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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 ON
EXEMPTED FINANCIAL ASSISTANCE**

This announcement is made by Hisense Kelon Electrical Holdings Company Limited (the **“Company”**) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities (the **“Listing Rules”**) on The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**).

In view of the production and operation needs of the Company and its subsidiaries (the **“Group”**), the Group has to purchase a large volume of raw materials, electrical appliance components and certain equipment from overseas. It is also expected that the interest rates for bank loans in Hong Kong will still be lower than those in the People's Republic of China (the **“PRC”**) in the coming year and Hisense (Hong Kong) Company Limited (**“Hisense Hong Kong”**), a connected person of the Company, has sound credit standing and better financing ability in Hong Kong. As such, the Company entered into the purchase financing agency framework agreement (the **“Purchase Financing Agency Framework Agreement”**) with Hisense Hong Kong on 28 November 2017 under which it is proposed to engage Hisense Hong Kong to provide financing agency services to the Company to import raw materials, components and equipment from overseas. The annual cap for the amount of purchase through the financing agency services of Hisense Hong Kong under the Purchase Financing Agency Framework Agreement will be US\$100 million during the term of the Purchase Financing Agency Framework Agreement. Particulars of the arrangement under the Purchase Financing Agency Framework Agreement are set out as follows:

I. INTRODUCTION OF THE CONNECTED PARTY AND CONNECTED RELATIONSHIP

1. Basic introduction of the connected party

Hisense Hong Kong was established on 22 February 1994. Its registered address is Room 3101-05, Singga Commercial Centre, 148 Connaught Road West, Sai Wan, Hong Kong. Its registered capital is HK\$1 million. Its scope of business includes international trading.

2. Connected relationship with the Company

Hisense Company Limited (海信集團有限公司) is the beneficial controller of both Hisense Hong Kong and the Company. Accordingly, Hisense Hong Kong is a connected company of the Company under Item (2) of Rule 10.1.3 of the Rules Governing Listing of Securities on the Shenzhen Stock Exchange (the “**Shenzhen Listing Rules**”), the abovementioned transactions constitute connected transactions of the Company under the Shenzhen Listing Rules.

Hisense Hong Kong is also a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

3. Analysis of performing ability

As at 30 September 2017, the unaudited total assets of Hisense Hong Kong amounted to HK\$5,939,000,000 and its net assets was HK\$598,000,000.

Based on the above-mentioned particulars of Hisense Hong Kong, and the good commercial credit and commercial operating ability of Hisense Hong Kong according to the knowledge of the Company, the board of directors of the Company (the “**Board**”) considers that Hisense Hong Kong can perform its obligation in providing purchase financing agency services to the Company.

II. MODE OF TRANSACTION

Method of purchase financing agency: Hisense Hong Kong, in the name of the Company as authorized by the latter, will enter into purchasing contracts for the purchase of raw materials, components and equipment with suppliers on terms to be determined after negotiation between the Company and the suppliers. Upon receipt of the payment notice from the Company, Hisense Hong Kong shall pay the suppliers for the purchase of raw materials, components and equipment at the request of the Company. After customs declaration of goods, the Company will pay to Hisense Hong Kong in foreign currencies based on the invoice amounts charged by Hisense Hong Kong within the financing term of not more than six months to be agreed between the parties (subject to further negotiation between the parties in case of special circumstances).

III. PRICING POLICY AND CONDITIONS FOR TRANSACTION

1. The pricing policy is arrived at after arm’s length negotiations with reference to similar market transactions. Details of the pricing policy are as follows: the invoice amount to be charged by Hisense Hong Kong to the Company is equivalent to the sum of the value of the goods to be supplied by the suppliers, together with an agency fee equivalent to not more than 0.6% of the sum of the value of the goods to be supplied by the suppliers, and the loan interest to be charged to Hisense Hong Kong by the financing banks.
2. The following conditions shall be fulfilled before the appointment of Hisense Hong Kong by the Company to finance the payment to the suppliers under the Purchase Financing Agency Framework Agreement:

The sum of the financing cost and the agency fee proposed to be paid by the Company to Hisense Hong Kong — exchange gain expected to be obtained by the Company as a result of the Company’s postponement in payment in foreign currencies < the financing cost calculated based on the Company’s own domestic financing at Renminbi benchmark

interest rate

Note: the sum of financing cost and the agency fee proposed to be paid by the Company to Hisense Hong Kong = actual financing cost of Hisense Hong Kong in obtaining financing in foreign currencies + agency fee rate x the total sum of the purchase of the raw materials, components and equipment

Where: (i) the agency fee rate shall not be more than 0.6%, and (ii) “agency fee rate x the total sum of the purchase of the raw materials, components and equipment” represents the agency fee to be charged by Hisense Hong Kong to the Company.

IV. PURPOSES OF THE TRANSACTION AND THE EFFECTS OF THE TRANSACTION TO THE LISTED COMPANY

In view of the production and operation needs of the Group, the Group has to purchase a large volume of raw materials, electrical appliance components and certain equipment from overseas. It is also expected the interest rates for bank loans in Hong Kong will still be lower than those in the PRC in the coming year and Hisense Hong Kong, a connected person of the Company, has sound credit standing and better financing ability in Hong Kong. The financing arrangement for the purchase of raw materials, components and equipment under the Purchase Financing Agency Framework Agreement can lower the financing cost of the Company.

V. LISTING RULES IMPLICATIONS

The Company considers that the arrangements under the Purchase Financing Agency Framework Agreement constitute financial assistance to be provided by a connected person to the Company pursuant to Chapter 14A of the Listing Rules since Hisense Hong Kong shall provide funding for settlement of the purchase price of the raw materials, components and equipment to the supplies and earn an agency fee for advancing payments to the suppliers. Such arrangements enable the Company to defer payment for the purchase of raw materials, components and equipment by the payment of an agency fee to Hisense Hong Kong.

Since the financial assistance arrangements under the Purchase Financing Agency Framework Agreement will be for the benefit of the Company on normal commercial terms where no security over the assets of the Company is to be granted in respect of the financial assistance, such arrangements will therefore be exempt from the reporting, announcement and shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

VI. APPROVAL PROCEDURES

1. The ninth session of the Board convened its meeting on 28 November 2017. Nine directors are entitled to attend the meeting and all of them have attended. Connected directors, Mr. Tang Ye Guo, Mr. Liu Hong Xin, Mr. Lin Lan and Mr. Dai Hui Zhong abstained from voting in this resolution. The convening of and the voting at the meeting were in compliance with the relevant requirements of the Company Law of the PRC and the articles of association of the Company. After careful consideration by the attending directors, the Purchase Financing Agency Framework Agreement entered into between the Company and Hisense Hong Kong and the connected transactions contemplated thereunder were passed with 5 affirmative votes, 0 dissenting votes and 0 abstaining votes.

2. Prior recognition (prior consent) of the independent non-executive directors and expression of their independent opinion:

The three independent non-executive directors of the Company have agreed to submit the above connected transactions to the Board for consideration. They are of opinion that the proposed transactions contemplated under the Purchase Financing Agency Framework Agreement are based on normal commercial terms, the terms of the agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole; and the Purchase Financing Agency Framework Agreement and its annual cap are fair and reasonable so far as the independent shareholders of the Company are concerned.

3. The abovementioned connected transactions are subject to the approval of the general meeting pursuant to the requirements under the Shenzhen Listing Rules. Shareholders interested in such transactions shall abstain from voting on the related resolutions at the general meeting.

VII. PARTICULARS OF THE PURCHASE FINANCING AGENCY FRAMEWORK AGREEMENT

The principal terms of the agreement are as follows:

1. Parties: Party A: the Company
Party B: Hisense Hong Kong
2. Subject matters: Party B will provide financing agency services to Party A for Party A to purchase raw materials, components and equipment. During the term of the Purchase Financing Agency Framework Agreement, the annual cap for the amount of purchase of raw materials, components and equipment by Party A through the financing agency services provided by Party B to Party A is US\$100 million.
3. After the Purchase Financing Agency Framework Agreement becomes effective, Party A may authorize its subsidiaries to perform the agreement, undertake corresponding obligations and enjoy corresponding rights, and enter into definitive business contracts with Party B. Such definitive business contracts are subordinate to the Purchase Financing Agency Framework Agreement. In case of conflict, the terms under the Purchase Financing Agency Framework Agreement shall prevail.
4. Term of the agreement

The term of the Purchase Financing Agency Framework Agreement shall commence from 1 January 2018 or the date of approval of the Purchase Financing Agency Framework Agreement by the independent shareholders of Party A at the general meeting (whichever is the later) until 31 December 2018.
5. Mode of transaction

Please refer to Section II of this announcement.
6. Pricing policy and conditions for transaction

Please refer to Section III of this announcement.

7. Method of settlement

After customs declaration of the goods, Party A will pay to Party B in foreign currencies based on the invoice amounts charged by Party B within the financing term of not more than six months to be agreed between the parties (subject to further negotiation between the parties in case of special circumstances).

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

1. Resolution of the Board; and
2. The Purchase Financing Agency Framework Agreement

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.