of such director.

Article 17 The directors shall exercise the rights delegated by the Company in a cautious, conscientious and diligent manner to ensure that:

- (1) the business activities of the Company are in compliance with the laws, administrative regulations and various economic policies of the country, and its operations are not beyond the business scale as permitted under its business license;
- (2) all the directors are treated equally;

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- (3) they will carefully read the business and financial reports of the Company to timely understand the operational and managerial conditions of the Company;
- (4) they shall exercise the lawfully-authorized disposal right concerning the management of the Company and be free from the manipulation of the other individuals; they shall not transfer their disposal right to any other individual without the requirement of the laws, administrative regulations or the knowingly authorization of the Board;
- (5) they shall be subject to the lawful supervision and reasonable recommendations from the board of supervisors regarding their performance of duties and responsibilities.

Article 18 In respect of the voting of connected transactions by the Board, the Board shall be entitled to request any director who has any interest in such transactions and their connected persons to abstain from voting on the relevant resolutions.

Article 19 No director shall act on behalf of the Company or the Board without the requirement of the Articles of Association or the lawful authorization of the Board. In the event that a director is acting on his/her behalf, which may be reasonably deemed to be acting on the behalf of the Company or the Board by a third party, such director shall state his/her stance and identity in advance.

Article 20 Any director who has failed to attend the board meeting in person or by proxy twice consecutively shall be deemed to be in breach of performance of his/her duties. The Board shall recommend the removal of such director by the general meeting.

Article 21 The directors may tender their resignation before the expiry of their term of office. The resigning director shall submit his/her written resignation letter to the Board, and explain on whether there exists any matter in relation to his/her resignation that shall be brought to the attention of the shareholders or debtors of the Company.

Article 22 Upon the resignation or expiry of the term of any director, his/her obligation toward the Company and its shareholders may not be released prior to the effective date of his/her resignation letter or within a reasonable period after the effective date of his/her resignation letter, and within a reasonable period after the expiry of his/her term of office. His/her obligation regarding the protection of the confidential business information of the Company is still applicable until such information becomes public. The continuity of the other obligations shall be negotiated on an arms-length basis.

Article 23 The Company shall not pay taxes for its directors in any means.

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Chapter Five Chairman

Article 24 Chairman and Vice-chairman shall be assumed by directors of the Company, and shall be elected or dismissed by a simple majority of all members of the Board.

Article 25 The Chairman is entitled to exercise the following powers:

- (1) to preside over general meetings, to convene and preside over Board meetings;
- (2) to supervise and monitor the implementation of resolutions of the Board;
- (3) to sign shares, corporate debentures and other securities of the Company;
- (4) to sign important documents of the Board, important contracts of the Company and other documents that should be signed by the legal representative of the Company, or to issue commission letter to whom signs these documents on behalf of the Chairman;
- (5) to exercise the powers of the legal representative;
- (6) in case of emergency circumstances of force majeure events such as extraordinary natural disasters, to exercise special disposal powers which comply with legal provisions and are in the interests of the Company on matters of the Company and provide post-event reports to the Board and the general meeting;
- (7) to exercise any other powers conferred by the Board.

Article 26 In the event that the Chairman is unable to perform his powers, the Chairman may designate the Vice-chairman to exercise such powers on the Chairman's behalf.

Chapter Six Secretary of the Board

Article 27 The Company has two secretaries of the Board in charge of the PRC and Hong Kong affairs respectively. The secretaries to the Board are senior management officers of the Company and shall perform duties conferred by the Board.

Article 28 The related duties of the secretary of the Board shall be assumed by the Board. The main duties of the secretary in charge of the PRC affairs are:

- (1) to ensure that the Company has complete organizational documents and records;

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- (2) to ensure that the Company legally prepare and submit reports and documents as required by the regulatory authorities;
- (3) to ensure that the shareholders' register of the Company shall be properly established and to that ensure the persons with right of access to relevant records and documents of the Company can have the said records and documents in time;
- (4) to make preparations for general meetings and Board meetings following the statutory procedure, and to prepare and submit relevant documents and information of the meetings;
- (5) to be responsible for information disclosure of the Company, to ensure the accuracy, legitimacy, truthfulness and completeness of information disclosure of the Company on a timely basis.

The main duties of the secretary in charge of the Hong Kong affairs are after obtaining the related authorization from the Board:

- (1) to report and propose related materials and documents of the Company pursuant to relevant laws and regulations in Hong Kong, the listing Rules of the Stock Exchange of Hong Kong and requirements of Hong Kong Securities and Futures Commission;
- (2) to disclose information relating to the Company to the public;
- (3) to propose necessary documents of the Company to the Companies Registry in Hong Kong and so on.

Article 29 The secretary of the Board shall be a natural person with necessary expertise and experience. The secretary of the Board shall be nominated by the Chairman and appointed or dismissed by the Board.

The duties of the secretaries of the Board shall be shared by the two secretaries. Both of them or each one that has been authorized by the Board shall have the right to individually exercise all rights that should be exercised as the secretary of the Board.

Article 30 Directors or other senior management (other than the supervisor) may also act as the secretary of the Board. Accountants of public certified accountants appointed by the Company shall not concurrently act as the secretary of the Board.

Where a director concurrently acts as the secretary of the Board, and in the event an action should be done by the director and the secretary of the Board respectively, the person who is both a director and the secretary of the Board shall not act in dual capacity.

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Article 31 The qualifications and responsibilities of the secretary of the Board shall be in accordance with the requirements applicable to the secretary of the Board stated in the listing rules of stock exchange on which the shares of the Company are listed.

Article 32 The Company proactively establishes and improves the management system on investors' relations, actively enhances the communication and exchange with shareholders, especially public shareholders, via various means. The secretary of the Board of the Company shall be responsible for the management on investors' relations.

Chapter Seven Rules of Procedures of the Board

Article 33 Rules of procedures of the Board shall be exercised in accordance with related terms of the Articles of Association and rules of procedures of the Board of Hisense Kelon Electrical Holdings Company Limited.

Chapter Eight Daily Assessment of Directors and Secretaries of the Board

Article 34 The daily work of directors shall be assessed by the Board. The directors concurrently holding senior management positions of the Company shall be subject to the daily assessment for senior management.

Article 35 The directors shall attend the meetings of the board and express their opinions at the meetings. The secretary is responsible for the records on their attendance. Penalties by the Board may be applied to frequently absent directors if necessary till proposed removal.

Article 36 The performance of the directors for their duties shall be linked to their remuneration, which is considered as one of the bases for remuneration adjustments proposed to the general meetings.

Article 37 The independent non-executive directors shall perform their duties in compliance with the Work System of Independent Non-executive Directors.

Chapter Nine Supplementary Provisions

Article 38 These rules are the annex of the Articles of Association. Any matters not included in the system or inconsistent with the provisions of the Company Law, Listing Rules of Shenzhen Stock Exchange, the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited and the provisions of the Articles of Association shall prevail the above laws and regulations and the provisions of the Articles of Association.

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- Article 39 The right of interpretation of these measures belongs to the Board of the Company.
- Article 40 The system shall be effective on the day on which the same is approved by the shareholders' general meeting.

FORMATION OF THE SYSTEM OF THE SUPERVISORY COMMITTEE

In order to improve the corporate governance and management of the Company, the Board approved "the System of the Supervisory Committee" in the Board meeting held on 30 October 2007, details of the system are as follows:

Chapter 1 General Principles

- Article 1 These rules are formulated in accordance with the Company Law, the Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other relevant laws and regulations to regulate the operation procedures and conduct of the supervisory committee, enhance effectiveness of monitoring duties, and ensure that the supervisory committee exercises its monitoring rights independently and effectively pursuant to legal requirements.
- Article 2 The supervisory committee of the Company, an internal supervisory institution set up in accordance with the Company Law and reporting to the shareholders' general meeting and the State's competent authorities, monitors, inspects and reports corporate operational activities.
- Article 3 The supervisory committee shall exercise corporate monitoring right to protect the legitimate interests of shareholders and employees against violation.

Chapter 2 Supervisors

- Article 4 Basic qualifications of supervisors:
- (1) to safeguard the interests of shareholders;
 - (2) to adhere to principles and to be fair and honest;
 - (3) to have the horizons and experience commensurate with the position of supervisor;
- Article 5 The supervisory committee shall comprise two representatives of shareholders, to be elected and removed by the shareholders' general meetings, and one representative of the employees of the Company, to be democratically elected and removed by the employees of the Company.

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- Article 6 Any person being in the circumstances specified in the Company Law and being prohibited from serving as a market participant by the CSRC and such prohibition has not been lifted shall not serve as supervisor of the Company. A director or senior management staff cannot concurrently serve as supervisor of the Company.
- Article 7 The term of office of supervisors shall be three years, renewable on re-election. The shareholders' general meeting or the assigning unit shall not remove a supervisor from office with a reason before the expiry of his term of office.
- Article 8 A supervisor who fails to attend the supervisory committee meetings nor authorize other supervisors to attend the meetings on his behalf for three consecutive times shall be deemed as not performing duties, and the supervisory committee shall propose to the shareholders' general meeting for removing such supervisor.
- Article 9 If the number of supervisors fall below the minimum number required by laws as a result of expiry of the term of a supervisor and the election has not yet held or the resignation of a supervisor within his term, the existing supervisors shall fulfill their duties in accordance with the requirements under laws, administrative regulations and the Articles of Associations before appointment of a supervisor after election.
- Article 10 A supervisor may resign by submitting a written resignation before the expiry of his term. The resignation provisions for directors also apply to supervisors.
- Article 11 A supervisor shall perform fiduciary and diligent duties to the Company in compliance with the requirements under laws, administrative regulations and the Articles of Association.
- Article 12 A newly elected supervisor shall sign and submit the Statement and Undertakings of Supervisor within one month after his appointment is approved by the shareholders' general meeting or employee representative meeting to the supervisor committee and the stock exchanges on which the shares of the Company are listed.

Chapter 3 Nature and Composition of the Supervisory Committee

- Article 13 The supervisory committee is the supervisory organ set up pursuant to law by the Company to conduct supervision on the board, management staff of company operations, and shall be accountable and report to the shareholders' general meeting.
- Article 14 The supervisory committee shall comprise three supervisors, one of whom shall be the chairman of the committee.

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Chapter 4 Duties and Obligations of the Supervisory Committee

Article 15 The supervisory committee shall be accountable to the shareholders' general meeting to perform the following duties pursuant to law:

- (1) to review the regular reports prepared by the board and submit written review opinion;
- (2) to examine the financial affairs of the Company;
- (3) to examine whether the actions of the Company's directors and senior management staff in performing duties are in violation with the provisions of laws, administrative regulations or the Articles of Associations;
- (4) to demand rectification from a director or senior manager staff when the acts of such persons are harmful to the Company's interests;
- (5) to propose the convening of a shareholders' extraordinary general meeting;
- (6) to investigate any abnormal operations of the Company, and to appoint professional organizations such as accounting firm and law firm to assist the investigation if necessary with the costs paid by the Company;
- (7) Other duties specified in the Articles of Association.

Supervisors have the right to attend board meetings.

Article 16 The supervisory committee can exercise monitoring rights on significant operational activities of the Company.

Article 17 The supervisory committee can propose resolution to the shareholders' general meeting to remove a director or to dismiss a manager due to his unlawful acts and material dereliction of duty.

Before proposing the aforesaid resolution, the supervisory committee shall obtain unanimous agreement from all supervisors.

Article 18 The departments of the Company shall give assistance to, and shall not reject, refuse or obstruct a supervisor in discharge of duties.

Article 19 A supervisor shall perform the following obligations:

- (1) to abide by the laws and administrative regulations of the State and the Articles of Association;

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- (2) shall not abuse his position and power in the Company for his personal interests, and shall not exploit his power to receive bribe or other unlawful income, and shall not be engaged in activities competing with the Company or harming the interests of the Company. He shall not concurrently serve as director or manager in other similar businesses.

Chapter 5 Chairman of the Supervisory Committee

Article 20 The supervisory committee shall have one chairman. Election and removal of the chairman of the supervisory committee shall be passed by the voting of two-thirds or more of the members of the supervisory committee. If the chairman is unable to perform his duties or fail to perform his duties, a supervisor can be elected by approval of more than half of the supervisors to convene and preside the supervisory committee meetings.

Article 21 The chairman shall undertake the following obligations:

- (1) convene and preside supervisory committee meetings;
- (2) examine the implementation of resolutions passed by the supervisory committee;
- (3) submit report to the shareholders' general meeting on behalf of the supervisory committee.

Chapter 6 Order of Proceedings at Supervisory Committee Meetings

Article 22 The procedures in supervisory committee meetings shall be implemented based on the relevant provisions set out in the Articles of Association and the rules of procedures of Hisense Kelon Electrical Holdings Co. Ltd.

Chapter 7 Assessment of Usual Duties Performed by Supervisors

Article 23 The usual duties performed by supervisors shall be assessed by the supervisory committee.

Article 24 Supervisors shall attend supervisory committee meetings and express opinions. The chairman of the supervisory committee shall count and examine the attendance of supervisors for the supervisory committee meetings, and shall penalize any supervisors who have not attended meetings frequently and even propose removal of such supervisors.

Article 25 The remuneration of supervisors shall be linked to their duty performance, which will provide a basis for remuneration adjustment proposed to the shareholders' general meeting.

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Chapter 8 Supplementary Articles

- Article 26 Any provision not stipulated in these rules or in case of any discrepancy with the laws and regulations such as Company Law, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, such laws and regulations and the provisions under the Articles of Association shall prevail.
- Article 27 The power of interpretation of these rules shall be vested in to the Supervisory Committee of the Company.
- Article 28 These rules shall be effective upon the date of resolution passed in the shareholders' general meeting.

FORMATION OF THE SYSTEM OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

In order to improve the corporate governance and management of the Company, the Board approved “the System of the Independent Non-Executive Directors” in the Board meeting held on 30 October 2007, details of the system are as follows:

Chapter 1 General Principles

- Article 1 The Working Rules for Independent Non-executive Directors are formulated by Hisense Kelon Electrical Holdings Co. Ltd. (the “Company”) in accordance with the laws and regulations, the relevant provisions of China Securities Regulatory Commission (“CSRC”), the Articles of Association, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the actual circumstances of the Company in order to further improve the corporate governance structure of the Company, to promote standardize operation of the Company and to safeguard interests of the Company and the shareholders.
- Article 2 An independent non-executive director shall not hold any positions in the Company other than the position of director, and shall not have any relationship with the Company and its major shareholders which may impede them from making independent and objective judgment.
- Article 3 An independent non-executive director owes fiduciary and diligence duties to the Company and all shareholders, and shall safeguard the overall interests of the Company, particularly legitimate interests of middle or minority shareholders against infringement.

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Article 4 An independent non-executive director shall carry out his duties independently, without being subject to the influence from any major shareholders and beneficial controlling parties of the Company, or other units or individuals who have common interests with the Listed Company.

Article 5 An independent non-executive director shall in principle be allowed to serve concurrently as independent non-executive director for a maximum of five listed companies, and shall ensure that he has sufficient time and energy to effectively carry out his duties as an independent non-executive director.

Chapter 2 Qualifications

Article 6 An independent non-executive director shall meet the following basic qualifications

- (1) to have the qualifications to hold office as a director of a listed company according to laws, regulations and other relevant provisions;
- (2) to have independence required by laws, regulations and other relevant provisions;
- (3) to have basic knowledge of the Company's operation, to be familiar with the relevant laws, administrative regulations, rules and regulations;
- (4) to have basic knowledge in laws, economics, finance, securities and accounting, and certain professional qualification and more than five years of work experience in at least one of these fields;
- (5) to have other conditions required by the laws, regulations, the relevant provisions and Articles of Association of the Company.

Article 7 An independent non-executive director shall be independent. None of the following persons may serve as an independent non-executive director:

- (1) persons working in the Company or its subsidiary and their immediate family members and near relatives (immediate family members refer to spouse, parents, children, etc.; near relatives refer to siblings, in-laws, siblings' spouses, spouse's siblings, etc.);
- (2) persons who directly or indirectly hold 1% or above of the issued share capital of the Company or who are natural person shareholders amongst the top ten shareholders of the Company or their immediate family members;
- (3) persons working in a shareholder's entity which holds 5% or above of the issued share capital of the Company or in the entities of the top five shareholders of the Company or their immediate family members;

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- (4) persons falling under the conditions mentioned in the three preceding paragraphs during the recent year;
- (5) persons who already serve as independent non-executive director of five or more than five listed companies;
- (6) persons who provide financial, legal and consultancy services to the Company or its subsidiaries;
- (7) other persons as set out in the laws, regulations, rules and the Articles of Association of the Company;
- (8) Other persons confirmed by CSRC.

Chapter 3 Nomination, Election and Replacement

- Article 8 The board of directors of the Company, the supervisory committee or shareholders jointly or severally holding 1% or above of the issued share capital of the Company may nominate candidate for the office of an independent non-executive director. Election shall be made in a shareholders' general meeting.
- Article 9 The nominator of an independent non-executive director shall obtain consent from nominee before nomination. The nominator shall have a thorough understanding of the profess, academic qualifications, title, career history and all part-time positions of the nominees, and shall express opinions regarding the qualifications and independence of such nominees as a an independent non-executive director. Nominees shall declare to the public that they do not have any relationship which will impede them from making independent and objective judgment on the Company. Before convening the shareholders' general meeting for the election of an independent non-executive director, the board of directors of the Company shall announce the above contents according to regulations.
- Article 10 Before holding the shareholders' general meeting for the election of an independent non-executive director, the Company shall submit information related to nominees to regulatory authority. The regulatory authority shall review the qualifications of appointment and independence of the independent non-executive director candidate. Nominees against whom the regulatory authority lodges an objection may become candidates for the office of directors of the Company but may not become candidates for the office of independent non-executive director of the Company.
- Article 11 During the shareholders' general meeting for the election of an independent non-executive director, the board shall state whether objection has been raised by the regulatory authority against the candidate.

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- Article 12 The term of office of an independent non-executive director shall be the same as the term of office of other directors of the Company, renewable on re-election at the expiry of the term, provided that the renewed term shall not be more than six years.
- Article 13 If an independent non-executive director fails to attend in person three board meetings consecutively, the board shall propose to the shareholders' general meeting for his dismissal. Except for the circumstance stipulated in the Company Law which against appointment as director, an independent non-executive director shall not be removed from office before expiry of his term without proper reason. Any dismissal prior to expiry of the term shall be disclosed by the Company as special disclosure item. If an independent non-executive director who has been so dismissed considers the reason of dismissal as improper, he may make a public statement.
- Article 14 An independent non-executive director may resign before expiry of his term. An independent non-executive director shall submit a written resignation report to the board stating any circumstances relating to his resignation or circumstances he considers as necessary to bring to the attention of the shareholders and creditors of the Company. If the number of independent non-executive directors of the Company falls short of the minimum requirement because of resignation of such independent non-executive director, his resignation shall become effective only after the vacancy is filled by the succeeding independent non-executive director.

Chapter 4 Duties and Powers

- Article 15 An independent non-executive director shall have the following special duties and powers in addition to the duties and powers conferred by the Company Law and other relevant laws and regulations:
- (1) Material connected transactions shall be approved by the independent non-executive directors before submitting to the board for discussions; before making decisions, the independent non-executive directors may engage intermediary institutions to provide independent financial advisory report as a basis for the decisions;
 - (2) to propose to the board regarding engagement or dismissal of an accounting firm;
 - (3) to propose the convening of extraordinary general meeting the board;
 - (4) to propose the convening of board meeting;
 - (5) to engage independent external audit firm and consultancy firm;

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- (6) may publicly collect voting rights from shareholders before the convening of a shareholders' general meeting.

An independent non-executive director shall obtain consent from more than half of all independent non-executive directors before exercising the above-mentioned duties and powers. If the above-mentioned proposals have not been adopted or the above-mentioned duties and powers cannot be exercised properly, the Company shall disclose the relevant circumstances. An independent non-executive director shall also perform duties as a member of the committees under the board, such as the remuneration committee, audit committee and nomination committee.

Article 16 Apart from the above-mentioned duties and powers, an independent non-executive director shall also form an independent opinion to the board or shareholders' general meeting in respect of the following matters:

- (1) nomination, appointment and dismissal of a director;
- (2) engagement or dismissal of any senior management staff;
- (3) remuneration of directors and senior management staff of the Company;
- (4) matters considered by independent non-executive directors as potentially detrimental to the interests of middle or minority shareholders;
- (5) other matters required by the Articles of Association.

Article 17 An independent non-executive director shall express one of the following opinions in respect of the matters set out in Article 16: agree, have reservations with reasons stated, disagree with reasons stated and cannot express any opinions, with the impediments stated. If the relevant matters are matters which shall be disclosed, the Company shall make an announcement of the opinions of the independent non-executive directors. If the independent non-executive directors hold different opinions and cannot reach a consensus, the board shall disclose the different opinions of the independent non-executive directors respectively.

Article 18 The Company shall provide the necessary conditions for the independent non-executive directors to exercise their duties and powers.

- (1) The independent non-executive directors shall have the same right of knowledge as other directors. For all matters which the board has made decision on, the Company shall within the legal time limit notify the independent non-executive directors in advance and provide sufficient information in this regard. If the independent non-executive directors

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consider the information to be insufficient, they may request for supplementary information. When two or more independent non-executive directors consider the information as insufficient or the grounds of arguments as unclear, they may jointly propose to the board in writing to postpone a board meeting or defer the consideration of such matters. The board shall accede to such proposal. Information provided by the Company to the independent non-executive directors shall be kept by the Company and the independent non-executive directors for at least five years.

- (2) The Company shall provide necessary working conditions and assistance for the independent non-executive directors to perform their duties. If the independent opinions, proposals and written statements of the independent non-executive directors shall be announced, the Company shall timely arrange the announcement.
- (3) When the independent non-executive directors perform their duties and powers, the relevant personnel of the Company shall actively cooperate with them. They shall not refuse, obstruct, withhold information or interfere with the independent performance of duties and powers by the independent non-executive directors.
- (4) The cost of engagement of intermediary institution and other costs related to the performance of duties and power by the independent non-executive directors shall be borne by the Company.
- (5) The Company shall pay appropriate allowance to the independent non-executive directors. The standard of allowance shall be formulated in a budget by the board, to be considered and approved by the shareholders' general meeting and disclosed in the annual report of the Company.
- (6) Apart from the above-mentioned allowance, the independent non-executive directors shall not obtain other additional and non-disclosed benefits from the Company, its major shareholders or its interested entities and persons.
- (7) The Company may purchase liability insurance policy for the independent non-executive directors so as to reduce the risks which may be incurred by the independent non-executive directors in the normal performance of duties and powers.

Chapter 5 Award and Penalty

- Article 19 In case of any violation of the listing rules of Mainland China and Hong Kong due to non-performance of duties of an independent non-executive director of the Company, part or all of the remuneration for the year shall be withheld based on the circumstances and the independent non-executive director shall be removed.

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- Article 20 If the independent non-executive directors have not performed its duties as a member of the professional committee under the board, part of the remuneration for the year shall be withheld based on the circumstances until his duty as a member of professional committee is removed.
- Article 21 If an independent non-executive director perform his duties in responsible and diligent manner, fulfilling integrity obligation and safeguarding overall interests of the Company, the board of the Company shall propose to the shareholders' general meeting to raise his remuneration level.

Chapter 6 Supplementary Articles

- Article 22 Any matters not covered by these rules shall be handled in accordance with the relevant laws, regulations, provisions and the Articles of Association.
- Article 23 The power of interpretation of these rules shall be vested in to board of the Company.
- Article 24 These rules shall be effective upon the date of resolution passed in the shareholders' general meeting.

EXTRAORDINARY GENERAL MEETING

A notice of the EGM is set out on pages 24 to 26 of this circular. A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be lodged with in accordance with the instructions printed thereon and lodge the same with the Company's Branch Share Registrar in Hong Kong, Hong Kong Registrars Limited of Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof if they so wish.

LETTER FROM THE BOARD

PROCEDURE TO DEMAND A POLL

In accordance with article 8.28 of the articles of association of the Company, a poll may be demanded in any general meeting of the Company by:

- (A) the chairman of the meeting; or
- (B) at least two Shareholders with voting rights or their representative; or
- (C) individual or a group of Shareholders (including their representatives) holding 10% or more of the voting rights present in that general meeting.

Yours faithfully,

By Order of the Board of

Hisense Kelon Electrical Holdings Company Limited

Tang Ye Guo

Chairman

NOTICE OF THE EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the second 2008 extraordinary general meeting (the “EGM”) of Hisense Kelon Electrical Holdings Company Limited (the “Company”) will be held at the conference room on the Company’s head office, Shunde District, Foshan City, Guangdong Province, the People’s Republic of China (the “PRC”) on 16 April 2008 at 9:30 a.m. to review and, if thought fit, pass the following as an ordinary resolutions:

ORDINARY RESOLUTIONS

- (1) To consider and approve the proposal of Mr. Zhang Ming (Note 1) as a director of the sixth board of directors (the “Board”) of the Company;
- (2) To consider and approve the system of the board of directors;
- (3) To consider and approve the system of independent non-executive directors; and
- (4) To consider and approve the system of supervise committee.

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.

NOTICE OF THE EGM

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 has submitted a resumption proposal to the Stock Exchange for review.

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

Foshan City, guangdong, the PRC, 26 February 2008

As at the date of this circular, the Company's directors are Mr. Tang Ye Guo, 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.

Notes:

(1) Biography of Mr. Zhang Ming

Zhang Ming, aged 37, college degree, graduated from the TianJin Institution of Commerce in 1995. He has successively served in the development and planning department of Hisense Electrical from July 1995 to August 1998. He has been appointed as the vice minister in the capital operation department of Hisense Group Company Limited from August 1998 to February 2000; and the deputy director of the strategic research center of Hisense Group Company Limited from February 2000 to February 2002; the director of the strategy development department of Hisense Group Company Limited from February 2002 to February 2004. Mr. Zhang has been appointed as the chief supervisor at the capital operation department of Hisense Group Company Limited from February 2004 to June 2006. Mr. Zhang has been appointed as a director of Hisense Kelon Electrical Holdings Company from 26 June 2006 to 13 November 2006; Mr. Zhang has been appointed as a director of Hua Yi Compressor Holding Company since 28 June 2006; Mr. Zhang was also appointed as a vice president of Hisense Kelon Electrical Holdings Company Limited since June 2006, and a director of Qingdao Hisense Air-Conditioning Company Limited since August 2007.

Save as disclosed above, Mr. Zhang has not held any directorship in any public listed companies in the past three years. As at the date of this circular, Mr. Zhang does not hold any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, Mr. Zhang does not have any other relationship with the substantial or controlling shareholders of the Company or its subsidiaries.

Mr. Zhang is to stand for election as a director of the Company for a term commencing from the date of his proposed appointment at the general meeting and terminating on the expiration of the sixth Board of the Company. If elected, Mr. Zhang will not be entitled to any remuneration or emoluments as the director of the Company.

Save as disclosed above, there is no other matter or information that needs to be disclosed to or brought to the attention of the shareholders of the Company in relation to Mr. Zhang's proposed appointment pursuant to any of the requirements of 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- (2) H shares shareholders intending to attend the EGM shall give written reply slip, as attached, to the Company, which shall be lodged at the registered office of the Company on or before 27 March 2008. To qualify for attendance at the EGM, all H shares shareholders transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Hong Kong Registrars Limited of Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on 17 March 2008 for registration.

NOTICE OF THE EGM

- (3) Shareholders entitled to attend and vote at the EGM are entitled to appoint one or more persons (whether or not a shareholder of the Company) as their proxy to attend and vote on behalf of themselves.
- (4) Notice of the holders of domestic shares and H shares of the Company whose names appear on the register of members of the Company as at or before the close of business of Monday, 17 March 2008 (including holders of H Shares of the Company who have submitted verification transfer forms on or before 17 March 2008) will be entitled to attend the EGM. The register of members of the Company will be closed from 18 March 2008 (Tuesday) to 16 April 2008 (Wednesday) (both days inclusive).
- (5) In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the registered office of the Company not later than 24 hours before the time for holding the EGM.
- (6) The registered address of the Company is:

No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province.

Postal code: 528303

Tel: (86) 757 2836 2570

Fax: (85) 757 2836 1055

Contact person: Ms. Li Lin, Mr. Mei Shi Liang, Mr. zhou Liang