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 12 February 2009 and 4 March 2009, respectively, relating to, among other things, the continuing connected transactions under the Business Co-operation Framework Agreement dated 12 February 2009 entered into between the Company and certain Subsidiaries of Hisense Group.

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 19 May 2009, 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 2009 for some of the transactions under the Business Co-operation Framework Agreement.

Hisense Air-conditioning is a substantial shareholder of the Company, holding 25.22% of the issued shares of the Company. Each of Hisense Group, being the indirect holding company of Hisense Air-conditioning, and its Subsidiaries are Associates of Hisense Air-Conditioning and therefore connected persons 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 for the transactions contemplated under the Business Co-operation Framework Agreement as supplemented by the Supplemental Business Co-operation Framework Agreement is more than 2.5%, the continuing connected transactions contemplated 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.

BACKGROUND

Reference is made to the announcement and circular of the Company dated 12 February 2009 and 4 March 2009, respectively, relating to, among other things, the continuing connected transactions under the Business Co-operation Framework Agreement dated 12 February 2009 entered into between the Company and certain Subsidiaries of Hisense Group.

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 19 May 2009, 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 2009 for some of the transactions under the Business Co-operation Framework Agreement.

SUPPLEMENTAL BUSINESS CO-OPERATION FRAMEWORK AGREEMENT

Date

19 May 2009

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, air-conditioners, raw materials and components, purchase of refrigerators 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 2009 (RMB)	Revised annual caps for the year ending 31 December 2009 (RMB)
1.	Sale and supply of air-conditioners by the relevant Subsidiaries of the Company to the relevant Subsidiaries of Hisense Group	80,000,000 (inclusive of value-added tax)	100,000,000 (inclusive of value-added tax)
2.	Sale and supply of refrigerators by the relevant Subsidiaries of the Company to the relevant Subsidiaries of Hisense Group	387,920,000 (inclusive of value-added tax)	797,920,000 (inclusive of value-added tax)

3.	Sale and supply of raw materials and components by the relevant Subsidiaries of the Company to the relevant Subsidiaries of Hisense Group	227,600,000 (inclusive of value-added tax)	247,600,000 (inclusive of value-added tax)
4.	Purchase of refrigerators by the relevant Subsidiaries of the Company from the relevant Subsidiaries of Hisense Group	400,000,000 (inclusive of value-added tax)	820,000,000 (inclusive of value-added tax)
5.	Provision of after-sale maintenance, repair and consultation services and electronic communication services by the relevant Subsidiaries of Hisense Group to the relevant Subsidiaries of the Company	22,500,000 (inclusive of value-added tax)	27,900,000 (inclusive of value-added tax)

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; (iv) the adoption of the "Home Appliances Subsidy Policy for Rural Villages (家電下鄉政策)" by the PRC government which resulted in the increase in demand for home appliances and (v) 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 2009 to the date of this 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 AGM.

REASONS FOR THE REVISION OF THE ANNUAL CAPS

The original annual caps for the year ending 31 December 2009 for the sale and supply of refrigerators, air-conditioners, raw materials and components, purchase of refrigerators and the provision of certain services were determined with consideration of the possible effects of global economic downturn in the PRC. As a result of the adoption of the "Home Appliances Subsidy Policy for Rural Villages (家電下鄉政策)" by the PRC government to improve the living standard of rural population through subsidising the purchase of home appliances in certain rural areas, the sales of electrical appliances of the Company increased in the past few months. The Company expects that its sale of refrigerators，air-conditioners, raw materials and components, purchase of refrigerators and the provision of certain services in 2009 will exceed the original annual caps for 2009 and therefore needs to increase the annual caps for these transactions to accommodate such expected increase in sale.

For the reasons stated above, the Company proposes to revise the original annual caps for certain transactions under the Business Co-operation Framework 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 Framework 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 Company, 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 No.17 Donghai West Road Shinan, Qingdao. It is principally engaged in the entrusted operation of state-owned assets; the manufacture and sales of TV sets, refrigerators, freezers, washing machines, small household appliances, VCD and DVD players, audio sets, broadcasting appliances, air-conditioners, electronic computers, telephones, communication products, internet products and electronic products and the provision of related services; the development of software and the provision of internet services; the technological development and the provision of consultation services; the self-operated import and export business (with its operation subject to the list of projects as approved by the Ministry of Foreign Trade and Economic Cooperation (“MOFTEC”); the foreign economic and technical cooperation (with its operation subject to the list of projects as approved by the MOFTEC); the operation of property rights transaction, the provision of brokerage and information services; the provision of industrial travel agency services; and the provision of relevant business trainings.

LISTING RULES IMPLICATIONS

Hisense Air-conditioning is a substantial shareholder of the Company, holding 25.22% of the issued shares of the Company. Each of Hisense Group, being the indirect holding company of Hisense Air-conditioning, and its Subsidiaries are Associates of Hisense Air-Conditioning and therefore connected persons 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 for the transactions contemplated under the Business Co-operation Framework Agreement as supplemented by the Supplemental Business Co-operation Framework Agreement is more than 2.5%, the continuing connected transactions contemplated 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.

DEFINITIONS

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

"AGM"	the annual general meeting of the Company to be held at the conference room of the Company's head office, Shunde District, Foshan City, Guangdong Province, the PRC on 26 June 2009 at 9:30 a.m.
"A Shares"	domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
"Associates"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of directors of the Company
"Business Co-operation Framework Agreement"	the agreement entered into between the Company and certain Subsidiaries of Hisense Group dated 12 February 2009 in relation to the sale and purchase of refrigerators, air-conditioners, raw materials, moulds, the sale of freezers, home appliances and parts and components for refrigerators, air-conditioners and freezers and the provision of after-sale maintenance, repair, internet 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
"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, 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)"	holder(s) of the Shares
"Shenzhen Stock Exchange"	The Shenzhen Stock Exchange
"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 19 May 2009, which supplements the Business Co-operation Framework Agreement

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

As at the date of this announcement, the executive directors of the Company are Mr. Tang Ye Guo, Mr. Zhou Xiao Tian, Ms. Yu Shu Min, Mr. Lin Lan, Ms. Liu Chun Xin and Mr. Zhang Ming; and the independent non-executive directors are Mr. Zhang Sheng Ping, Mr. Lu Qing and Mr. Cheung Yui Kai, Warren.

Foshan City, Guangdong, the PRC,19 May 2009