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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**

**CONTINUING CONNECTED TRANSACTIONS  
AND  
MAJOR TRANSACTION**

The Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2017 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under that agreement from time to time thereafter. In view of the above and to modify the scope of the transactions between certain parties, on 28 November 2017, the Business Co-operation Framework Agreement and the Financial Services Agreement were entered into by the Company. Further, with a view to better catering for future business development and to standardize the term of all continuing connected transactions to end with the financial year end of the Group for better monitoring, the Company has entered into the Financial Business Framework Agreement on 28 November 2017, and upon the Financial Business Framework Agreement becoming effective, the Existing Factoring Services Agreement will be deemed to be one of the definitive agreements under the Financial Business Framework Agreement. As such, the business under the Existing Factoring Services Agreement shall be subject to the terms as agreed in the Financial Business Framework Agreement.

**BUSINESS CO-OPERATION FRAMEWORK 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, holding 37.92% of the issued shares 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 Electric is owned as to 39.53% by Hisense Group, Hisense Group, Hisense Electric and their respective subsidiaries are connected persons of the Company according to the Hong Kong Listing Rules. As such, the transactions contemplated under the Business Co-operation Framework 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 Business Co-operation Framework Agreement exceed 5% on an annual basis and the annual consideration exceeds HK\$10,000,000, the Business Co-operation Framework Agreement and the transactions contemplated thereunder and the Caps in relation thereto are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of

the Hong Kong Listing Rules.

## **FINANCIAL SERVICES 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, holding 37.92% of the issued shares 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 will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the Caps in relation to the transactions for the provision of deposit, loan and electronic bank acceptance bill, draft discount, settlement and sale of foreign exchange services and agency services such as settlement services for receipt and payment of funds by Hisense Finance to the Group contemplated under the Financial Services Agreement exceed 5%, the Financial Services Agreement, the transactions contemplated thereunder and the Caps in relation thereto are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The provision of deposit services to the Group under the Financial Services 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 for the provision of such deposit services is more than 25% but 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.

## **FINANCIAL BUSINESS FRAMEWORK 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 Financial Holdings is a subsidiary of the holding company of Hisense Air-conditioning and an associate of Hisense Air-conditioning. Therefore, Hisense Financial Holdings is a connected person of the Company according to the Hong Kong Listing Rules. As such, the transactions contemplated under the Financial Business Framework Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

The transactions under the Financial Services Agreement and the Financial Business Framework Agreement will be aggregated under the Hong Kong Listing Rules. As the applicable percentage ratios as defined under Rule 14.07 of the Hong Kong Listing Rules in respect of the Financial Business Framework Agreement and the Financial Services Agreement on an aggregate basis exceed 5%, the transactions contemplated under the Financial Business Framework Agreement and the Caps in relation thereto are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **GENERAL**

A circular containing, inter alia, (a) further information on the Business Co-operation Framework Agreement, the Financial Services Agreement, the Financial Business Framework Agreement and the Caps in relation thereto; (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 3 January 2018 in accordance with the Hong Kong Listing Rules.

## **BACKGROUND**

References are made to:-

- (a) the announcement of the Company dated 10 November 2015 in relation to, inter alia, the 2015 Financial Services Agreement;
- (b) the circular of the Company dated 2 December 2015 in relation to, inter alia, the 2015 Financial Services Agreement;
- (c) the announcement of the Company dated 3 August 2016 in relation to, inter alia, the Supplemental Agreement;
- (d) the circular of the Company dated 8 September 2016 in relation to, inter alia, the Supplemental Agreement;
- (e) the announcement of the Company dated 17 November 2016 in relation to, inter alia, the Existing Business Co-operation Framework Agreement;
- (f) the circular of the Company dated 23 December 2016 in relation to, inter alia, the Existing Business Co-operation Framework Agreement;
- (g) the announcement of the Company dated 10 May 2017 in relation to, inter alia, the Second Supplemental Agreement and the Existing Factoring Services Agreement; and
- (h) the circular of the Company dated 8 June 2017 in relation to, inter alia, the Second Supplemental Agreement.

The Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2017 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under those agreements from time to time thereafter. In view of the above and to modify the scope of the transactions between certain parties, on 28 November 2017, the Business Co-operation Framework Agreement and the Financial Services Agreement were entered into by the Company.

Further, with a view to better catering for future business development and to standardize the term of all continuing connected transactions to end with the financial year end of the Group for better monitoring, the Company has entered into the Financial Business Framework Agreement on 28 November 2017, and upon the Financial Business Framework Agreement becoming effective, the Existing Factoring Services Agreement will be deemed to be one of the definitive

agreements under the Financial Business Framework Agreement. As such, the business under the Existing Factoring Services Agreement shall be subject to the terms as agreed in the Financial Business Framework Agreement.

## **(A) CONTINUING CONNECTED TRANSACTIONS**

### **BUSINESS CO-OPERATION FRAMEWORK AGREEMENT**

**Date:** 28 November 2017

**Parties:** The Company;  
Hisense Group; and  
Hisense Electric

**Term:**

The Business Co-operation Framework Agreement shall commence from 1 January 2018 or the date of approval of the Business Co-operation Framework Agreement by the Independent Shareholders at the EGM (whichever is the later) until 31 December 2018, which can be terminated before its expiration by mutual agreement of the parties.

In the event of any exemption for connected transactions being withdrawn or revoked or becoming invalid and there is non-compliance with the relevant Hong Kong Listing Rules and/or Shenzhen Listing Rules in respect of connected transactions for any transactions contemplated under the Business Co-operation Framework Agreement, the performance of the Business Co-operation Framework Agreement in respect of such transactions shall be terminated. The Business Co-operation Framework Agreement will be terminated if all transactions contemplated thereunder have been terminated for the above reason.

**Condition:**

The Business Co-operation Framework Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM.

**Subject matters:**

The transactions contemplated under the Business Co-operation Framework Agreement will be conducted in the ordinary and usual course of business of the parties, on normal commercial terms and on terms not less favourable to the parties than terms available to or from (as appropriate) independent third parties. The Business Co-operation Framework Agreement does not restrict the rights of the parties (as the case may be) to sell or purchase products or services contemplated under the Business Co-operation Framework Agreement from any other purchasers or suppliers (as the case may be).

The relevant parties will enter into definitive contract(s) setting out specific terms including specifications of the products or services, quantity involved, pricing principles, quality standards and warranties, payment terms, terms of delivery, technological services and obligations in the event of default, but such terms shall be consistent with the principles and the terms of the Business Co-operation Framework Agreement.

Payment term(s) for the transactions contemplated under the Business Co-operation Framework Agreement shall be in accordance with the payment term(s) as stipulated in the definitive contract(s) to be signed by the relevant parties thereto.

**The Company's internal policy regarding continuing connected transactions:**

Before a definitive transaction is conducted, the Company will compare the price of similar existing transactions with or quotations obtained from independent third parties. Commencement of the definitive transaction with the connected party/parties is conditional upon the Company's assurance that the price of such continuing connected transaction, according to the principles of fairness and reasonableness, is no less favourable to the Group than those offered by independent third parties in order to ensure fairness of the price of the continuing connected transaction as well as the interests of the Company and the Independent Shareholders as a whole.

For such purpose, the Company has adopted an internal policy for managing and monitoring continuing connected transactions contemplated under the Business Co-operation Framework Agreement. According to the internal policy, the operation departments of the Group will compare the terms of the proposed continuing connected transactions to those of the similar existing transactions with independent third parties or quotations offered by independent third parties (as the case may be) prior to the execution of the relevant orders or contracts. If the operation department is of the view that the terms of proposed orders or contracts are less favourable to the Group than those with or offered by independent third parties, it will report to the senior management who will negotiate with the connected party on the terms of the relevant orders or contracts. If, after negotiation, the connected party cannot offer terms which are no less favourable to the Group than those with or offered by independent third parties, the Group will not execute the relevant orders or contracts.

The finance and securities department of the Company is responsible for the collection and summarization of all information in relation to the continuing connected transactions from each operation department and will prepare a summary report regarding the conduct of the continuing connected transactions on a regular basis and make timely report to the senior management regarding the operating status of the continuing connected transactions of Group. It will also conduct a monthly review on the terms of the continuing connected transaction and compare such terms with those of the similar transactions with independent third parties. In addition, the Company conducts annual review on the execution of the continuing connected transactions of the Group.

The transactions contemplated under the Business Co-operation Framework Agreement are in connection with the following aspects of business co-operation between the parties:-

***(1) Purchase of home electrical appliances***

Pursuant to the terms of the Business Co-operation Framework Agreement, the Company and/or its subsidiaries will purchase from Hisense Group, Hisense Electric and/or their respective subsidiaries on a non-exclusive basis home electrical appliances as they may require from time to time.

**Pricing:**

Pricing for the purchase of home electrical appliances is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness mainly with reference to the market price of similar home electrical appliances from time to time.

**Historical figures:**

The annual cap allocated to the purchase of home electrical appliances by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2017 as specified in the Existing Business Co-operation Framework Agreement is RMB1,600,000 (exclusive of VAT). For the nine months ended 30 September 2017, the aggregate transaction amount for the purchase of home electrical appliances by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB440,000 (exclusive of VAT and unaudited) (of which RMB360,000 was for the purchases from Hisense Group and/or its subsidiaries, whereas RMB80,000 was for the purchases from Hisense Electric and/or its subsidiaries).

**Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the purchase of home electrical appliances by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2018 are subject to the Cap of RMB1,670,000 (exclusive of VAT), of which:-

- (i) RMB910,000 will be allocated to the purchase of home electrical appliances from Hisense Group and/or its subsidiaries; and
- (ii) RMB760,000 will be allocated to the purchase of home electrical appliances from Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) the prevailing market conditions about the demand for electrical appliances; (b) the Group's plan to boost the sales of the Group's home electrical appliances through marketing and promotion activities; and (c) the projected need to purchase television sets from Hisense Electric and/or its subsidiaries for the year ending 31 December 2018 as gifts for the Group's marketing and promotion activities which aim at boosting the sales of the Group's home electrical appliances such as refrigerators.

In addition, the Group will purchase prototypes of electrical appliances from Hisense Group and/or its subsidiaries in 2018 with the total transaction amount of approximately RMB600,000. The Group will purchase television sets from Hisense Electric and/or its subsidiaries in 2018 with the total transaction amount of approximately RMB760,000.

**Reasons for and benefits of the purchase of home electrical appliances from Hisense Group, Hisense Electric and/or their respective subsidiaries:**

The sales and overall image of the Company can be enhanced by purchasing television sets from Hisense Electric and/or its subsidiaries as gifts for the Group's marketing and promotion activities which aim at boosting the sales of the Group's home electrical appliances. In addition, the Group intends to procure models for electrical appliances (such as refrigerators and air-conditioners) through Hisense Group and its subsidiaries for the purpose of conducting

analysis and research so as to develop the Group's market research functions. Since the pricing for the purchase of home electrical appliances will be determined with reference to the market price of similar home electrical appliances, it will be more convenient to the Group in terms of time and costs to purchase certain home electrical appliances through Hisense Group, Hisense Electric and/or their respective subsidiaries.

In light 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 the terms of the purchase of home electrical appliances from Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## ***(2) Purchase of raw materials, parts and components***

Pursuant to the terms of the Business Co-operation Framework Agreement, the Company and/or its subsidiaries will purchase from Hisense Group, Hisense Electric and/or their respective subsidiaries on a non-exclusive basis such quantities of raw materials, parts and components as they may require from time to time.

### **Pricing:**

Pricing for the purchase of raw materials, parts and components is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness mainly with reference to the market price of similar raw materials, parts and components offered by at least three independent third parties from time to time.

### **Historical figures:**

The annual cap allocated to the purchase of raw materials, parts and components by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2017 as specified in the Existing Business Co-operation Framework Agreement is RMB118,670,000 (exclusive of VAT). For the nine months ended 30 September 2017, the aggregate transaction amount for the purchase of raw materials, parts and components by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB87,030,000 (exclusive of VAT and unaudited) (of which RMB76,450,000 was for the purchases from Hisense Group and/or its subsidiaries, whereas RMB10,580,000 was for the purchases from Hisense Electric and/or its subsidiaries).

### **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the purchase of raw materials, parts and components by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2018 are subject to the Cap of RMB235,860,000 (exclusive of VAT), of which:-

- (i) RMB208,460,000 will be allocated to the purchase of raw materials, parts and components from Hisense Group and/or its subsidiaries; and
- (ii) RMB27,400,000 will be allocated to the purchase of raw materials, parts and components

from Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric and/or their respective subsidiaries in the past (that is, estimated annualised unaudited value of the similar transactions for the year 2017); and (b) the projected level of production and sales of electrical appliances of the relevant subsidiaries of the Company for the year ending 31 December 2018 taking into account its anticipated increase in the relevant purchase of the Group in 2018.

The above Cap was also determined with reference to the Group's constant attempt to optimize the product mix by increasing the production of high-end intelligent electrical appliances, which will increase the Group's purchase for raw materials, parts and components from Hisense Group, Hisense Electric and/or their respective subsidiaries in 2018 for the increased production of high-end intelligent electrical appliances. The cost of raw materials, parts and components for production of high-end intelligent electrical appliances are relatively higher compared to those for production of other electrical appliance products. In 2018, the Group will increase its purchase of wifi boards and electronic control boards from Hisense Group and/or its subsidiaries and it is anticipated that such purchase will amount to approximately RMB207,520,000.

**Reasons for and benefits of the purchase of raw materials, parts and components from Hisense Group, Hisense Electric and/or their respective subsidiaries:**

With the gradual increase in intelligent electrical appliances, the usage of raw materials and spare parts of intelligent product also increases; Hisense Group has better ability in manufacturing those products with better quality and is beneficial to ensure the quality and performance of products. The Company is satisfied with the quality of raw materials, parts and components provided by Hisense Group, Hisense Electric and/or their respective subsidiaries from their previous course of dealings. Quality of the Group's products is enhanced by purchasing certain raw materials from Hisense Group, Hisense Electric and/or their respective subsidiaries, which in turn boosts the sales of high-end products and increases product and brand competitiveness.

In light 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 the terms of the purchase of raw materials, parts and components from Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

**(3) *Provision of services***

Pursuant to the terms of the Business Co-operation Framework Agreement, the Company and/or its subsidiaries will engage (i) Hisense Group and/or its subsidiaries on a non-exclusive basis for the provision of material processing, installation and maintenance, distribution, property, medical, leasing, design, inspection, agency services, property construction, management consultancy, technical support and information system maintenance services and (ii) Hisense Electric and/or its subsidiaries on non-exclusive basis for the provision of property, technical support and advertisement services as they may require from time to time.



**Pricing:**

The fees payable by the Group for the provision of the aforesaid services are determined by commercial negotiations according to the principles of fairness and reasonableness between the parties with reference to the market price for the provision of similar services from time to time.

**Historical figures:**

The annual cap allocated to the provision of services by Hisense Group, Hisense Electric and/or their respective subsidiaries to the Group for the financial year ending 31 December 2017 as specified in the Existing Business Co-operation Framework Agreement is RMB582,600,000. For the nine months ended 30 September 2017, the aggregate transaction amount for the provision of services contemplated under the Business Co-operation Framework Agreement by Hisense Group, Hisense Electric and/or their respective subsidiaries to the Group amounted to approximately RMB332,410,000 (unaudited) (of which RMB325,260,000 was for the provision of relevant services by Hisense Group and/or its subsidiaries, whereas RMB7,150,000 was for the provision of relevant services by Hisense Electric and/or its subsidiaries).

**Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the provision of services by Hisense Group, Hisense Electric and/or their respective subsidiaries to the Group for the financial year ending 31 December 2018 are subject to the Cap of RMB642,480,000, of which:-

- (i) RMB622,430,000 will be allocated to the provision of material processing, installation and maintenance, distribution, property, medical, leasing, design, inspection, agency services, property construction, management consultancy, technical support and information system maintenance services by Hisense Group and/or its subsidiaries; and
- (ii) RMB20,050,000 will be allocated to the provision of property, technical support and advertisement services by Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric and/or their respective subsidiaries in the past; and (b) the projected level of production and sales of electrical appliances of the relevant subsidiaries of the Company for the year ending 31 December 2018.

Based on the Group's increase in the scale of revenue, Hisense Group, Hisense Electric and/or their respective subsidiaries will provide installation and maintenance services, to the Group in 2018. It is estimated that the transaction amount in respect of the provision of such services will amount to approximately RMB220,000,000. As the quality of services including distribution and technical support services provided by Hisense Group, Hisense Electric and/or their respective subsidiaries is higher than those offered by independent third parties engaged by the Group in the past, the Group plans to continue to procure these services from Hisense Group, Hisense Electric and/or their respective subsidiaries. Furthermore, it is estimated that the relevant transaction amount for the provision of material processing services by Hisense Group, Hisense Electric and/or their respective subsidiaries to the Group in 2018 will amount to approximately RMB141,000,000. As the Company is satisfied with the quality of the services provided by Hisense Group, Hisense Electric and/or their respective subsidiaries from the

previous course of dealing, the Group plans to engage Hisense Group, Hisense Electric and/or their respective subsidiaries to provide more services in 2018. In addition, the Group expects that the property service fees will increase in 2018 due to the increment of charges for electricity and water and rent. Moreover, the Group will procure leasing of new properties in addition to the existing properties leased from Hisense Group and/or its subsidiaries and will procure the entering into of new leases between its subsidiaries and Hisense Group and/or its subsidiaries.

**Reasons for and benefits of the engagement of services of Hisense Group, Hisense Electric and/or their respective subsidiaries:**

The Company is satisfied with the quality of the services provided by Hisense Group, Hisense Electric and/or their respective subsidiaries from their previous course of dealings and considers that Hisense Group, Hisense Electric and/or their respective subsidiaries possess the expertise and experience for the provision of relevant services which can enable the Group to carry out its daily operation smoothly. Certain subsidiaries of Hisense Group are outstanding companies in the property development industry in Qingdao and the quality of property construction for the Group can be assured as a result of the professional quality which they can deliver.

In light 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 the terms of the engagement of services of Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

***(4) Supply of home electrical appliances***

Pursuant to the terms of the Business Co-operation Framework Agreement, the Company and/or its subsidiaries will supply on a non-exclusive basis home electrical appliances to Hisense Group, Hisense Electric and/or their respective subsidiaries as they may require from time to time.

**Pricing:**

Pricing for the supply of home electrical appliances is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar home electrical appliances from time to time.

**Historical figures:**

The annual cap allocated to the supply of home electrical appliances by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2017 as specified in the Existing Business Co-operation Framework Agreement is RMB10,241,130,000 (exclusive of VAT). For the nine months ended 30 September 2017, the aggregate transaction amount for the supply of home electrical appliances by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB5,997,830,000 (exclusive of VAT and unaudited) (of which RMB5,997,010,000 was for the supply to Hisense Group and/or its subsidiaries, whereas RMB820,000 was for the supply to Hisense Electric and/or its subsidiaries).

**Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of home electrical appliances by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2018 are subject to the Cap of RMB13,051,860,000 (exclusive of VAT), of which:-

- (i) RMB13,048,800,000 will be allocated to the supply of home electrical appliances by the Group to Hisense Group and/or its subsidiaries; and
- (ii) RMB3,060,000 will be allocated to the supply of home electrical appliances by the Group to Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric and/or their respective subsidiaries in the past; (b) the prevailing market conditions about the demand for electrical appliances in the PRC; and (c) the projected level of production and sales of electrical appliances of the relevant subsidiaries of the Company for the year ending 31 December 2018.

The above Cap was also determined with reference to the following expected increase in the relevant sales of the Group in 2018: (i) according to the business plan of the Group for the year 2018, the Group has set a target which is to increase the total transaction amount of home electrical appliances supplied to Hisense Group, Hisense Electric and/or their respective subsidiaries by approximately 30% in 2018. Based on this growth target, the value of home electrical appliances supplied by the Group to the subsidiaries of Hisense Group is estimated to be approximately RMB11,900,000,000; (ii) the Group sells products through the online platforms of the new subsidiaries of Hisense Group, and the value of home electrical appliances supplied by the Group to the new subsidiaries of Hisense Group is estimated to be approximately RMB800,000,000.

**Reasons for and benefits of the supply of home electrical appliances to Hisense Group, Hisense Electric and/or their respective subsidiaries:**

The production and supply of home electrical appliances by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries can help to lower the production costs of the Group by lowering the fixed costs per unit of product incurred by the Group as a result of the increase in production level, which in turn enhance the market competitiveness of the Group's products. At the same time, the Group can continue to develop overseas market and enhance brand competitiveness and awareness. The Group can also increase market share and boost its sales turnover and revenue by selling products through the online platform of Hisense Group which reduces the product circulation links.

In light 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 the terms of the supply of home electrical appliances to Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### ***(5) Supply of equipment***

Pursuant to the terms of the Business Co-operation Framework Agreement, the Company and/or its subsidiaries will supply on a non-exclusive basis such quantities of equipment to Hisense Group and/or its subsidiaries as they may require from time to time.

#### **Pricing:**

Pricing for the supply of equipment is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness mainly with reference to the market price of similar equipment supplied to at least three independent third parties from time to time.

#### **Historical figures:**

The annual cap allocated to the supply of equipment by the Group to Hisense Group and/or its subsidiaries for the financial year ending 31 December 2017 as specified in the Existing Business Co-operation Framework Agreement is RMB19,300,000 (exclusive of VAT). For the nine months ended 30 September 2017, the aggregate transaction amount for the supply of equipment by the Group to Hisense Group and/or its subsidiaries amounted to approximately RMB0 (exclusive of VAT and unaudited).

#### **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of equipment by the Group to Hisense Group and/or its subsidiaries for the financial year ending 31 December 2018 are subject to the Cap of RMB16,500,000 (exclusive of VAT).

The above Cap was determined with reference to (a) the prevailing market conditions about the demand for electrical appliances in the PRC; and (b) the projected sales of home electrical appliances of the Group for the year ending 31 December 2018.

In addition, the Group will supply equipment to Hisense Group and/or its new subsidiaries with the total transaction amount of approximately RMB12,000,000. The Group will supply new equipment to Hisense Group and/or its subsidiaries with the total transaction amount of approximately RMB4,500,000.

#### **Reasons for and benefits of the supply of equipment to Hisense Group and/or its subsidiaries:**

The supply of equipment by the Group to Hisense Group and/or its subsidiaries will increase the Company's revenue and satisfy the production needs of Hisense Group and/or its subsidiaries. At the same time, through the export channels of Hisense Group and/or its subsidiaries, sales to overseas markets will be enhanced to satisfy the demands therein.

In light 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 the terms of the supply of equipment to Hisense Group and/or its subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation

thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

#### ***(6) Supply of moulds***

Pursuant to the terms of the Business Co-operation Framework Agreement, the Company and/or its subsidiaries will supply on a non-exclusive basis moulds to Hisense Group, Hisense Electric and/or their respective subsidiaries as they may require from time to time.

#### **Pricing:**

In response to the invitations to tender from Hisense Group, Hisense Electric and/or their respective subsidiaries (which are also extended to various independent third parties) from time to time, the Group may submit such tenders or bids to supply the moulds for such products requested by Hisense Group, Hisense Electric and/or their respective subsidiaries in its/their invitation to tender. Pricing for the supply of moulds is determined by the open bidding process.

#### **Historical figures:**

The annual cap allocated to the supply of moulds by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2017 as specified in the Existing Business Co-operation Framework Agreement is RMB451,000,000 (exclusive of VAT). For the nine months ended 30 September 2017, the aggregate transaction amount for the supply of moulds by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB272,880,000 (exclusive of VAT and unaudited) (of which RMB216,590,000 was for the supply to Hisense Group and/or its subsidiaries, whereas RMB56,290,000 was for the supply to Hisense Electric and/or its subsidiaries).

#### **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of moulds by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2018 are subject to the Cap of RMB453,550,000 (exclusive of VAT), of which:-

- (i) RMB323,550,000 will be allocated to the supply of moulds to Hisense Group and/or its subsidiaries; and
- (ii) RMB130,000,000 will be allocated to the supply of moulds to Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric and/or their respective subsidiaries in the past; and (b) the prevailing market conditions relating to the demand for electrical appliances in the PRC.

Based on the projection of the actual business needs, the Group will supply moulds to Hisense Group's subsidiaries for export in the sum of approximately RMB300,000,000 and will supply moulds to Hisense Electric in the sum of approximately RMB130,000,000.

**Reasons for and benefits of the supply of moulds to Hisense Group, Hisense Electric and/or their respective subsidiaries:**

The sale of moulds by the Group to Hisense Group and Hisense Electric has become an important part of the Group's business. The sale of moulds under the Business Co-operation Framework Agreement will facilitate the Group in maintaining an important existing relationship with the relevant subsidiaries of Hisense Group and Hisense Electric as the latter's supplier for moulds. By maintaining such relationship, the relevant subsidiaries of Hisense Group and Hisense Electric may continue to serving as stable customers of the Group in respect of the sale of moulds, thereby further expanding the sales of the Group.

In light 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 the terms of the supply of moulds to Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

***(7) Supply of raw materials, parts and components***

Pursuant to the terms of the Business Co-operation Framework Agreement, the Company and/or its subsidiaries will supply to Hisense Group, Hisense Electric and/or their respective subsidiaries on a non-exclusive basis such quantities of raw materials, parts and components to Hisense Group, Hisense Electric and/or their respective subsidiaries as they may require from time to time.

**Pricing:**

Pricing for the supply of raw materials, parts and components is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness mainly with reference to the market price of similar raw materials, parts and components supplied to at least three independent third parties from time to time.

**Historical figures:**

The annual cap allocated to the supply of raw materials, parts and components by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2017 as specified in the Existing Business Co-operation Framework Agreement is RMB112,090,000 (exclusive of VAT). For the nine months ended 30 September 2017, the aggregate transaction amount for the supply of raw materials, parts and components by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB59,390,000 (exclusive of VAT and unaudited) (of which RMB39,910,000 was for the supply to Hisense Group and/or its subsidiaries, whereas RMB19,480,000 was for the supply to Hisense Electric and/or its subsidiaries).

**Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of raw materials, parts and components by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December

2018 are subject to the Cap of RMB180,730,000 (exclusive of VAT), of which:-

- (i) RMB98,310,000 will be allocated to the supply of raw materials, parts and components to Hisense Group and/or its subsidiaries; and
- (ii) RMB82,420,000 will be allocated to the supply of raw materials, parts and components to Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric and/or their respective subsidiaries in the past; and (b) the prevailing market conditions relating to the demand for electrical appliances in the PRC.

The Group supplies parts and components to the subsidiaries of Hisense Group, which is a business derived from the product sales by the Group to the subsidiaries of Hisense Group. Taking into account the year-on-year growth of parts and components and product scale in the next year, and that the parts and components quota for overseas customers will be raised in 2018 which will lead to an increase in revenue of parts and components, the upper limit for exporting parts and components for next year is estimated to be approximately RMB70,860,000. The subsidiaries of the Group also sell parts and components to the subsidiaries of Hisense Electric, which mainly include the parts and components, such as television case and metal plate, produced by the Group for the subsidiaries of Hisense Electric. Apart from the growth of existing businesses, the subsidiaries of the Group have added a new production line for television back panel. It is expected that it will start to produce television back panel for the subsidiaries of Hisense Electric as well, and therefore, the business volume of next year is expected to grow and the estimated value for the whole year will be approximately RMB82,420,000.

**Reasons for and benefits of the supply of raw materials, parts and components to Hisense Group, Hisense Electric and/or their respective subsidiaries:**

Hisense Group has overseas sales channels and high quality customer resources which can enhance the sales of raw materials, parts and components of the Company. Further, the provision of raw materials, parts and components to Hisense Group, Hisense Electric and their respective subsidiaries can increase the revenues of the Group.

In light 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 the terms of the supply of raw materials, parts and components to Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

***(8) Provision of services by the Group***

Pursuant to the terms of the Business Co-operation Framework Agreement, (i) the Company and/or its subsidiaries will provide design, processing services and property services to Hisense Group and/or its subsidiaries and (ii) the Company will provide processing services to Hisense Electric and/or its subsidiaries on a non-exclusive basis from time to time.

**Pricing:**

The fees payable by Hisense Group, Hisense Electric and/or their respective subsidiaries for the aforesaid services are determined by commercial negotiations according to the principles of fairness and reasonableness between the parties with reference to the market price for the provision of similar services from time to time.

**Historical figures:**

The annual cap allocated to the provision of services by the Group to Hisense Group and/or its subsidiaries for the financial year ending 31 December 2017 as specified in the Existing Business Co-operation Framework Agreement is RMB37,280,000. For the nine months ended 30 September 2017, the aggregate transaction amount for the provision of services contemplated under the Business Co-operation Framework Agreement by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB15,940,000 (unaudited) (of which RMB15,890,000 was for the provision of relevant services by the Group to Hisense Group and/or its subsidiaries, whereas RMB50,000 was for the provision of relevant services by the Group to Hisense Electric and/or its subsidiaries).

**Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the provision of services by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2018 are subject to the Cap of RMB30,220,000, of which:-

- (i) RMB28,340,000 will be allocated to the provision of design, processing services and property services by the Group to Hisense Group and/or its subsidiaries; and
- (ii) RMB1,880,000 will be allocated to the provision of processing services by the Group to Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric and/or their respective subsidiaries in the past; and (b) the prevailing market conditions relating to the provision of such services.

Furthermore, the following adjustment for the actual business needs of the Group in 2018 was also taken into consideration when determining the above Cap: (i) property services in the sum of approximately RMB10,780,000 to be provided by the Group; (ii) design services in the sum of approximately RMB8,000,000 to be provided by the Group; and (iii) processing services in the sum of approximately RMB5,000,000 to be provided by the Group.

**Reasons for and benefits of the provision of services to Hisense Group, Hisense Electric and/or their respective subsidiaries:**

The provision of services to Hisense Group, Hisense Electric and/or their respective subsidiaries will increase the Group's revenue.

In light 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 the terms of the provision of services to Hisense Group, Hisense Electric



and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **(B) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION**

### **FINANCIAL SERVICES AGREEMENT**

**Date:** 28 November 2017

**Parties:** The Company;  
Hisense Finance

**Term:**

The term of the Financial Services Agreement shall commence from 1 January 2018 or the date of approval of the Financial Services Agreement by the Independent Shareholders at the EGM (whichever is later) until 31 December 2018, which 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 Financial Services Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM.

**Subject matters:**

Pursuant to the terms of the Financial Services Agreement, the Group will engage Hisense Finance to provide a range of financial services within its scope of business, including without limitation, deposit services, loan and electronic bank acceptance bill services, draft discount services (票據貼現服務) and other businesses which may be carried on by Hisense Finance as approved by the regulatory authorities. Particulars of the services to be provided by Hisense Finance to the Group are as follows:

- (i) deposit services;
- (ii) loan and electronic bank acceptance bill (電子銀行承兌匯票) services;
- (iii) draft discount services (票據貼現服務);
- (iv) settlement and sale of foreign exchange services (結售匯服務); and
- (v) agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務).

For the draft discount services which will be provided to the Group by Hisense Finance, the Group is entitled to present bank drafts to Hisense Finance for payment before the maturity date of the bank drafts. In return, Hisense Finance will charge discount interest (貼現利息) from the Group for “cashing” the bank drafts. After the Group has discounted the bank drafts with Hisense Finance, such bank drafts will belong to the latter which will have the right to present such bank drafts to the issuing banks for payment on their respective maturity dates.

The implementation of the provision of particular services contemplated under the Financial

Services Agreement shall be subject to the definitive contract(s) to be entered into between the relevant parties within the scope of the Financial Services Agreement.

The Group may obtain financial services contemplated under the Financial Services Agreement from other financial institutions in addition to Hisense Finance, as it sees fit.

The transactions contemplated under the Financial Services Agreement are in connection with the following aspects of financial services between the parties:-

***(1) Deposit service***

**Pricing:**

The interest rate payable for the Group's deposits with Hisense Finance shall not be lower than the rate payable by normal commercial banks in the PRC for comparable deposits.

**Historical figures:**

The maximum daily balance of the deposits which can be placed by the Group with Hisense Finance during the term of the Existing Financial Services Agreement is RMB6,000,000,000 (inclusive of interest). For the periods commencing from 1 January 2016 to 31 December 2016 and from 1 January 2017 to 30 September 2017, the maximum daily balance of the deposits placed by the Group with Hisense Finance amounted to approximately RMB2,234,000,000 and RMB4,199,970,158 respectively.

**Proposed Cap:**

The Company currently expects that the 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 shall not exceed the Cap of RMB6,500,000,000 (inclusive of interest) on any given day for the year ending 31 December 2018.

The above Cap was determined with reference to (i) the historical cashflow figures of the Group; and (ii) the expected financial needs of cash of the Group taking into account the business development plans on areas relating to research and development, investment, sales and supply of the Group. The Company expects that as a result of the business development plans on areas relating to research and development, investment, sales and supply of the Group, the Company shall utilise more deposit services in the coming years to take advantage of the more expedient and efficient service provision by Hisense Finance. As the Group may frequently utilise the loan services to be provided by Hisense Finance if the relevant terms are more favourable than those available from other financial institutions and the proposed loans to be provided by Hisense Finance to the Group under the Financial Services Agreement will first be transferred by Hisense Finance to the Group in its deposit account with Hisense Finance for withdrawal, the Company also expects to utilise frequently the deposit services to be provided by Hisense Finance. In addition, the Company will further enhance its management on account receivables and inventory in the next year to expedite the capital turnover rate and reduce unused inventory and capital, and it is estimated that the net cash flows from operating activities will further increase.

***(2) Loan and electronic bank acceptance bill service***

**Pricing:**

The interest rate charged for the loans provided to the Group by Hisense Finance shall not be higher than the rate charged by normal commercial banks in the PRC for comparable loans.

The service fees charged for the provision of electronic bank acceptance bill services by Hisense Finance for the Group shall not be higher than the standard service fees charged by normal commercial banks in the PRC for comparable services.

Hisense Finance may require the Group to provide guarantee or security or pledge in respect of the loan services and the electronic bank acceptance bill services rendered, depending on the then circumstances and business needs.

**Historical Figures:**

The maximum balance of loan and electronic bank acceptance bills which can be provided by Hisense Finance to the Group during the term of the Existing Financial Services Agreement is RMB6,000,000,000 (inclusive of interest and service fees). For the periods commencing from 1 January 2016 to 31 December 2016 and from 1 January 2017 to 30 September 2017, the maximum daily balance of the loans and electronic bank acceptance bills provided by Hisense Finance to the Group amounted to approximately RMB3,476,000,000 and RMB4,546,050,284 respectively.

**Proposed Cap:**

The Company currently expects that 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 shall not exceed the Cap of RMB6,000,000,000 (inclusive of interest and service fees) on any given day for the year ending 31 December 2018.

The above Cap was determined with reference to (i) the historical cashflow figures of the Group; (ii) the expected financial needs of the Group taking into account the business development plans on areas relating to research and development, investment, sales and supply of the Group; and (iii) the plan of the Group to obtain more loans and electronic bank acceptance bill services from Hisense Finance instead of from other financial institutions for the years ending 31 December 2018 since the terms for the provision of the loans and electronic bank acceptance bill services by Hisense Finance to the Group shall be no less favourable than those of other normal commercial banks and financial institutions and Hisense Finance has better knowledge about the background and financial status of the Company which will facilitate the loan and electronic bank acceptance bill services application process by the Company.

***(3) Draft discount service*****Pricing:**

The discount rate for the provision of draft discount services by Hisense Finance to the Group shall be determined on the basis of the rediscount rate (再貼現利率) quoted by The People's Bank of China and with reference to market level and shall not be higher than the discount rate charged by normal commercial banks in the PRC providing such services to the Group.

**Historical figures:**

Under the Existing Financial Services Agreement, the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services shall not exceed RMB50,000,000 during the term of the Existing Financial Services Agreement. For the periods commencing from 1 January 2016 to 31 December 2016 and from 1 January 2017 to 30 September 2017, the total discount interest paid by the Group to Hisense Finance for the provision of draft discount services amounted to approximately RMB3,563,700 and RMB1,645,400 respectively.

**Proposed Cap:**

The Company currently expects that the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services during the term of the Financial Services Agreement shall not exceed the Cap of RMB50,000,000 for the year ending 31 December 2018.

The above Cap was determined with reference to (i) the expected financial needs of the Group taking into account the business development plans on areas relating to research and development, investment, sales and supply of the Group; and (ii) the plan of the Group to use more draft discount services to be provided by Hisense Finance instead of from other financial institutions for the years ending 31 December 2018 since the terms for the provision of the draft discount services by Hisense Finance to the Group shall be no less favourable than those of other normal commercial banks and financial institutions and Hisense Finance has better knowledge about the background and financial status of the Company which will facilitate the draft discount application process by the Company.

***(4) Settlement and sale of foreign exchange*****Pricing:**

The level of services (including the level of exchange rates) for the settlement and sale of foreign exchange at Hisense Finance shall not be worse than the level of services (including the level of exchange rates) of normal commercial banks in the PRC providing such services to the Group.

**Historical Figures:**

Under the Existing Financial Services Agreement, the annual amount settled or sold by Hisense Finance for the Group shall not exceed US\$700,000,000 during the term of the Existing Financial Services Agreement. For the periods commencing from 1 January 2016 to 31 December 2016 and from 1 January 2017 to 30 September 2017, the amount settled or sold by Hisense Finance for the Group amounted to approximately US\$15,480,000 and US\$10,750,000 respectively.

**Proposed Cap:**

The Company currently expects that the annual amount settled or sold by Hisense Finance for the Group shall not exceed the Cap of US\$500,000,000 for the year ending 31 December 2018.

The above Cap was determined with reference to the expected volume of export and the expected amount subject to settlement and sale of foreign exchange for the years ending 31 December 2018.

***(5) Agency services such as settlement services for receipt and payment of funds***

**Pricing:**

Hisense Finance will provide agency services such as settlement services for receipt and payment of funds to the Group in accordance with its instructions. The charging standard for service fees chargeable for the provision of agency services such as settlements services for receipt and payment of funds by Hisense Finance for the Group shall not be higher than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC during the corresponding period.

**Historical Figures:**

Under the Existing Financial Services Agreement, the annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務) shall not exceed RMB3,000,000 during the term of the Existing Financial Services Agreement. For the periods commencing from 1 January 2016 to 31 December 2016 and from 1 January 2017 to 30 September 2017, the aggregate amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務) amounted to approximately RMB313,100 and RMB233,100 respectively.

**Proposed Cap:**

The Company currently expects that annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務) during the term of the Financial Services Agreement shall not exceed the Cap of RMB3,000,000 for the year ending 31 December 2018.

The above Cap was determined with reference to the historical expenses for agency services such as settlement services for receipt and payment of funds of the Group, taking into account the corresponding increase in agency services such as settlement services for receipt and payment of funds resulting from the increment in the scale of the Group's revenue and the charging standard for service fees chargeable for the provision of agency services such as settlements services for receipt and payment of funds by Hisense Finance for the Group which shall not be higher than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC.

**Reasons for and benefits of the Financial Services Agreement:**

The main reasons for the election by the Company to use Hisense Finance for the provision of the relevant financial services are as follows:

- (i) the rates on loans and deposits offered by Hisense Finance to the Group will be equal to or

more favourable than those offered by PRC commercial banks;

- (ii) the Group is expected to benefit from Hisense Finance's better understanding of the operations of the Group which should allow more expedient and efficient service provision than those offered by PRC commercial banks; and
- (iii) Hisense Finance is regulated by the CBRC and engages into the provision of financial services in compliance with the regulations and operation requirements issued by the relevant regulatory authorities. Its primary customers are companies within the Hisense Group. In general, as the risks exposed to Hisense Finance are lesser than those exposed to the financial institutions with a broad and unrestricted customer base, Hisense Finance is able to safeguard customers' funds more effectively.

In light 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 the terms of the Financial Services Agreement and the Caps in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **(C) CONTINUING CONNECTED TRANSACTIONS**

#### **FINANCIAL BUSINESS FRAMEWORK AGREEMENT**

**Date:** 28 November 2017

**Parties:** The Company;  
Hisense Financial Holdings

**Term:**

The Financial Business Framework Agreement shall commence from 1 January 2018 or the date of approval of the Financial Business Framework Agreement by the Independent Shareholders at the EGM (whichever is later) until 31 December 2019, which can be terminated by either party if the other party is in default and such default is not remedied within a reasonable period.

Upon the Financial Business Framework Agreement becoming effective, the Existing Factoring Services Agreement will be deemed to be one of the definitive agreements under the Financial Business Framework Agreement. As such, the business under the Existing Factoring Services Agreement shall be subject to the terms as agreed in the Financial Business Framework Agreement.

**Condition:**

The Financial Business Framework Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM.

**Subject matters:**

Pursuant to the terms of the Financial Business Framework Agreement, the Company or its

subsidiaries will engage Hisense Financial Holdings or its subsidiaries 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 Financial Business Framework Agreement shall be subject to the definitive contract(s) to be entered into between the Company and Hisense Financial Holdings or their respective subsidiaries within the scope of the Financial Business Framework Agreement.

The Company and Hisense Financial Holdings may authorize their respective subsidiaries to perform the Financial Business Framework Agreement and to enter into definitive business contract(s) within the scope of the Financial Business Framework Agreement.

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

**Pricing:**

The pricing of the factoring services provided by Hisense Financial Holdings or its relevant subsidiaries 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 Financial Business Framework 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.

**Historical figures:**

The daily closing balance of the recourse factoring services under the Existing Factoring Services Agreement shall not exceed RMB100,000,000 (inclusive of interest). For the period from 28 June 2017 to 30 September 2017, the highest daily closing balance of the said services was approximately RMB0 (inclusive of interest).

The aggregated annual value of the transactions conducted for the non-recourse factoring services under the Existing Factoring Services Agreement during the term of the Existing Factoring Services Agreement shall not exceed RMB500,000,000 (inclusive of interest). For the period from 28 June 2017 to 30 September 2017, the aggregate transaction amount for the said services under the Existing Factoring Services Agreement amounted to approximately RMB0 (inclusive of interest).

**Proposed Caps:**

***(a) Recourse factoring services***

The daily closing balance of the recourse factoring services provided by Hisense Financial Holdings or its relevant subsidiaries to the Company at Hisense Financial Holdings or its relevant subsidiaries during the term of the Financial Business Framework Agreement shall not exceed RMB100,000,000 (inclusive of interest).

The above Cap was determined with reference to (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 Financial Holdings or its relevant subsidiaries to the Company during the term of the Financial Business Framework Agreement shall not exceed RMB500,000,000 (inclusive of interest).

The above Cap was determined with reference to: (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.

As the Existing Factoring Services Agreement will be treated as a definitive agreement under the Financial Business Framework Agreement and therefore subject to the terms thereof, the above Caps also apply to the factoring services to be provided by Hisense Commercial Factoring under the Existing Factoring Services Agreement.

**Reasons for and benefits of the Financial Business Framework Agreement**

The Financial Business Framework Agreement was entered into to better catering for future business development and to standardize the term of all continuing connected transactions to end with the financial year end of the Group for better monitoring, and upon the Financial Business Framework Agreement becoming effective, the Existing Factoring Services Agreement will be deemed to be one of the definitive agreements under the Financial Business Framework Agreement. As such, the business under the Existing Factoring Services Agreement shall be subject to the terms as agreed in the Financial Business Framework Agreement.

The Financial Business Framework Agreement was also 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.

In light 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 the terms of the Financial Business Framework Agreement and the Caps in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In relation to the Financial Business Framework Agreement, the Company has adopted various internal control measures.

In order to ensure the amount of transactions contemplated under the Financial Business Framework 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 Financial Business Framework Agreement.

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 Financial Holdings or its relevant subsidiaries prior to the execution of the relevant transactions with Hisense Financial Holdings or its relevant subsidiaries in order to ensure that the terms offered by Hisense Financial Holdings or its relevant subsidiaries 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 Financial Holdings or its relevant subsidiaries 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 Financial Holdings or its relevant subsidiaries on the terms of the relevant transactions. If, after negotiation, Hisense Financial Holdings or its relevant subsidiaries 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.

## **INFORMATION RELATING TO THE COMPANY, HISENSE ELECTRIC, HISENSE GROUP, HISENSE FINANCE AND HISENSE FINANCIAL HOLDINGS**

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

Hisense Electric was established on 17 April 1997 and has a registered capital of RMB 1,308,481,222. Its authorised representative is Mr. Liu Hong Xin and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone. The scope of business includes: the research and development, manufacture, sales, service, repair and recycling of TV sets, flat panel display sets, mobile phones, electric refrigerators, electric freezers, washing machines, water heaters, microwave ovens, small household appliance products (such as dishwashers, electric irons, electric hair dryers, electric cookers), broadcasting appliances, electronic computers, communication products, mobile communication appliances, information technology products, household and commercial appliances and electronic products; non-standardized equipment processing, installation and after-sales services; self-operated import and export business (with its operation subject to the list of projects as approved by the MOFTEC); production of terrestrial broadcasting receiver equipment for satellite televisions; leasing of houses, leasing of machinery and equipment, property management; general logistics. (for projects which require approval under the laws, commencement of the operations thereof shall be subject to the approval from the relevant departments).

Hisense Group was incorporated in August 1979 with its registered address at No. 17 Donghai West Road, Shinan, Qingdao. Zhou Houjian is the legal representative of Hisense Group, a wholly state-owned enterprise with the registered capital of RMB806,170,000. The scope of business includes: the entrusted operation of state-owned assets; the manufacture and sales of TV sets, refrigerators, freezers, washing machines, small household appliances, disc players, audio sets, broadcasting appliances, air-conditioners, electronic computers, telephones, communication products, internet products and electronic products and the provision of related services; the development of software and the provision of internet services; the technological

development and the provision of consultation services; the self-operated import and export business (with its operation subject to the list of projects as approved by the MOFTEC); the foreign economic and technical cooperation (with its operation subject to the list of projects as approved by the MOFTEC); operation of property rights transaction and provision of brokerage and information services; provision of industrial travel agency services; provision of relevant business trainings, property management, leasing of tangible property and leasing of immovable property (projects which require permit/approval under the laws, commencement of operations of the businesses which require approval from the relevant department).

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: 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.

Hisense Financial Holdings is established in Qingdao City of the PRC with limited liability under the Company Law of the PRC. The Company holds 24% equity interest in Hisense Financial Holdings.

The business scope of Hisense Financial Holdings includes: engaging in asset management, investment management, equity investment, equity investment management, venture capital investment, and venture capital investment management with its own capital, security business investment management, entrusted management of equity investment fund, technology investment and technology consultation in financial software, business management and consultation, business information consultation, commencement of debt investment, short-term financial investment, investment planning and consultation which targeted on the entity's economic project within the approved regions (provided that financial businesses such as deposit-taking, financing guarantee and wealth management for clients are not permitted without the approval of financial regulatory authorities). Hisense Commercial Factoring, a subsidiary of Hisense Financial Holdings, is principally engaged in the businesses of commercial factoring services and supply chain management consultation services.

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

### **(A) Business Co-operation Framework 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, holding 37.92% of the issued shares 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 Electric is owned as to 39.53% by Hisense Group, Hisense Group, Hisense Electric and their respective subsidiaries are connected persons of the Company according to the Hong Kong Listing Rules. As such, the transactions contemplated under the Business Co-operation Framework 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 Business Co-operation Framework Agreement exceed 5% on an annual basis and the annual consideration exceeds HK\$10,000,000, the Business Co-operation Framework Agreement and the transactions contemplated thereunder and the Caps in relation thereto are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In view of the interests of Hisense Group and Hisense Electric in the Business Co-operation Framework Agreement, Hisense Group and Hisense Electric and their respective associates will abstain from voting in relation to the resolution(s) to approve the Business Co-operation Framework Agreement and the transactions contemplated thereunder and the relevant Caps at the EGM.

#### **(B) Financial Services 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, holding 37.92% of the issued shares 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 will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the Caps in relation to the transactions for the provision of deposit, loan and electronic bank acceptance bill, draft discount, settlement and sale of foreign exchange services and agency services such as settlement services for receipt and payment of funds by Hisense Finance to the Group contemplated under the Financial Services Agreement exceed 5%, the Financial Services Agreement, the transactions contemplated thereunder and the Caps in relation thereto are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The provision of deposit services to the Group under the Financial Services 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 for the provision of such deposit services is more than 25% but 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.

In view of the interests of Hisense Finance in the Financial Services Agreement, Hisense

Finance and its associates will abstain from voting in relation to the resolution(s) to approve the Financial Services Agreement and the transactions contemplated thereunder and the relevant Caps at the EGM.

The Business Co-operation Framework Agreement and the Financial Services Agreement are not inter-conditional on each other.

### **(C) Financial Business Framework 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 Financial Holdings is a subsidiary of the holding company of Hisense Air-conditioning and an associate of Hisense Air-conditioning. Therefore, Hisense Financial Holdings is a connected person of the Company according to the Hong Kong Listing Rules. As such, the transactions contemplated under the Financial Business Framework Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

The transactions under the Financial Services Agreement and the Financial Business Framework Agreement will be aggregated under the Hong Kong Listing Rules. As the applicable percentage ratios as defined under Rule 14.07 of the Hong Kong Listing Rules in respect of the Financial Business Framework Agreement and the Financial Services Agreement on an aggregate basis exceed 5%, the transactions contemplated under the Financial Business Framework Agreement and the Caps in relation thereto are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### **GENERAL**

Mr. Tang Ye Guo, Mr. Lin Lan, Mr. Liu Hong Xin and Mr. Dai Hui Zhong, being Directors, have abstained from voting on the relevant board resolution(s) for approving the Business Co-operation Framework Agreement, the Financial Services Agreement and the Financial Business Framework Agreement 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;
- (b) Mr. Liu Hong Xin, Mr. Lin Lan and Mr. Dai Hui Zhong are also directors of Hisense Electric and/or some of its subsidiaries; and
- (c) 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 Business Co-operation Framework Agreement, the Financial Services Agreement, the Financial Business Framework Agreement and the transactions contemplated thereunder and the Caps in relation thereto. An independent board committee of the Company will also be formed to advise the Shareholders on whether or not the Business Co-operation Framework Agreement, the Financial Services Agreement, the Financial Business Framework Agreement and the transactions contemplated thereunder and the

Caps in relation thereto are in the interest of the Company and are fair and reasonable so far as the Shareholders are concerned.

A circular containing, inter alia, (a) further information on the Business Co-operation Framework Agreement, the Financial Services Agreement, the Financial Business Framework Agreement and the Caps in relation thereto; (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 3 January 2018 in accordance with the Hong Kong Listing Rules. In view of the number of transactions contemplated under the Business Co-operation Framework Agreement, the Financial Services Agreement and the Financial Business Framework Agreement which are to be covered in the circular, 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 such transactions. Therefore, it is expected that the circular will be despatched beyond 15 business days after the publication of this announcement.

## DEFINITIONS

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

<b>“2015 Financial Services Agreement”</b>	the financial services 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;
<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>“associates”</b>	has the meaning ascribed to it under the Hong Kong Listing Rules;
<b>“Board” or “Director(s)”</b>	the board of directors of the Company;
<b>“Business Co-operation Framework Agreement”</b>	the Business Co-operation Framework Agreement (業務合作框架協議) entered into between the Company, Hisense Electric and Hisense Group dated 28 November 2017 in relation to the sale and purchase of home electrical appliances, raw materials, parts and components, supply of equipment and moulds, and the provision of various services;
<b>“Caps”</b>	the annual caps for the transactions contemplated under the Business Co-operation Framework Agreement for the year ending 31 December 2018, being (i) RMB1,670,000 in respect of the purchase of home electrical appliances by the Group from Hisense Group, Hisense Electric and their

respective subsidiaries under the Business Co-operation Framework Agreement; (ii) RMB235,860,000 in respect of the purchase of raw materials, parts and components by the Group from Hisense Group, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; (iii) RMB642,480,000 in respect of the provision of services by Hisense Group, Hisense Electric and their respective subsidiaries to the Group under the Business Co-operation Framework Agreement; (iv) RMB13,051,860,000 in respect of the supply of home electrical appliances by the Group to Hisense Group, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; (v) RMB16,500,000 in respect of the supply of equipment by the Group to Hisense Group and its subsidiaries under the Business Co-operation Framework Agreement; (vi) RMB453,550,000 in respect of the supply of moulds by the Group to Hisense Group, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; (vii) RMB180,730,000 in respect of the supply of raw materials, parts and components by the Group to Hisense Group, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; (viii) RMB30,220,000 in respect of the provision of services by the Group to Hisense Group, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; and the annual caps for the transactions contemplated under the Financial Services Agreement during the term of the Financial Services Agreement, being (a) RMB6,500,000,000 in respect of the maximum daily balance of the deposits placed by the Group with Hisense Finance under the Financial Services Agreement; (b) RMB6,000,000,000 in respect of the maximum balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group under the Financial Services Agreement; (c) RMB50,000,000 in respect of the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services under the Financial Services Agreement; and (d) US\$500,000,000 in respect of the annual amount settled or sold by Hisense Finance for the Group under the Financial Services Agreement and (e) RMB3,000,000 in respect of the maximum annual amount of service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds under the Financial Services Agreement; and the annual caps for the transactions contemplated under the Financial Business Framework Agreement during the term of the Financial Business Framework Agreement, being (1) RMB100,000,000

(inclusive of interest) in respect of the maximum daily closing balance of the recourse factoring services provided by Hisense Financial Holdings or its relevant subsidiaries to the Company at Hisense Financial Holdings or its relevant subsidiaries, and (2) RMB500,000,000 (inclusive of interest) in respect of the aggregated annual value of the transactions conducted for the non-recourse factoring services provided by Hisense Financial Holdings or its relevant subsidiaries to the Company;

<b>“CBRC”</b>	中國銀行業監管管理委員會（China Banking Regulatory Commission）；
<b>“Company”</b>	Hisense Kelon Electrical Holdings Company Limited, a company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Stock Exchange and the Shenzhen Stock Exchange;
<b>“connected person”</b>	has the meaning ascribed to it in the Hong Kong Listing Rules;
<b>“EGM”</b>	the extraordinary general meeting of the Company to be held for, among other things, the approval of the Business Co-operation Framework Agreement, the Financial Services Agreement, the Financial Business Framework Agreement and the transactions contemplated thereunder and the Caps in relation thereto;
<b>“Existing Business Co-operation Framework Agreement”</b>	the framework agreement (業務合作框架協議) entered into between the Company, Hisense Electric and Hisense Group dated 17 November 2016 in relation to the sale and purchase of home electrical appliances, raw materials, parts and components, supply of equipment and moulds, and the provision of various services;
<b>“Existing Factoring Services Agreement”</b>	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;
<b>“Existing Financial Services Agreement”</b>	collectively, the 2015 Financial Services Agreement (2015 金融服務協議), the Supplemental Agreement (金融服務協議之補充協議) and the Second Supplemental Agreement (金融服務協議之補充協議(一));
<b>“Financial Business Framework Agreement”</b>	the financial business framework agreement (金融業務框架協議) entered into between the Company and Hisense Financial Holdings dated 28 November 2017 in connection

	with the provision of factoring services by Hisense Financial Holdings to the Company;
<b>“Financial Services Agreement”</b>	the financial service agreement (金融服務協議) entered into between the Company and Hisense Finance dated 28 November 2017 in connection with the provision of financial services by Hisense Finance to the Group;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“H Shares”</b>	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange;
<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 and a subsidiary of Hisense Group;
<b>“Hisense Commercial Factoring”</b>	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;
<b>“Hisense Electric”</b>	Hisense Electric Co., Ltd. (青島海信電器股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange;
<b>“Hisense Finance”</b>	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 the Hisense Group;
<b>“Hisense Financial Holdings”</b>	Hisense Financial Holdings Co., Ltd. (青島海信金融控股有限公司), a company incorporated in the PRC with limited liability and the holding company of Hisense Commercial Factoring;
<b>“Hisense Group”</b>	海信集團有限公司 (Hisense Company Limited*), a company incorporated in the PRC with limited liability;
<b>“Hisense HK”</b>	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Group;
<b>“Hisense Marketing”</b>	青島海信國際營銷股份有限公司 (Hisense International Co., Ltd.), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;



<b>“Hong Kong Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Independent Shareholders”</b>	(i) in respect of the Business Co-operation Framework Agreement, Shareholders other than Hisense Group, Hisense Electric and their respective associates and other Shareholders which are required to abstain from voting in relation to the Business Co-operation Framework Agreement under the Shenzhen Listing Rules; (ii) in respect of the Financial Services Agreement, Shareholders other than Hisense Finance and its associates; and (iii) in respect of the Financial Business Framework Agreement, Shareholders other than Hisense Financial Holdings and its associates and other Shareholders which are required to abstain from voting in relation to the Financial Business Framework Agreement under the Shenzhen Listing Rules;
<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>“Second Supplemental Agreement”</b>	the second supplemental agreement (金融服務協議之補充協議(一)) entered into between the Company and Hisense Finance dated 10 May 2017, which amends and supplements the 2015 Financial Services Agreement (as supplemented by the Supplemental Agreement);
<b>“Share(s)”</b>	share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares;
<b>“Shareholder(s)”</b>	holder(s) of the Shares;
<b>“Shenzhen Listing Rules”</b>	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (深圳證券交易所上市規則);
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“substantial shareholder”</b>	has the meaning ascribed to it under the Hong Kong Listing Rules;
<b>“Supplemental Agreement”</b>	the supplemental agreement (金融服務協議之補充協議) entered into between the Company and Hisense Finance dated 3 August 2016, which amends and supplements the 2015 Financial Services Agreement;
<b>“VAT”</b>	value-added tax;

<b>“white goods”</b>	the general term by which white-coloured household electrical appliances are commonly known which include, but not limited to, air-conditioners, refrigerators, freezers, washing machines, other small household electrical appliances and kitchen electric products;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America;
<b>“%”</b>	per cent.

*\* For identification purpose only.*

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

Foshan City, Guangdong, the PRC, 28 November 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. Liu Xiao Feng.*