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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)*

**ANNOUNCEMENT**

**CONTINUING CONNECTED TRANSACTIONS -  
PROPOSED REVISION OF ANNUAL CAP**

**AND**

**SUPPLEMENTAL AGREEMENT TO  
BUSINESS CO-OPERATION FRAMEWORK AGREEMENT**

**SUPPLEMENTAL AGREEMENT TO BUSINESS CO-OPERATION FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 6 November 2019 and the circular of the Company dated 20 December 2019 in respect of, amongst others, the Business Co-operation Framework Agreement. The Business Co-operation Framework Agreement and the continuing connected transactions contemplated under it and the related annual caps were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 17 January 2020.

To further the Group's business of sale of high-end electrical appliances, in addition to the current business co-operation with Hisense International and its subsidiaries under the Business Co-operation Framework Agreement, the Group intends to purchase from Hisense International and/or its subsidiaries high-end electrical appliances (mainly high-end kitchen appliances) with the brands of "ASKO" and "Gorenje". Therefore, it is expected that the volume and transaction amounts of purchase of electrical appliances from Hisense International and/or its subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase.

In view of the above, on 31 July 2020, the Company entered into the Supplemental Agreement with Hisense International to revise the annual cap for the transaction of purchase of electrical appliances for the year ending 31 December 2020 under the Business Co-operation Framework Agreement.

Save for the changes pursuant to the Supplemental Agreement, all other terms of the Business Co-operation Framework Agreement shall remain unchanged and continue to be in full force and effect.

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

The transactions contemplated under the Business Co-operation Framework Agreement constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

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 controlling shareholder of the Company; and (ii) Hisense International is a subsidiary of Hisense Group, Hisense International and its subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. As such, the transactions contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) will continue to constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the continuing connected transactions contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) exceed 5% on an annual basis and the annual consideration exceeds HK\$10,000,000, the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement), the continuing connected transactions contemplated under it and the related annual caps (as amended and supplemented by the Supplemental Agreement) 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*, (i) further information on the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap; (ii) the letter of advice from the independent financial adviser to the independent board committee and the Shareholders; and (iii) the recommendation from the independent board committee will be despatched to the Shareholders on or before 10 September 2020 in accordance with the Hong Kong Listing Rules, which is beyond 15 business days after the publication of this announcement, as 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 the transaction.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 6 November 2019 and the circular of the Company dated 20 December 2019 in respect of, amongst others, the Business Co-operation Framework Agreement. The Business Co-operation Framework Agreement and the continuing connected transactions contemplated under it and the related annual caps were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 17 January 2020.

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

**Date:** 31 July 2020

**Parties:** The Company; and  
Hisense International

**Subject matter:**

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will, among other matters, purchase from Hisense Group, Hisense International, Hisense Visual Technology and/or their respective subsidiaries on a non-exclusive basis electrical appliances as they may require from time to time.

Pursuant to the Supplemental Agreement, the Company and Hisense International have conditionally agreed to increase the annual cap in relation to purchase of electrical appliances by the Group from Hisense International and/or its subsidiaries under the Business Co-operation Framework Agreement.

**Condition:**

The Supplemental Agreement shall become effective from the date of approval of the Supplemental Agreement by the Independent Shareholders at the EGM until 31 December 2020.

The Supplemental Agreement and the continuing connected transactions contemplated under it are subject to the approval of the Independent Shareholders at the EGM.

**Proposed Revised Cap and basis of revision:**

The following table sets out the breakdown of the annual cap in relation to purchase of electrical appliances by the Group from Hisense Group, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2020 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

	<b>Original annual cap before revision</b> <i>RMB (exclusive of VAT)</i>	<b>Proposed annual cap after revision</b> <i>RMB (exclusive of VAT)</i>	<b>Changes</b> <i>RMB (exclusive of VAT)</i>
Hisense Group and/or its subsidiaries	3,920,000	3,920,000 (Remains unchanged)	Not applicable
Hisense International and/or its subsidiaries	28,950,000	88,950,000	60,000,000
Hisense Visual Technology and/or its subsidiaries	490,000	490,000 (Remains unchanged)	Not applicable
<b>Total:</b>	<b><u>33,360,000</u></b>	<b><u>93,360,000</u></b>	60,000,000

The proposed Revised Cap was determined with reference to: (i) the average quarterly transaction amount for purchasing the “ASKO” and “Gorenje” electrical appliances for the PRC market in 2019; (ii) the growth of the sales revenue of such electrical appliances in the PRC market from 1 January 2020 to 30 June 2020; and (iii) the Group’s projected transaction amount for purchasing such electrical appliances from Hisense International and/or its subsidiaries in 2020.

### **Pricing:**

Under the Business Co-operation Framework Agreement (as amend and supplemented by the Supplemental Agreement), pricing for the purchase of 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 electrical appliances offered by at least three independent third parties.

The operation department of the relevant business sector of the Group will compare the terms of the proposed purchase (including pricing and other contractual terms taking into account factors such as product quality and stability in supply of the product) to those of the similar 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. The operation department of the relevant business sector will report to the finance department which will check, compare and confirm the price of the product is not less favourable than the price offered by independent third parties (with the pricing information supplied by the operation department) and the head of the finance department will approve the terms of the relevant orders or contracts.

### **Reasons for the proposed Revised Cap:**

To further the Group’s business of sale of high-end electrical appliances, in addition to the current business co-operation with Hisense International and its subsidiaries under the Business Co-operation Framework Agreement, the Group intends to purchase from Hisense International and/or its subsidiaries high-end electrical appliances (mainly high-end kitchen appliances) with the brands of “ASKO” and “Gorenje”. The intended additional purchase of such high-end appliances by the Group from Hisense International and/or its subsidiaries is expected to further expand the business scale of the Group’s domestic sale of high-end electrical appliances, optimise the Group’s product structure, and thereby drive the enhancement of the overall high-end electrical appliances business scale of the Group.

It is therefore expected that the volume and transaction amounts of purchase of electrical appliances from Hisense International and/or its subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase. The Supplemental Agreement has revised the annual cap for the transaction of purchase of electrical appliances for the year ending 31 December 2020 under the Business Co-operation Framework Agreement.

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 proposed Revised Cap in respect of purchase of electrical appliances under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) is fair and reasonable and in the interests

of the Company and the Shareholders as a whole.

Save for the changes pursuant to the Supplemental Agreement, all other terms of the Business Co-operation Framework Agreement shall remain unchanged and continue to be in full force and effect.

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

The Company has established connected transaction management policy (關連交易管理辦法) (the “**CT Management Policy**”) for the purpose of ensuring that connected transactions will be conducted in a fair, equal and public manner, on normal commercial terms and not prejudicial to the interests of the Company and its independent Shareholders.

According to the rules of the CT Management Policy, before a definitive transaction is conducted, the Company will compare the pricing of similar transactions with or quotations obtained from at least three randomly selected 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.

Following the requirements under the CT Management Policy, the operation departments of the Group will compare the terms of the proposed continuing connected transactions to those of the similar 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. Before an order or a definitive contract for a transaction is placed, accepted or entered into by the Group, the operation departments of the Group will, depending on the circumstances at that time, either obtain the pricing of similar transactions from at least three independent third parties through public channels, or invite at least three independent third parties who are interested in the transaction to provide or offer their quotations, for the purpose of comparing the pricing of similar transactions. If the operation department of the relevant business sector is of the view that the terms of the 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 summarisation of all information in relation to the continuing connected transactions from each operation department (including but not limited to the control list for the continuing connected transactions, and transaction invoices and contracts) and will prepare a summary report regarding the conduct of the continuing connected transactions on a quarterly 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 legal affairs department of the Company is responsible for reviewing and approving the Business Co-operation Framework Agreement (as amend and supplemented by the Supplemental Agreement) and the new transaction agreements contemplated under the Business Co-operation Framework Agreement (as amend and supplemented by the Supplemental Agreement).

## **INFORMATION RELATING TO THE GROUP AND HISENSE INTERNATIONAL**

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 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. The scope of business of Hisense International includes: the operation and agent of import and export of goods, import and export of technology (not permitted to operate business prohibited by law and administrative regulations; if the operation of business is restricted by law and administrative regulations, operation of business is only allowed upon obtaining the necessary permit); 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” (For projects which require approval by law, commencement of business operations shall be subject to the obtaining of the approval from the relevant departments). Hisense International is 12.67% owned by Hisense Visual Technology and 12.67% owned by the Company. The ultimate beneficial owner of Hisense International is 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).

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

The transactions contemplated under the Business Co-operation Framework Agreement constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

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 controlling shareholder of the Company; and (ii) Hisense International is a subsidiary of Hisense Group, Hisense International and its subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. As such, the transactions contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) will continue to constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the continuing connected transactions contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) exceed 5% on an annual basis and the annual consideration exceeds HK\$10,000,000, the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement), the continuing connected transactions contemplated under it and the related annual caps (as amended and supplemented by the Supplemental Agreement) 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 International in the Supplemental Agreement, which amends and supplements the Business Co-operation Framework Agreement, Hisense International and its associates will abstain from voting in relation to the resolution(s) to approve the Supplemental Agreement, the continuing connected transactions contemplated it and the Revised Cap at the EGM. As such, Hisense Air-conditioning, which held 516,758,670 Shares (representing approximately 37.92% of the issued share capital of the Company) and Hisense HK, which held 124,452,000 Shares (representing approximately 9.13% of the issued share capital of the Company) as at the date of this announcement, will abstain from voting in relation to the relevant resolution(s) at the EGM. Each of Hisense Air-conditioning and Hisense HK is a subsidiary of Hisense Group, which is the indirect holding company of Hisense International. Each of Hisense Air-conditioning and Hisense HK controls or is entitled to exercise control the voting right in respect of their Shares.

## **GENERAL**

Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong and Mr. Duan Yue Bin, being Directors, have abstained from voting on the relevant board resolution(s) for approving the Supplemental Agreement and the continuing connected transactions contemplated under it, given that they are also the directors or senior management of Hisense Group and/or some of its subsidiaries (including Hisense International).

An independent financial adviser will be appointed to advise the independent board committee of the Company and the Shareholders regarding the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap. An independent board committee of the Company will also be formed to advise the Shareholders on whether or not the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

A circular containing, inter alia, (i) further information on the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap; (ii) the letter of advice from the independent financial adviser to the independent board committee and the Shareholders; and (iii) the recommendation from the independent board committee will be despatched to the Shareholders on or before 10 September 2020 in accordance with the Hong Kong Listing Rules, which is beyond 15 business days after the publication of this announcement, as 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 the transaction.

## **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
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“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors
“Business Co-operation Framework Agreement”	the Business Co-operation Framework Agreement (業務合作框架協議) entered into between the Company, Hisense Group, Hisense International, Hisense Marketing Management and Hisense Visual Technology dated 5 November 2019 in relation to the sale and purchase of electrical appliances, raw materials, parts and components, supply of moulds, equipment and the provision of various services
“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 main board of 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)”	director(s) of the Company
“EGM”	the 2020 second extraordinary general meeting of the Company to be held for considering and, if thought fit, approving the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap
“Group”	the Company and its subsidiaries
“H Shares”	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 Group, and holds approximately 37.92% of the Shares as at the date of this announcement
“Hisense Group”	Hisense Company Limited (海信集團有限公司), 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 indirectly controlled by Hisense Group, 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 Group
“Hisense Marketing Management”	Hisense Marketing Management Co., Ltd.* (海信營銷管理有限公司), a company incorporated in the PRC with limited liability and owned as to 50% by the Company
“Hisense Visual Technology”	Hisense Visual Technology Co., Ltd. (海信視像科技股份有限公司) (formerly known as 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 and a subsidiary of Hisense Group, and whose shares are listed on the Shanghai Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Independent Shareholders”	in respect of the Supplemental Agreement, Shareholders other than Hisense International and its associates and other Shareholders which are required to abstain from voting in relation to the Supplemental Agreement under the Hong Kong Listing Rules and/or the Shenzhen Listing Rules
“independent third parties”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“PRC”	the People’s Republic of China
“Revised Cap”	the annual cap for purchase of electrical appliances by the Group from Hisense Group, Hisense International, Hisense Visual Technology and their respective subsidiaries under the Business Co-operation

	Framework Agreement for the year ending 31 December 2020, that is RMB93,360,000, as proposed to be revised pursuant to the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Listing Rules”	the Rules Governing the Listing of Shares on Shenzhen Stock Exchange (深圳証券交易所上市規則)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Business Co-operation Framework Agreement (業務合作框架協議之補充協議) entered into between the Company and Hisense International dated 31 July 2020 in relation to the revision of the annual cap in respect of purchase of electrical appliances for the year ending 31 December 2020 under the Business Co-operation Framework Agreement
“VAT”	value-added tax
“%”	per cent

*English translations of names in Chinese or another language in this announcement which are marked with “\*” are for identification purposes only.*

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

Foshan City, Guangdong, the PRC, 31 July 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.*