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**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 External Guarantees**

This announcement is made by Hisense Kelon Electrical Holdings Company Limited (the "Company") pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### **I. Summary of guarantees**

Based on the capital requirements for production and operation as well as the needs for business development of the Company and its subsidiaries, the Company proposes to provide guarantees amounting to RMB1.535 billion for its subsidiaries for the years of 2016-2017. The particulars are set forth as follows:

#### **(I) Guarantees proposed to be provided by the Company for its subsidiaries**

No.	Name of party for which guarantee will be provided	Percentage of shareholding	Amount of guarantee (RMB'0000)	Percentage of amount of guarantee to the latest audited net assets of the Company
1	Hisense (Shandong) Refrigerator Co., Ltd.	100%	20,000	5.78%
2	Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	100%	50,000	14.46%
3	Hisense (Shandong) Air-Conditioner Co., Ltd.	100%	15,000	4.34%
4	Guangdong Kelon Air-Conditioner Co., Ltd.	60%	500	0.14%
5	Hisense (Guangdong) Air Conditioning Co., Ltd	100%	30,000	8.67%
6	GuangDong Hisense Home Appliances Co.,Ltd.	81.17%	5,000	1.45%
7	Hisense Ronshen (Guangdong) Freezer Co., Ltd.	100%	5,000	1.45%
8	Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	100%	10,000	2.89%

9	Guangdong Kelon Mould Co., Ltd.	70.1%	2,000	0.58%
10	Foshan Shunde Rongsheng Plastic Products Co., Ltd.	70.05%	6,000	1.73%
11	Kelon International Incorporation	100%	10,000	2.89%
	Total		153,500	44.39%

The amounts of guarantees set out in the table above can be used on a revolving basis during the years of 2016-2017 (i.e., from 1 January 2016 to 31 December 2017). The resolutions in relation to the proposed provision of guarantees for the relevant subsidiaries of the Company were passed at the third 2015 extraordinary meeting of the Company's ninth session of the board of directors. Out of the eight directors who should attend the meeting, nine directors attended. The convening of and the voting at the meeting were in compliance with the relevant requirements of the Company Law of the People's Republic of China and the articles of association of the Company. The resolutions were passed with 8 affirmative votes, 0 against vote and 0 abstention vote after consideration. Such guarantees are still subject to the consideration and approval by the shareholders at the general meeting.

As all the parties for which guarantees will be provided are subsidiaries of the Company under the scope of its consolidated financial statements, there are no counter-guarantees in respect of the guarantees proposed to be provided by the Company for its subsidiaries.

## **II. Particulars of parties for which guarantee will be provided**

(1) Hisense (Shandong) Refrigerator Co., Ltd. ("Shandong Refrigerator") is a wholly-owned subsidiary of the Company. It was established on 15 September 2012, and its registered address is 8 Haixin Road, Nan Cun Town Zhu Di, Pingdu City, Qingdao. Its legal representative is Tang Ye Guo. Its registered capital is RMB275 million. Its scope of businesses include: production of energy-saving and environmental-friendly refrigerators, freezers, washing machines, clothes dryers and other energy-saving refrigeration electrical appliance products and related components and parts, small commercial freezers, coolers; sale of self-manufactured products of the company, and provision of after-sale repair and maintenance services; design and development of energy-saving and environmental-friendly refrigerators, freezers, washing machines, clothes dryers and new energy-saving refrigeration electrical appliance products; import and export of goods and technologies (operation related to items prohibited by the laws and regulations of the State not allowed, operation related to items restricted by laws and regulations only upon approval).

(2) Hisense Ronshen (Guangdong) Refrigerator Co., Ltd. ("Guangdong Refrigerator") is a wholly-owned subsidiary of the Company. It was established on 25 December 1995, and its registered address is 8 Ronggang Road, Ronggui, Shunde, Foshan. Its legal representative is Xiao Jian Lin. Its registered capital is US\$26.8 million. Its scope of businesses include: production of and business operation in refrigerators and related components and parts,

washing machines and small household electrical appliances and related components and parts; engagement in ordinary road freight transportation.

(3) Hisense (Shandong) Air-Conditioner Co., Ltd. (“Shandong Air-Conditioner”) is a wholly-owned subsidiary of the Company. It was established on 8 November 2007, and its registered address is 1 Haixin Road, Nan Cun Town Zhu Di, Pingdu, Qingdao. Its legal representative is Tang Ye Guo. Its registered capital is RMB500 million. Its scope of businesses include: research and development, manufacture and sale of air-conditioner products, plastic injection molds, after-sale product repair services; technological research and development and technical services for energy-saving products; import and export of goods and technology (operation related to items prohibited by the laws and regulations of the State not allowed, operation related to items restricted by laws and regulations only upon approval).

(4) Guangdong Kelon Air-Conditioner Co., Ltd. (“Kelon Air-Conditioner”) is a 60%-owned subsidiary of the Company. Grand Moment Investments Holdings Limited (not being an associate of the Company) holds 40% of the shares of Kelon Air-Conditioner. It was established on 25 February 1998, and its registered address is 2 Qiaodong Road, Ronggui, Shunde, Foshan. Its legal representative is Xu Zhan. Its registered capital is US\$36.15 million. Its scope of businesses include: production of and business operation in air-conditioners, household electrical appliances, hardware and plastic products (excluding waste plastics), and provision of after-sale services.

(5) Guangdong Air-Conditioning Co., Ltd (“Guangdong Air-Conditioning”) is a wholly-owned subsidiary of the Company. It was established on 18 March 2014, and its registered address is No. 8 Hisense Road, Advanced Manufacturing Jiangsha Demonstration Park, Jiangmen City. Its legal representative is Tian Ye. Its registered capital is RMB200,000,000. 100% of its capital was contributed by Hisense (Shandong) Air-Conditioning Co., Ltd, a wholly-owned subsidiary of the Company. Its principal businesses include: development, manufacturing, assembly and sales of domestic electrical appliances such as air-conditioner, air purifier, dehumidifier, household appliances, environmental electrical appliances and their parts, provision of relevant after-sales service and technical consultation service for the aforesaid products; leasing plant and equipment; import and export business of goods and technology on its own or as an agent.

(6) GuangDong Hisense Home Appliances Co.,Ltd. (“Home Appliances Co.”) is a 81.17%-owned subsidiary of the Company. 18.83% of its shares are owned by natural person(s). It was established on 24 November 1999, and its registered address is 1 North Section, Desheng Road West, Daliang Subdistrict, Shunde, Foshan. Its legal representative is

Tang Ye Guo. Its registered capital is RMB\$57.4051 million. Its scope of businesses include: production of and business operation in metal products (excluding gold and silver products), plastic products (excluding plastic wastes), moulds, electric heaters, sterilizers, CD and DVD cleansing products, television mounts, electronical components and parts, automation equipment, hoods, gas stoves, ovens, water heaters, steamers, microwaves, electrical fans, dishwashers, communications wiring devices, direct broadcast satellite reception antenna and provision of relevant after-sale service and technological consultation service.

(7) Hisense Ronshen (Guangdong) Freezer Co., Ltd. (“Guangdong Freezer”) is a wholly-owned subsidiary of the Company. It was established on 25 December 1995, and its registered address is 46 Wenfeng North Road, Rongli, Ronggui, Shunde, Foshan. Its legal representative is Huang Xiao Jian. Its registered capital is RMB237 million. Its scope of businesses include: production of and business operation in small commercial freezers, coolers and related components and parts, type 2 medical cold treatment, low-temperature refrigerating equipment and instruments, and provision of after-sale repair and maintenance services.

(8) Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd. (“Yangzhou Refrigerator”) is a wholly-owned subsidiary of the Company. It was established on 3 July 2003, and its registered address is 9 & 19 Hongyang Road, Yangzhou City. Its legal representative is Zhang Yu Qing. Its registered capital is US\$44.4479 million. Its scope of businesses include: production of energy-saving and environmental-friendly refrigerators and other energy-saving refrigeration electrical appliance products, design and development of energy-saving and environmental-friendly refrigerators and new energy-saving refrigeration electrical appliance products; development, application and promotion of new technologies, new materials, new techniques and new methods.

(9) Guangdong Kelon Mould Co., Ltd. (“Kelon Mould”) is 70.1% owned by the Company indirect and 29.90%-owned by Huayi Compressor Company Limited (not being an associate of the Company). It was established on 20 July 1994, and its registered address is 7 Ronggang Road, Ronggui, Shunde, Foshan. Its legal representative is Wang Shi Lei. Its registered capital is US\$15.0561 million. Its scope of businesses include: production of and business operation in moulds, hardware and plastic parts (excluding plastic wastes).

(10) Foshan Shunde Rongsheng Plastic Products Co. Ltd. (“Rongsheng Plastic”) is 70.05%-owned by the Company direct and indirect, and 29.95%-owned by Huayi Compressor Company Limited. It was established on 18 October 1991, and its registered address is 6 Rongqi Road East, Ronggui, Shunde, Foshan. Its legal representative is Wang Shi Lei. Its registered capital is US\$15.8274 million. Its scope of businesses include:

production of and business operation in plastic products and plastic materials (excluding plastic wastes), wholesale, retail, import and export business of moulds (no retail stores have been set up; and the relevant State requirements shall be observed if the products are subject to the quota licensing management and special regulatory control).

(11) Kelon International Incorporation (“KII”) is a wholly-owned subsidiary of the Company. It was established on 11 September 1998, and its registered address is Room 3101-3105, Singga Commercial Centre, 148 Connaught Road West, Hong Kong. Its registered capital is US\$50,000. Its scope of businesses include investment holding and sale of household electrical appliances.

Audited major financial information of parties for which guarantees will be provided for the preceding year (Unit: RMB’0000)

Name of company	Total assets	Total liabilities	Net assets	Revenue from operations	Gross profit	Net profit
Shandong Refrigerator	189,417	187,686	1,731	514,342	-24,072	-25,186
Guangdong Refrigerator	134,735	61,253	73,482	238,033	4,629	4,659
Shandong Air-Conditioner	193,633	136,721	56,912	525,656	-18,759	-15,483
Kelon Air-Conditioner	114,542	146,582	-32,040	391,133	-1,691	-3,861
Guangdong Air-Conditioning	59,972	40,253	19,719	188,679	-281	-281
Home Appliances Co.	34,576	22,492	12,084	130,702	4,087	4,050
Guangdong Freezer	47,361	29,712	17,650	108,648	3,450	2,961
Yangzhou Refrigerator	156,081	94,332	61,749	424,152	4,611	3,952
Kelon Mould	20,418	3,975	16,443	14,727	1,318	1,181
Rongsheng Plastic	30,678	2,642	28,036	41,707	801	556
KII	54,806	51,022	3,784	300,119	4,259	4,259

### **III. The main contents of guarantee agreements**

The above guarantee agreements have not been signed and their main contents are still subject to negotiation between the guarantor, being the Company or its subsidiaries, and the banks.

### **IV. Opinion of the board of directors**

Given the production and operation situation of the Company and its subsidiaries, the proposed guarantees stated above are beneficial to the Company and its subsidiaries in obtaining the required working capital for the business development and their positive growth, and are in the interests of the Company and its subsidiaries as a whole. In terms of the guarantees provided by the Company to its non-wholly-owned subsidiaries, the risks are under control and the guarantees are favorable to the non-wholly-owned subsidiaries in obtaining required working capital for its business, which in turns facilitate the business development of the non-wholly-owned subsidiaries and are in the overall interest of the

Company. Meanwhile, after assessing the profitability and solvency of the parties for which guarantees will be provided, it is considered that the operations of the parties for which guarantees will be provided are stable with a strong ability to perform contracts and agreements, and thus their ability of loan repayment is assured. The board of directors of the Company is of the view that the risks relating to the provision of the guarantees are under control.

Among the non-wholly owned subsidiaries which guarantees are provided, as the Company undertook to give financial support to Kelon Air-Conditioner by being 100% responsible for its loss and deficit, therefore 100% of its operating results will be consolidated to the Company's financial statement for auditing long-term equity investments according to 100% shareholding proportionality. For Home Appliances Co. and Kelon Mould and Rongsheng Plastic, though their minority shareholder(s) have not correspondingly provided guarantee proportional to their shareholding, the aforesaid subsidiaries have strong solvency. The amount of guarantees to be provided to them by the Company only accounted for 41% and 12% and 21% of the Company's audited net assets for the financial year of 2014 respectively. The amount of guarantees is far below the levels of net assets of these companies. Moreover, the amount of guarantees provided to these companies is all for the purpose of bank credit guarantees and entirely for non-borrowing low risk financial business and the risks are under control.

## **V. Cumulative amounts of external guarantees and overdue guarantees**

As at 31 October 2015, the aggregate amount of external guarantees of the Company and its subsidiaries was RMB24, 160, 000, representing 0.70% of the audited net assets of the Company as at 31 December 2014. There was no overdue guarantee or guarantee subject to litigation.

## **VI. Other explanation**

(1) The term "revolving use" mentioned in this announcement means the above-listed guarantees can be provided for at any time during the guarantee period by the guarantor respectively for the parties whose liabilities are to be guaranteed, provided that the financing guarantees to be provided shall not be more than the maximum limit of the guarantees specified above.

(2) The Company will discharge the relevant disclosure obligations on a timely basis in the event of changes in the guarantees proposed to be provided by the Company for 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, Mr. Lin Lan, Mr. Tian Ye, Mr. Liu Hong Xin and Mr. Jia Shao Qian; and the Company's independent non-executive directors are Mr. Xu Xiang Yi, Mr. Wang Xin Yu and Mr. Wang Ai Guo.*

Foshan City, Guangdong, the PRC, 10 November 2015