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: 921)

ANNOUNCEMENT

REVISED ANNUAL CAPS AND SUPPLEMENTAL AGREEMENT FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to (1) the announcement and circular of the Company dated 6 November 2009 and 26 November 2009 respectively on the Business Co-operation Framework Agreement and (2) the announcement and circular dated 5 May 2010 and 18 May 2010 respectively on the Business Co-operation Framework Agreement 2.

In view of the increase of business co-operation between the Group and Hisense Electric, Hisense Group and their subsidiaries and being satisfied with the quality of the products and services of the counterparties, the Company has entered into the Supplemental Agreement with Hisense Group and Hisense Electric on 20 September 2010 to revise the annual caps for the year ending 31 December 2010 for some of the transactions contemplated under the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2. Under the Supplemental Agreement, the scope of the services which may be provided by Hisense Electric and its subsidiaries to the Group has also been extended to include material processing services and material inspection services.

As at the date of this announcement, Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company, holding 45.22% of the issued shares of the Company. As Hisense Group is the indirect holding company of Hisense Air-conditioning and Hisense Electric is owned as to 41.36% by Hisense Group, Hisense Group, Hisense Electric and their respective subsidiaries are associates of Hisense Air-conditioning and are therefore connected persons of the Company.

As the applicable percentage ratios for the transactions contemplated under the Business Co-operation Framework Agreement (other than those between the Group and members of the Target Group which no longer constitute continuing connected transactions of the Company following the acquisition of the interests in the Target Group) and the Business Co-operation Framework Agreement 2 (as supplemented by the Supplemental Agreement) exceed 5% and the annual consideration exceeds HK$10,000,000, the Supplemental Agreement and the Revised Annual Caps are subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules. The EGM will be convened for the

Independent Shareholders to approve the Supplemental Agreement (which stipulates, inter alia, the Revised Annual Caps) and the transactions contemplated thereunder by poll.

GENERAL

A circular containing, inter alia, (a) further information on the Revised Annual Caps and the Supplemental Agreement; (b) the letter of advice from the independent financial adviser to the independent board committee and Independent Shareholders; and (c) the recommendation from the independent board committee will be dispatched to the Shareholders on or before 22 October 2010 in accordance with the Listing Rules.

BACKGROUND

Reference is made to the announcement and circular of the Company dated 6 November 2009 and 26 November 2009 respectively on the Business Co-operation Framework Agreement in relation to the sale and supply of moulds, air-conditioners, refrigerators, raw materials, components and facilities, home appliances and parts and components to, provision of leasing and property management services to, purchase of air-conditioners, refrigerators, raw materials, components and facilities from, and provision of services by, Hisense Electric, certain subsidiaries of Hisense Group and their respective subsidiaries. The Business Co-operation Framework Agreement and the transactions contemplated thereunder (subject to the related caps) were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 15 January 2010.

Following completion of the acquisition of, inter alia, certain interests in the Target Group, the Company's transactions with the Target Group as contemplated under the Business Co-operation Framework Agreement will no longer constitute continuing connected transactions of the Company. However, the Company identified certain transactions between the Target Group and the connected persons of the Company that would constitute non-exempt continuing connected transactions after completion of the acquisition of the interests in the Target Group. Accordingly, the Company entered into the Business Co-operation Framework Agreement 2 in relation to the purchase of home electrical appliances, raw materials, equipment, parts and components from, provision of services by, sale and supply of home electrical appliances, moulds, raw materials and parts to, and provision of loading and unloading services and equipment rental services to, Hisense Group, Hisense Electric and their respective subsidiaries. Further details of the Business Co-operation Framework Agreement 2 were disclosed in the announcement and circular of the Company dated 5 May 2010 and 18 May 2010 respectively. The Business Co-operation Framework Agreement 2 and the transactions contemplated thereunder (subject to the related caps) were approved by the independent shareholders of the Company at the annual general meeting of the Company held on 4 June 2010.

In view of the increase of business co-operation between the Group and Hisense Electric, Hisense Group and their subsidiaries and being satisfied with the quality of the products and services of the counterparties, the Company has entered into the Supplemental Agreement with Hisense Group and Hisense Electric to revise the annual caps for the year ending 31 December 2010 for some of the transactions contemplated under the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2. Under the Supplemental Agreement, the scope of the services which may be provided by Hisense Electric and its subsidiaries to the Group has also been extended to include material processing services and material inspection services.

SUPPLEMENTAL AGREEMENT

Date: 20 September 2010

Parties: The Company
Hisense Group
Hisense Electric

Revision of annual caps:

(1) Purchase of raw materials, equipment, parts and components

Pursuant to the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2, the Company has agreed that the Group shall purchase from Hisense Group, Hisense Electric and their subsidiaries raw materials, equipment, parts and components as may be required by the Group from time to time upon the terms and conditions of the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2.

Original annual cap

The existing annual cap for the year ending 31 December 2010 for all similar continuing connected transactions with Hisense Group and/or Hisense Electric pursuant to the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2 (which, for the avoidance of doubt, exclude the portion of the cap originally allocated to transactions between the Group and members of the Target Group prior to completion of the acquisition of the interests in the Target Group) was RMB111,580,000 (inclusive of value-added tax), of which:-

(i) RMB3,780,000 was allocated to the purchase of parts and components from Savor Electronic and its subsidiaries under the Business Co-operation Framework Agreement;
(ii) in addition to (i) above, RMB83,800,000 was allocated to the purchase of raw materials and parts and components from Hisense Group and its subsidiaries under the Business Co-operation Framework Agreement 2;
(iii) RMB10,000,000 was allocated to the purchase of equipment from Hisense Group and its subsidiaries under the Business Co-operation Framework Agreement 2; and
(iv) RMB14,000,000 was allocated to the purchase of raw materials and parts and components from Hisense Electric and its subsidiaries under the Business Co-operation Framework Agreement 2.

Revised annual cap

Pursuant to the Supplemental Agreement and upon the approval by the Independent Shareholders, the annual cap for the above transactions for the year ending 31 December 2010 shall be revised to RMB176,580,000, of which the amount of the cap allocated to the purchase of raw materials and parts and components from Hisense Group and its subsidiaries (including Savor Electronic) shall be increased to RMB137,580,000 and that allocated to the purchase of raw materials and parts and components from Hisense Electric and its subsidiaries shall be increased to RMB29,000,000. The amount of the cap allocated to the transactions mentioned in (iii) above remains unchanged.

Historical figures

For the year ended 31 December 2009 and the 8 months ended 31 August 2010, the aggregate amount paid by the Group in relation to the above transactions (other than the historical figures for (i) the transactions between the Group and members of the Target Group which no longer constitute continuing connected transactions and (ii) the transactions between members of the Target Group and Hisense Group, Hisense Electric and their respective subsidiaries prior to the acquisition of the interests in the Target Group by the Group which were not transactions entered into by the Group at that time) amounted to approximately RMB 0 and RMB70,393,922 respectively.

(2) Provision of services

Pursuant to the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2, the Company has agreed that the Group shall engage Hisense Group and/or Hisense Electric and their subsidiaries to provide certain services as may be required by the Group from time to time upon the terms and conditions of the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2.

Original annual cap

The existing annual cap for the year ending 31 December 2010 for all similar continuing connected transactions with Hisense Group and/or Hisense Electric pursuant to the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2 was RMB114,611,600 (inclusive of value-added tax), of which:-

(i) RMB24,782,000 was allocated to the engagement of Savor Electronic and its subsidiaries for the provision of after-sale maintenance and repair services and the provision and maintenance of electronic communication services under the Business Co-operation Framework Agreement;

(ii) RMB11,400,000 was allocated to the engagement of Hisense Electronic Technology and its subsidiaries for the provision and maintenance of electronic communication services under the Business Co-operation Framework Agreement;

(iii) RMB10,859,600 was allocated to the engagement of Hisense Import & Export and its subsidiaries for the provision of after-sale maintenance and repair services under the Business Co-operation Framework Agreement;

(iv) in addition to (i), (ii) and (iii) above, RMB63,430,000 was allocated to the engagement of Hisense Group and its subsidiaries for the provision of property management service, medical service, installation and maintenance, management consultancy, information system maintenance, leasing, design, equipment management, advertising, agency services for import and export and material processing services under the Business Co-operation Framework Agreement 2; and

(v) RMB4,140,000 was allocated to the engagement of Hisense Electric and its subsidiaries for the provision of property management services under the Business Co-operation Framework Agreement 2.

Revised annual cap

Pursuant to the Supplemental Agreement and upon the approval by the Independent Shareholders, the annual cap for the above transactions for the year ending 31 December 2010 shall be revised to RMB123,231,600, of which the amount of the cap allocated to the engagement of Hisense Group and its subsidiaries (including Savor Electronic, Hisense Electronic Technology and Hisense Import & Export) for the transactions mentioned in (i) to (iv) above shall be increased to RMB110,541,600 and that allocated to the engagement of Hisense Electric and its subsidiaries for the provision of property management services, material processing services and material inspection services shall be increased to RMB12,690,000.

Historical figures

For the year ended 31 December 2009 and the 8 months ended 31 August 2010, the aggregate amount paid by the Group in relation to the above transactions (other than the historical figures for the transactions between members of the Target Group and Hisense Group, Hisense Electric and their respective subsidiaries prior to the acquisition of the interests in the Target Group by the Group which were not transactions entered into by the Group at that time) amounted to approximately RMB4,360,500 and RMB25,605,325 respectively.

(3) Sale and supply of home electrical appliances

Pursuant to the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2, the Company has agreed that the Group shall manufacture and supply home electrical appliances as Hisense Group and/or Hisense Electric and their subsidiaries may require from time to time upon the terms and conditions of the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2.

Original annual cap

The existing annual cap for the year ending 31 December 2010 for all similar continuing connected transactions with Hisense Group and/or Hisense Electric pursuant to the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2 was RMB1,225,689,300 (inclusive of value-added tax), of which:-

(i) RMB882,769,300 was allocated to the sale and supply of home electrical appliances for export to Hisense Marketing and its subsidiaries under the Business Co-operation Framework Agreement;
(ii) RMB48,500,000 was allocated to the sale and supply of home electrical appliances for domestic market to Savor Electronic and its subsidiaries under the Business Co-operation Framework Agreement;
(iii) in addition to (i) and (ii) above, RMB291,900,000 was allocated to the sale and supply of home electrical appliances to Hisense Group and its subsidiaries under the Business Co-operation Framework Agreement 2; and
(iv) RMB2,520,000 was allocated to the sale and supply of home electrical appliances to Hisense Electric and its subsidiaries under the Business Co-operation Framework Agreement 2.

Revised annual cap

Pursuant to the Supplemental Agreement and upon the approval by the Independent Shareholders, the annual cap for the above transactions for the year ending 31 December 2010 shall be revised to RMB1,227,689,300, of which the amount of the cap allocated to the sale and supply of home electrical appliances to Hisense Electric and its subsidiaries shall be increased to RMB4,520,000. The amount of the cap allocated to the transactions mentioned in (i) to (iii) above remains unchanged.

Historical figures

For the year ended 31 December 2009 and the 8 months ended 31 August 2010, the aggregate amount received by the Group in relation to the above transactions (other than the historical figures for (i) the transactions between the Group and members of the Target Group which no longer constitute continuing connected transactions and (ii) the transactions between members of the Target Group and Hisense Group, Hisense Electric and their respective subsidiaries prior to the acquisition of the interests in the Target Group by the Group which were not transactions entered into by the Group at that time) amounted to approximately RMB342,118,600 and RMB691,405,500 respectively.

(4) Sale and supply of raw materials and parts

Pursuant to the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2, the Company has agreed that the Group shall sell and supply raw materials and parts to Hisense Group, Hisense Electric and their subsidiaries as they may require from time to time upon the terms and conditions of the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2.

Original annual cap

The existing annual cap for the year ending 31 December 2010 for all similar continuing connected transactions with Hisense Group and/or Hisense Electric pursuant to the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2 (which, for the avoidance of doubt, exclude the portion of the cap originally allocated to transactions between the Group and members of the Target Group prior to completion of the acquisition of the interests in the Target Group) was RMB101,445,700 (inclusive of value-added tax), of which:-

(i) RMB77,135,700 was allocated to the sale and supply of parts for export to Hisense Marketing and its subsidiaries under the Business Co-operation Framework Agreement;
(ii) RMB1,000,000 was allocated to the sale and supply of plastic parts to Hisense Electric and its subsidiaries under the Business Co-operation Framework Agreement;
(iii) RMB4,550,000 was allocated to the sale and supply of parts to Savor Electronic and its subsidiaries under the Business Co-operation Framework Agreement;
(iv) RMB18,720,000 was allocated to the sale and supply of raw materials to Hisense Group and its subsidiaries under the Business Co-operation Framework Agreement 2; and

(v) RMB40,000 was allocated to the sale and supply of raw materials to Hisense Electric and its subsidiaries under the Business Co-operation Framework Agreement 2.

Revised annual cap

Pursuant to the Supplemental Agreement and upon the approval by the Independent Shareholders, the annual cap for the above transactions for the year ending 31 December 2010 shall be revised to RMB111,445,700, of which the amount of the cap allocated to the sale and supply of raw materials and parts to Hisense Electric and its subsidiaries shall be increased to RMB11,040,000. The amount of the cap allocated to the transactions mentioned in (i), (iii) and (iv) above remains unchanged.

Historical figures

For the year ended 31 December 2009 and the 8 months ended 31 August 2010, the aggregate amount received by the Group in relation to the above transactions (other than the historical figures for (i) the transactions between the Group and members of the Target Group which no longer constitute continuing connected transactions and (ii) the transactions between members of the Target Group and Hisense Group, Hisense Electric and their respective subsidiaries prior to the acquisition of the interests in the Target Group by the Group which were not transactions entered into by the Group at that time) amounted to approximately RMB243,600 and RMB4,169,493 respectively.

(5) Sale and supply of moulds

Pursuant to the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2, the Company has agreed that the Group shall sell and supply moulds to Hisense Group, Hisense Electric and their subsidiaries as they may require from time to time upon the terms and conditions of the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2.

Original annual cap

The existing annual cap for the year ending 31 December 2010 for all similar continuing connected transactions with Hisense Group and/or Hisense Electric pursuant to the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2 (which, for the avoidance of doubt, exclude the portion of the cap originally allocated to transactions between the Group and members of the Target Group prior to completion of the acquisition of the interests in the Target Group) was RMB138,300,000 (inclusive of value-added tax), of which:-

(i) RMB79,100,000 was allocated to the sale and supply of moulds to Hisense Group and its subsidiaries under the Business Co-operation Framework Agreement 2; and
(ii) RMB59,200,000 was allocated to the sale and supply of moulds to Hisense Electric and its subsidiaries under the Business Co-operation Framework Agreement 2.

Revised annual cap

Pursuant to the Supplemental Agreement and upon the approval by the Independent

Shareholders, the annual cap for the above transactions for the year ending 31 December 2010 shall be revised to RMB192,300,000, of which the amount of the cap allocated to the sale and supply of moulds to Hisense Group and its subsidiaries shall be increased to RMB112,100,000 and that allocated to the sale and supply of moulds to Hisense Electric and its subsidiaries shall be increased to RMB80,200,000.

Historical figures

For the year ended 31 December 2009 and the 8 months ended 31 August 2010, the aggregate amount received by the Group in relation to the above transactions (other than the historical figures for (i) the transactions between the Group and members of the Target Group which no longer constitute continuing connected transactions and (ii) the transactions between members of the Target Group and Hisense Group, Hisense Electric and their respective subsidiaries prior to the acquisition of the interests in the Target Group by the Group which were not transactions entered into by the Group at that time) amounted to approximately RMB 0 and RMB96,544,506 respectively.

The Supplemental Agreement is conditional upon the approval of the Supplemental Agreement (which stipulates, inter alia, the Revised Annual Caps for the Relevant Transactions as set out above) by the Independent Shareholders.

Save and except for the revision of the annual caps and the expansion of the scope of services which may be provided by Hisense Electric and its subsidiaries to the Group as set out above, all other terms and conditions under the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2 shall remain unchanged.

BASIS OF THE REVISED ANNUAL CAPS

The Revised Annual Caps for the year ending 31 December 2010 were determined with reference to the actual amounts paid or received by the Group in relation to the Relevant Transactions for the 8 months ended 31 August 2010 and the expected increase of business co-operation between the Group and Hisense Electric, Hisense Group and their subsidiaries having taken into account 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. It is estimated that the original annual caps will not be sufficient to meet the current requirement of the business development of the Company.

As at the date of this announcement, the original annual caps for the Relevant Transactions have not been exceeded.

REASONS FOR THE REVISION OF THE ANNUAL CAPS

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 Directors consider that it is necessary to increase the annual caps for the Relevant Transactions to accommodate such expected increase in sale.

Furthermore, as market competition is getting intense, the further purchase of raw materials, equipments, parts and components by the Group from Hisense Group and/or Hisense Electric enable the Group to improve its control over its reserve funds, reduce procurement costs and benefit from the sharing of resources, which in turn enhance the competitiveness of the Group’s products in the market.

It was also set out in the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2 that the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties.

In view of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that Relevant Transactions have been and will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties. As such, the Directors (excluding the independent non-executive Directors) consider that the terms of the Supplemental Agreement and the Revised Annual Caps thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION RELATING TO THE COMPANY

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

INFORMATION RELATING TO HISENSE ELECTRIC

Hisense Electric was established on 17 April 1997 with a registered capital of RMB866,651,715. Its authorised representative is Ms. Yu Shu Min and registered address at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone. It is primarily engaged into the manufacture and sale of television, refrigerators, washing machines, radio and television equipment, communication products, information technology products, home and commercial appliances and electronic products and provision of the related services.

INFORMATION RELATING TO HISENSE GROUP

Hisense Group was incorporated in August 1979 with its registered address at No. 17 Donghai West Road, Shinan, Qingdao. Zhou Houjian is the legal representative of Hisense Group, a wholly state-owned enterprise with the registered capital of RMB806,170,000. The scope of business includes: the entrusted operation of state-owned assets; the manufacture and sales of TV sets, refrigerators, freezers, washing machines, small home electrical 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 MOFTEC); the foreign economic and technical cooperation (with its operation subject to the list of projects as approved by the MOFTEC); operation of property rights transaction, provision of brokerage and information services; provision of industrial travel agency services; and provision of relevant business trainings. (Permit/licence shall be obtained for the operation of the businesses above if they fall into the requirements of licensure).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company, holding 45.22% of the issued shares of the Company. As Hisense Group is the indirect holding company of Hisense Air-conditioning and Hisense Electric is owned as to 41.36% by Hisense Group, Hisense Group, Hisense Electric and their respective subsidiaries are associates of Hisense Air-conditioning and are therefore connected persons of the Company.

As the applicable percentage ratios for the transactions contemplated under the Business Co-operation Framework Agreement (other than those between the Group and members of the Target Group which are no longer constitute continuing connected transactions of the Company following the acquisition of the interests in the Target Group) and the Business Co-operation Framework Agreement 2 (as supplemented by the Supplemental Agreement) exceed 5% and the annual consideration exceeds HK$10,000,000, the Supplemental Agreement and the Revised Annual Caps are subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules. The EGM will be convened for the Independent Shareholders to approve the Supplemental Agreement (which stipulates, inter alia, the Revised Annual Caps) and the transactions contemplated thereunder by poll.

In view of the interests of Hisense Group and Hisense Electric in the Company, Hisense Group and Hisense Electric and their respective associates will abstain from voting in relation to the resolutions to approve the Supplemental Agreement (which stipulates, inter alia, the Revised Annual Caps) and the transactions contemplated thereunder.

An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders regarding the Supplemental Agreement (which stipulates, inter alia, the Revised Annual Caps) and the transactions contemplated thereunder. An independent board committee of the Company will also be formed to advise the Independent Shareholders on whether or not the Supplemental Agreement (which stipulates, inter alia, the Revised Annual Caps) and the transactions contemplated thereunder are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

GENERAL

A circular containing, inter alia, (a) further information on the Revised Annual Caps and the Supplemental Agreement; (b) the letter of advice from the independent financial adviser to the independent board committee and Independent Shareholders; and (c) the recommendation from the independent board committee will be dispatched to the Shareholders on or before 22 October 2010 in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

"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 under the Listing Rules;

"Board" or "Director(s)"	the board of directors of the Company;
"Business Co-operation Framework Agreement"	the agreement (業務合作框架協議) entered into between the Company, Hisense Electric and certain subsidiaries of Hisense Group (including Hisense Air-conditioning) dated 6 November 2009, the particulars of which were disclosed in the announcement and circular of the Company dated 6 November 2009 and 26 November 2009 respectively;
"Business Co-operation Framework Agreement 2"	the agreement (業務合作框架協議(二)) entered into between the Company, Hisense Group and Hisense Electric dated 5 May 2010, the particulars of which were disclosed in the announcement and circular of the Company dated 5 May 2010 and 18 May 2010 respectively;
"Company"	Hisense Kelon Electrical Holdings Company Limited, a company incorporated in the PRC with limited liabilities, whose shares are listed on the main board of the Stock Exchange and the Shenzhen Stock Exchange;
"connected person"	has the meaning ascribed to it in the Listing Rules;
"Group"	the Company and its subsidiaries;
"EGM"	the extraordinary general meeting of the Company to be held for the approval of the Supplemental Agreement (which stipulates, inter alia, the Revised Annual Caps) and the transactions contemplated thereunder;
"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 Company Limited (青島海信空調有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group;
"Hisense Electric"	Hisense Electric Co., Ltd. (青島海信電器股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange;
"Hisense Electronic Technology"	青島海信電子技術服務有限公司 (Qingdao Hisense Electronic Technology Service Co., Ltd), a company incorporated in the PRC with limited liability;
"Hisense Group"	Hisense Company Limited (海信集團有限公司), a company incorporated in the PRC with limited liability;
"Hisense Import & Export"	青島海信進出口有限公司 (Hisense (Qingdao) Import & Export

Co., Ltd.),a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group;

"Hisense Marketing"	青島海信國際營銷股份有限公司 (Qingdao Hisense International Marketing Co., Ltd.), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Shareholders"	Shareholders other than Hisense Group, Hisense Electric and their respective associates;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"MOFTEC"	Ministry of Foreign Trade and Economic Corporation;
"PRC"	the People's Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Relevant Transactions"	certain continuing connected transactions of the Group contemplated under the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2 (as amended and supplemented by the Supplemental Agreement) as set out in the section headed "Supplemental Agreement" in this announcement;
"Revised Annual Caps"	the revised annual caps for the Relevant Transactions for the year ending 31 December 2010;
"Savor Electronic"	青島賽維電子信息服務股份有限公司 (Qingdao Savor Electrical Information Service Holdings Co., Ltd.), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group;
"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;
"Supplemental Agreement"	the Supplemental Agreement to the Business Co-operation Framework Agreements (業務合作框架協議之補充協議) entered into between the Company, Hisense Group and Hisense Electric

	dated 20 September 2010, which amends and supplements the Business Co-operation Framework Agreement and the Business Co-operation Framework Agreement 2;
"Target Group"	海信(北京)電器有限公司 (Hisense (Beijing) Electric Company Limited), 海信(南京)電器有限公司 (Hisense (Nanjing) Electric Co., Ltd.), 海信(山東)空調有限公司 (Hisense (Shandong) Air-conditioning Company Limited), 海信(浙江)空調有限公司 (Hisense (Zhejiang) Air- condition Co., Ltd.) and 青島海信模具有限公司 (Qingdao Hisense Mould Company Limited)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"RMB"	Renminbi, the lawful currency of the PRC;
"%"	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. Zhou Xiao Tian, 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, 20 September 2010