



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)

2008 FIRST QUARTERLY RESULTS ANNOUNCEMENT

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

§1 IMPORTANT NOTICE

1.1 The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”), the directors (the “Directors”), the supervisors (the “Supervisors”) and the senior management (the “Senior Management”) of Hisense Kelon Electrical Holdings Company Limited (the “Company”) warrant that there are no false representation or misleading statements contained in, or material omissions from, this report (the “Report”); and individually and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

1.2 No Directors, Supervisors or Senior Management have expressed any disagreement or failed to provide a guarantee on the truthfulness, accuracy and completeness of the content of this first quarterly report.

1.3 Save and except Ms. Yu Shu Min, the Director, was unavailable to attend the meeting in person due to business engagement (who has entrusted Mr. Lin Lan, the Director, to exercise her voting rights by proxy), all the Directors attended the meeting.

1.4 The financial report for the first quarter of the Company has not been audited by auditors

1.5 Mr. Tang Ye Guo, the representative of the Company, Ms. Liu Chun Xin, the person in charge of the accounting function and Mr. Chen Zhen Wen, person in charge of the accounting department, warrant the accuracy and completeness of the contents of the financial report of this Report .

1.6 The full text of the Company's balance sheet, income statement and cash flow statements are published on the website as designated by the Shenzhen Stock Exchange for release of information: <http://www.cninfo.com.cn/default.htm>.

§2 BASIC INFORMATION OF THE COMPANY

2.1 Major Accounting Data and Financial Indicators

Unit: RMB (Yuan)

	End of the Reporting Period	End of Last Financial Year	Increase/Decrease As At End of the Reporting Period As Compared with End of Last Financial Year (%)
Total Assets*	4,949,243,859.08	4,421,329,111.03	11.94%
Equity Holders' Interest	-757,497,045.15	-773,484,173.87	N/A
Net assets per share	-0.7636	-0.7797	N/A
	Beginning of the Year to End of The Reporting Period		Increase/Decrease over Corresponding Period of Last Year(%)
Net cashflow from operating activities*	58,735,475.75		N/A
Net cashflow from operating activities per share	0.0592		N/A
	Reporting Period	Beginning of the Year to The End of the Reporting Period	Increase/Decrease over The End of Last Financial Year (%)
Net profit*	10,935,073.82	10,935,073.82	-48.10%
Earnings per share - basic	0.0110	0.0110	-48.10%
Earnings per share - diluted	0.0110	0.0110	-48.10%

Returns on net assets**	N/A	N/A	N/A
Returns on net assets after extraordinary profit and loss items**	N/A	N/A	N/A

* The financial data are consolidated financial data.

** Since the net assets of the Company at the end of the reporting period is a negative figure, all calculations of return on net assets are not applicable.

Extraordinary profit and loss items

Unit: RMB(Yuan)

Items	Amount
Profit and loss from disposal of non-current assets	55,483,436.03
Loss from disposal of investment units	10,568,465.43
Other non-operating income other than the above items	2,566,731.13
Total extraordinary profit and loss	47,481,701.73
Less: Effects of minority interests	27,774.96
Less: Effects of income tax	0.00
Total extraordinary profit and loss after income tax and minority interests	47,453,926.77

2.2 Table of total number of shareholders and top ten holders of tradable listed share at the end of the reporting period

Unit: shares

Total number of shareholders at the end of the reporting period	43,750	
The shareholding of the top ten holders of tradable listed shares		
Name of Shareholder	Shareholding at the end of the period	Class
The Hong Kong and Shanghai Banking Corporation Limited	92,811,829	H shares

Shenyin Wanguo Securities (H.K.) Ltd.	55,097,000	H shares
Bank of China (Hong Kong) Limited	48,819,000	H shares
Guotai Junan Securities (H.K.) Ltd	40,920,000	H shares
First Shanghai Securities Limited	25,860,000	H shares
Hang Seng Securities Limited	20,235,000	H shares
BOCI Securities Limited	8,216,000	H shares
Sun Hung Kai Investment Services Limited	7,983,000	H shares
Standard Chartered Bank (Hong Kong) Limited	7,132,000	H shares
CHIYU Banking Corporation Ltd	6,873,000	H shares

§3 SIGNIFICANT EVENTS

3.1 The details and reasons for significant changes of the principal accounting statement and financial indicators

✓ Applicable Not applicable

Unit: RMB (Yuan)

Items	31 March 2008	31 December 2007	Amount Increase/decrease in amount	Changes (%)
Trade receivables	1,015,971,329.50	618,566,012.70	397,405,316.80	64.25%
Other receivables	399,857,188.75	593,172,778.27	-193,315,589.52	-32.59%
Inventories	1,218,825,344.23	940,284,389.70	278,540,954.53	29.62%
Trade payables	2,218,584,470.16	1,352,524,482.02	866,059,988.14	64.03%

Note: 1. When compared with the end of the reporting period to the beginning of the reporting period, the trade receivables, inventories and trade payables increased by 64.25%, 29.62% and 64.03%,

respectively. Such increases are attributable to the increase in sales volume and stock in response to the increase in demand during the peak season at the end of the reporting period .

2. Other receivables decreased by 32.59% when compared with the end of the reporting period to the beginning of the reporting period, which is attributable to the receipt of the land premium from the disposal of Chengdu Kelon during the reporting period.

3.2 Significant events and analysis on their impact and solutions

Applicable Not applicable

3.2.1 The auditor's report issued by Shenzhen Dahua Tiancheng Certified Public Accountants in relation to the Company's annual report for 2007 contained a qualified opinion. The explanations of the relevant issues which have been mentioned in the qualified opinion are set out as follows:

Reserved Matter 1: "As described in Notes 6.4, 6.6, 11 and 15 to the financial statements of the annual report of A share, a series of related parties' transactions and unusual cash flows occurred between the Company and its former largest shareholder, Guangdong Greencool Enterprise Development Limited and its related parties (the "Greencool Companies") during the period from October 2001 to July 2005. In addition, the Greencool Companies, through certain specified third party companies such as Tianjin Lixin Commercial Trading Development Company Limited, involved in a series of unusual cash flows with the Company in the same period. Such transactions and unusual cash flows as well as the suspected fund embezzlement have been reported to the Company, and are pending judgment. Your Company received Civil Judgment (Fo Zhong Fa Min Er Chu Zi No. 93 and 94 (2006)) from the Guangdong Province Foshan Intermediate People's Court (hereafter referred to as "Foshan Intermediate Court") on 10 September 2007 and Civil Judgment (Fo Zhong Fa Min Er Chu Zi No. 153, 154, 175, 181, 182, 185 and 186 (2006)) from the Guangdong Province Foshan Intermediate Court on 31 March 2008, which stated that Foshan Intermediate Court has made first trial judgment on the nine cases in respect of the litigation initiated by your Company against the Greencool Companies and the specified third party companies in favour of your Company. The counterparties of the above nine litigations appealed against the judgment and the case is currently under hearing. As at 31 December 2007, the balance of the accounts receivable of the Company from the Greencool Companies and the abovementioned specified third party companies amounted to RMB651 million. The Company has made a provision of RMB364 million in respect of the accounts receivable from Greencool Companies and the above specified third party companies. We were

unable to adopt appropriate audit procedures to obtain sufficient and appropriate audit evidence to ascertain as to whether the estimated provision for bad debts and the assessment and calculation of the receivables are reasonable.”

Explanation:

As the Company and its former single largest shareholder, Guangdong Greencool Enterprise Development Company Limited, and its related parties or its third party companies had conducted a series of related parties' transactions and irregular cash inflow/outflow during the period from 2001 to 2005. The aforesaid transactions, irregular cash inflow/outflow and the suspected funds embezzlement are under the investigation by relevant authorities. As at 31 December 2007, the balance of the accounts receivable of the Company from Greencool Companies and the aforesaid specified third party companies amounted to RMB651,000,000.

The Company has estimated, based on the information about the cases available at present, the recoverable amount of the accounts receivable from Greencool Companies and the specified third party companies, and has made a provision for bad debt of RMB364 million. The bases of the estimate include: the information regarding the properties of Greencool Companies seized and frozen by the Court as petitioned by the Company, and the preliminary report of analysis on the aforesaid fund embezzlement prepared by the counsels of the Company. According to the counsels' analysis, the properties of Greencool Companies available for settlement amounted to approximately RMB 1,000,000,000, and the total claim amount against Greencool Companies by the creditors amounted to approximately RMB 2,400,000,000. The amount claimed by the Company for the fund embezzlement of Greencool Companies amounted to RMB 792,000,000. It is possible that the credit balance be settled based on the proportion of property to the debts. Based on the estimated settlement proportion, and that the case is still in the progress, the court has not yet acknowledged the claim amount of the Company for its debts, the Board of the Company estimated the recoverable amount and made a provision for bad debts of RMB 364,000,000.

Meanwhile, our lawyers has declared that, apart from the case undertaken by them, they cannot guarantee the accuracy of the information and the data related to other relevant cases nor the results of those cases. Further, whether the relevant subsidiaries of the Company are included in the property appropriation of Greencool Companies is subject to the decision of the Court.

The Board considers that the provision for bad debts is an accounting estimation. The treatment of the accounts receivable does not contravene any relevant requirements of the Accounting System for

Business Enterprises. Although the Guangdong Province Foshan Intermediate Court has made first trial judgment on the nine cases in respect of the litigation initiated by the Company against the Greencool Companies, the counterparties has lodged an appeal, and the abovementioned judgment has therefore yet to become effective. The Board is of the view that: as there is no material difference in the estimations of the recoverability of this receivable between 2007 and 2006, this qualified opinion will not affect the fairness in the preparation of the statement of profit of the Company in 2007.

After the court has made its judgment and determine the settlement proportion, the Company will, pursuant to the finalized recoverable amount, to restate the 2005 financial statements (balance sheet and income statement), and the relevant items in the balance sheet as at 31 December 2006 and 31 December 2007. The Company has taken the measures to sequester the properties of Greencool Companies which are available for settlement. The Company will also pay attention to the progress of the case and use its best endeavour to ensure its rights as a creditor.

3.2.2 The progress of settlement on the funds embezzled for non-operating purposes.

As at the end of the Reporting Period, the total funds embezzled by the former substantial shareholder and its subsidiaries, the third parties and other related parties for non-operating reasons amounted to RMB655.1495 million in total, RMB650.6941 million of which was embezzled by Guangdong Greencool (the former substantial shareholder) and its subsidiaries and the third parties and RMB 4.4554 million of which was embezzled by other related parties.

Up to date, the Company has initiated 20 litigations involving target claim amounts of RMB 792 million in total and petitioned for attachment up, freezing, preservation of the properties of the Greencool Companies and the personal valuable property of Gu Chu Jun. As at the end of the reporting period, although the Foshan Intermediate Court has made first trial judgment on nine cases thereof, Guangdong Greencool and Gu Chu Jun have lodged an appeal. As a result, the relevant judgment has not become effective yet.

3.2.3 Material litigations and arbitration of the Company

As at the date of the Report the Company and its subsidiaries were involved in 153 litigations with a total claim amount of RMB980, 410, 400, US\$13,750,719.19 and involving land of 125,266.26 square metres.

Among the aforementioned litigations involving the Company and its subsidiaries, the Company and its

subsidiaries act as plaintiffs in 29 cases with a total claim amount of RMB922,454,200 and as defendants in 124 cases involving an amount of RMB57,956,200, US\$13,750,719.19 and land of 125,266.26 square metres

Among the aforementioned litigations involving the Company and its subsidiaries, there are 23 litigations and arbitrations as disclosed above involving an amount exceeding RMB10,000,000 each (with a total claim amount of RMB922,009,100, US\$13,750,719.19), 130 litigations with a claim amount less than RMB10,000,000 each (with a total claim amount of RMB58,401,300 and land of 125,266.26 square metres).

The Company will pay close attention to the progress of these litigations, proactively communicate with the relevant authorities, and make as much efforts as possible to protect the Company's interest.

3.3 Performance of undertakings given by the Company, shareholders and controlling parties

Applicable Not applicable

On 28 March 2008, since Qingdao Hisense Air-Conditioner Company Limited, the controlling shareholder of the Company, failed to accomplish the assets reorganization of the Company within the committed period, this triggered the conditions for offering additional shares. On 11 April 2008, Hisense Air-Conditioner implemented its commitment of offering additional shares to all shareholders of transferable A shares whose names appear on the register on the date of registration for changes in shares for additional shares and to the directors, supervisors and senior management of such companies holding transferable A shares of the Company. For details, please refer to the announcement published on the designated media for information disclosure on 11 April 2008 by the Company.

3.4 Warnings and explanations of any forecasted losses or significant changes to retained earnings brought from the beginning of the financial year to the end of next reporting period.

Applicable Not Applicable

3.5 Explanations on the difference between the shareholders' interests at the beginning of 2008 in the balance sheet included in this quarterly report and the shareholders' interests at the beginning of 2008 in the "Reconciliation Statement of shareholders' interests computed based on new and old accounting standards"

Applicable Not Applicable

3.6 OTHER MATERIAL MATTERS REQUIRED TO BE DISCLOSED

1. Establishment of Hisense International Marketing Co. Ltd.

On 24 January 2008, the Company, Qingdao Hisense Import & Export Co., Ltd., Qingdao Hisense Electric Co., Ltd. and 18 natural persons (including Liu Qinghua) jointly established Hisense International Marketing Co. Ltd with registered capital of RMB20,000,000, of which the Company has made the capital contribution of RMB3,800,000, representing 19% of the total capital contribution; Qingdao Hisense Import & Export Co., Ltd. has made the capital contribution of RMB10,400,000, representing 52% of the total contribution; Qingdao Hisense Electric Co Ltd has made the capital contribution of RMB3,800,000, representing 19% of the total capital contribution; and the 18 natural persons have made the capital contribution of RMB2,000,000, representing 10% of the total contribution.

2. Disposal of a subsidiary, Jilin Kelon

The Company and its wholly-owned subsidiary, Ronshen Refrigerator, signed a Share Transfer Agreement with Jilin Yinqiao Group Co. Ltd. (“Yinqiao Group”) on 7 January 2008, pursuant to which they transferred their 100% interests in Jilin Kelon (90% as to Hisense Kelon and 10% as to Ronshen Refrigerator) to Yinqiao Group at a consideration of RMB30,000,000, and the Company and Ronshen Refrigerator shall assume all the liabilities on the accounts of Jilin Kelon upon signing of the agreement.

3. Progress of the Significant Asset Reorganization

The Company received on 14 April 2008 the “Decision Regarding the Rejection of the Proposed Acquisition of Assets by the Company from a Connected Person by the Allotment and Issue of Shares” (the “Decision”) from the China Securities Regulatory Commission (the “CSRC”), under which the Company’s proposal of acquisition of assets from a connected person through allotment and issue of shares (the “Proposal”) has been rejected by the CSRC after examination. After due and careful negotiations with the vendor of the assets under this transaction, Qingdao Hisense Air-Conditioning Company Limited (“Hisense Air-Conditioning”), and as agreed by Hisense Air-Conditioning, the Company has decided to revise the terms of the Proposal with Hisense Air-Conditioning.

3.6.1 Information about securities investment

Applicable Not Applicable

3.6.2 Information about shareholding in other listed companies by the Company

Applicable Not Applicable

(Unit: RMB Yuan)

Stock Code	Abbreviated Name	Initial investment amount	Percentage to the investee's share capital	Carrying amount at the end of the period	Profit/loss for the reporting period	Changes in shareholding during the reporting period
000404	Huayi Compressor	118,013,641.00	18.26%	96,935,429.72	2,439,536.00	2,439,536.00
Total	--	118,013,641.00	18.26%	96,935,429.72	2,439,536.00	2,439,536.00

3.6.3 Table on reception activities in respect of research, communications and visits during the reporting period

Applicable Not applicable

SUSPENSION OF TRADING IN THE H SHARES

At the request of the Company, trading in the H Shares of the Company was suspended from 28 April 2005 to 10 May 2005, and has remained suspended since 10:00 a.m. on 16 June 2005, initially following various press releases regarding the investigation by the China Securities Regulatory Commission on Greencool Technology Holdings Limited in connection with the possible misappropriation of funds of the Company. Greencool Technology Holdings Limited was then an indirect shareholder of the Company controlled by Mr. Gu Chu Jun, who was the then executive director and chairman of the Company and the controlling shareholder of Guangdong Greencool Enterprise Development Company Limited, the then single largest shareholder of the Company.

The Company is currently reviewing the relevant documents in relation to the suspension of H Shares, the events leading to such suspension and the actions taken by the Company and has submitted an application for resumption of trading to the Stock Exchange for review and approval.

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. Wang Shi Lei, 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, 25 April 2008