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

EXEMPTED FINANCIAL ASSISTANCE

This announcement is made by Hisense Kelon Electrical Holdings Company Limited (the "**Company**") in accordance with Rule 13.09(1) of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In view of the production and operation needs of the Company and its subsidiaries (the **"Group"**), the Group has to purchase a large volume of raw materials and electrical appliance components from overseas suppliers. However, due to the high deposit reserve ratio in the banks in the People's Republic of China (the "**PRC**") in recent years and the tightening of monetary policy by mainland banks, the Group's costs of obtaining bank financing has been rising. Since the interest rates for bank loans in Hong Kong are far lower than those in the PRC and Hisense (Hong Kong) Company Limited (**"Hisense Hong Kong"**), a connected person of the Company, has sound credit standing and better financing ability in Hong Kong, the Company entered into the purchase financing agency framework agreement (the **"Purchase Financing Agency Framework Agreement"**) with Hisense Hong Kong on 29 November 2011 under which Hisense Hong Kong shall provide financing agency services to the Company to purchase raw materials and components from overseas suppliers. The Company expects that the annual cap for the purchase of raw materials and components through Hisense Hong Kong under the Purchase Financing Agency Framework Agreement will be US$150 million during the term of the Purchase Financing Agency Framework Agreement.

Particulars of the arrangement under the Purchase Financing Agency Framework Agreement are set out as follows:

I. INTRODUCTION OF THE CONNECTED PARTY AND CONNECTED RELATIONSHIP

1. Basic introduction of the connected party
   Hisense Hong Kong was established on 22 February 1994. Registered Address: 3101-05, Singga Commercial Centre, 148 Connaught Road West, Sai Wan, Hong Kong; Registered Capital: HK$1 million; Scope of Business: international trading.

2. Connected relationship with the Company
   Hisense Company Limited (海信集團有限公司) is the beneficial controller of both Hisense

Hong Kong and the Company. As Hisense Hong Kong is a connected company of the Company under Item (2) of Rule 10.1.3 of the Rules Governing Listing of Securities on the Shenzhen Stock Exchange (the **"Shenzhen Listing Rules"**), the abovementioned transactions constitute connected transactions of the Company under the Shenzhen Listing Rules.

Hisense Hong Kong is also a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

3. Analysis of performance ability

As at 31 December 2010, Hisense Hong Kong realized a revenue of HK$4,034,038,400 from its principal businesses and a net profit of HK$69,449,200. As at 30 September 2011, the audited net assets of Hisense Hong Kong amounted to HK$233,075,400.

Based on the above-mentioned particulars of Hisense Hong Kong, and the good commercial credit and commercial operating ability of Hisense Hong Kong according to the knowledge of the Company, the board of directors of the Company (the **"Board"**) considers that Hisense Hong Kong can perform its obligation in providing purchase financing agency services to the Company.

II. MODE OF TRANSACTION

Method of purchase financing: Hisense Hong Kong, in the name of the Company as authorized by the latter, will enter into purchasing contracts for the purchase of raw materials and components with suppliers on terms to be determined after negotiation between the Company and the suppliers. Upon receipt of the payment notice from the Company, Hisense Hong Kong shall pay the suppliers for the purchase of raw materials and components at the request of the Company. After customs declaration of goods, the Company will pay to Hisense Hong Kong in foreign currencies based on the invoice amounts charged by Hisense Hong Kong within the financing term of 3 to 6 months to be agreed between the parties.

III. PRICING POLICY AND CONDITIONS FOR TRANSACTION

1. The pricing policy is arrived at after arm's length negotiations with reference to similar market transactions. Details of the pricing policy are as follows: the invoice amount to be charged by Hisense Hong Kong to the Company is equivalent to the sum of the value of the goods to be supplied by the suppliers, together with a fee equivalent to 0.6% of the sum of the value of the goods to be supplied by the suppliers, and the loan interest to be charged to Hisense Hong Kong by the financing banks.

2. The following conditions shall be fulfilled before the appointment of Hisense Hong Kong by the Company to finance the payment to the suppliers under the Purchase Financing Agency Framework Agreement:

   The sum of the financing cost and the agency fee to be paid by the Company to Hisense Hong Kong － exchange gain expected to be obtained by the Company as a result of the Company's postponement in payment to Hisense Hong Kong in foreign currency < the financing cost calculated based on the Company's own domestic financing at RMB benchmark interest rate

   Note: the sum of financing cost and the agency fee to be paid by the Company to Hisense Hong Kong = actual financing cost of Hisense Hong Kong in obtaining financing in foreign currencies + 0.6% of the total sum of the purchase of the raw materials and components

   Where: "0.6% of the total sum of the purchase of the raw materials and components" represents the agency fee to be charged by Hisense Hong Kong to the Company

IV. PURPOSES OF THE TRANSACTION AND THE EFFECTS OF THE TRANSACTION TO THE LISTED COMPANY

The deposit reserve ratio remains high in recent years, resulting in the tightening of monetary policy by mainland banks and an increase of interest rate. This increases the difficulty for the Company to obtain bank loans from the banks in the PRC. In contrast, the financing environment in Hong Kong is more gentle, which leads to a relatively lower financing cost. The financing arrangement for the purchase of raw materials and components under the Purchase Financing Agency Framework Agreement can lower the financing cost of the Company. With the trend of the appreciation of RMB against foreign currencies, the Company can also benefit from the appreciation of RMB by utilizing the credit terms provided by Hisense Hong Kong.

V. LISTING RULES IMPLICATIONS

The Company considers that the arrangements under the Purchase Financing Agency Framework Agreement constitute financial assistance to be provided by a connected person to the Company pursuant to Chapter 14A of the Listing Rules since Hisense Hong Kong shall provide funding for settlement of the purchase price of the raw materials and components to the supplies and earn an agency fee for advancing payments to the suppliers. Such arrangement enables the Company to defer payment for the purchase of raw materials and components by the payment of an agency fee to Hisense Hong Kong.

Since the financial assistance arrangement under the Purchase Financing Agency Framework Agreement will be for the benefit of the Company on normal commercial terms where no security over the assets of the Company is to be granted in respect of the financial assistance, such arrangement will therefore be exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

VI. APPROVAL PROCEDURES

1. The seventh Board convened its meeting on 29 November. Eight directors are entitled to attend the meeting and all of them have attended. Connected directors, Mr. Tang Ye Guo, Ms. Yu Shu Min, Mr. Lin Lan and Mr. Xiao Jian Lin abstained from voting in this resolution. The convening of and the voting at the meeting were in compliance with the requirements of the Company Law of the PRC and the articles of association of the Company. After careful consideration by the attending directors, the Purchase Financing Agency Framework Agreement entered into between the Company and Hisense Hong Kong and the connected transactions contemplated thereunder were passed with 4 affirmative votes, 0 dissenting votes and 0 abstaining votes.

2. Prior recognition (prior approval) of the independent non-executive directors and their independent opinion

The three independent non-executive directors of the Company have agreed to submit the above connected transactions to the Board for consideration. They are of opinion that the transactions contemplated under the Purchase Financing Agency Framework Agreement are based on normal commercial terms, the terms of the agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole; and the Purchase Financing Agency Framework Agreement and its annual cap is fair and reasonable so far as the independent shareholders of the Company are concerned.

3. The abovementioned connected transactions are subject to the approval of the general meeting pursuant to the requirements under the Shenzhen Listing Rules. Shareholders interested in such transactions shall abstain from voting on the related resolutions.

VII. PARTICULARS OF THE PURCHASE FINANCING AGENCY FRAMEWORK AGREEMENT

The principal terms of the agreement are as follows:

1. Parties: Party A: the Company
   Party B: Hisense Hong Kong

2. Subject matters: Party B will provide financing agency services to Party A for the purchase of raw materials and components. During the term of the Purchase Financing Agency Framework Agreement, the cap for the purchase of raw materials and components by Party A through the financing agency services provided to Party A by Party B is US$150 million.
3. After the Purchase Financing Agency Framework Agreement becomes effective, Party A may authorize its subsidiaries to perform the agreement, undertake corresponding obligations and enjoy corresponding rights, and enter into definitive business contracts with Party B. Such definitive business contracts are subordinate to the Purchase Financing Agency Framework Agreement. In case of conflict, the terms under the Purchase Financing Agency Framework Agreement shall prevail.

4. Term of the agreement

   The term of the Purchase Financing Agency Framework Agreement shall commence from the date of approval of the Purchase Financing Agency Framework Agreement at the general meeting until 31 December 2012.

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5. Mode of transaction

   Please refer to Section II of this announcement.

6. Pricing policy and conditions for transaction

   Please refer to Section III of this announcement.

7. Method of settlement

   After customs declaration of the goods, Party A will pay to Party B in foreign currencies based on the invoice amounts charged by Party B within the financing term of 3 to 6 months to be agreed between the parties.

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

1. Resolution of the Board; and
2. The Purchase Financing Agency Framework Agreement

By order of the Board of

Hisense Kelon Electrical Holdings Company Limited

Tang Ye Guo

Chairman

Foshan City, Guangdong, the PRC, 29 November 2011

As at the date of this announcement, the Company's directors are Mr. Tang Ye Guo, Mr. Ren Li Ren, Ms. Yu Shu Min, Mr. Lin Lan and Mr. Xiao Jian Lin; and the Company's independent non-executive directors are Mr. Zhang Sheng Ping, Mr. Wang Xinyu and Mr. Wang Ai Guo.