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Hisense 海信家電

HISENSE HOME APPLIANCES GROUP CO., LTD.

海信家電集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00921)

CONNECTED TRANSACTION

**CAPITAL INJECTION AGREEMENT
IN RELATION TO
HISENSE FINANCIAL HOLDINGS CO., LTD.
AND
DILUTION OF EQUITY INTEREST IN
HISENSE FINANCIAL HOLDINGS CO., LTD.**

Reference is made to the announcement of the Company dated 28 September 2020 in relation to the September 2020 Capital Injection.

CAPITAL INJECTION AGREEMENT

The Board announces that on 17 November 2020 (after trading hours), the Company entered into the Capital Injection Agreement with (i) Hisense Financial Investment; (ii) Hisense Electronic Equipment; (iii) Hisense International, each being an existing equity holder of Hisense Financial Holdings; and (iv) Hisense I&P Electronics, pursuant to which the Company, Hisense International and Hisense I&P Electronics would inject additional registered capital into Hisense Financial Holdings.

As at the date of this announcement, Hisense Financial Holdings is 29% owned by Hisense Financial Investment, 27% owned by Hisense Electronic Equipment, 24% owned by the Company and 20% owned by Hisense International. Pursuant to the Capital Injection Agreement, (i) the Company will subscribe for an additional registered capital of RMB40,000,000 at a consideration of RMB50,400,000; (ii) Hisense International will subscribe for an additional registered capital of RMB40,000,000 at a consideration of RMB50,400,000; (iii) Hisense I&P Electronics, as a new equity holder, will subscribe for registered capital of RMB238,000,000 at a consideration of RMB299,880,000; and (iv) each of Hisense Financial Investment and Hisense Electronic Equipment will not inject any additional registered capital into Hisense Financial Holdings.

Each of the Company, Hisense International and Hisense I&P Electronics will finance its capital commitment under the Capital Injection Agreement by self-owned funds.

Following the Capital Injection, (i) the total registered capital of Hisense Financial Holdings

will be increased from RMB1,100,000,000 to RMB1,418,000,000; (ii) the equity interest of the Company in Hisense Financial Holdings will be diluted from 24% to approximately 21.44%; and (iii) as to the other equity holders of Hisense Financial Holdings, each of Hisense Financial Investment, Hisense Electronic Equipment, Hisense International and Hisense I&P Electronics will hold approximately 22.50%, 20.94%, 18.34% and 16.78% of Hisense Financial Holdings, respectively.

HONG KONG LISTING RULE IMPLICATIONS

As at the date of this announcement, as (i) Hisense Company (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; and (ii) each of Hisense Financial Investment, Hisense Electronic Equipment, Hisense International and Hisense I&P Electronics is a subsidiary of Hisense Company, each of Hisense Financial Investment, Hisense Electronic Equipment, Hisense International and Hisense I&P Electronics is a connected person of the Company according to the Hong Kong Listing Rules. As at the date of this announcement, as Hisense Financial Investment, Hisense Electronic Equipment and Hisense International hold 76% of the equity interest in Hisense Financial Holdings in total, Hisense Financial Holdings is also a connected person of the Company according to the Hong Kong Listing Rules. Therefore, the Capital Injection is a connected transaction of the Company.

The Capital Injection shall be aggregated with the September 2020 Capital Injection.

As more than one of the applicable percentage ratios for the transactions contemplated under the Capital Injection Agreement, whether on a standalone basis or in aggregate with the September 2020 Capital Injection, are more than 0.1% but less than 5%, the Capital Injection Agreement is subject to reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but is exempt from approval by the independent shareholders of the Company.

Reference is made to the announcement of the Company dated 28 September 2020 in relation to the September 2020 Capital Injection.

CAPITAL INJECTION AGREEMENT

Date

17 November 2020 (after trading hours)

Parties

- (i) The Company;
- (ii) Hisense Financial Investment;
- (iii) Hisense Electronic Equipment;
- (iv) Hisense International; and
- (v) Hisense I&P Electronics

As at the date of this announcement, as (i) Hisense Company (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; and (ii) each of Hisense Financial Investment, Hisense Electronic Equipment, Hisense International and Hisense I&P Electronics is a subsidiary of Hisense Company, each of Hisense Financial Investment, Hisense Electronic Equipment, Hisense International and Hisense I&P Electronics is a connected person of the Company according to the Hong Kong Listing Rules.

Registered capital and equity interests in Hisense Financial Holdings

As at the date of this announcement, Hisense Financial Holdings is 29% owned by Hisense Financial Investment, 27% owned by Hisense Electronic Equipment, 24% owned by the Company and 20% owned by Hisense International.

Pursuant to the Capital Injection Agreement:

- (i) the Company will subscribe for an additional registered capital of RMB40,000,000 at a consideration of RMB50,400,000 (including RMB40,000,000 as payment for the registered capital and RMB10,400,000 as payment for the premium);
- (ii) Hisense International will subscribe for an additional registered capital of RMB40,000,000 at a consideration of RMB50,400,000 (including RMB40,000,000 as payment for the registered capital and RMB10,400,000 as payment for the premium);
- (iii) Hisense I&P Electronics, as a new equity holder, will subscribe for registered capital of RMB238,000,000 at a consideration of RMB299,880,000 (including RMB238,000,000 as payment for the registered capital and RMB61,880,000 as payment for the premium); and
- (iv) each of Hisense Financial Investment and Hisense Electronic Equipment will not inject any additional registered capital into Hisense Financial Holdings.

Following the Capital Injection, (i) the total registered capital of Hisense Financial Holdings will be increased from RMB1,100,000,000 to RMB1,418,000,000; (ii) the equity interest of the Company in Hisense Financial Holdings will be diluted from 24% to approximately 21.44%; and (iii) as to the other equity holders of Hisense Financial Holdings, each of Hisense Financial Investment, Hisense Electronic Equipment, Hisense International and Hisense I&P Electronics will hold approximately 22.50%, 20.94%, 18.34% and 16.78% of Hisense Financial Holdings, respectively.

Prior to and immediately after the Capital Injection, the equity interests of the holders of Hisense Financial Holdings are as follows:

Name of the equity holder	Prior to the completion of the Capital Injection		Capital Injection contemplated under the	Immediately after the completion of the Capital Injection	
	Registered capital of Hisense Financial Holdings (RMB)	Equity interest (%)	Capital Injection Agreement (RMB)	Registered capital of Hisense Financial Holdings (RMB)	Equity interest (Approximate %)
Hisense Financial Investment	319,000,000	29%	Nil	319,000,000	22.50%

Hisense Electronic Equipment	297,000,000	27%	Nil	297,000,000	20.94%
The Company	264,000,000	24%	40,000,000	304,000,000	21.44%
Hisense International	220,000,000	20%	40,000,000	260,000,000	18.34%
Hisense I&P Electronics	Nil	Nil	238,000,000	238,000,000	16.78%
Total	1,100,000,000	100%	318,000,000	1,418,000,000	100%

Basis of consideration

The amount of capital contribution under the Capital Injection Agreement was determined after arm's length negotiation among the parties to the Capital Injection Agreement with reference to (i) the capital requirement of Hisense Financial Holdings; and (ii) the book value of the net assets of Hisense Financial Holdings of RMB1.26 per RMB1.00 registered capital of Hisense Financial Holdings as at 30 September 2020, based on the valuation of the owners' equity of Hisense Financial Holdings as at 30 September 2020 in the amount of approximately RMB1,285.45 million as appraised by an independent valuer and the additional registered capital subsequently contributed by the equity holders of Hisense Financial Holdings in the aggregate amount of RMB100 million pursuant to the September 2020 Capital Injection.

Each of the Company, Hisense International and Hisense I&P Electronics will finance its capital commitment under the Capital Injection Agreement by self-owned funds.

Completion

As soon as possible after the signing of the Capital Injection Agreement, all parties shall complete the filing procedures with the relevant industry and commerce authorities of the PRC in respect of the Capital Injection and the corresponding amendments to the articles of association of Hisense Financial Holdings. The board of directors and supervisory committee of Hisense Financial Holdings shall remain unchanged.

Pursuant to the Capital Injection Agreement, each of the Company, Hisense International and Hisense I&P Electronics shall pay their respective contributions under the Capital Injection to Hisense Financial Holdings within 15 days after the completion of the registration with the relevant industry and commerce authorities of the PRC in relation to the Capital Injection.

INFORMATION RELATING TO THE GROUP, HISENSE FINANCIAL INVESTMENT, HISENSE ELECTRONIC EQUIPMENT, HISENSE INTERNATIONAL, HISENSE I&P ELECTRONICS AND HISENSE FINANCIAL HOLDINGS

The Group is principally engaged in research and development, manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines and kitchen appliances.

Hisense Financial Investment was incorporated in 2017 and has a registered capital of RMB270,000,000. Its legal representative is Mr. Tang Ye Guo and its registered address is at

399 Songling Road, Laoshan District, Qingdao City, Shandong Province. The principal business of Hisense Financial Investment includes: external investment of self-owned assets, equity investment, asset management, investment management and business information consultation. The ultimate beneficial owner of Hisense Financial Investment is Qingdao SASAC.

Hisense Electronic Equipment was incorporated in 2009 and has a registered capital of RMB50,000,000. Its legal representative is Mr. Tang Ye Guo and its registered address is at Room 201, No.1 Building, Hisense Information Industrial Park, 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone, Qingdao City. The principal business of Hisense Electronic Equipment includes: sales, servicing and agent of special purpose electrical appliances, consumer electronics, communication equipment, air conditioners, energy saving products, explosion protected products, household appliances, integrated micro modular data center, micro module system of data center, uninterruptible power supply system, automatic switch, power supply and distribution equipment (AC power distribution cabinet/box, communication AC/DC power distribution cabinet). The ultimate beneficial owner of Hisense Electronic Equipment is Qingdao SASAC.

Hisense International was incorporated in 2008 and has a registered capital of RMB30,000,000. Its legal representative is Mr. Lin Lan and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone, Qingdao City. The principal business of Hisense International includes: the operation and agent of import and export of goods, import and export of technology; planning of corporate marketing; carrying on sino-foreign joint venture and cooperative production business; and carrying on the business of “The Three-plus-one Trading-mix”. Hisense International is 12.67% owned by the Company. The ultimate beneficial owner of Hisense International is Qingdao SASAC.

Hisense I&P Electronics was incorporated in 2014 and has a registered capital of RMB10,500,000. Its legal representative is Mr. Xu Zhan and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone, Qingdao City. The principal business of Hisense I&P Electronics includes: research and development, manufacturing, sales and services of communications, electronics and household appliances products; manufacturing of communications terminal products; chip processing for professional PCB motherboard and SMT materials, and information consulting services; design, sales and services of tools and automation equipment; import and export of goods and technology. The ultimate beneficial owner of Hisense I&P Electronics is Qingdao SASAC.

Hisense Financial Holdings was incorporated in 2017. Its legal representative is Mr. Tang Ye Guo and its registered address is at 168 Ningdong Road, Blue New Zone, Economic Development District, Jimo City, Qingdao City, Shandong Province. 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. As at the date of this announcement,

the Company held 24% of the equity interest in Hisense Financial Holdings. Immediately after the completion of the Capital Injection, the Company will hold approximately 21.44% of the equity interest in Hisense Financial Holdings. The ultimate beneficial owner of Hisense Financial Holdings is Qingdao SASAC.

The audited consolidated financial information of Hisense Financial Holdings is as follows:

	For the year ended 31 December 2018 (RMB million)	For the year ended 31 December 2019 (RMB million)
Net profit before taxation	74.24	117.98
Net profit after taxation	64.75	107.84

According to the audited consolidated financial statements of Hisense Financial Holdings, the audited consolidated total assets and net assets of Hisense Financial Holdings as at 30 September 2020 were approximately RMB10,014.36 million and RMB1,282.42 million, respectively.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

Due to rapid expansion of business and strict implementation of financial regulatory policies, the existing capital of Hisense Financial Holdings could no longer meet its business needs. As Hisense Financial Holdings is supervised by the local financial regulatory authorities and strictly abides by relevant regulatory provisions, the Board considers that the business operation of Hisense Financial Holdings is normal and the risk of investment is controllable. The Capital Injection is conducive to increasing the scale of business and enhancing the competitiveness of Hisense Financial Holdings, which is conducive to enhancing the investment income of the Company.

The amount of capital contribution under the Capital Injection Agreement is determined with reference to the net asset value of Hisense Financial Holdings as at 30 September 2020 based on the value of the owners' equity of Hisense Financial Holdings as assessed by an independent valuer, which is fair and reasonable and does not prejudice the interests of the Company and the Shareholders as a whole. The Capital Injection will not adversely affect the Company's financial position and operating results.

Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong, Mr. Duan Yue Bin and Mr. Fei Li Cheng, being Directors, have abstained from voting on the relevant board resolution for approving the Capital Injection Agreement and the connected transaction contemplated under it, given that they are also the directors or senior management of Hisense Company and/or some of its subsidiaries (including Hisense Financial Investment, Hisense Electronic Equipment and Hisense International). Save as disclosed, none of the other Directors has material interests in the Capital Injection.

Based on the above, the Directors (including the independent non-executive Directors) consider that although the Capital Injection is not in the ordinary and usual course of business of the Company, the Capital Injection is concluded after arm's length negotiations and on normal commercial terms which are fair and reasonable and in the interests of the

Company and the Shareholders as a whole.

HONG KONG LISTING RULE IMPLICATIONS

As at the date of this announcement, as (i) Hisense Company (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; and (ii) each of Hisense Financial Investment, Hisense Electronic Equipment, Hisense International and Hisense I&P Electronics is a subsidiary of Hisense Company, each of Hisense Financial Investment, Hisense Electronic Equipment, Hisense International and Hisense I&P Electronics is a connected person of the Company according to the Hong Kong Listing Rules. As at the date of this announcement, as Hisense Financial Investment, Hisense Electronic Equipment and Hisense International hold 76% of the equity interest in Hisense Financial Holdings in total, Hisense Financial Holdings is also a connected person of the Company according to the Hong Kong Listing Rules. Therefore, the Capital Injection is a connected transaction of the Company.

The Capital Injection shall be aggregated with the September 2020 Capital Injection.

As more than one of the applicable percentage ratios for the transactions contemplated under the Capital Injection Agreement, whether on a standalone basis or in aggregate with the September 2020 Capital Injection, are more than 0.1% but less than 5%, the Capital Injection Agreement is subject to reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but is exempt from approval by the independent shareholders of the Company.

DEFINITIONS

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

“A Shares”	domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“Board”	the board of Directors
“Capital Injection”	the injection of registered capital in the aggregate amount of RMB318,000,000 into Hisense Financial Holdings by the Company, Hisense International and Hisense I&P Electronics
“Capital Injection Agreement”	the capital injection agreement dated 17 November 2020 entered into between the Company, Hisense Financial Investment, Hisense Electronic Equipment, Hisense International and Hisense I&P Electronics in relation to the Capital Injection
“Company”	Hisense Home Appliances Group Co., Ltd. (海信家電集團股份有限公司), a company incorporated in

	the PRC with limited liability, whose shares are listed on the Stock Exchange and the Shenzhen Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange
“Hisense Air-conditioning”	Qingdao Hisense Air-conditioning Company Limited* (青島海信空調有限公司), a company incorporated in the PRC with limited liability and indirectly controlled by Hisense Company, and holds approximately 37.92% of the Shares as at the date of this announcement
“Hisense Company”	Hisense Company Limited (海信集團有限公司), a company incorporated in the PRC with limited liability
“Hisense Electronic Equipment”	Qingdao Hisense Electronic Equipment Co., Ltd.* (青島海信電子設備股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Company
“Hisense Financial Holdings”	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 a subsidiary of Hisense Company
“Hisense Financial Investment”	Qingdao Hisense Financial Investment Co., Ltd.* (青島海信金融投資股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Company
“Hisense HK”	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and indirectly controlled by Hisense Company, and holds approximately 9.13% of the Shares as at the date of this announcement
“Hisense International”	Hisense International Co., Ltd. (青島海信國際營銷股份有限公司), a company incorporated in the PRC

	with limited liability and a subsidiary of Hisense Company
“Hisense I&P Electronics”	Qingdao Intelligent & Precise Electronics Co., Ltd. (青島智動精工電子有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Qingdao SASAC”	State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會)
“RMB”	Renminbi, the lawful currency of the PRC
“September 2020 Capital Injection”	the injection of registered capital in the aggregate amount of RMB100,000,000 into Hisense Financial Holdings by the Company, Hisense Financial Investment, Hisense Electronic Equipment and Hisense International in proportion to their then respective equity interests in Hisense Financial Holdings, further details of which are set out in the announcement of the Company dated 28 September 2020
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

** For identification purposes only*

By order of the Board
Hisense Home Appliances Group Co., Ltd.
Tang Ye Guo
Chairman

Foshan City, Guangdong, the PRC, 17 November 2020

As at the date of this announcement, the Company's executive directors are Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong, Mr. Duan Yue Bin and Mr. Fei Li Cheng; and the Company's independent non-executive directors are Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit.