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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)

**CONNECTED TRANSACTION
DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

THE CAPITAL INCREASE AGREEMENT

On 18 April 2022, the Company, Hisense Visual and Qingdao Yuanli entered into the Capital Increase Agreement in relation to the Capital Increase of an aggregate of RMB20,170,000 new registered capital in the Target Company (representing approximately 26% of the enlarged equity interests in the Target Company) by way of equipment injection with a value equal to an aggregate sum of RMB63,535,500 to be contributed by Hisense Visual. The Company and Qingdao Yuanli waived the Capital Increase of the Target Company.

Upon completion of the Capital Increase, the Company's equity interest in the Target Company will decrease from 81.17% to 60.06%. The Target Company will continue to be a subsidiary of the Company and the financial results of the Target Company will continue to be consolidated into those of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Hisense Visual is a subsidiary of Hisense Holdings and Hisense Holdings (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company. Therefore, Hisense Visual is a connected person of the Company. Accordingly, the Capital Increase Agreement and the transactions contemplated under it constitute a connected transaction under Chapter 14A of the Listing Rules. As the Company's equity interest in the Target Company will decrease from 81.17% to 60.06% upon completion of the Capital Increase, the Capital Increase also constitutes a deemed disposal of the Company's equity interest in a subsidiary under Rule 14.29 of the Listing Rules. However, since all the percentage ratios are more than 0.1% but less than 5%, the Capital Increase Agreement and the transactions contemplated under it are subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

On 18 April 2022, the Company, Hisense Visual and Qingdao Yuanli entered into the Capital Increase Agreement in relation to the Capital Increase of an aggregate of RMB20,170,000 new registered capital in the Target Company (representing approximately 26% of the enlarged equity interests in the Target Company) by way of equipment injection with a value equal to an aggregate sum of RMB63,535,500 to be contributed by Hisense Visual. The Company and Qingdao Yuanli waived the Capital Increase of the Target Company.

THE CAPITAL INCREASE AGREEMENT

The terms of the Capital Increase Agreement are set out below:

Date : 18 April 2022 (after trading hours)

Parties : The Company

Hisense Visual

Qingdao Yuanli

Please refer to the section under the sub-heading “Information on the parties to the Capital Increase Agreement” for background and information of the above parties.

Subject matter : Pursuant to the Capital Increase Agreement, Hisense Visual agreed to subscribe for an aggregate of RMB20,170,000 new registered capital in the Target Company (representing approximately 26% of the enlarged equity interests in the Target Company) by way of equipment injection with a value equal to an aggregate sum of RMB63,535,500. The Company and Qingdao Yuanli waived the Capital Increase of the Target Company.

Consideration : RMB63,535,500

Basis of consideration : The Consideration was determined after arm’s length negotiations between the parties to the Capital Increase Agreement, after taking into account the audited net asset value of the Target Company on 31 December 2021 which was RMB180,880,160.43, the unit consideration for subscribing every share in the registered capital in the Target Company is approximately RMB3.15. The capital contribution amount of Hisense Visual was determined to be RMB63,535,500 based on the appraised value of the equipment on December 31, 2021 as the base date.

Payment terms : The Consideration will be satisfied by way of equipment injection with a value equal to an aggregate sum of RMB63,535,500 by Hisense Visual into the Target Company, based on the valuation report of the relevant equipment to be injected prepared by an independent valuer. The

equipment to be injected mainly consists of injection molding and sheet metal related equipment. The relevant equipment will be injected into the Target Company in one go within 15 days after the completion of the registration procedures with the relevant authorities in relation to the Capital Increase.

The following table sets out the details of the shareholding of the Target Company before and immediately after the completion of the Capital Increase:

Shareholders	Before the Capital Increase		After the Capital Increase	
	Amount of registered capital held as at the date of this announcement (RMB)	Approximate Percentage	Amount of registered capital held after the Capital Increase (RMB)	Approximate Percentage
The Company	46,594,600	81.17%	46,594,600	60.06%
Qingdao Yuanli	10,810,500	18.83%	10,810,500	13.94%
Hisense Visual Technology	0	0%	20,170,000	26.00%
Total	57,405,100	100%	77,575,100	100%

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC and a non-wholly owned subsidiary of the Company. It is principally engaged in the research and development, manufacture and sale of range hoods, gas stoves, electric ovens, water heaters, steamers, microwave ovens, dishwashers, disinfection cabinets, water softeners, water purifiers, water treatment equipment, gas heating water heaters, gas heating water equipment, electric heaters, electric fans and kitchen and sanitary systems; production and operation of metal products (excluding gold and silver products), plastic products(excluding waste plastics), moulds, CD and DVD cleaning supplies, TV stands, electronic parts and accessories, automation equipment, communication wiring equipment, live satellite TV receiving antennas, bamboo products, wood products, and provide after-sales services and technical consultation services related to the above products.

The following are the financial information of the Target Company based on its audited consolidated financial statements for the two years ended 31 December 2021 and 31 December 2020, respectively:

Unit: RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
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Net profit before taxation	-78,171,077.66	32,600,046.92
Net profit after taxation	-66,644,268.02	31,583,682.70
Total assets	780,162,374.63	613,072,585.70
Net assets	180,880,160.43	276,284,383.55

FINANICAL EFFECT

Immediately upon completion of the Capital Increase, the Company's equity interest in the Target Company will decrease from 81.17% to 60.06%. The Target Company will continue to be a subsidiary of the Company and the financial results of the Target Company will continue to be consolidated into those of the Group.

The Capital Increase will not have a material impact on the Group.

INFORMATION ON THE PARTIES TO THE CAPITAL INCREASE AGREEMENT

The Company

The Company and its subsidiaries are principally engaged in research and development, manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines, kitchen appliances, etc and automotive air conditioner compressor and integrated thermal management system.

Hisense Visual

Hisense Visual was established in 1997 and it is listed on the Shanghai Stock Exchange with Hisense Holdings as its controlling shareholder. It is mainly engaged in the research and development, production and sales of display products, as well as cloud platform services.

Hisense Visual is a company listed on the Shanghai Stock Exchange, and its controlling shareholder is Hisense Holdings, which holds 30.002% of its interest. Hisense Holdings has no effective controller and details of its shareholders' interests are as follows:

1. Hisense Group Limited * (海信集團有限公司) ("**Hisense Group**") holds 26.79% interest in Hisense Holdings. The ultimate beneficial owner of Hisense Group is the State-owned Assets Supervision and Administration Commission of the Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會).
2. Qingdao Xinfeng Information Technology Co., Ltd.* (青島新豐信息技術有限公司) ("**Qingdao Xinfeng**") holds 24.36% interest in Hisense Holdings and Shanghai Haifeng Shipping Co., Ltd.* (上海海豐航運有限公司) ("**Shanghai Haifeng**") holds 2.64% interest in Hisense Holdings. Qingdao Xinfeng and Shanghai Haifeng are parties acting in concert and collectively own 27.00% interest in Hisense Holdings, The ultimate beneficial owner of Qingdao Xinfeng and Shanghai Haifeng is Mr. Yang Shaopeng* (楊紹鵬).

3. The position incentive shareholders (崗位激勵股東) (the “**Position Incentive Shareholders**”) of Hisense Holdings hold an aggregate interest of 46.21% in Hisense Holdings. As at the date of this announcement, of this 46.21% interest in Hisense Holdings, (i) 36.25% is owned by the Position Incentive Shareholders of Hisense Holdings who hold interests in Hisense Holdings directly; (ii) 6.89% is owned by Qingdao Yuanli and partnerships (合夥企業) (the “**Partnerships**”); and (iii) 3.06% is owned by Qingdao Hengxin Chuangshi Electronic Technology Co., Ltd.* (青島恒信創勢電子技術有限公司) (“**Qingdao Hengxin**”). Qingdao Yuanli, Qingdao Hengxin and the Partnerships are companies holding interests in Hisense Holdings on behalf of other Position Incentive Shareholders of Hisense Holdings whose interests in Hisense Holdings are held indirectly.

The Position Incentive Shareholders of Hisense Holdings are the core staff of Hisense Holdings under its incentive plan who hold interests in Hisense Holdings directly or indirectly. They are, including but not limited to, the directors, senior management staff, core management staff and key staff of Hisense Holdings. The Position Incentive Shareholders of Hisense Holdings who hold interests in Hisense Holdings directly do not overlap with those who hold interests in Hisense Holdings indirectly through Qingdao Yuanli, Qingdao Hengxin and the Partnerships. Moreover, there is no acting in concert arrangement among the Position Incentive Shareholders of Hisense Holdings.

Qingdao Hengxin was incorporated on 14 December 2012. The Partnerships consist of thirteen partnerships which were established from 2016 to 2021. Qingdao Yuanli, Qingdao Hengxin and the Partnerships act as interests holding vehicles for the relevant Position Incentive Shareholders of Hisense Holdings and they do not have any operations. Please refer to the below for the information of Qingdao Yuanli.

Qingdao Yuanli

Qingdao Yuanli was incorporated on 22 June 2010. As interests holding vehicles for the relevant Position Incentive Shareholders of Hisense Holdings, Qingdao Yuanli is not engaged in any operating activities.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Capital Increase to the Target Company is to enhance the Company’s supporting capacity of injection molding and sheet metal business, to achieve the integration of injection moulding and sheet metal production capacity and talents within the system, to expand and strengthen the external business, to improve the efficiency and effectiveness of the injection molding and sheet metal business. Hisense Visual’s unilateral Capital Increase to the Target Company with its own injection molding and sheet metal related equipment is beneficial to the integration of injection molding and sheet metal business within the system, enhance the scale of business and improve the efficiency and effectiveness of the injection molding and sheet metal supporting business. The Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Capital Increase Agreement and the transactions contemplated under it. However, Mr. Dai Hui Zhong, Mr. Lin Lan, Mr. Jia Shao Qian, Mr. Fei Li Cheng and Ms. Gao Yu Ling as connected directors, have abstained from voting on the resolutions for approving the Capital Increase Agreement and the transactions contemplated under it.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Hisense Visual is a subsidiary of Hisense Holdings and Hisense Holdings (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company. Therefore, Hisense Visual is a connected person of the Company. Accordingly, the Capital Increase Agreement and the transactions contemplated under it constitute a connected transaction under Chapter 14A of the Listing Rules. As the Company's equity interest in the Target Company will decrease from 81.17% to 60.06% upon completion of the Capital Increase, the Capital Increase also constitutes a deemed disposal of the Company's equity interest in a subsidiary under Rule 14.29 of the Listing Rules. However, since all the percentage ratios are more than 0.1% but less than 5%, the Capital Increase Agreement and the transactions contemplated under it are subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of directors of the Company
“Capital Increase”	the capital increase of an aggregate of RMB20,170,000 new registered capital in the Target Company by way of equipment injection with a value equal to an aggregate sum of RMB63,535,500 to be contributed by Hisense Visual
“Capital Increase Agreement”	the capital increase agreement dated 18 April 2022 entered into among the Company, Hisense Visual and Qingdao Yuanli in relation to the Capital Increase
“Company”	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 PRC with limited liability, whose shares are listed on the main board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“Consideration”	RMB63,535,500
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“Deemed Disposal”	the deemed disposal of a 21.11% equity interest in the Target Company held by the Company pursuant to the Capital Increase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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 a subsidiary of Hisense Holdings, and holds approximately 37.92% of the Shares as at the date of this announcement
“Hisense HK”	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Holdings, and holds approximately 9.13% of the Shares as at the date of this announcement
“Hisense Holdings”	Hisense Group Holdings Co., Ltd.* (海信集團控股股份有限公司), a company incorporated in the PRC with limited liability
“Hisense Visual”	Hisense Visual Technology Co., Ltd.* (海信視像科技股份 有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange and is an indirect subsidiary of Hisense Holdings
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PRC”	the People’s Republic of China
“Qingdao Yuanli”	Qingdao Yuanli Information Consulting Co., Ltd.* (青島員利信息諮詢股份有限公司), a company incorporated in the PRC with limited liability
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company, comprising (i) the domestic ordinary shares of the Company with a nominal value of RMB1.00 each which are listed on the Shenzhen Stock Exchange; and (ii) the overseas listed foreign shares of the Company with a nominal value of RMB1.00 each which are listed on the Hong Kong Stock Exchange
“Shareholder(s)”	the shareholder(s) of the Company
“Target Company”	Hisense (Guangdong) Kitchen & Bathroom System* (海信(廣東)廚衛系統股份有限公司)

“0%”

per cent

English translations of the 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.
Dai Hui Zhong
Chairman

Foshan City, Guangdong, the PRC, 19 April 2022

As at the date of this announcement, the Company’s executive directors are Mr. Dai Hui Zhong, Mr. Lin Lan, Mr. Jia Shao Qian, Mr. Fei Li Cheng, Mr. Xia Zhang Zhua and Ms. Gao Yu Ling; and the Company’s independent non-executive directors are Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit.