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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: 921)

ANNOUNCEMENT ON

(1) MAJOR AND CONTINUING CONNECTED TRANSACTIONS – REVISED ANNUAL CAPS AND SECOND SUPPLEMENTAL AGREEMENT AND (2) CONTINUING CONNECTED TRANSACTION – FACTORING SERVICES AGREEMENT

(1) THE SECOND SUPPLEMENTAL AGREEMENT IN RELATION TO THE FINANCIAL SERVICES AGREEMENT

Reference is made to the announcements of the Company dated 10 November 2015 and 3 August 2016, and circulars of the Company dated 2 December 2015 and 8 September 2016 in respect of, amongst others, the Financial Services Agreement and the Supplemental Agreement.

In view of substantial improvement of the Company's capital condition due to accelerated capital circulation, reduction of inventories and the better receivable collection in the year of 2016, for the purpose of facilitating business development, the Company has entered into the Second Supplemental Agreement with Hisense Finance to revise the annual caps for the year ending 31 December 2017 for some of the transactions contemplated under the Financial Services Agreement (as supplemented by the Supplemental Agreement).

As at the date of this announcement, (i) Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company and (ii) Hisense HK holds 7.13% of the issued shares of the Company. As Hisense Group is the indirect holding company of Hisense Air-conditioning and Hisense HK, and Hisense Finance is a subsidiary of Hisense Group, Hisense Finance is a connected person of the Company according to the Hong Kong Listing Rules. As such, the transactions contemplated under the Financial Services Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Financial Services Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) exceed 5%, the Second Supplemental Agreement and the Revised Annual Caps are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Furthermore, the provision of deposit services to the Group under the Financial Services Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) also constitutes the provision of financial assistance by the Group to Hisense Finance under Rule 14.04(1)(e) of the Hong Kong Listing Rules. Since certain applicable percentage ratios for the provision of such deposit services is more than 25% but are all less than 75%, it will constitute a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements thereunder.

General

A circular in relation to the Revised Annual Caps and the Second Supplemental Agreement containing, *inter alia*, (a) further information on the Revised Annual Caps and the Second Supplemental Agreement; (b) the letter of advice from the independent financial adviser to the independent board committee and Shareholders; and (c) the recommendation from the independent board committee will be despatched to the Shareholders on or before 8 June 2017 in accordance with the Hong Kong Listing Rules. It is expected that more time may be required by the Company to prepare the circular and for the independent financial adviser to review and advise on the Revised Annual Caps and the Second Supplemental Agreement. Therefore, it is expected that the circular will be despatched beyond 15 business days after the publication of this announcement.

(2) THE FACTORING SERVICES AGREEMENT

In order to further increase the liquidity of the Company's assets, to receive the income from capital operation, and to increase the efficiency of capital operation, the Company and Hisense Commercial Factoring have entered into the Factoring Services Agreement.

As at the date of this announcement, Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company. Hisense Commercial Factoring is a subsidiary of the holding company of Hisense Air-conditioning and an associate of Hisense Air-conditioning. Therefore, Hisense Commercial Factoring is a connected person of the Company according to the Hong Kong Listing Rules. As such, the transactions contemplated under the Factoring Services Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Factoring Services Agreement exceed 0.1% but are all less than 5%, the Factoring Services Agreement is subject to the reporting, announcement and annual review requirements but exempted from the circular and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Factoring Services Agreement and the transactions contemplated thereunder are subject to the approval of the general meeting pursuant to the requirements under the Shenzhen Listing Rules. The relevant resolution is to be considered and approved by the Shareholders at the AGM. Shareholders interested in such transactions shall abstain from voting on the related resolutions at the AGM.

(1) THE SECOND SUPPLEMENTAL AGREEMENT IN RELATION TO THE FINANCIAL SERVICES AGREEMENT

Background

Reference is made to the announcements of the Company dated 10 November 2015 and 3 August 2016, and circulars of the Company dated 2 December 2015 and 8 September 2016 in respect of, amongst others, the Financial Services Agreement and the Supplemental Agreement. The Financial Services Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (subject to the related caps) were approved by the Independent Shareholders at the extraordinary general meetings of the Company held on 28 December 2015 and 26 September 2016.

In view of substantial improvement of the Company's capital condition due to accelerated capital circulation, reduction of inventories and the better receivable collection in the year of 2016, for the purpose of facilitating business development, the Company has entered into the Second Supplemental Agreement with Hisense Finance to revise the annual caps for the year ending 31 December 2017 for some of the transactions contemplated under the Financial Services Agreement (as supplemented by the Supplemental Agreement).

The Second Supplemental Agreement

Date: 10 May 2017

Parties: The Company;
Hisense Finance

Revision of annual caps:

(1) Deposit service

Pursuant to the Financial Services Agreement (as supplemented by the Supplemental Agreement), the Company has agreed that the Group shall engage Hisense Finance to provide deposit services as may be required by the Group from time to time upon the terms and conditions of the Financial Services Agreement.

Original annual cap

The existing maximum daily closing balance of the deposits placed by the Group with Hisense Finance at any time during the term of the Financial Services Agreement (as supplemented by the Supplemental Agreement) shall not exceed the annual cap of RMB3,000,000,000 (inclusive of interest) on any given day for the year ending 31 December 2017.

Revised annual cap

Pursuant to the Second Supplemental Agreement and upon the approval by the Independent Shareholders, the maximum daily closing balance of the deposits placed by the Group with Hisense Finance on any given day for the year ending 31 December 2017 shall be revised to RMB6,000,000,000 (inclusive of interest).

Historical figures

For the periods commencing from 10 January 2014 to 31 December 2014, from 1 January

2015 to 31 December 2015 and from 1 January 2016 to 31 December 2016, the maximum daily balance of the deposits placed by the Group with Hisense Finance amounted to approximately RMB795,000,000, RMB799,000,000 and RMB2,234,000,000 respectively.

(2) Loan and electronic bank acceptance bill service

Pursuant to the Financial Services Agreement (as supplemented by the Supplemental Agreement), the Company has agreed that the Group shall engage Hisense Finance to provide loan and electronic bank acceptance bill (電子銀行承兌匯票) services as may be required by the Group from time to time upon the terms and conditions of the Financial Services Agreement (as supplemented by the Supplemental Agreement).

Original annual cap

The maximum balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group during the term of the Financial Services Agreement (as supplemented by the Supplemental Agreement) shall not exceed the annual cap of RMB4,500,000,000 (inclusive of interest and service fees) on any given day for the year ending 31 December 2017.

Revised annual cap

Pursuant to the Second Supplemental Agreement and upon the approval by the Independent Shareholders, the maximum balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group on any given day for the year ending 31 December 2017 shall be revised to RMB6,000,000,000 (inclusive of interest and service fees).

Historical figures

For the periods commencing from 10 January 2014 to 31 December 2014, from 1 January 2015 to 31 December 2015 and from 1 January 2016 to 31 December 2016, the maximum daily balance of the loans and electronic bank acceptance bills provided by Hisense Finance to the Group amounted to approximately RMB1,108,000,000, RMB 1,951,000,000 and RMB3,476,000,000 respectively.

The Second Supplemental Agreement is conditional upon the approval of the same (which stipulates the Revised Annual Caps for the Relevant Transactions as set out above) by the Independent Shareholders.

Save and except for the revision of the annual caps as set out above, all other terms and conditions under the Financial Services Agreement (as supplemented by the Supplemental Agreement) shall remain unchanged.

Basis of the Revised Annual Caps

The Revised Annual Caps for the year ending 31 December 2017 were determined with reference to the actual amounts paid or received by the Group in relation to the Relevant Transactions for the 12 months ended 31 December 2016 and the requirement for business development of the Company in the remaining term of the Financial Services Agreement (as supplemented by the Supplemental

Agreement). It is estimated that the original annual caps will not be sufficient to meet the current requirement for business development of the Company.

As at the date of this announcement, the original annual caps for the Relevant Transactions have not been exceeded.

Reasons for the revision of the annual caps

Due to the Company's accelerated capital circulation, reduction of inventories and better receivable collection in 2016, the maximum daily balance of the monetary capital has reached RMB3,800,000,000 (which was higher than the annual cap of RMB3,000,000,000 in respect of the deposit services that can be placed by the Group with Hisense Finance under the Financial Services Agreement (as supplemented by the Supplemental Agreement)), resulting in a lot of capital being placed with other third parties. Furthermore, due to the increase in business volume of the Company, the Company has increasing needs to procure Hisense Finance to provide electronic bank acceptance bill services. The highest daily balance of loan and electronic bank acceptance bill service was approximately RMB3,476,000,000 in the year of 2016, and the anticipated highest daily balance will be RMB6,000,000,000 in the second half of the year 2017. However, due to the limitation on the existing annual cap in respect of loan and electronic bank acceptance bill services under the Financial Services Agreement (as supplemented by the Supplemental Agreement), the Company may need to resort to other financial solution, which may result in the Company's loss of certain revenue from capital. Therefore, based on the actual situation in the year of 2016 and the projection of business needs for the second half of the year 2017, the Company intends to revise the annual caps of the deposit service and loan and electronic bank acceptance bill service to ensure to the optimal utilisation by the Company of the relevant services provided by Hisense Finance to facilitate the business development of the Company during the remaining term of the Financial Services Agreement (as supplemented by the Supplemental Agreement).

It was also set out in the Financial Services Agreement (as supplemented by the Supplemental Agreement) that the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties.

In view of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that Relevant Transactions have been and will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties. As such, the Directors (excluding the independent non-executive Directors) consider that the terms of the Second Supplemental Agreement and the Revised Annual Caps thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Information relating to the Company and Hisense Finance

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

Hisense Finance is a non-bank financial institution established with the approval from the CBRC and is regulated by the CBRC and other regulatory authorities in the PRC. Hisense Finance was

established in the PRC on 12 June 2008 with a registered capital of RMB900 million. Hisense Finance is owned as to 56.99% by 青島海信通信有限公司 (Hisense Communications Co., Ltd.*), 30.89% by Hisense Group and 12.12% by 青島海信電子產業控股股份有限公司 (Qingdao Hisense Electronic (Holdings) Company Limited*). Hisense Finance is not a banking company as defined in Rule 14A.10 of the Hong Kong Listing Rules.

The business scope of Hisense Finance includes the following domestic and foreign currency business: providing financial and financing consultation services, credit appraisal and other relevant consultancy and agency services to member companies; assisting member companies in the receipt and payment of transaction proceeds; conducting approved insurance agency services; providing guarantees for member companies; handling of entrusted loans and entrusted investment among member companies; handling of draft acceptance and discount services for member companies; handling of intra-group transfer settlement and other related settlement between member companies and formulating settlement schemes; accepting deposit of member companies; arranging loan and finance leasing to member companies; engaging in lending and borrowing with business counterparts; underwriting corporate bonds for member companies; investing in securities other than investment in secondary markets for stocks; and providing consumer credit and buyer credit for products of member companies and draft discount services approved by State Administration of Foreign Exchange.

Implications under Hong Kong Listing Rules

As at the date of this announcement, (i) Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company and (ii) Hisense HK holds 7.13% of the issued shares of the Company. As Hisense Group is the indirect holding company of Hisense Air-conditioning and Hisense HK, and Hisense Finance is a subsidiary of Hisense Group, Hisense Finance is a connected person of the Company according to the Hong Kong Listing Rules. As such, the transactions contemplated under the Financial Services Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Financial Services Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) exceed 5%, the Second Supplemental Agreement and the Revised Annual Caps are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Furthermore, the provision of deposit services to the Group under the Financial Services Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) also constitutes the provision of financial assistance by the Group to Hisense Finance under Rule 14.04(1)(e) of the Hong Kong Listing Rules. Since certain applicable percentage ratios for the provision of such deposit services is more than 25% but are all less than 75%, it will constitute a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements thereunder.

The Second Supplemental Agreement (which stipulates the Revised Annual Caps) and the transactions contemplated thereunder will be subject to the approval of the Independent Shareholders at the AGM by poll.

In view of the interests of Hisense Finance in the Company, Hisense Finance and its associates will

abstain from voting in relation to the resolution(s) to approve the Second Supplemental Agreement (which stipulates the Revised Annual Caps) and the transactions contemplated thereunder.

General

Mr. Tang Ye Guo, Mr. Liu Hong Xin, Mr. Lin Lan and Mr. Dai Hui Zhong being Directors, have abstained from voting on the relevant board resolution(s) for approving the Second Supplemental Agreement (which stipulates the Revised Annual Caps) and the transactions contemplated thereunder in view of their interest therein as set out below:-

- (a) Mr. Tang Ye Guo, Mr. Liu Hong Xin, Mr. Lin Lan and Mr. Dai Hui Zhong are also directors or senior management of Hisense Group and/or some of its subsidiaries; and
- (b) Mr. Tang Ye Guo and Mr. Liu Hong Xin are also directors of Hisense Finance.

An independent financial adviser will be appointed to advise the independent board committee of the Company and the Shareholders regarding the Second Supplemental Agreement (which stipulates the Revised Annual Caps) and the transactions contemplated thereunder. An independent board committee of the Company will also be formed to advise the Shareholders on whether or not the Second Supplemental Agreement (which stipulates the Revised Annual Caps) and the transactions contemplated thereunder are in the interest of the Company and are fair and reasonable so far as the Shareholders are concerned.

A circular in relation to the Revised Annual Caps and the Second Supplemental Agreement containing, inter alia, (a) further information on the Revised Annual Caps and the Second Supplemental Agreement; (b) the letter of advice from the independent financial adviser to the independent board committee and Shareholders; and (c) the recommendation from the independent board committee will be despatched to the Shareholders on or before 8 June 2017 in accordance with the Hong Kong Listing Rules. It is expected that more time may be required by the Company to prepare the circular and for the independent financial adviser to review and advise on the Revised Annual Caps and the Second Supplemental Agreement. Therefore, it is expected that the circular will be despatched beyond 15 business days after the publication of this announcement.

(2) THE FACTORING SERVICES AGREEMENT

In order to further increase the liquidity of the Company's assets, to receive the income from capital operation, and to increase the efficiency of capital operation, the Company and Hisense Commercial Factoring have entered into the Factoring Services Agreement, whose major terms are set out below:

Date: 10 May 2017

Parties: The Company;
Hisense Commercial Factoring

Term:

The term of the Factoring Services Agreement shall commence on the date of approval of the Factoring Services Agreement by the Shareholders at the general meeting and shall expire upon 1

year from the commencement date. The Factoring Services Agreement can be terminated by either party if the other party is in default and such default is not remedied within a reasonable period.

Condition:

The Factoring Services Agreement and the transactions contemplated thereunder are subject to the approval of the Shareholders at the general meeting.

Subject Matter:

Pursuant to the terms of the Factoring Services Agreement, the Company will engage Hisense Commercial Factoring to provide a series of factoring services, including recourse commercial factoring and non-recourse commercial factoring.

The implementation of the provision of particular services contemplated under the Factoring Services Agreement shall be subject to the definitive contract(s) to be entered into between the Company and Hisense Commercial Factoring within the scope of the Factoring Services Agreement.

After the commencement of the Factoring Services Agreement, the Company may authorize its subsidiaries to perform the Factoring Services Agreement and to enter into definitive business contract(s) with Hisense Commercial Factoring within the scope of the Factoring Services Agreement.

The Factoring Services Agreement contains no provision which restricts the Company's right to obtain commercial factoring services contemplated under the Factoring Services Agreement from third parties.

Pricing:

The pricing of the factoring services provided by Hisense Commercial Factoring to the Company shall not be higher than the pricing offered by the factoring service companies which are independent third parties over the same period. The transactions under Factoring Services Agreement are conducted in the course of normal business of the parties, on normal commercial terms and on terms no less favourable than those obtained from or provided by (as the case may be) independent third parties. The interest rate payable by the Company to Hisense Commercial Factoring for the factoring services under the Factoring Services Agreement shall not be higher than the rate charged by financial institutions in the PRC for comparable factoring services.

Proposed cap:

(a) Recourse factoring services

The daily closing balance of the recourse factoring services provided by Hisense Commercial Factoring to the Company at Hisense Commercial Factoring under the Factoring Services Agreement shall not exceed RMB100,000,000 (inclusive of interest).

In determining the proposed annual caps for recourse factoring services, the Directors have considered a number of factors, including: (i) the amount of accounts receivables of the Company as published in the latest financial statements of the Company, (ii) the increase in

revenue of the Company from approximately RMB23.47 billion in 2015 to approximately RMB26.73 billion in 2016, (iii) the expected continuing strong performance of the Company in the upcoming year, and (iv) the amount of cash flow of the Company as published in the latest financial statements of the Company.

(b) Non-recourse factoring services

The aggregated annual value of the transactions conducted for the non-recourse factoring services provided by Hisense Commercial Factoring to the Company under the Factoring Services Agreement during the term of the Factoring Services Agreement shall not exceed RMB500,000,000 (inclusive of interest).

In determining the proposed annual caps for non-recourse factoring services, the Directors have considered a number of factors, including: (i) the amount of accounts receivables of the Company as published in the latest financial statements of the Company, (ii) the increase in revenue of the Company from approximately RMB23.47 billion in 2015 to approximately RMB26.73 billion in 2016, (iii) the expected continuing strong performance of the Company in the upcoming year, and (iv) the amount of cash flow of the Company as published in the latest financial statements of the Company.

There was no historical transaction in respect of factoring services provided by Hisense Commercial Factoring to the Company.

Reasons and benefit for entering into the Factoring Services Agreement

The Factoring Services Agreement was entered into in order to further increase the liquidity of the Company's assets, to receive the income from capital operation, and to increase the efficiency of capital operation.

The Board (excluding the Directors who are required to abstain from voting on the transaction, but including independent non-executive Directors) believe that the Factoring Services Agreement and the transactions contemplated thereunder ensure the operational and business development needs of the Company are effectively met, with terms and conditions of the transactions being not less favourable to the Company than those available from independent third parties. The terms and conditions of the Factoring Services Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and Shareholders as a whole.

In relation to the Factoring Services Agreement, the Company has adopted various internal control measures.

In order to ensure the amount of transactions contemplated under the Factoring Services Agreement will not exceed the proposed annual caps, the Company will periodically monitor the daily closing balance of the recourse factoring services and total transaction amount of the non-recourse factoring services. Furthermore, the Company will estimate the amount of transactions that may possibly be incurred in the coming months in respect of the recourse factoring services and non-recourse factoring services under the Factoring Services Agreement.

The Company will review the internal regulatory report submitted by Hisense Commercial Factoring to the Company and the confirmation from Hisense Commercial Factoring that there was

no non-compliance events or deficiencies which resulted in suspension of business or administrative punishment.

The Company's treasury department will ask for quotations and terms from other providers of factoring services that are comparable to the same provided by Hisense Commercial Factoring prior to the execution of the relevant transactions with Hisense Commercial Factoring in order to ensure that the terms offered by Hisense Commercial Factoring are not less favourable than those offered by other providers of factoring services. If the treasury department is of the view that the terms for factoring services offered by Hisense Commercial Factoring to the Company are less favourable to the Group than those offered by other factoring service providers, it will report to the senior management who will negotiate with Hisense Commercial Factoring on the terms of the relevant transactions. If, after negotiation, Hisense Commercial Factoring cannot offer terms which are no less favourable to the Company than those offered by other factoring service providers, the Company will not execute the relevant transactions.

Implications under Hong Kong Listing Rules

As at the date of this announcement, Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company. Hisense Commercial Factoring is a subsidiary of the holding company of Hisense Air-conditioning and an associate of Hisense Air-conditioning. Therefore, Hisense Commercial Factoring is a connected person of the Company according to the Hong Kong Listing Rules. As such, the transactions contemplated under the Factoring Services Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Factoring Services Agreement exceed 0.1% but are all less than 5%, the Factoring Services Agreement is subject to the reporting, announcement and annual review requirements but exempted from the circular and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

Implications under Shenzhen Listing Rules

The Factoring Services Agreement and the transactions contemplated thereunder are subject to the approval of the general meeting pursuant to the requirements under the Shenzhen Listing Rules. The relevant resolution is to be considered and approved by the Shareholders at the AGM. Shareholders interested in such transactions shall abstain from voting on the related resolutions at the AGM.

Information relating to the Company and Hisense Commercial Factoring

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

Hisense Commercial Factoring is principally engaged in the businesses of commercial factoring services and supply chain management consultation services.

General

As Mr. Tang Ye Guo, Mr. Liu Hong Xin, Mr. Lin Lan and Mr. Dai Hui Zhong are deemed to have

conflict of interest in the Factoring Services Agreement and the transactions contemplated thereunder due to their respective offices as directors in Hisense Commercial Factoring, they have abstained from voting on the relevant board resolutions for considering and approving the Factoring Services Agreement and the transactions contemplated thereunder. Apart from the aforementioned Directors, none of the other Directors have any material interests in the said transactions.

DEFINITIONS

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

“A Shares”	domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange;
“AGM”	the annual general meeting of the Company to be held on 28 June 2017;
“associates”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Board” or “Director(s)”	the board of directors of the Company;
“CBRC”	中國銀行業監管管理委員會 (China Banking Regulatory Commission);
“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 Stock Exchange and the Shenzhen Stock Exchange;
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Factoring Services Agreement”	the factoring services agreement (保理服務協議) entered into between the Company and Hisense Commercial Factoring dated 10 May 2017 in connection with the provision of factoring services by Hisense Commercial Factoring to the Company;
“Financial Services Agreement”	the agreement (金融服務協議) entered into between the Company and Hisense Finance dated 10 November 2015 in connection with the provision of financial services by Hisense Finance to the Group;
“Group”	the Company and its subsidiaries;
“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange;

“Hisense Air-conditioning”	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 and a subsidiary of Hisense Group;
“Hisense Commercial Factoring”	青島海信商業保理有限公司 (Hisense Commercial Factoring Co., Ltd.*), a company incorporated in the PRC with limited liability;
“Hisense Finance”	海信集團財務有限公司 (Hisense Finance Co., Ltd.*), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group;
“Hisense Group”	海信集團有限公司 (Hisense Company Limited*), a company incorporated in the PRC with limited liability;
“Hisense HK”	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Group;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Independent Shareholders”	Shareholders other than Hisense Finance and its associates;
“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;
“Relevant Transactions”	certain continuing connected transactions of the Group contemplated under the Financial Services Agreement (as amended and supplemented by the Supplemental Agreement and the Second Supplemental Agreement) as set out in the section headed “The Second Supplemental Agreement in relation to the Financial Services Agreement” in this announcement;
“Revised Annual Caps”	the revised annual caps for the Relevant Transactions for the year ending 31 December 2017;
“Second Supplemental Agreement”	the supplemental agreement (金融服務協議之補充協議 (一)) to the Financial Services Agreement entered into between the Company and Hisense Finance dated 10 May 2017, which amends and supplements the Financial Services Agreement (as supplemented by the Supplemental Agreement);
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares;

“Shareholder(s)”	holder(s) of the Shares;
“Shenzhen Listing Rules”	The Rules Governing Listing of Securities on the Shenzhen Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement (金融服務協議之補充協議) to the Financial Services Agreement entered into between the Company and Hisense Finance dated 3 August 2016, which amends and supplements the Financial Services Agreement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“%”	per cent.

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

Foshan City, Guangdong, the PRC, 10 May 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. Xu Xiang Yi, Mr. Wang Xin Yu and Mr. Ma Jin Quan.