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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)**

**CONNECTED TRANSACTION**

**ESTABLISHMENT OF A JOINT VENTURE COMPANY**

**ESTABLISHMENT OF A JOINT VENTURE COMPANY**

On 26 April 2017, the Parties, namely the Company, Hisense Financial Investment, Hisense International Marketing, Hisense Intelligent Commercial System and Hisense Electronic Equipment, signed the Articles, pursuant to which the Parties agreed to establish the JV Company in Qingdao City of the PRC. The registered capital of the JV Company will be RMB1,000,000,000, of which the Company has agreed to contribute RMB240,000,000, being 24% of the registered capital of the JV Company.

The JV Company will principally engage in the investment and operation of institutions of finance and financial services, asset management and fund management, equity investment and capital operation, investment of securities and funds, investment planning and consultation services, consultation on financial information, financial information and data processing services, and technology investment and technology consultation in the area of financial software (subject to approval as shown in the registration with the administration for industry and commerce).

**IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, Hisense Air-conditioning, being a substantial shareholder of the Company, is a connected person of the Company. Hisense Financial Investment, Hisense Intelligent Commercial System and Hisense Electronic Equipment are subsidiaries of the holding company of Hisense Air-conditioning and are associates of Hisense Air-conditioning, and therefore connected persons of the Company. Meanwhile, Hisense International Marketing is a

company controlled by a subsidiary of the holding company of Hisense Air-conditioning. Therefore, Hisense International Marketing is an associate of Hisense Air-conditioning and is a connected person of the Company.

As certain of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the establishment of the JV Company exceed 0.1% but are all less than 5%, the establishment of the JV Company constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but exempted from the circular and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **ESTABLISHMENT OF A JOINT VENTURE COMPANY**

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The principal terms of the Articles are set out as follows:

Date: 26 April 2017

Parties:

- (A) the Company;
- (B) Hisense Financial Investment, a subsidiary of the holding company of Hisense Air-conditioning;
- (C) Hisense International Marketing, a company controlled by a subsidiary of the holding company of Hisense Air-conditioning;
- (D) Hisense Intelligent Commercial System, a subsidiary of the holding company of Hisense Air-conditioning; and
- (E) Hisense Electronic Equipment, a subsidiary of the holding company of Hisense Air-conditioning

Registered capital of the JV Company:	The registered capital of the JV Company is RMB1,000,000,000 (approximately HK\$1,127,764,432.57).
Capital contribution:	<ul style="list-style-type: none"> <li>(a) the Company will contribute RMB240,000,000 (approximately HK\$270,663,463.82) in cash, representing 24% of the registered capital of the JV Company;</li> <li>(b) Hisense Financial Investment will contribute RMB270,000,000 (approximately HK\$304,496,396.79) in cash, representing 27% of the registered capital of the JV Company;</li> <li>(c) Hisense International Marketing will contribute RMB200,000,000 (approximately HK\$225,552,886.51) in cash, representing 20% of the registered capital of the JV Company;</li> <li>(d) Hisense Intelligent Commercial System will contribute RMB200,000,000 (approximately HK\$225,552,886.51) in cash, representing 20% of the registered capital of the JV Company; and</li> <li>(e) Hisense Electronic Equipment will contribute RMB90,000,000 (approximately HK\$101,498,798.93) in cash, representing 9% of the registered capital of the JV Company.</li> </ul>

The Parties are required to make their respective capital contributions by 31 October 2017 as stipulated in the Articles.

The amount of capital contribution to be made by the Parties was arrived at after arm's length negotiation between the Parties having taken into account the expected capital requirements of the JV Company. It is contemplated that the capital contribution payable by the Company will be funded by internal resources of the Group. Save as disclosed above, the Company has no other capital commitment to the JV Company as at the date of this announcement.

Board composition and management structure:	The board of directors of the JV Company will consist of 5 directors appointed by the shareholders of the JV Company. Each of the directors will be appointed for a term of 3 years, subject to re-election at the expiration of the term of office.
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The board of directors of the JV Company will have one chairman, who will be elected by the board of the JV Company. The chairman will be appointed for a term of 3 years, subject to re-election at the expiration of the term of office.

The JV Company will have one general manager, who will be appointed or removed by the board of the JV Company and will be reporting to the board of the JV Company.

The supervisory committee of the JV Company will consist of 3 members, one of whom will be a representative of the employees of the JV Company. The other members of the committee will be elected or removed at the shareholders' meeting of the JV Company. The supervisory committee will have a chairman, who will be elected by all members of the committee. Members of the supervisory committee are appointed for a term of 3 years, subject to re-election at the expiration of the term of office.

Scope of business:	The JV Company will principally engage in the investment and operation of institutions of finance and financial services, asset management and fund management, equity investment and capital operation, investment of securities and funds, investment planning and consultation services, consultation on financial information, financial information and data processing services, and technology investment and technology consultation in the area of financial software (subject to approval as shown in the registration with the administration for industry and commerce).
Restrictions on equity transfers:	The shareholders of the JV Company can transfer their capital contribution, whether in whole or in part, amongst themselves subject to approval of such transfer by way of shareholders' resolution.
Distribution of profits:	Profits of the JV Company will be distributed in accordance with the Company Law of the PRC, and the relevant laws and regulations.

As at the date of this announcement, the JV Company has not yet been established and thus has not commenced any business operations. As the Company will hold 24% equity interest in the JV Company, the JV Company will not be accounted for as a subsidiary of the Company and hence, it will not be included in the Group's consolidated financial statements.

## **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JV COMPANY**

As the operations of the Company improve and the profitability of the Company increases, there is a significant increase in the amount of cash held by the Company. The establishment of the JV

Company via the joint capital contribution by the Company and the other Parties will facilitate the Company to earn investment return and to increase the efficiency in the utilization of assets.

The Board (excluding the Directors who are required to abstain from voting on the transaction, but including independent non-executive Directors) is of the view that the Articles and the transactions contemplated therein are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As Mr. Tang Ye Guo, Mr. Liu Hong Xin, Mr. Lin Lan, Mr. Dai Hui Zhong, Mr. Jia Shao Qian and Mr. Wang Yun Li are deemed to have conflict of interest in the Articles and the transactions contemplated therein due to their respective offices as directors in one or more of the Parties other than the Company, they have abstained from voting on the relevant board resolutions for considering and approving the Articles and the transactions contemplated therein. Apart from the aforementioned Directors, none of the other Directors have any material interests in this transaction.

## **INFORMATION ABOUT THE PARTIES**

### **The Company**

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

### **Hisense Financial Investment**

Hisense Financial Investment is a limited company incorporated in the PRC and is principally engaged in external investment of self-owned assets, equity investment, asset management, investment management (not permitted to provide financial services such as accepting deposits from the public, financing guarantees, entrusted wealth management etc. without the approval of the financial regulatory authorities in accordance with law); and business information consultation.

### **Hisense International Marketing**

Hisense International Marketing is a limited company incorporated in the PRC and is principally engaged in the operation and agency services in relation to import and export of goods and import and export of technology (not permitted to operate business prohibited by law and administrative regulations; if the operation of business is restricted by law and administrative regulations, operation of business is only allowed upon obtaining the necessary permit); planning of corporate marketing; carrying on sino-foreign joint venture and cooperative production business; and carrying on the business of “The Three-plus-one Trading-mix”.

### **Hisense Intelligent Commercial System**

Hisense Intelligent Commercial System is a limited company incorporated in the PRC and is principally engaged in the production, manufacture and sale of cash register, tax control equipment,

lottery terminal equipment, data terminal equipment, POS terminal, electronic payment terminal system, hardware and software, computer software and hardware, instrument and meter, household appliances, hardware and electrical equipment and office equipment and commodities; the development of application software and embedded software; computer system and network cabling engineering; technological development, transfer, consultation, training and services; economic information consultation service; and import and export business of goods and technology.

### **Hisense Electronic Equipment**

Hisense Electronic Equipment is a limited company incorporated in the PRC and is principally engaged in the development, manufacture, sale service and distribution of special purpose electrical appliances, consumer electronics, communication equipment, communication wiring equipment, optoelectronic products, air conditioners, energy saving products and explosion protected products; sale, service and distribution of household appliances; design, installation, service and distribution of mechanical and electrical equipment; development, technology transfer and technology consultation service of 3C technology.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Hisense Air-conditioning, being a substantial shareholder of the Company, is a connected person of the Company. Hisense Financial Investment, Hisense Intelligent Commercial System and Hisense Electronic Equipment are subsidiaries of the holding company of Hisense Air-conditioning and are associates of Hisense Air-conditioning, and therefore connected persons of the Company. Meanwhile, Hisense International Marketing is a company controlled by a subsidiary of the holding company of Hisense Air-conditioning. Therefore, Hisense International Marketing is an associate of Hisense Air-conditioning and is a connected person of the Company.

As certain of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the establishment of the JV Company exceed 0.1% but are all less than 5%, the establishment of the JV Company constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but exempted from the circular and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **DEFINITIONS**

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

<b>“Articles”</b>	the articles of association of the JV Company executed by the Parties dated 26 April 2017 in relation to the establishment of the
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	JV Company;
<b>“associate(s)”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“Board”</b>	the board of directors of the Company;
<b>“Company”</b>	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;
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“Director(s)”</b>	the director(s) of the Company;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“Hisense Air-conditioning”</b>	青島海信空調有限公司 (Qingdao Hisense Air-conditioning Company Limited*), a company incorporated in the PRC with limited liability;
<b>“Hisense Electronic Equipment”</b>	青島海信電子設備股份有限公司 (Hisense Electronic Equipment Co., Ltd.*), a company incorporated in the PRC with limited liability;
<b>“Hisense Financial Investment”</b>	青島海信金融投資股份有限公司 (Hisense Financial Investment Co., Ltd.*), a company incorporated in the PRC with limited liability;
<b>“Hisense Intelligent Commercial System”</b>	青島海信智能商用系統股份有限公司 (Hisense Intelligent Commercial System Co., Ltd.*), a company incorporated in the PRC with limited liability;
<b>“Hisense International Marketing”</b>	青島海信國際營銷股份有限公司 (Hisense International Marketing Co., Ltd.*), a company incorporated in the PRC with limited liability;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;

<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“JV Company”</b>	青島海信金融控股有限公司 (Hisense Financial Holdings Co., Ltd.*), the company to be established in Qingdao City of the PRC with limited liability under the Company Law of the PRC pursuant to the terms of the Articles;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
<b>“Parties”</b>	the parties signing the Articles, being the Company, Hisense Financial Investment, Hisense International Marketing, Hisense Intelligent Commercial System and Hisense Electronic Equipment;
<b>“PRC”</b>	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;
<b>“Renminbi” or “RMB”</b>	the lawful currency of the PRC;
<b>“substantial shareholder(s)”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“%”</b>	per cent.

*For the purposes of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.1278. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.*

*The English translations of the Chinese name(s) in this announcement, where indicated with “\*”, are provided for information only, and should not be regarded as the official English name(s) of such Chinese names.*

By order of the Board of  
**Hisense Kelon Electrical Holdings Company Limited**



Tang Ye Guo  
Chairman

Foshan City, Guangdong, the PRC, 26 April 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.*