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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)*

ANNOUNCEMENT

CONNECTED TRANSACTION

CAPITAL INCREASE OF HISENSE COMMERCIAL TRADING

The Board announces that on 5 December 2018, the Company and Hisense Electric entered into the Capital Increase Agreement, pursuant to which each of the Company and Hisense Electric will contribute RMB47,500,000 (equivalent to approximately HK\$53,512,685^{Note}) in cash to Hisense Commercial Trading. Under the Capital Increase Agreement, the registered capital of Hisense Commercial Trading will increase from RMB5,000,000 (equivalent to approximately HK\$5,632,914^{Note}) to RMB100,000,000 (equivalent to approximately HK\$112,658,285^{Note}). Hisense Commercial Trading is a company owned as to 50% by each of the Company and Hisense Electric as at the date of this announcement.

As at the date of this announcement, as (i) Hisense Group (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the beneficial controller of the Company and (ii) Hisense Electric is a subsidiary of Hisense Group, Hisense Group and Hisense Electric are connected persons of the Company according to the Listing Rules. Since Hisense Electric holds more than 30% of the equity interest of Hisense Commercial Trading, Hisense Commercial Trading is an associate of Hisense Electric and Hisense Commercial Trading is also a connected person of the Company according to the Listing Rules, the Capital Increase is, therefore, a connected transaction of the Company.

Given that the highest applicable percentage ratio (as defined under the Listing Rules) for the connected transaction is more than 0.1% but less than 5%, the connected transaction is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules. According to the Shenzhen Listing Rules, the Capital Increase is not subject to shareholders' approval.

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PARTIES

- (1) Hisense Company; and
- (2) Hisense Commercial Trading.

CAPITAL INCREASE

Hisense Commercial Trading was established in July 2017 with a registered capital of RMB5,000,000 (equivalent to approximately HK\$5,632,914^{Note}) which was then owned indirectly as to 45% by the Company and 55% by Hisense Group and its associates. On 13 November 2018, 青島海信通信有限公司 (Hisense Communications Co. Ltd), a subsidiary of Hisense Group, transferred 5% of the equity interest in Hisense Commercial Trading to the Company at the consideration of RMB250,000 (equivalent to approximately HK\$281,646^{Note}). As at the date of this announcement, Hisense Commercial Trading is a company owned as to 50% by each of the Company and Hisense Electric.

Pursuant to the Capital Increase Agreement, the registered capital will increase from RMB5,000,000 (equivalent to approximately HK\$5,632,914^{Note}) to RMB100,000,000 (equivalent to approximately HK\$112,658,285^{Note}) whereby each of the Company and Hisense Electric will, on a pro rata basis in shareholding, contribute RMB47,500,000 (equivalent to approximately HK\$53,512,685^{Note}) in cash which will be paid to Hisense Commercial Trading within 90 days after the date of the Capital Increase Agreement.

As the Capital Increase will be conducted on a pro rata basis, the shareholding percentage of the Company in Hisense Commercial Trading will remain the same after completion of the Capital Increase.

BASIS OF CONSIDERATION

The pricing basis of the Capital Increase is determined by negotiation between the Company and Hisense Electric based on the book value of net assets of Hisense Commercial Trading as at 31 October 2018.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

In response to the needs of customers and the market, Hisense Commercial Trading is responsible for the integrated management and organization of the online e-commerce and O2O business of certain markets for Hisense's full-range home appliance products (brown

and white goods), which is conducive to enhancing the synergy and sharing effect of Hisense's full-range home appliance products, improving efficiency and reducing the expense percentage, so that the Company's operation ability for products can be enhanced. The Capital Increase is in line with the interests of the Company and its shareholders as a whole and the interest of the minority shareholders of the Company are not adversely affected.

INFORMATION RELATING TO THE COMPANY, HISENSE ELECTRIC AND HISENSE COMMERCIAL TRADING

The Company is principally engaged in the manufacture and sales of refrigerators and air-conditioners. Both before and after Capital Increase, the Company holds 50% of equity interest of Hisense Commercial Trading.

The principal business of Hisense Electric includes: 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.

The scope of business of Hisense Commercial Trading includes: wholesale, retail, agency sales, after-sale service, warranty extension services for televisions, air conditioners, home appliances and components, electronic products, communication equipment, communication devices (excluding satellite antenna), sensing and control equipment, marketing planning, sales, construction and technical services for security, surveillance equipment, e-commerce technical service, [internet information services, internet operation and promotion] (commencement of operational activities subject to the approval and issue of permits by communication administrations), exhibition display services, design, production, publication, agency of domestic advertisements, logistics design, supply chain management, road freight transport (commencement of operational activities subject to the approval and issue of permits by transport administrations).

OPNIONS OF THE BOARD

Mr. Tang Ye Guo, Mr. Lin Lan, Mr. Liu Hong Xin, Mr. Dai Hui Zhong, Mr. Jia Shao Qian and Mr. Wang Yun Li have abstained from voting on the relevant board resolution approving the Capital Increase. Save as disclosed, none of the other Directors has material interests in the Capital Increase.

The Directors (including the independent non-executive Directors) consider that the Capital Increase 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 its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, as (i) Hisense Group (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the beneficial controller of the Company and (ii) Hisense Electric is a subsidiary of Hisense Group, Hisense Group and Hisense Electric are connected persons of the Company according to the Listing Rules. Since Hisense Electric holds more than 30% of the equity interest of Hisense Commercial Trading, Hisense Commercial Trading is an associate of Hisense Electric and Hisense Commercial Trading is also a connected person of the Company according to the Listing Rules, the Capital Increase is, therefore, a connected transaction of the Company.

Given that the highest applicable percentage ratio (as defined under the Listing Rules) for the connected transaction is more than 0.1% but less than 5%, the connected transaction is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to the Shenzhen Listing Rules, the Capital Increase is not subject to shareholders' approval.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of directors of the Company;
“Capital Increase”	the capital increase of Hisense Commercial Trading in the aggregate sum of RMB95,000,000 whereby each of the Company and Hisense Electric will, on a pro rata basis in shareholding, contribute RMB 47,500,000 in cash;
“Capital Increase Agreement”	the agreement entered into between the Company and Hisense Electric on 5 December 2018 pursuant to which each of the Company and Hisense Electric will contribute RMB47,500,000 in cash to Hisense Commercial Trading;
“Company”	Hisense Home Appliances Group Co., Ltd. a company incorporated in the PRC with limited liability, whose shares are listed on the mainboard of the Stock Exchange and Shenzhen Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;

“Group”	the Company and its subsidiaries from time to time;
“Hisense Air-conditioning”	青島海信空調有限公司 (Qingdao Hisense Air-conditioning Company Limited), a company incorporated in the PRC with limited liability and being indirectly controlled by Hisense Group, holding 37.92% of the issued shares of the Company as at the date of announcement;
“Hisense Electric”	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;
“Hisense Commercial Trading”	Qingdao Hisense Commercial Trading Development Co., Ltd.*(青島海信商貿發展有限公司), a company incorporated in the PRC with limited liability;
“Hisense Group”	海信集團有限公司 (Hisense Company Limited), a company incorporated in the PRC with limited liability;
“Hisense HK”	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Group holding 9.13% of the issued shares of the Company as at the date of announcement; the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Listing Rules”	
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;
“Shenzhen Listing Rules”	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (深圳証券交易所上市規則);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“RMB”	Renminbi, the lawful currency of the PRC;
“%”	per cent; and
“*”	for identification purpose only.

Note: This amount has been converted from RMB into HK\$ at an exchange rate of RMB0.88764 to HK\$1 for the purpose of illustration only. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the relevant dates at the above rate or at any other rates or at all.

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

Foshan City, Guangdong, the PRC, 6 December 2018

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. Zhong Geng Shen and Mr. Cheung Sai Kit.