



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 ON DEVELOPMENT OF SIGNIFICANT LITIGATION

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 on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Guangdong Kelon Air-Conditioner Co., Ltd. (“Kelon Air-Conditioner”), a controlling subsidiary of the Company, in which the Company holds 60% of its equity interest, received the papers of civil judgment (Fo Zhong Fa Min Er Chu Zi Nos. 11 and 183 (2006)) from the Intermediate People’ s Court of Foshan City, Guangdong Province (“Foshan Intermediate Court”) on 9 January 2009. Foshan Intermediate Court made the judgment of first instance in respect of the two cases, among others, filed by Kelon Air-Conditioner against Guangdong Greencool Enterprise Development Company Limited (referred to as “Guangdong Greencool”) and its related companies (collectively referred to as “Greencool Companies”), and specific third parties , details of which are set out as follows:

I. Case Summary

Case 1. Case of dispute filed by Kelon Air-Conditioner (Plaintiff) against Guangdong Greencool (First Defendant), Mr. Gu Chu Jun (Second Defendant), Jinan San’ ai’ fu Chemical Co., Ltd. (Third Defendant), Greencool Refrigerant (China) Company Limited (Fourth Defendant) and Hainan Greencool Environmental Protection Engineering Co., Ltd. (Fifth Defendant) over the damage caused to the interests of the Company.

1. Acceptance of the case: The case was accepted by Foshan Intermediate Court on 10 February 2006.

2. Basic particulars of the case:

The First Defendant and the Second Defendant, by using their common control over Kelon Companies (i.e. the Company and the companies directly or indirectly controlled by the Company) and Greencool Companies, instructed the Plaintiff to sign a sale and purchase contract of industrial products with the Third Defendant on 28 January 2005, under which , the Plaintiff shall purchase 300 tonnes of environment-friendly refrigerants from the Third Defendant at a total purchase price of RMB40,800,000.

Under the control and manipulation of Mr. Gu Chu Jun and the officers of Greencool Companies, the Plaintiff paid the purchase price in full to the Third Defendant. However, the Third Defendant had only supplied 78.3 tonnes of refrigerants (equivalent to RMB10,648,800 based on the contract price) to the Plaintiff to date. The Third Defendant had only recognized RMB30,000 out of RMB40,800,000 as the settlement of the purchase price, and the remaining balance of RMB40,770,000 was transferred to the Fourth Defendant and the Fifth Defendant by endorsing bank draft.

The Plaintiff considered that the five Defendants misappropriated the funds of the Plaintiff by signing the sale and purchase contract, and prejudiced the lawful interests of the Plaintiff.

3. Claims:

(1) that the First to Fifth Defendants shall jointly repay the purchase price of RMB40,800,000 and the interest thereon to the Plaintiff;

(2) that the Defendants shall bear all the litigation costs of this case.

4. Particulars of judgment:

Foshan Intermediate Court made the following judgment on 12 December 2008:

(1) that the First Defendant and the Second Defendant shall pay the damages of RMB30,151,200 and the interest thereon accrued from 8 April 2005 to the date of fully settlement of such amount based on the prevailing lending rate published by the

People's Bank of China to the Plaintiff within 15 days from the date on which this judgment becomes legally effective;

(2) that the Fourth Defendant shall be jointly liable for the settlement of RMB30,121,200 of the damages stated in item (1) of this judgment and the interest thereon accrued from 8 April 2005 to the date of fully settlement of such amount based on the prevailing lending rate published by the People's Bank of China;

(3) that the Third Defendant shall be jointly liable for the settlement of RMB30,000 of the damages stated in item (1) of this judgment and the interest thereon accrued from 8 April 2005 to the date of fully settlement of such amount based on the prevailing lending rate published by the People's Bank of China;

(4) that all other litigation claims made by the Plaintiff shall be dismissed.

The case acceptance fee of RMB214,010 and the asset protection fee of RMB204,520, totaling RMB418,530, shall be borne as to RMB109,236 by the Plaintiff; and RMB309,294 by the First Defendant and the Second Defendant, of which RMB308 and RMB308,986 shall be borne by the Third Defendant and the Fourth Defendant respectively. As the Plaintiff has prepaid the case acceptance fee of RMB214,010, the First to Fourth Defendants shall pay part of their litigation costs directly to the Plaintiff when settling the damages stated in the above judgment. In this regard, Foshan Intermediate Court will not proceed any fee collection or refund. As Foshan Intermediate Court had agreed the Plaintiff to defer the payment of the asset protection fee of RMB204,520, the First Defendant and the Second Defendant shall therefore pay such fee to Foshan Intermediate Court within 15 days from the date on which this judgment becomes legally effective, and the Third Defendant and the Fourth Defendant shall be jointly liable for RMB203 and RMB204,317 of the fee respectively.

Case 2. Case of dispute filed by Kelon Air-Conditioner (Plaintiff) against Guangdong Greencool (First Defendant), Mr. Gu Chu Jun (Second Defendant) and Hainan Greencool Environmental Protection Engineering Co., Ltd. (Third Defendant) over the damage caused to the interests of the Company

1. Acceptance of the case: The case was accepted by Foshan Intermediate Court on 7 December 2006.

2. Basic particulars of the case:

The First Defendant and the Second Defendant, by using their common control over Kelon Companies and Greencool Companies, instructed the Plaintiff to sign the Sale and Purchase Contract with the Third Defendant on 10 March 2005, under which the Plaintiff shall purchase 100 tonnes of Greencool refrigerants from the Third Defendant at a unit price of RMB135,000 per tonne. After signing the contract, the Plaintiff paid the purchase price of RMB13,437,900 to the Third Defendant. However, after subsequent investigation and assessment by the Plaintiff, it was found that the price offered by the Third Defendant was approximately 10 times the normal market price. The actual value of the contracted goods was only RMB1,148,500, and the Third Defendant misappropriated RMB12,289,400 of the Plaintiff through the illegal connected transaction.

The Plaintiff considered that the First to Third Defendants prejudiced the lawful interests of the Plaintiff.

3. Claims:

- (1) that the First to Third Defendants shall jointly repay RMB12,289,400 to the Plaintiff;
- (2) that the Defendants shall jointly bear all the litigation costs of this case.

4. Particulars of judgment:

Foshan Intermediate Court made the following judgment on 9 December 2008: The claims demanded by the Plaintiff shall be dismissed due to insufficiency of evidence submitted by the Plaintiff.

The case acceptance fee of RMB71,457 shall be borne by the Plaintiff.

II. Summary of Other Undisclosed Litigations and Arbitrations

As at the date of this announcement, the Company and its controlling subsidiaries are not involved in any other discloseable (but not disclosed) litigations or arbitrations.

III. Possible Effects of the Litigations Disclosed in this Announcement on the Profits of the Company for the Current or Subsequent Periods

In respect of the said two cases, both the Plaintiff and the Defendants are entitled to

appeal against the respective judgment by lodging an appeal with Foshan Intermediate Court within 15 days from the date of delivery of the respective judgment, and shall produce the photocopies of such appeal based on the number of counterparties for the purpose of appeal at the Higher People's Court of Guangdong Province. In the first case, the Company has not been informed as to whether the defendants will lodge an appeal, thus is unable to determine whether or not the judgment is enforceable for the time being. In the second case, Kelon Air-Conditioner has decided not to appeal after taking into account the possibility of success in the appeal and the relevant litigation costs.

As at 31 December 2007, the balance of the accounts receivables of the Company from Greencool Companies and specific third parties companies amounted to approximately RMB651,000,000. The company has made a provision of RMB364 million in accordance with the PRC GAAP. The Company is of the opinion that under the current circumstances and before the closing of all proceedings and the enforcement of their judgments regarding the litigations filed by the Company against Greencool Companies and specific third parties, there is no material difference in the Company's judgment on the recoverability of the accounts receivable from Greencool Companies and specific third parties compared with the past.

IV. Documents Available for Inspection

1. The paper of civil judgment (Fo Zhong Fa Min Er Chu Zi No. 11 (2006)) issued by the Intermediate People's Court of Foshan City, Guangdong Province;
2. The paper of civil judgment (Fo Zhong Fa Min Er Chu Zi No. 183 (2006)) issued by the Intermediate People's Court of Foshan City, Guangdong Province.

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, pending the release of an announcement in relation to price-sensitive information of the Company.

The Company received a letter from the Stock Exchange dated 5 June 2008 agreeing that trading in the H shares of the Company be allowed to resume subject to the fulfilment of the conditions as set out in its letter to the satisfaction of the Stock Exchange prior to the resumption of trading in the H shares of the Company. Please

refer to the announcement of the Company dated 6 June 2008 for details of such conditions. The Company has appointed an independent professional firm to conduct a review on the internal control system of the Company and its subsidiaries.

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, 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, 9 January 2009.