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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)

## **DISCLOSEABLE TRANSACTION: DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

### **THE DISPOSAL**

The Board is pleased to announce that the Company entered into the Share Transfer Agreement with the Purchaser to dispose of the Company's 80% of the equity interest in the Target Company at the consideration of RMB684,048,000. As the Purchaser is holding 20% of the equity interest in the Target Company, upon completion of the Share Transfer Agreement, the equity interest in the Target Company will be wholly owned by the Purchaser and the Target Company will cease to be a subsidiary of the Company.

### **IMPLICATIONS UNDER HONG KONG LISTING RULES**

As one of the relevant applicable percentage ratios (defined under the Hong Kong Listing Rules) for the transaction under the Share Transfer Agreement, whether on a standalone basis or when aggregated with the Previous Transaction, exceeds 5% but are all lower than 25%, the transaction under the Share Transfer Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Hong Kong Listing Rules. On the other hand, the Previous Transaction by itself does not constitute a discloseable transaction of the Company under Rule 14.06 of the Hong Kong Listing Rules.

As the Purchaser is holding 20% of the equity interest in the Target Company, which is a subsidiary of the Company prior to completion of the Share Transfer Agreement, and is therefore a substantial shareholder of the Target Company. Nevertheless, pursuant to Rule 14A.09 of the Hong Kong Listing Rules, the Target Company is an insignificant subsidiary of the Company, so the Purchaser and its ultimate beneficial owners are not connected persons of the Company notwithstanding the Purchaser's equity interest in the Target Company. Therefore, the Share Transfer Agreement does not constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

### **IMPLICATIONS UNDER SHENZHEN LISTING RULES**

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

## **THE DISPOSAL**

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## **THE SHARE TRANSFER AGREEMENT**

The principal terms of the Share Transfer Agreement are summarized as follows:

### **Date**

2 August 2017

### **Parties**

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

Prior to the signing of the Share Transfer Agreement, the Purchaser held 20% of the equity interest in the Target Company. (On 5 April 2017, the Company and the Purchaser entered into the relevant agreement (i.e. the Previous Transaction) to acquire from the Company 20% of equity interest in the Target Company at the consideration of RMB178,512,000 which has been fully paid. The relevant share transfer and registration procedures with the administration for industry and commerce are now being conducted. If the Share Transfer Agreement is not approved at the general meeting of the Company, the agreement for the Previous Transaction shall be terminated automatically.)

### **Subject Matter**

Pursuant to the Share Transfer Agreement, the Purchaser agrees to purchase from the Company the 80% of the equity interest in the Target Company.

### **Condition Precedent**

The Share Transfer Agreement is subject to the approval of the Shareholders at general meeting.

### **Consideration**

The consideration under the Share Transfer Agreement shall be RMB684,048,000 subject to the adjustments set out below.

The Company and the Purchaser agreed that the Purchaser shall carry out a comprehensive audit in respect of the Target Company as at 30 June 2017 (the "**Reference Date**") and to complete the audit and due diligence within 10 days from the signing of the Share Transfer Agreement. If the absolute

value of the difference between the audited net asset value and the unaudited net asset value of the Target Company does not exceed RMB200,000, both parties shall not adjust the price of the shares transferred. Otherwise, the price of shares transferred shall be adjusted in accordance with the said difference between the audited and unaudited net asset value of the Target Company.

The period from the day after the Reference Date to the completion of the registration of the share transfer under the Share Transfer Agreement with the administration for industry and commerce shall be the transitional period (the “**Transitional Period**”). If the net profit or net loss of the existing business of the Target Company (other than fixed expenses and tax) does not exceed RMB50,000 during the Transitional Period, both parties shall not adjust the price of the shares transferred. Otherwise, the price of the shares transferred shall be adjusted in accordance with the net profit/loss of the existing business of the Target Company (other than fixed expenses and tax).

Taking into account the reasons for the disposal of the Target Company as disclosed below, the financial position of the Target Company and the future prospects of the Target Company, the consideration under the Share Transfer Agreement was determined and arrived at after arm’s length negotiation between the Company and the Purchaser.

## **Payment terms**

The Company and the Purchaser agreed that, within 5 working days after signing of the Share Transfer Agreement, the Purchaser shall remit the part of the consideration in the sum of RMB360,000,000 into a joint escrow bank account as deposit by way of bank transfer, while the remaining amount of the consideration in the sum of RMB324,048,000 shall be remitted into the joint escrow bank account as deposit by way of bank transfer by 15 September 2017. If the Purchaser is unable to make payment by the agreed deadlines as aforesaid or by such other time after the said deadlines as agreed by the Company, the Purchaser shall be deemed to be in breach of the Share Transfer Agreement. In case the Company agrees that the Purchaser may make payment after the agreed deadlines, the Purchaser shall nonetheless bear the capital cost of the sums overdue with reference to the benchmark lending rate published by the People’s Bank of China over the same period. It was further agreed that within 1 working day after the Share Transfer Agreement was approved at the general meeting of the Company, the Purchaser shall release its control over the deposit in the joint escrow account and the said deposit of RMB684,048,000 shall then become the purchase money and belong to the Company.

## **Termination**

Where one party delays in performing or fails to perform any obligation under the Share Transfer Agreement so that the objectives of the Share Transfer Agreement cannot be achieved, and either the party in default fails to remedy or despite remedial action taken the objectives of the Share Transfer Agreement still cannot be achieved within 15 working days after receiving notice of remedial action from the non-defaulting party, the non-defaulting party shall have the right to terminate the Share Transfer Agreement and to demand the party in default to compensate for the loss incurred.

## **Other rights and obligations**

Within 5 working days after the Share Transfer Agreement being approved at the general meeting of the Company, the Company shall submit the relevant application information for the share transfer to the administration for industry and commerce and obtain the acknowledgment of receipt issued by the administration for industry and commerce.

The Company shall be responsible for settling all debts, liabilities, payables and receivables of the existing business of the Target Company prior to the completion of the registration of the share transfer under the Share Transfer Agreement with the administration for industry and commerce. Except the foregoing and as otherwise provided in the Share Transfer Agreement (including the abovementioned adjustment mechanism of the consideration), the profit and loss of the Target Company during the Transitional Period and the period thereafter shall be borne by the Purchaser. The Company shall not be responsible for any new liabilities or issues with business operations of the Target Company that arise after the Reference Date, unless the same is caused by the Company.

In the Company is in breach of the Share Transfer Agreement, the Share Transfer Agreement and the agreement of the Previous Transaction shall be terminated automatically and the purchase money held in the joint escrow account shall be returned to the Purchaser and the Company shall pay RMB178,512,000 to the Purchaser as compensation.

If the Purchaser is in breach of the Share Transfer Agreement, the Share Transfer Agreement and the agreement of the Previous Transaction shall be terminated automatically and the Company shall be entitled to deduct RMB178,512,000 from the purchase money held in the joint escrow account as compensation.

## **INFORMATION OF THE TARGET COMPANY**

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 holds certain industrial land and factories in the Huabao Factory Area.

As the Target Company was established in December 2016 and had no business operation in the year of 2016, the Target Company has not prepared any accounts for the year of 2016. Set out below is the audited financial information of the Target Company from 1 January 2017 to 30 June 2017:

<b>For the 6 months ended 30 June 2017</b>	
<i>RMB</i> (audited)	
Revenue	111,876,230.38
Net profit before taxation and extraordinary items	26,820.80
Net profit after taxation and extraordinary items	26,820.80
<b>As at 30 June 2017</b>	
<i>RMB</i> (audited)	
Total assets	307,786,539.81
Net asset	295,685,042.80

## **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.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, save that the Purchaser held 20% equity interest in the Target Company, as at the date of this announcement, the Purchaser and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **FINANCIAL EFFECTS AND USE OF PROCEEDS FROM THE DISPOSAL OF THE TARGET COMPANY**

Upon completion of the share transfer under the Share Transfer Agreement, the Company will no longer own any direct or indirect equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the financial statements of the Company from the date of the completion of the said share transfer.

Subject to the review by the auditors of the Company, upon completion of the disposal of 100% of the equity interest in the Target Company, it is estimated that the Company will record a net profit of approximately RMB640,000,000 which is calculated based on the proceeds of such disposal and the cost of the equity interest disposed of. The Company intends to use the proceeds from such disposal as the Company's general working capital.

## **REASONS FOR THE DISPOSAL OF THE TARGET COMPANY**

The Directors consider that the abovementioned disposal allows the Company to better utilize its 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.

The Directors (including the independent non-executive Directors) consider that the Share Transfer Agreement 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. Therefore, the Board has approved the Share Transfer Agreement and the transactions contemplated thereunder.

None of the Directors is considered to have material interest in the Share Transfer Agreement, or is required to abstain from voting on the relevant board resolutions for considering and approving the Share Transfer Agreement and the transactions contemplated thereunder.

## **IMPLICATIONS UNDER HONG KONG LISTING RULES**

As one of the relevant applicable percentage ratios (defined under the Hong Kong Listing Rules) for the transaction under the Share Transfer Agreement, whether on a standalone basis or when aggregated with the Previous Transaction, exceeds 5% but are all lower than 25%, the transaction under the Share Transfer Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Hong Kong Listing Rules. On the other hand, the Previous Transaction by itself does not constitute a discloseable transaction of the Company under Rule 14.06 of the Hong Kong Listing Rules.

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## **DEFINITIONS**

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

<b>“A Shares”</b>	domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange;
<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 Hong Kong Listing Rules;
<b>“Director(s)”</b>	the director(s) of the Company;
<b>“EGM”</b>	the extraordinary general meeting of the Company to be held for the Shareholders' consideration and approval of the Share Transfer Agreement and the transactions contemplated thereunder;

“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 Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Hong Kong Stock Exchange;
“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);
“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;
“Previous Transaction”	the Company and the Purchaser entered into an agreement to dispose of the Company’s 20% of the equity interest in the Target Company;
“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 enterprise) established under the laws of the PRC;
“Renminbi” or “RMB”	the lawful currency of the PRC;
“Share Transfer Agreement”	the share transfer agreement dated 2 August 2017 entered into between the Company and the Purchaser in relation to the Company’s disposal of 80% of the equity interest in the Target Company;
“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;
“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*

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

Foshan City, Guangdong, the PRC, 3 August 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.*