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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: 00921)

ANNOUNCEMENT

REVISED ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement and circular of the Company dated 7 January 2008 and 28 January 2008, respectively, relating to, among others, the continuing connected transactions under the Business Co-operation Framework Agreement dated 7 January 2008 entered into between the Company and Hisense Group and certain of its Subsidiaries.

In view of the increase of business co-operation between the Company and some of the Subsidiaries of Hisense Group, the Board announces that on 23 June 2008, the Company entered into the Supplemental Business Co-operation Framework Agreement with certain Subsidiaries of Hisense Group to revise the annual caps for the year ending 31 December 2008 for some of the transactions under the Business Co-operation Framework Agreement.

Hisense Air-conditioning is a substantial shareholder of the Company, holding 23.63% of the issued share capital of the Company. Each of the Subsidiaries of Hisense Group, being the indirect holding company of Hisense Air-conditioning, is an Associate of Hisense Air-Conditioning, and therefore connected person of the Company. As such, the transactions contemplated under the Supplemental Business Co-operation Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules and should be aggregated for the purpose of Rules 14A.25 to 14A.27 of the Listing Rules. Given that the applicable percentage ratios (other than the profit ratio) for the aggregated amount of the revised annual caps under the Supplemental Business Co-operation Framework Agreement is more than 2.5%, the continuing connected transactions with such revision of annual caps under the Supplemental Business Co-operation Framework Agreement are subject to reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

A circular containing details of the revision of annual caps under the Supplemental Business Co-operation Framework Agreement, a letter from the independent board committee of the Company and a letter from an independent financial adviser both advising in respect of the revised annual caps will be despatched to the Shareholders within 21 days after the publication of this announcement under Rule 14A.49 of the Listing Rules.

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 has reviewed the relevant documents in relation to the suspension of trading of the 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. The Company received a letter from the Stock Exchange dated 5 June 2008 agreeing that trading in the H shares of the Company be allowed to resume subject to the fulfilment of the conditions as set out in its letter to the satisfaction of the Stock Exchange prior to the resumption of trading in the H shares of the Company. Please refer to the announcement of the Company dated 6 June 2008 for details of such conditions.

BACKGROUND

Reference is made to the announcement and circular of the Company dated 7 January 2008 and 28 January 2008, respectively, relating to, among others, the continuing connected transactions under the Business Co-operation Framework Agreement dated 7 January 2008 entered into between the Company and Hisense Group and certain of its Subsidiaries.

In view of the increase of business co-operation between the Company and some of the Subsidiaries of Hisense Group, the Board announces that on 23 June 2008, the Company entered into the Supplemental Business Co-operation Framework Agreement with certain Subsidiaries of Hisense Group to revise the annual caps for the year ending 31 December 2008 for some of the transactions under the Business Co-operation Framework Agreement.

SUPPLEMENTAL BUSINESS CO-OPERATION FRAMEWORK AGREEMENT

Date

23 June 2008

Parties

- (i) The Company; and
- (ii) Certain Subsidiaries of Hisense Group.

Revision of annual caps

Under the Supplemental Business Co-operation Framework Agreement, the annual caps relating to the sale and supply of refrigerators, raw materials and components, purchase of refrigerators, air-conditioners and the provision of certain services under the Business Co-operation Framework Agreement shall be revised as follows:

No.	Transactions	Original annual caps for the year ending 31 December 2008 (RMB)	Transaction amounts for the five months ended 31 May 2008 (RMB)	Revised annual caps for the year ending 31 December 2008 (RMB)
1.	Sale and supply of refrigerators by the relevant Subsidiaries of the Company to the relevant Subsidiaries of Hisense Group	100,000,000	35,700,000	250,000,000
2.	Sale and supply of raw materials and components by the relevant Subsidiaries of the Company to the relevant Subsidiaries of Hisense Group	92,100,000	32,200,000	125,300,000
3.	Purchase of refrigerators by the relevant Subsidiaries of the Company from the relevant Subsidiaries of Hisense Group	210,000,000	125,100,000	365,000,000
4.	Purchase of air-conditioners by the relevant Subsidiaries of the Company from the relevant Subsidiaries of Hisense Group	620,000,000	500,100,000	960,000,000

The above revised annual caps were determined with reference to (i) the rapid growth of domestic demand for home appliances, such as refrigerators and air-conditioners; (ii) the sales of electrical appliances of the Company boosted by the aforesaid factor in (i); (iii) the acceleration of product turnover and the enlargement of market share through OEM; and (iv) the original annual caps estimated at the beginning of the year not able to meet the current requirement of the business development of the Company.

The Company confirms that the transaction amounts under the Business Co-operation Framework Agreement for the period from 1 January 2008 to the date of the announcement have not exceeded the original annual caps.

Save and except the revision of the annual caps as set out above, all other terms and conditions under the Business Co-operation Framework Agreement shall remain unchanged.

Condition

The Supplemental Business Co-operation Framework Agreement is subject to the approval of the independent shareholders at the EGM.

REASONS FOR THE REVISION OF THE ANNUAL CAPS

As a result of the continuous increase in the purchasing power of the residents in the PRC, their demand for home appliances such as refrigerators and air-conditioners, in particular those in towns and villages, also increases substantially. Meanwhile, the effect of global warming has also increased the consumption of refrigerating products. In view of the increase in demand for the products, the Company expects its sales of products and the relevant after-sale services to exceed its original expectation in the beginning of 2008 when the Business Co-operation Framework Agreement was entered into.

As the sales of White Goods are easily influenced by the change of climate, the peak seasons for White Goods are usually very short. All White Goods manufacturers are striving to seize the opportunities for sales within this short period of time, and delivery over a long distance will not help a company to speed up its response to market demand during these peak seasons. The parties to the Business Co-operation Framework Agreement are complementary to each other with respect to their respective geographic locations and distributions, and the co-operation arrangement can shorten the distance required to delivery the products to the customers and speed up their responses to market demand. The co-operation arrangement under the Business Co-operation Agreement are also beneficial to the Company and its Subsidiaries in sharing the fixed costs generated from their production of refrigerators and air-conditioners (Please refer to the announcement and circular of the Company dated 7 January 2008 and 28 January 2008 for details).

In light of the foregoing, it is expected that there will be an increase in the transaction amounts contemplated under the Business Co-operation Agreement during the peak seasons in the second half of 2008 and it is anticipated that the original annual caps under the Business Co-operation Agreement (which anticipated completion of the proposed acquisition referred to in the Company's announcement and circular dated 28 December and 31 December 2007, respectively) will not be sufficient to cover the anticipated increase in the transaction amounts under the Business Co-operation Agreement.

Moreover, while the above annual caps relate to the broad category of sale and supply of refrigerators, raw materials and components, purchase of refrigerators, air-conditioners and the provision of certain services under the Business Co-operation Framework Agreement, the annual caps that the Company obtained pursuant to the relevant rules and regulations of the Shenzhen Stock Exchange relate to each category of transactions with each relevant Subsidiary of Hisense Group. As the actual transaction amounts for the five months ended 31 May 2008 are approaching certain original annual caps obtained under the relevant rules and regulations of Shenzhen Stock Exchange, the revision of annual caps thereof would require a corresponding revision of the annual caps for the broader categories referred to in this announcement.

For the reasons stated above, the Company proposes to revise the original annual caps for certain transactions under the Business Co-operation Agreement. In view of the above, the Board (excluding the independent non-executive directors whose views will be contained in the relevant circular) considers that the revised annual caps under the Supplemental Business Co-operation Agreement are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

INFORMATION RELATING TO THE COMPANY

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

INFORMATION ON HISENSE GROUP

Hisense Group Limited was incorporated in the PRC in 1979 with limited liability. It has a registered capital of RMB806,170,000. Its authorised representative is Zhou Hou Jian. Its registered address is 17 Donghai W Rd., Qingdao City. It is principally engaged in trust operation of state-owned assets; and the manufacturing and sale of TV set, DVD/VCD player, hi-fi set, broadcasting and television equipment, air-conditioner, electronic computer, telephone set, communications product, network product and electronic products; the development of software; sale and after-sale services, technological development and consultancy, self-managed import & export trade with the items verified by the Ministry of Foreign Trade and Economic Cooperation (“MOFTEC”), Sino-foreign economic and technical co-operation with the items verified by MOFTEC.

LISTING RULES IMPLICATIONS

Hisense Air-conditioning is a substantial shareholder of the Company, holding 23.63% of the issued share capital of the Company. Each of the Subsidiaries of Hisense Group, being the indirect holding company of Hisense Air-conditioning, is an Associate of Hisense Air-Conditioning, and therefore connected person of the Company. As such, the transactions contemplated under the Supplemental Business Co-operation Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules and should be aggregated for the purpose of Rules 14A.25 to 14A.27 of the Listing Rules. Given that the applicable percentage ratios (other than the profit ratio) for the aggregated amount of the revised annual caps under the Supplemental Business Co-operation Framework Agreement is more than 2.5%, the continuing connected transactions with such revision of annual caps under the Supplemental Business Co-operation Framework Agreement are subject to reporting, announcement and independent shareholders’ approval requirements under Rule 14A.35 of the Listing Rules.

A circular containing details of the revision of annual caps under the Supplemental Business Co-operation Framework Agreement, a letter from the independent board committee of the Company and a letter from an independent financial adviser both advising in respect of the revised annual caps will be despatched to the Shareholders within 21 days after the publication of this announcement under Rule 14A.49 of the Listing Rules.

Since Hisense Air-Conditioning is a Shareholder of the Company, it and its Associates will be abstained from voting in relation to the approval of the Supplemental Business Co-operation Framework Agreement.

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 has reviewed the relevant documents in relation to the suspension of trading of the 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. The Company received a letter from the Stock Exchange dated 5 June 2008 agreeing that trading in the H shares of the Company be allowed to resume subject to the fulfilment of the conditions as set out in its letter to the satisfaction of the Stock Exchange prior to the resumption of trading in the H shares of the Company. Please refer to the announcement of the Company dated 6 June 2008 for details of such conditions.

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
“Associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Co-operation Framework Agreement”	the agreement entered into between the Company and Hisense Group and certain of its Subsidiaries dated 7 January 2008 in connection with the sale and purchase of refrigerators, air-conditioners, raw materials, moulds and the provision of after-sale maintenance, repair and consultation services, electronic communication services and property management services.
“Company”	Hisense 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
“EGM”	the extraordinary general meeting of the Company to be held for the approval of the Supplemental Business Co-operation Framework Agreement
“Guangdong Greencool”	Guangdong Greencool Enterprise Development Company Limited
“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange

“Hisense Air-conditioning”	Qingdao Hisense Air-Conditioning Co., Ltd (青島海信空調有限公司), a subsidiary of Hisense Group
“Hisense Group”	Hisense Group Company (海信集團有限公司), a limited company incorporated in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“OEM”	original equipment manufacturing, a type of manufacturing under which products are manufactured, in whole or in part, in accordance with specifications of the customer and are marketed and sold under the brand name of customer
“PRC”	the People’s Republic of China
“RMB”	Renminbi yuan, the lawful currency of the PRC
“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)
“Supplemental Business Co-operation Framework Agreement”	the agreement entered into between the Company and certain Subsidiaries of Hisense Group dated 23 June 2008, which supplements the Business Co-operation Framework Agreement
“White Goods”	the general term by which white-coloured household electrical appliances are commonly known which include , but not limited to, air-conditioners and refrigerators
“%”	per cent.

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. Wang Shi Lei, Ms. Yu Shu Min, Mr. Lin Lan Ms. Liu Chun Xin and Mr. Zhang Ming; 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, 23 June 2008