

KELON 科龙

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)

ANNOUNCEMENT

RESOLUTIONS PASSED AT THE NINETEENTH MEETING OF THE SIXTH BOARD

This announcement is made in accordance with Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”).

SPECIAL NOTICE

1. Hisense Kelon Electrical Holdings Company Limited proposes to purchase the White Goods assets of Qingdao Hisense Air-conditioning Company Limited, the substantial Shareholder of the Company, including the production of refrigerators and air-conditioners and the sales of White Goods (“this Transaction”) by way of private issue of the A-shares of the Company to Hisense Air-conditioning in order to improve the quality of the Company’s assets, enhance its profitability and sustainable development.
2. The Company has negotiated with Hisense Air-conditioning in relation to this Transaction and has formed the initial intention and a general transaction proposal, however, no legally binding agreement has been entered into yet. The Board has reviewed and approved the general proposal of this Transaction. Investors should note that after the completion of the audit and valuation on the target assets contemplated under the proposed acquisition, the Company will hold another Board meeting to approve the signing of the formal agreement of this Transaction and publish the notices of convening a general meeting and a class meeting.

3. According to the general transaction proposal approved by this Board resolutions, the price of the target assets of the proposed acquisition is approximately RMB2,541,000,000. The final transaction price will be determined based on the market principal after arm's length negotiation between the Company and Hisense Air-conditioning with reference to a number of factors, including but not limited to, the financial situations, business and development prospects of the target assets, the transaction circumstances among similar companies in the market, the initial valuation conducted by valuation institution qualified for the occupational requirements for securities, and the interests of shareholders of A-shares and H-shares, etc.
4. For the purpose of the acquisition of the target assets, the Company proposed to issue a total of up to and including 365,000,000 A-shares. The issue price is the arithmetic average of the weighted average price of the A shares of Kelon Electrical for 20 trading days prior to this Board meeting announcement (i.e., the average trading price of the A shares of Kelon Electrical for 20 trading days prior to the suspension of trading of the A shares of the Company on 4 September 2007 is RMB 6.98 per Share). Hisense Air-conditioning has committed to a lock-up period of 36 months from the date of the transfer of the additional Kelon Electric shares obtained from this private issue.
5. This Transaction is conditional upon the satisfaction of a number of transaction conditions, including but not limited to, obtaining the approvals for the Transaction from the regulatory authorities in the PRC and Hong Kong and obtaining the approval from the general meeting and class meeting of the Company, and obtaining the approval for the waiver of acquisition offer from Hisense Air-conditioning, the substantial Shareholder of the Company. Accordingly, there is uncertainty on whether the proposal can be implemented successfully, investors are advised to note the investment risks.
6. The trading of the A shares of the Company was suspended since 4 September 2007, pending the release of the relevant announcement. As at the date of this announcement, the disclosure of the matters relevant to the A shares suspension has been completed. The A shares of the Company will resume trading at 10:30 a.m. on the date of the release of this announcement, i.e. 20 November 2007.

DEFINITIONS

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

“Company”, “Kelon Electrical”, “ST Kelon”	海信科龍電器股份有限公司(Hisense Kelon Electrical Holdings Co., Ltd)
“Hisense Air-conditioning”, “Substantial Shareholder”	青島海信空調有限公司(Qingdao Hisense Air-conditioning Company Limited)
“Hisense Group”	海信集團有限公司 (Hisense Group Limited)
“Hisense Electronic”	青島海信電子產業控股股份有限公司(Qingdao Hisense Electronic Industry Holdings Co., Ltd)
“Hisense Marketing”	青島海信營銷有限公司(Qingdao Hisense Marketing Company Limited)
“Hisense Beijing”	海信（北京）電器有限公司(Hisense (Beijing) Electric Company Limited)
“Hisense Nanjing”	海信（南京）電器有限公司(Hisense (Nanjing) Electric Company Limited)
“Hisense Zhejiang”	海信（浙江）空調有限公司(Hisense (Zhejiang) Air-conditioning Company Limited)
“Hisense Shandong”	“海信空調平度工廠” in the share reform proposal of Kelon Electrical and was established as an independent entity on 8 November 2007 and known as “海信（山東）空調有限公司” (Hisense (Shandong) Air-conditioning Company Limited)
“Zhejiang Xianke”	Zhejiang Xianke Electrical Appliance Manufacturing

	Co., Ltd.(浙江先科電器製造有限公司)
“Xuehua Group”	Beijing Xuehua Group Company Limited (北京雪花集團有限公司)
“Nanjing Suning”, “南京愛普萊斯”	Nanjing Suning High-Tech Industrial Park Co. Ltd.(南京蘇寧高新科技工業園有限公司)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
“CSRC”	China Securities Regulatory Commission
“Shenzhen Stock Exchange”	The Shenzhen Stock Exchange (深圳證券交易所)
“Pricing Date”	4 September 2007, the date of suspension of the A shares of Kelon Electrical
“RMB”	Renminbi yuan
“White Goods”	The general term by which light colored household electrical appliances are referred to, such as refrigerators, air-conditioners, freezers and washing machines, a general product classification description to distinguish from multi-media household appliances such as color televisions which are mainly in black or dark colors.

I. BOARD RESOLUTIONS

The 19th meeting of the sixth Board of Hisense Kelon Electrical Holdings Co., Ltd was duly convened on 19 November 2007 and attended by 9 of the total 9 Directors. The connected Directors, i.e. Mr. Tang Ye Guo, Mr. Yang Yun Duo, Mr. Wang Shi Lei, Ms. Yu Shu Min, Mr. Lin Lan and Ms. Liu Chun Xin have abstained from voting. The meeting was conducted in accordance with the company law, the articles of association of the Company and other relevant laws, regulations and requirements

under other regulatory documents. The resolutions at the meeting are legal and valid. After due consideration by the Directors at the meeting, the general transaction proposal regarding the acquisition of the target assets by the issue of Shares (A-shares) of the Company to Hisense Air-conditioning, the substantial Shareholder of the Company, was approved by the attending Directors with three affirmative votes, 0 objected votes and 0 abstained votes. The details of the Transaction proposal considered and approved in this Board meeting were as follow:

1. Summary of the Transaction

The Company proposed to purchase the White Goods assets of Hisense Air-conditioning, the substantial Shareholder of the Company, including the production of refrigerators and air-conditioners and the sales of White Goods by way of private issue of the A-shares of the Company to Hisense Air-conditioning in order to improve the quality of the Company's assets, enhance its profitability and sustainable development.

2. Target of the Transaction

Including 100% equity interests in Hisense Shandong, 51% equity interests in Hisense Zhejiang, 55% equity interests in Hisense Beijing and the White Goods sales assets of Hisense Marketing held by Hisense Air-Conditioning ("Hisense White Goods Assets and Business" or "Target Assets").

3. Transaction Price

The price of the Target Assets of the proposed acquisition is approximately RMB 2,541,000,000. The final transaction price will be determined based on the market principal after arm's length negotiation between the Company and Hisense Air-conditioning with reference to a number of factors, including but not limited to, the financial situations, business and development prospects of the Target Assets, the transaction circumstances among similar companies in the market, the initial valuation conducted by valuation institution qualified for the occupational requirements for securities, and the interests of shareholders of A-shares and H-shares, etc.

4. Payment Method

For the purpose of the consideration of the proposed acquisition of the target

assets, the Company proposed to issue a total of up to and including 365,000,000 domestic ordinary shares (A-shares) with a nominal value of RMB1 each (“Consideration Shares”).

5. Issue Price

The arithmetic average of the weighted average price of the A shares of Kelon Electrical for 20 trading days prior to this Board meeting announcement (i.e., the average trading price of the A shares of Kelon Electrical for 20 trading days prior to the suspension of trading of the A shares of the Company on 4 September 2007 is RMB 6.98 per Share).

6. Lock-up Period Arrangement

Hisense Air-conditioning has committed to a lock-up period of 36 months from the date of the transfer of the additional Kelon Electric shares obtained from this private issue.

7. Listing Arrangement

The Consideration Shares of this Transaction will be listed for trading on the Shenzhen Stock Exchange.

8. Conditions to be satisfied before the completion of the Transaction (including but not limited to)

- (1) The approval of this Transaction and the obtaining of the waiver in relation to Hisense Air-conditioning’s obligation to make a mandatory offer from the shareholders at the general meeting and class meeting of the Company;
- (2) The approval of this Transaction and the grant of waiver in relation to Hisense Air-conditioning’s obligation to make a mandatory offer by the regulatory authorities in both Hong Kong and the PRC; and
- (3) The approval of this Transaction by the regulatory departments such as the Ministry of Commerce of the PRC.

II. THE DEVELOPMENT OF THIS TRANSACTION

Under the current stage, the Company has negotiated with Hisense Air-conditioning in relation to this Transaction and has formed the initial intention and a general transaction proposal, however, no legally binding agreement has been entered into yet. Investors should note that after the completion of the audit and valuation on the target assets contemplated under the proposed acquisition, the Company will hold another Board meeting to approve the signing of the formal agreement of this Transaction and publish the notices of convening of a general meeting and a class meeting.

III. CONDITIONS OF THE TARGET ASSETS PROPOSED TO BE ACQUIRED

(1) Introduction of the Target Assets

The assets proposed to be acquired from Hisense Air-conditioning include three parts: assets from Hisense Air-conditioning, assets from Hisense refrigerator and White Goods marketing assets.

Table 1: Table of the assets proposed to be acquired Unit: RMB10 thousand

No.	Name of the assets proposed to be acquired	Registered Capital	Legal Representative	Remarks
1	100% equity interest in Hisense (Shandong) Air-conditioning Company Limited	15,000	Wang Shi Lei	Air-conditioners' assets
2	51% equity interests in Hisense (Zhejiang) Air-conditioning Company Limited	11,000	Wang Shi Lei	Air-conditioners' assets
3	55% equity interests in Hisense (Beijing)	8,571	Su Yu Tao	Refrigerators' assets

	Electric Company Limited			
4	60% equity interests in Hisense (Nanjing) Electric Company Limited	12,869.15	Su Yu Tao	Refrigerators' assets
5	White Goods marketing assets of Qingdao Hisense Marketing Company Limited	3,000	Mr. Yang Yun Duo	Marketing assets

1. Assets of Hisense Air-conditioning

The business of Hisense Air-conditioning is currently conducted by Hisense Air-conditioning and Hisense Zhejiang. The air-conditioners' business of Hisense Air-conditioning proposed to be acquired represents 100% equity interests in Hisense Shandong and 51% equity interests in Hisense Zhejiang. At present, the annual output of air-conditioners of these two companies is over 1.6 million sets. According to the statistics of China Market Monitor, it has the 4th largest domestic sales amounts in the industry, the 6th largest export volume, and the largest market share in terms of variable-frequency air-conditioners which represents the trend of technological advancement (with over 55% of market share).

(1) Hisense (Shandong) Air-conditioning Company Limited

It means "Hisense Air-con Pingdu factory" referred to in the share reform proposal of Kelon Electrical, Hisense Air-conditioning outward invested all the lands and operational assets such as factories, machinery and equipment and liabilities of Hisense Air-con Pingdu factory, and established an independent company. That company took over all the air-conditioners production and sales operation of the current Hisense Air-conditioning.

Basic Condition

Name: Hisense (Shandong) Air-conditioning Company Limited

Address: Qingdao Pingdu Nanzhen resident Hisense Road No.1

Legal representative: Wang Shi Lei

Registered capital: RMB150,000,000 (Note: the Company is in the process of conducting the procedure of increasing its capital to RMB500,000,000)

Nature of the Enterprise: single person company with limited liability

Business scope: Research and development, manufacturing and sales of air-conditioning product, plastic injection mould and product after-sales maintenance services.

Term of operation: 8 November 2007 to 7 November 2017

(2) Hisense (Zhejiang) Air-conditioning Company Limited

1. Basic Conditions

Name: Hisense (Zhejiang) Air-conditioning Company Limited

Address: Changxing County Economic and Technological Development Zone north of Central Avenue

Legal representative: Wang Shi Lei Registered capital: RMB110,000,000

Nature of the Enterprise: company with limited liability (foreign funded enterprises)

Business scope: production of air-conditioners and the manufacturing and sales of other household appliances, provision of related technical services, import and export of goods and technology.

Term of operation: 22 April 2005 to 21 April 2020

2. Historical Changes

On 8 April 2005, Hisense Air-conditioning and Zhejiang Xianke jointly established Hisense (Zhejiang) Air-conditioning Company Limited as a joint venture with a registered capital of RMB110,000,000. Hisense Air-conditioning contributed a total of RMB56,100,000, of which RMB34,100,000 in cash and RMB22,000,000 of which in intangible assets, (representing 51% of the registered capital of Hisense Zhejiang); Zhejiang Xianke contributed by way of land and tangible assets such as equipment and apparatus with the consideration of RMB53,900,000 (representing 49% of the registered capital of Hisense Zhejiang).

3. Operating Conditions

The major business of Hisense Zhejiang is the manufacturing of household

air-conditioners and related products. That company has equipment such as advanced auto Helium Leak Detectors, and equipped with advanced integrated production and inspection line, quality assurance system established according to international quality accreditation standard and reformed management system. It is the second largest variable-frequency air-conditioners production base in the PRC with advanced technology after Hisense Pingdu household electrical appliance industry Park (the largest variable-frequency air-conditioner production base in the PRC). Through continuous expansion, that company will have the productivity of 2 million sets of variable-frequency air-conditioner.

The annual productivity of that company was 100,000 sets in 2005 as compared to 300,000 sets in 2006.

2. Assets of Hisense Refrigerators

Hisense Refrigerators Business is currently operated by Hisense Beijing and Hisense Nanjing. The assets of Hisense Refrigerators to be injected refer to: 55% equity interests in Hisense (Beijing), and 60% equity interests in Hisense (Nanjing) held by Hisense (Beijing).

Since the establishment of the company at the end of 2002, its annual production has rapidly increased to approximately 1.40 million sets during three years. According to the statistics of China Market Monitor, the company currently ranks number 4 in the industry, while Hisense Refrigerators Business is the fastest growing company in the industry in China, and is the only enterprise that owns vector inverter technology, the world's most advanced inverter technology among all domestic brands.

(1) Hisense (Beijing) Electric Company Limited

1. Basic Condition

Name: Hisense (Beijing) Electric Company Limited

Address: Beijing Daxing District Qingyuan Road No. 36

Legal representative: Su Yu Tao Registered capital: RMB85,710,000

Nature of Enterprise: company with limited liability

Business scope: manufacture and sales of refrigerators products and other

household appliances products; operation of the export business of self-produced products and technologies of the enterprise and other members enterprises; import of the raw materials, machines and facilities, equipment and apparatuses, parts and technologies required for the production processes of the enterprise and its member enterprise (except goods and technologies operated by enterprises specified by the State or prohibited for import and export); operation of raw material processing and compensation trade.

2. Historical Changes

On 18 May 2002, Hisense Group and Xuehua Group jointly established Hisense (Beijing) Company as a joint venture with a registered capital of RMB85,710,000. Hisense Group contributed a total of RMB47,140,500 in cash and intangible assets (representing 55% of the registered capital of the company), in which intangible assets accounted for RMB17,140,500; Xuehua Group contributed by way of land and equipment with the consideration of RMB38,569,500 (representing 45% of the registered capital of the company).

On 12 September 2002, Hisense Group transferred its entire 55% equity interests in Hisense Beijing to Hisense Electric Company Limited.

On 12 October 2007, the transfer of the 55% equity interests in Hisense Beijing to Hisense Air-conditioning was approved at the general meeting of Hisense Electric.

3. Operating Conditions

The major business of Hisense Beijing is the research and development and manufacture of refrigerator products. In 2006, the refrigerators production capacity of Hisense Beijing was 900,000 sets, and the refrigerators production capacity of 2007 is expected to reach 1,000,000 sets.

(2) Hisense (Nanjing) Electric Company Limited

1. Basic Conditions

Name: Hisense (Nanjing) Electric Company Limited

Legal representative: Su Yu Tao

Registered capital: RMB128,691,500

Business scope: research and development, manufacture, sales and marketing of chlorine-free freezing products. Import and export business for self-operation and agency business of various goods and technologies (except goods and technologies operated by enterprises specified by the State or prohibited for import and export).

2. Historical Changes

Hisense Nanjing was established by Hisense Beijing and Nanjing Suning on 18 November 2004 as a joint venture with a registered capital of RMB80,580,000. Of which, Hisense Beijing contributed RMB36,260,000 in monies and RMB12,090,000 in non-patent assets (representing 60% of the registered capital of the company); Nanjing Suning contributed by way of land use rights with the consideration of RMB32,230,000 (representing 40% of the registered capital of the company).

On 20 August 2006, Hisense Beijing and 南京愛普萊斯高新科技工業園有限責任公司(Nanjing Suning was renamed as “南京伊萊特高新科技工業園有限責任公司” on 1 August 2005, hereafter as “南京愛普萊斯”) entered into the “Hisense (Nanjing) Electric Company Limited Phase 2 Capital Injection Agreement”, pursuant to which, Hisense Beijing injected additional capital to Hisense Nanjing with RMB21,650,200 in cash and RMB7,216,700 in intangible assets, while 南京愛普萊斯 contributed with equipment with the consideration of RMB19,244,600 to Hisense Nanjing. After this capital injection, the registered capital of Hisense Nanjing increased to RMB128,691,500 without changes to the respective proportion of interests of the two parties.

3. Operating Conditions

The major business of Hisense Nanjing is the research and development and manufacture of refrigerator products. In 2006, the production capacity of Hisense Nanjing was 500,000 sets, and in 2007, the production capacity of Hisense Nanjing is expected to reach 550,000 sets.

3. White Goods Marketing Assets of Hisense Marketing

The business of Hisense Marketing is mainly operated by Hisense Marketing. The Hisense Marketing assets proposed to be acquired mainly refer to the White Goods assets of HisenseMarketing. At Present, Hisense Marketing has over 56 marketing branch companies and over 10,000 sales points across the nation with strong sales power.

(1) Qingdao Hisense Marketing Company Limited

1. Basic Conditions

Name: Qingdao Hisense Marketing Company Limited

Address: Qingdao Economic and Technical Development Zone Unity Road No.18
Hisense Information Industrial Park

Legal representative: Yang Yun Duo

Registered capital: RMB30,000,000

Nature of Enterprise: company with limited liability

Business scope: manufacture, sales, technical development of household appliances, electronic products, communication products and related services, (operation under permit is required for areas requiring permits)

Date of establishment: 21 July 2003

2. Historical Changes

On 11 July 2003, Hisense Marketing was jointly established by Hisense Electronic and a natural person, with a registered capital of RMB5,000,000. Hisense Electronic contributed RMB4,500,000 in cash (representing 90% of the total capital contribution); Yang Yun Duo contributed RMB500,000 in cash (representing 10% of the total capital contribution).

In November 2003, Hisense Marketing increased its registered capital to RMB30,000,000 by way of capital injection and share capital enlargement. Of which, Hisense Electronic injected a further RMB16,950,000 and held 71.5% of the registered capital after the capital injection; 43 senior operation and

management officers including Shi Yong Chang contributed RMB8,050,000, and the capital contributed by the natural persons accounted for 28.5% of the registered capital after the capital injection.

On 30 September 2007, all shareholders of Hisense Marketing transferred 100% equity interests of Hisense Marketing to Hisense Air-conditioning, and Hisense Marketing became a wholly-owned subsidiary of Hisense Air-conditioning.

3. Operating Conditions

Hisense Marketing was originally the enterprise responsible for the marketing of refrigerators, air-conditioners and washing machines of the Hisense Group, and has been involved in the agency business of mobile phones and color televisions. During the recent two years, Hisense Marketing was mainly engaged in the sales of white goods including Hisense refrigerators, air-conditioners and washing machines.

In 2006, Hisense Marketing recorded core businesses revenues of RMB 4,064,000,000, of which: air-conditioners revenues were RMB2,209,000,000, refrigerators revenues were RMB1,644,000,000; the aggregate core businesses revenues recorded from January to June 2007 reached RMB2,375,000,000, of which air-conditioners revenues were RMB1,390,000,000, refrigerators revenues were RMB 879,000,000 (information unaudited).

(2) Pro forma combined financial conditions of the Target Assets

Table 2: Major pro forma financial indicators of the Target Assets for the past 3 years (unaudited) in accordance with PRC accounting standards

Unit: RMB10 thousand

	2007.6.30	2006.12.31	2005.12.31	2004.12.31
Total assets	356,882.93	221,498.05	227,526.46	152,226.15
Net assets (attributable to		40,369.44	35,074.29	10,912.63

parent company)	45,397.94			
Core businesses revenues	327,429.80	492,483.72	467,269.24	303,601.35
Net profit (attributable to parent company)	5,151.15	5,399.37	10,192.26	77,265.61

(Note: The Kelon agency business of Hisense Marketing were not included in 2005 and 2006.)

IV. EFFECTS OF THIS TRANSACTION ON THE COMPANY

- (1) Beneficial for the elimination of industry competition between the Company, and Hisense Air-conditioning and Hisense Group (the actual controller)

Upon completion of this reorganization, the scope of quality White Goods assets under both Hisense Air-conditioning and Hisense Group (the actual controller) would be injected into Kelon Electrical. To a certain extent, the White Goods assets of Hisense Group would be entirely listed. After the reorganization, the entire White Goods businesses of Hisense Group including air conditioners and refrigerators would be operated under the Kelon Electrical group, whereas the other businesses of Hisense Group (multimedia business such as televisions, communications business and real estate businesses) would not be competing with Kelon Electrical, and there would be no common core business and assets with Kelon Electrical. Of which, the core business of multimedia business such as televisions of the listed company Hisense Electric under the Hisense Group would be substantially different from the White Goods businesses such as refrigerators and air-conditioners of Kelon Electrical in terms of State's industry category and management, product upstream supply chain, product production methods, product technologies, product services and other major categories. This reorganization would separate the refrigerators business from Hisense Electric and inject it into Kelon Electrical, and will fundamentally eliminate the existing industry competition between Hisense Air-conditioning and Hisense Group and Kelon Electrical.

At the same time, Hisense Air-conditioning and Hisense Group (the actual controller), both have undertaken not to engage in air -conditioners, refrigerators and other businesses same as or similar to that of Kelon Electrical in the future upon completion of this reorganization, in order to avoid industry competition with Kelon Electrical.

(2) Beneficial for the elimination of the large amount of connected transactions between Kelon Electrical and Hisense Air-conditioning and Hisense Group (the actual controller)

Given the current situation of Kelon Electrical, a large part of the sourcing, sales and other production and operation activities of Kelon Electrical was made through the sourcing system and marketing channels of Hisense Air-conditioning, which has led to a large amount of connected transactions between Kelon Electrical and Hisense Air-conditioning.

Upon completion of this reorganization, the injection of the White Goods assets of Hisense Air-conditioning into Kelon Electrical would significantly reduce the amount of existing connected transactions. Of which, connected transactions in connection with sourcing for White Goods businesses will be fundamentally eliminated; connected transactions in connection with reinforcing the advantages of regional production capacity coverage and mutual licensed processing would be entirely eliminated; as to connected transactions in connection to the marketing of White Goods, this reorganization would separate Hisense Marketing from the domestic marketing channels and assets of the white goods and inject it into Kelon Electrical. Upon completion of the separation and injection, apart from Kelon Electrical, there would be no other companies or assets engaged in the domestic marketing business of White Goods under the Hisense Group, and the original domestic marketing channels and assets of the Hisense Group and the original marketing channels and assets of Kelon Electrical would be restructured to form a new marketing system which would be independent from the multimedia marketing channels and the domestic marketing channels of other products of the Hisense Group (which Hisense Electric would belong to). As a result, upon completion of this reorganization, connected transactions between Hisense Group and Kelon Electrical in connection with the domestic marketing business would be entirely eliminated.

In respect of international marketing, given that Kelon Electrical only has a single OEM business in the area of international marketing without any resources or channels for self-branded exports, in an effort to explore new markets and new clients for its self-branded export business and in accordance with the development plans of the Company, it was approved in the Company's general meeting that starting from the end of 2007, Kelon Electrical would cooperate with Hisense Group in its self-branded export business to make use of the long-established self-branded international marketing platform of Hisense Group to cover for the shortfall due to the lack of self-branded channel and resources, with the objective to expand the international market and further increase its scale of operation. As such, upon completion of this reorganization, there would still be a certain amount of connected transactions between Hisense Group and Kelon Electrical in respect of international marketing.

Upon completion of this reorganization, Kelon Electrical would stringently regulate the unavoidable connected transactions with Hisense Air-conditioning and its associates, determine the considerations based on the fair, open and just principles, and timely observe the information disclosure responsibilities. At the same time, Hisense Air-conditioning and Hisense Group (the actual controller) have both undertaken to further regulate and minimize future unavoidable connected transactions that might be entered into with Kelon Electrical in the future.

(3) Beneficial for solving the risk of continuing operation faced by the Company, and enhancing the Company's assets quality, profitability and sustainable development

Since the takeover of the Company by Hisense Air-conditioning, despite the Company has started to free itself from the risk of liquidation after two years' efforts with the support of Hisense Air-con, its capacity of continuing operation is still relatively fragile with relative weaknesses in assets quality, profitability and sustainable development.

Through this significant assets reorganization, Hisense Air-conditioning would inject its entire quality White Goods assets into Kelon Electrical, which not only would effectively solve the risk of continuing operation faced by the Company, but also augment the pragmatic operation of its core businesses, enhance its asset quality and profitability, and promote the Company's sustainable development, in line with the interests of the Company and all the shareholders.

V) Prior Approval and Independent Opinions of the Independent Non-executive Directors on this Transaction

The independent non-executive directors of the Company have carefully reviewed the "Overall Transaction Proposal for the Issuance of Shares (A Shares) to Hisense Air-conditioning to Acquire the Target Assets" provided by the board of directors of the Company in advance and agreed to submit the proposal to the board of directors of the Company for consideration and discussion.

According to the relevant laws, regulations of the State and the relevant rules of the CSRC and the provisions of the memorandum and articles of association of the Company, the independent non-executive directors of the Company issue opinions on the proposed transaction as follows:

1. This proposed Transaction will not only effectively solve the risk of continuing operation faced by the Company, but also augment the pragmatic operation of its core businesses, enhance its assets quality and profitability, and promote the Company's sustainable development, in line with the interests of the Company and all the shareholders.
2. While the board of directors of the Company was considering the related resolutions, the connected Directors have all abstained from voting. This is in accordance with the relevant provisions of laws, regulations and the memorandum of association of the Company.
3. The independent non-executive directors agree with the overall arrangements under this Transaction for the issuance of Shares (A Shares) to Hisense Air-Conditioning Company Limited to acquire the Target Assets by the Company.

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 with effect from 10:00 a.m. on 16 June 2005 until further notice.

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

Foshan City, Guangdong, the PRC, 19 November 2007

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