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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)

INSIDE INFORMATION

FRAMEWORK AGREEMENT IN RELATION TO THE DISPOSAL

This announcement is made by the Company in accordance with Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules.

THE DISPOSAL

The Board is pleased to announce that on 11 January 2017, the Company entered into the Framework Agreement with the Purchaser in relation to the Disposal. The Company and the Purchaser agreed to enter into a Formal Agreement for the Disposal within 6 months after the signing of the Framework Agreement.

THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are summarized as follows:

Date

11 January 2017

Parties

- (a) the Company, being the vendor
- (b) Ningbo Meishan Bonded Port Yingmei Investment Management Company Limited*, being the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is a third party independent of the Company and the connected persons of the Company.

Subject Matter

Pursuant to the Framework Agreement, the Purchaser agrees to purchase from the Company the

entire equity interest in the Target Company.

The ownership of the Property will be transferred from the Company to the Target Company.

Consideration

The consideration shall be RMB892,560,000 (equivalent to approximately HK\$999,865,573^{Note 1}) subject to the adjustments set out below as at the date of completion of the Disposal (the “**Consideration**”). The Consideration shall be paid by the Purchaser in the following manner:-

(a) A deposit of RMB178,512,000 (representing 20% of the total Consideration) (the “**Initial Deposit**”) shall be paid into the joint escrow bank account set up by the Company and the Purchaser within 15 working days upon signing of the Framework Agreement.

The Initial Deposit will be released to the Company as part payment of the Consideration within 3 working days upon fulfillment of all of the following conditions (the “**Conditions**”):-

- (i) the Company has completed removal from the Huabao Factory Area;
- (ii) the ownership of the Property has been transferred to the Target Company;
- (iii) the Purchaser has completed all audit and due diligence exercises on the Target Company; and
- (iv) all application information in respect of the transfer of the equity interest in the Target Company have been submitted to the relevant industrial and commercial departments which have then issued acceptance receipt.

(b) The Purchaser shall pay the remaining amount of the Consideration to the designated bank account of the Company within 3 working days upon fulfillment of all the Conditions. If the Purchaser fails to pay the remaining amount of the Consideration within 10 working days upon fulfillment of all the Conditions or another date agreed by the Company in writing, the Purchaser will be treated as in breach of the Framework Agreement.

The Consideration shall be subject to the following adjustments (“**Adjustments**”):-

- (a) If, upon audit, the Target Company is found to have contingent or potential liabilities at completion of the Disposal, the Company shall be responsible for such contingent or potential liabilities, or the Consideration shall be reduced accordingly; and
- (b) If, upon audit, the value of the assets of the Target Company (other than the Property) exceeds the value of its liabilities, the Consideration shall be increased by such difference after tax.

The Consideration was determined and arrived at after arm's length negotiation between the Company and the Purchaser.

The Framework Agreement is binding on the Company and the Purchaser. If the Company is in breach of the Framework Agreement (other than due to objective circumstances), the Purchaser shall be entitled to return of the Initial Deposit and shall be paid a further amount equal to the Initial Deposit by the Company. If the Purchaser is in breach of the Framework Agreement (other than due to objective circumstances), the Company shall be entitled to forfeit the Initial Deposit.

Formal Agreement and Completion

The Company and the Purchaser agreed to enter into the Formal Agreement and complete the Disposal within 6 months after the signing of the Framework Agreement.

In the event that the Company and the Purchaser are unable to enter into the Formal Agreement and complete the Disposal within 6 months after the signing of the Framework Agreement due to objective circumstances, both parties will proceed with the work necessary for the Disposal but the Purchaser shall have the right to lower the Initial Deposit deposited in the joint escrow bank account to RMB10,000,000.

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company established under the laws of PRC whose principal businesses are property management, leasing of its own property and electrical appliances processing support services. The Target Company will hold the Property in the Huabao Factory Area.

INFORMATION OF THE COMPANY

The Company is principally engaged in the manufacture and sales of refrigerators and air-conditioners.

INFORMATION OF THE PURCHASER

The Purchaser is a limited liability company (wholly-owned foreign-invested enterprise) established under the laws of the PRC whose scope of business is investment management and consultancy.

REASONS FOR THE DISPOSAL

Since 2013, the Company has been consolidating its production lines and raising its productivity, leaving idle many factory areas in Beijing, Yingkou, Yangzhou (part), Nanjing and Shunde HuaBao. The Directors consider that the Disposal can better utilize the Company's idle assets and increase return on assets, increase the economic benefits and efficiency in utilization of assets of the Company, enhance the cash flow and results of the Company, and thus can maximize returns to the shareholders of the Company. The Disposal is expected to increase the net profit of the Company for the current period by approximately RMB650,000,000 (which shall be subject to the audited financial statements of the Company).

The Directors (including the independent non-executive Directors) consider that the Disposal and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS AND SHAREHOLDERS' APPROVAL

The Disposal is expected to constitute a notifiable transaction under Chapter 14 of the Listing Rules. The Company will publish further announcement and comply with any other applicable requirement in accordance with Chapter 14 of the Listing Rules upon the signing of the Formal Agreement. The Company will also submit the Disposal for its shareholders' approval.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings

set out below:

“Board”	the board of directors of the Company;
“Company”	Hisense Kelon Electrical Holdings Company Limited, a company incorporated in the PRC with limited liabilities, whose shares are listed on the main board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the entire equity interest in the Target Company by the Company pursuant to the Framework Agreement and the Formal Agreement;
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Company and the Purchaser in relation to the Disposal;
“Framework Agreement”	the legally binding framework agreement dated 11 January 2017 entered into between the Company and the Purchaser relating to the Disposal;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Huabao Factory Area”	the Shunde District Daliang Subdistrict Huabao Factory Area* (順德區大良街道華寶廠區), situated at the west of Guangzhu Highway and the north of Desheng Xi Lu of Desheng Riverfront)* (德勝河北岸廣珠公路以西、德勝西路以北);
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Property”	the industrial land and buildings (including factories) on the Huabao Factory Area;
“Purchaser”	Ningbo Meishan Bonded Port Yingmei Investment Management Company Limited* (寧波梅山保稅港區盈美投資管理有限公司), a limited liability company (wholly-owned foreign-invested

“Renminbi” or “RMB”	enterprise) established under the laws of the PRC; the lawful currency of the PRC;
“Target Company”	Foshan City Shunde District Baohong Property Management Company Limited* (佛山市順德區寶弘物業管理有限公司), a limited company incorporated in the PRC; and
“%”	per cent.

**For identification purposes only*

Note:

1. *This amount has been converted from RMB into HK\$ at an exchange rate of RMB1 to HK\$1.1202 for the purpose of illustration only. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the relevant dates at the above rate or at any other rates or at all.*

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

Foshan City, Guangdong, the PRC, 11 January 2017

As at the date of this announcement, the Company’s directors are Mr. Tang Ye Guo, Mr. Liu Hong Xin, Mr. Lin Lan, Mr. Dai Hui Zhong, Mr. Jia Shao Qian and Mr. Wang Yun Li; and the Company’s independent non-executive directors are Mr. Ma Jin Quan, Mr. Xu Xiang Yi and Mr. Wang Xin Yu.