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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)

UPDATES ON MAJOR TRANSACTION

SUBSCRIPTION FOR SHARES IN SANDEN HOLDINGS CORPORATION

Reference is made to the announcement (the “**Announcement**”) and circular (the “**Circular**”) of the Company dated 1 March 2021 and 7 May 2021 respectively in relation to the major transaction in respect of the subscription by the Company for 83,627,000 shares of common stock of Sanden. Unless otherwise stated, capitalized terms defined in the Announcement or the Circular shall have the same meaning when used herein.

The Company would like to provide the following updates on the Turnaround Plan approved by the ADR Creditors at the creditors’ meeting held on 7 May 2021 and the guarantee to be provided by the Company.

The Turnaround Plan

At the creditors’ meeting held on 7 May 2021, the Turnaround Plan was approved by the ADR Creditors and each of the ADR Creditors submitted a consent letter certifying its consent. The Turnaround ADR Proceedings therefore have been completed as of 7 May 2021.

A summary of the Turnaround Plan is as follows:

1. Adjusted consolidated net assets as of 30 September 2020

The consolidated net assets of Sanden of approximately JPY11 billion on a statutory basis were adjusted to the consolidated net assets of approximately negative JPY63.1 billion in accordance with the asset evaluation standards set forth in the standards for the Turnaround ADR Proceedings. The adjustments primarily include impairment losses on fixed assets, restructuring costs and asset devaluation of real estates, inventories and other assets.

(Note: The asset evaluation standards set forth in the standards for the Turnaround ADR Proceedings differ from general corporate accounting standards.)

2. Investment by Sponsor

Sanden will implement the capital increase through third party allotment to the SPV in the manner described below:

Payment period:	10 May 2021 to 31 December 2021 (of this period, the payment will be made on the fifth (5th) business day immediately after all of the conditions precedent are satisfied or waived unless otherwise agreed upon).
Number and type of shares:	83,627,000 shares (common stock of Sanden)
Amount to be paid in:	JPY256 per share
Aggregate amount to be paid in:	JPY21,408,512,000
Planned allottee:	the SPV

3. Details of the ADR Debts

(1) ADR Creditors

20 financial institutions

(2) Type of ADR Debts

Loan claims, corporate bonds, and rights to demand performance under guarantees which the ADR Creditors hold against Sanden and some of its subsidiaries who are the debtors (the “ADR Debtors”) as of 30 June 2020 (the “Base Date”) (including the loan (including change of the debtor due to parent-subsidary loan) in order to maintain the outstanding balance of the ADR Debts as the creditor group as of the Base Date), as well as any interest, damages, expenses and any other claims arising after the Base Date relating to these claims.

Loan claims, corporate bonds and rights to demand performance under guarantees based on new financing subsequent to the Base Date (excluding the loan (including change of the debtor due to parent-subsidary loan) in order to maintain the outstanding balance of the ADR Debts as the creditor group as of the Base Date) are not included in the ADR Debts.

(3) Total Amount of ADR Debts

Approximately JPY97,790 million

(Note: Borrowings denominated in foreign currencies are converted into JPY at telegraphic transfer middle rate as of the Base Date.)

4. Amount of Debt Forgiveness

JPY63 billion shall be cancelled and waived with consents from the ADR Creditors (the “**Debt Forgiveness**”). The Debt Forgiveness shall become effective on the Closing Date.

(Note: JPY63 billion represents approximately 64% of the ADR Debts.)

5. Repayment of Remaining ADR Debts

The Remaining ADR Debts shall be approximately JPY34,790 million.

(Note: Borrowings denominated in foreign currencies are converted into JPY at telegraphic transfer middle rate as of the Base Date.)

The ADR Debtors shall repay the principal of the Remaining ADR Debts promptly, and no later than three months at the latest after the Closing Date.

The repayment of the Remaining ADR Debts will be financed by new loan(s) to be obtained by Sanden, the SPV or Kelon Development Company Limited from financial institutions and such new loan(s) will be guaranteed by the Company.

6. Measures for Structural Reform

Sanden shall use all of the proceeds of the Subscription to restructure the business and operations of Sanden and its affiliates in accordance with the Turnaround Plan as follows:

- (1) accelerating restructuring on a global and regional basis based on the concept of an optimal production structure. For mature products for internal combustion engines, production bases will be consolidated, and for products for electric vehicles, which are growing products, an optimal production system will be established to demonstrate its strengths. To this end, Sanden will undertake a fundamental review of its production system.
- (2) reducing variable costs thorough joint purchasing, expanding sales with focus on major customers, reducing development costs with focus on major customers and application development, enhancing account receivables management, switching to fill-up production to reduce inventories, reducing cost through integration of domestic companies/offices and business improvement and strengthening management control.

Guarantee to be provided by the Company

As disclosed in the Announcement, under the Share Purchase Agreement, the Company shall on or before the Closing Date, either (i) provide a joint and several guarantee which shall (A) be for the benefit of the ADR Creditors with respect to the entire amount of the Remaining ADR Debts, (B) be governed by Japanese law and (C) become effective as of the Closing, or (ii) implement other possible alternatives to such joint and several guarantee which are satisfactory to the ADR Creditors based on good faith discussions among the Company, Sanden and the ADR Creditors, it being understood that the Parties shall discuss this matter intensively before Sanden proposes the Turnaround Plan to the ADR Creditors.

After further discussion, it is finally confirmed by the Company and Sanden that as the alternative to and in substitution for the original proposal of the provision of a joint and several guarantee by the Company for the Remaining ADR Debts mentioned in (i) above, the Remaining ADR Debts shall be repaid promptly, and no later than three months at the latest after the Closing Date. The repayment of the Remaining ADR Debts will be financed by new loan(s) to be obtained by Sanden, the SPV or Kelon Development Company Limited from financial institutions and such new loan(s) will be guaranteed by the Company provided that the maximum liability of the Company under such guarantee will not exceed the entire amount of the Remaining ADR Debts.

Please refer to the Circular for further details of the Turnaround Plan and ADR Debts of Sanden, other information of the Subscription and other information as required under the Listing Rules. The Subscription remains subject to the satisfaction of all the conditions precedent under the Share Purchase Agreement, shareholders and prospective investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Foshan City, Guangdong, the PRC, 7 May 2021

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.