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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 CAPS
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 17 November 2021 and the circular of the Company dated 4 January 2022 in respect of, among other things, the Business Co-operation Framework Agreement. The Business Co-operation Framework Agreement, the continuing connected transactions contemplated under it and the relevant annual caps were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 19 January 2022.

The Group's Mexico plant has commenced mass production of household appliances such as refrigerators. The Group's procurement of raw materials for the relevant products from Hisense International and/or its subsidiaries is mainly to leverage on the trade platform of Hisense International and/or its subsidiaries to achieve synergy and optimise the procurement cost. The Group's procurement of raw materials from Hisense Visual Technology and/or its subsidiaries is mainly due to the in-depth cooperation between the Group and Hisense Visual Technology and/or its subsidiaries commenced in the first half of 2022, which has further integrated the injection moulding and sheet metal production capacity within the system, and improved the efficiency and effectiveness of the injection moulding and sheet metal business. Therefore, it is expected that the volume and transaction amounts of the purchases of raw materials, parts and components by the Group from Hisense International, Hisense Visual Technology and/or their respective subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase.

One of the Group's work priorities in 2022 is to actively promote the smart new life strategy and continue to upgrade the home appliance smart terminal. The Group needs Hisense International and/or its subsidiaries to provide more quality services such as agency,

technical support and maintenance services to further refine the quality of the Group's overseas products, promote new breakthroughs in the Group's overseas business development and enhance competitiveness in overseas markets. Therefore, it is expected that the transaction amounts of the provision of services by Hisense International and/or its subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase.

The manufacture and sale of moulds have become important parts of the business of the Group, and the sale of moulds by the Group to Hisense Holdings and/or its subsidiaries can facilitate the expansion of the sales scale of the Group and increase the sales revenue of the Group. After the consultation and negotiation between the Group and Hisense Holdings and/or its subsidiaries, the Group will supply moulds to Hisense Holdings and/or its subsidiaries in the second half of 2022. Therefore, as a result of the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries, the volume and transaction amounts of the supply of moulds by the Group, as contemplated under the Business Co-operation Framework Agreement, will increase.

The supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries is a business incidental to the sale of electrical appliances by the Group to Hisense International and/or its subsidiaries. As a result of the Group's smart new life strategy, the transaction amounts of the provision of technical support, maintenance and agency services by Hisense International and/or its subsidiaries will increase, and the demand of raw materials, parts and components by Hisense International and/or its subsidiaries is expected to increase accordingly. Therefore, it is expected that the volume and transaction amounts of the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase.

In view of the above, on 5 September 2022, the Company entered into the Supplemental Agreement with Hisense Holdings, Hisense International and Hisense Visual Technology to (i) revise the annual caps for the transactions of (a) the purchases of raw materials, parts and components; (b) the provision of services; (c) the supply of moulds; and (d) the supply of raw materials, parts and components for the year ending 31 December 2022 under the Business Co-operation Framework Agreement; and (ii) govern the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries for the year ending 31 December 2022.

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, (i) Hisense Holdings (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 International and Hisense Visual Technology is a subsidiary of Hisense Holdings. As such, Hisense Holdings, Hisense International, Hisense

Visual Technology and their respective subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, 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, among other things, (i) further information on the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps; (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 12 October 2022 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 17 November 2021 and the circular of the Company dated 4 January 2022 in respect of, among other things, the Business Co-operation Framework Agreement. The Business Co-operation Framework Agreement, the continuing connected transactions contemplated under it and the relevant annual caps were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 19 January 2022.

SUPPLEMENTAL AGREEMENT TO BUSINESS CO-OPERATION FRAMEWORK AGREEMENT

Date: 5 September 2022

Parties: The Company;
Hisense Holdings;
Hisense International; and
Hisense Visual Technology

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

2022.

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

Subject matters:

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will, among other things, (i) purchase from Hisense Holdings, Hisense International, Hisense HK, Hisense Visual Technology and/or their respective subsidiaries on a non-exclusive basis such quantities of raw materials, parts and components as it may require from time to time; (ii) on a non-exclusive basis, engage (a) Hisense Holdings and/or its subsidiaries for the provision of employee health management, material processing, installation and maintenance, distribution, property, leasing, design, equipment inspection, agency, training, technical support and information system services as the Group may require from time to time; (b) Hisense International and/or its subsidiaries for the provision of maintenance, agency and technical support services as the Group may require from time to time; (c) Hisense Marketing Management for the provision of agency services as the Group may require from time to time; and (d) Hisense Visual Technology and/or its subsidiaries for the provision of property and technical support services as the Group may require from time to time; (iii) supply on a non-exclusive basis moulds to Hisense International, Hisense Visual Technology and/or their respective subsidiaries as they may require from time to time; and (iv) supply to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries on a non-exclusive basis such quantities of raw materials, parts and components as they may require from time to time.

Pursuant to the Supplemental Agreement, the Company, Hisense Holdings, Hisense International and Hisense Visual Technology have conditionally agreed to (i) revise the annual caps in relation to (a) the purchases of raw materials, parts and components by the Group from Hisense International, Hisense Visual Technology and/or their respective subsidiaries; (b) the provision of maintenance, agency and technical support services by Hisense International and/or its subsidiaries; (c) the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries, and (d) the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries; and (ii) govern the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement).

(1) Purchases of raw materials, parts and components

Historical figures:

The annual cap allocated to the purchases of raw materials, parts and components by the Group from Hisense Holdings, Hisense International, Hisense HK, Hisense Visual Technology and/or their respective subsidiaries for the year ending 31 December 2022 as specified in the Business Co-operation Framework Agreement is RMB2,081,460,000 (exclusive of VAT). The following table sets out the breakdown of the aggregate transaction amount for the purchases of raw materials, parts and components by the Group from Hisense Holdings, Hisense International, Hisense HK, Hisense Visual Technology and/or their respective subsidiaries for the six months ended 30 June 2022 (unaudited):

	Six months ended 30 June 2022 <i>RMB</i> (<i>exclusive of VAT</i>)
Hisense Holdings and/or its subsidiaries	200,237,959
Hisense International and/or its subsidiaries	492,395
Hisense HK	277,983,813
Hisense Visual Technology and/or its subsidiaries	29,441,157
Total:	508,155,324

Proposed Revised Cap and basis of revision:

The following table sets out the breakdown of the annual cap in relation to the purchases of raw materials, parts and components by the Group from Hisense Holdings, Hisense International, Hisense HK, Hisense Visual Technology and/or their respective subsidiaries for the year ending 31 December 2022 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

	Original annual cap before revision <i>RMB</i> (<i>exclusive of VAT</i>)	Proposed annual cap after revision <i>RMB</i> (<i>exclusive of VAT</i>)	Changes <i>RMB</i> (<i>exclusive of VAT</i>)
Hisense Holdings and/or its subsidiaries	756,530,000	756,530,000 (Remains unchanged)	Not applicable
Hisense International and/or its subsidiaries	35,350,000	200,800,000	165,450,000
Hisense HK	1,200,000,000	1,200,000,000 (Remains unchanged)	Not applicable
Hisense Visual Technology and/or its subsidiaries	89,580,000	114,580,000	25,000,000
Total:	<u>2,081,460,000</u>	<u>2,271,910,000</u>	<u>190,450,000</u>

The proposed Revised Cap was determined with reference to: (i) the anticipated increase in the demand of raw materials from Hisense International and/or its subsidiaries for the production of household appliances by the Group's Mexico plant in the fourth quarter of 2022, and the expected purchase amount in the fourth quarter of 2022 is approximately RMB165,450,000; and (ii) the anticipated increase in the demand of raw materials from Hisense Visual Technology and/or its subsidiaries due to the increased injection moulding and sheet metal production capacity of the Group, and the expected purchase amount in the fourth quarter of 2022 is approximately RMB25,000,000.

Pricing:

Under the Business Co-operation Framework Agreement (as amend and supplemented by

the Supplemental Agreement), pricing for the purchases of raw materials, parts and components is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar transactions from at least three independent third parties.

The operation department of the relevant business sector of the Group will compare the terms of the proposed purchases (including pricing and other contractual terms taking into account factors such as the product quality and stability in supply of the product) to those of the similar transactions with independent third parties or prices 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 to the Group 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:

The Group's Mexico plant has commenced mass production of household appliances such as refrigerators. The Group's procurement of raw materials for the relevant products from Hisense International and/or its subsidiaries is mainly to leverage on the trade platform of Hisense International and/or its subsidiaries to achieve synergy and optimise the procurement cost. The Group's procurement of raw materials from Hisense Visual Technology and/or its subsidiaries is mainly due to the in-depth cooperation between the Group and Hisense Visual Technology and/or its subsidiaries commenced in the first half of 2022, which has further integrated the injection moulding and sheet metal production capacity within the system, and improved the efficiency and effectiveness of the injection moulding and sheet metal business.

It is therefore expected that the volume and transaction amounts of the purchases of raw materials, parts and components by the Group from Hisense International, Hisense Visual Technology and/or their respective subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase. The Supplemental Agreement has revised the annual cap for the transaction of the purchases of raw materials, parts and components by the Group for the year ending 31 December 2022 under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement).

(2) *Provision of services*

Historical figures:

The annual cap allocated to the provision of services by Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group for the year ending 31 December 2022 as specified in the Business Co-operation Framework Agreement is RMB1,494,200,000 (exclusive of VAT). The following table sets out the breakdown of the aggregate transaction amount for the provision of services by Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group for the six months ended 30 June 2022 (unaudited):

	Types of services provided to the Group	Six months ended 30 June 2022 <i>RMB (exclusive of VAT)</i>
Hisense Holdings and/or its subsidiaries	Equipment inspection services	596,899
	Material processing services	76,119,113
	Installation and maintenance services	92,430,695
	Property services (including property management and property leasing)	19,583,302
	Information system services	48,117,470
	Distribution, leasing, design, agency, training, employee health management and technical support services	165,507,721
Hisense International and/or its subsidiaries	Maintenance	4,776,135
	Technical support services	762,708
	Agency services	1,332,257
Hisense Marketing Management	Agency services	106,680,096
Hisense Visual Technology and/or its subsidiaries	Property services (including property management and property leasing)	17,982,727
	Technical support services	774,262
Total:		534,663,385

Proposed Revised Cap and basis of revision:

The following table sets out the breakdown of the annual cap in relation to the provision of services by Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group for the year ending 31 December 2022 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

	Types of services provided to the Group	Original annual cap before revision <i>RMB (exclusive of VAT)</i>	Proposed annual cap after revision <i>RMB (exclusive of VAT)</i>	Changes <i>RMB (exclusive of VAT)</i>
Hisense Holdings	Equipment inspection	30,000,000	30,000,000 (Remains unchanged)	Not applicable

and/or its subsidiaries	services			
	Material processing services	184,990,000	184,990,000 (Remains unchanged)	Not applicable
	Installation and maintenance services	284,870,000	284,870,000 (Remains unchanged)	Not applicable
	Property services (including property management and property leasing)	82,980,000	82,980,000 (Remains unchanged)	Not applicable
	Information system services	204,770,000	204,770,000 (Remains unchanged)	Not applicable
Hisense International and/or its subsidiaries	Distribution, leasing, design, agency, training, employee health management and technical support services	346,650,000	346,650,000 (Remains unchanged)	Not applicable
	Maintenance	14,910,000	79,424,300	64,514,300
	Technical support services	5,000,000	26,665,250	21,665,250
Hisense Marketing Management	Agency services	2,320,000	12,430,450	10,110,450
Hisense Visual Technology and/or its subsidiaries	Agency services	282,880,000	282,880,000 (Remains unchanged)	Not applicable
Hisense Visual Technology and/or its subsidiaries	Property services (including property management and property leasing)	44,980,000	44,980,000 (Remains unchanged)	Not applicable
	Technical support services	9,850,000	9,850,000 (Remains unchanged)	Not applicable
Total:		<u>1,494,200,000</u>	<u>1,590,490,000</u>	<u>96,290,000</u>

The proposed Revised Cap was determined with reference to: (i) the expected increase in the demand of the provision of services by Hisense International and/or its subsidiaries because of the increasing emphasis on the quality of the Group's overseas products under the Group's work priorities in 2022; and (ii) based on the sales of the Group's overseas products in different regions of the world, the corresponding increasing demand for the agency, technical support and maintenance services for the Group's products in the relevant regions.

Pricing:

The fees payable by the Group for receiving the aforesaid services are determined by commercial negotiations according to the principles of fairness and reasonableness between the parties with reference to the market prices for the provision of similar transactions from at least three independent third parties.

The operation department of the relevant business sector of the Group will compare the terms of the proposed services (including pricing and other contractual terms taking into account factors such as the service quality and stability in provision of the service) to those of the similar transactions with independent third parties or prices 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 service fees are not less favourable than the fees 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:

One of the Group's work priorities in 2022 is to actively promote the smart new life strategy and continue to upgrade the home appliance smart terminal. The Group needs Hisense International and/or its subsidiaries to provide more quality services such as agency, technical support and maintenance services to further refine the quality of the Group's overseas products, promote new breakthroughs in the Group's overseas business development and enhance competitiveness in overseas markets.

It is therefore expected that the transaction amounts of the provision of services by 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 the provision of services for the year ending 31 December 2022 under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement).

(3) Supply of moulds

Historical figures:

The annual cap allocated to the supply of moulds by the Group to Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the year ending 31 December 2022 as specified in the Business Co-operation Framework Agreement is RMB129,190,000 (exclusive of VAT). The following table sets out the breakdown of the aggregate transaction amount for the supply of moulds by the Group to Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the six months ended 30 June 2022 (unaudited):

	Six months ended 30 June 2022 <i>RMB</i> <i>(exclusive of VAT)</i>

Hisense International and/or its subsidiaries	15,635,761
Hisense Visual Technology and/or its subsidiaries	24,745,474
Total:	40,381,235

Proposed Revised Cap and basis of revision:

The Group also expects to supply moulds to Hisense Holdings and/or its subsidiaries for the year ending 31 December 2022. The following table sets out the breakdown of the annual cap in relation to the supply of moulds by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the year ending 31 December 2022 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

	Original annual cap before revision <i>RMB (exclusive of VAT)</i>	Proposed annual cap after revision <i>RMB (exclusive of VAT)</i>	Changes <i>RMB (exclusive of VAT)</i>
Hisense Holdings and/or its subsidiaries	Not applicable	3,500,000	3,500,000
Hisense International and/or its subsidiaries	52,000,000	52,000,000 (Remains unchanged)	Not applicable
Hisense Visual Technology and/or its subsidiaries	77,190,000	77,190,000 (Remains unchanged)	Not applicable
Total:	<u>129,190,000</u>	<u>132,690,000</u>	<u>3,500,000</u>

The proposed Revised Cap was determined with reference to the expected amount of purchases by Hisense Holdings and/or its subsidiaries, being approximately RMB3,500,000, after the consultation and negotiation between the Group and Hisense Holdings and/or its subsidiaries.

Pricing:

Under the Business Co-operation Framework Agreement (as amend and supplemented by the Supplemental Agreement), pricing for the supply of mould is determined by the open bidding process. The bidding price is determined on the basis of a reasonable cost plus reasonable profit margin. For determining reasonable costs, the Company will take into account fixed cost (e.g. depreciation of machinery), cost of raw material, and labour cost for the production of the moulds. The profit margin of the Group in such bidding price will not be lower than the profit margin of the Group in the bidding price for supply of similar and comparable moulds to independent third parties during the same period.

Reasons for the proposed Revised Cap:

The manufacture and sale of moulds have become important parts of the business of the Group, and the sale of moulds by the Group to Hisense Holdings and/or its subsidiaries can

facilitate the expansion of the sales scale of the Group and increase the sales revenue of the Group. After the consultation and negotiation between the Group and Hisense Holdings and/or its subsidiaries, the Group will supply moulds to Hisense Holdings and/or its subsidiaries in the second half of 2022.

Therefore, as a result of the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries, the volume and transaction amounts of the supply of moulds by the Group, as contemplated under the Business Co-operation Framework Agreement, will increase. The Supplemental Agreement has revised the annual cap for the transaction of the supply of moulds for the year ending 31 December 2022 under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) and will govern the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries for the year ending 31 December 2022.

(4) Supply of raw materials, parts and components

Historical figures:

The annual cap allocated to the supply of raw materials, parts and components by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the year ending 31 December 2022 as specified in the Business Co-operation Framework Agreement is RMB930,750,000 (exclusive of VAT). The following table sets out the breakdown of the aggregate transaction amount for the supply of raw materials, parts and components by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the six months ended 30 June 2022 (unaudited):

	Six months ended 30 June 2022 <i>RMB</i> <i>(exclusive of VAT)</i>
Hisense Holdings and/or its subsidiaries	104,166,664
Hisense International and/or its subsidiaries	69,504,016
Hisense Visual Technology and/or its subsidiaries	0
Total:	173,670,680

Proposed Revised Cap and basis of revision:

The following table sets out the breakdown of the annual cap in relation to the supply of raw materials, parts and components by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the year ending 31 December 2022 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

	Original annual cap before revision <i>RMB</i> <i>(exclusive of VAT)</i>	Proposed annual cap after revision <i>RMB</i> <i>(exclusive of VAT)</i>	Changes <i>RMB</i> <i>(exclusive of VAT)</i>

Hisense Holdings and/or its subsidiaries	706,650,000	706,650,000 (Remains unchanged)	Not applicable
Hisense International and/or its subsidiaries	220,000,000	293,630,000	73,630,000
Hisense Visual Technology and/or its subsidiaries	4,100,000	4,100,000 (Remains unchanged)	Not applicable
Total:	<u>930,750,000</u>	<u>1,004,380,000</u>	<u>73,630,000</u>

The proposed Revised Cap was determined with reference to: (i) the expected increase in the demand of raw materials, parts and components by Hisense International and/or its subsidiaries because of the expected increase in the demand of the provision of services by Hisense International and/or its subsidiaries; (ii) based on the demand for the agency, technical support and maintenance services for the Group's products in different regions of the world, the corresponding increasing demand of raw materials, parts and components by Hisense International and/or its subsidiaries for the Group's products in the relevant regions.

Pricing:

Under the Business Co-operation Framework Agreement (as amend and supplemented by the Supplemental Agreement), pricing for the supply of raw materials, parts and components is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market prices of similar transactions from at least three independent third parties.

The operation department of the relevant business sector of the Group will compare the terms of the proposed supply of raw materials, parts and components (including pricing and other contractual terms taking into account factors including the customers' credit rating and qualification of the customers such as their asset scale) to those of the similar transactions with independent third parties or the terms offered to 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 similar transaction price of 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:

The supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries is a business incidental to the sale of electrical appliances by the Group to Hisense International and/or its subsidiaries. As a result of the Group's smart new life strategy, the transaction amounts of the provision of technical support, maintenance and agency services by Hisense International and/or its subsidiaries will increase, and the demand of raw materials, parts and components by Hisense International and/or its subsidiaries is expected to increase accordingly.

It is therefore expected that the volume and transaction amounts of the supply of raw

materials, parts and components by the Group to 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 the supply of raw materials, parts and components by the Group for the year ending 31 December 2022 under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental 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 Caps in respect of (i) the purchases of raw materials, parts and components; (ii) the provision of services; (iii) the supply of moulds; and (iv) the supply of raw materials, parts and components under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) are 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 department 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 department 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 department and securities department of the Company are 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 periodically and make timely report to the senior management regarding the operating status of the continuing connected transactions of the Group. 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 amended and supplemented by the Supplemental Agreement) and the new transaction agreements contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement).

INFORMATION RELATING TO THE GROUP, HISENSE HOLDINGS, HISENSE INTERNATIONAL AND HISENSE VISUAL TECHNOLOGY

The Group

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, kitchen appliances, etc and automotive air conditioner compressor and integrated thermal management system.

Hisense Holdings

Hisense Holdings was incorporated in 2001 and has a registered capital of RMB3,860,393,984. 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. Its scope of business includes: import and export of technology; import and export of goods; real estate development and operation; medical services; catering services; investment activities with own funds; asset management services for investment with own funds; research and development of household appliances; manufacture of household appliances; sale of household appliances; installation services for household appliances; repair of daily-use appliances; manufacture of refrigeration and air-conditioning equipment; sale of refrigeration and air-conditioning equipment; manufacture of communication equipment; sale of communication equipment; manufacture of network equipment; sale of network equipment; research and development of artificial intelligence industry application systematic integration services; information system integration services; manufacture of special purpose equipment; research and development of automotive parts and components; manufacture of automotive parts and accessories; manufacture of intelligent vehicle equipment; sales of intelligent vehicle equipment; manufacture of internet of things equipment; sales of internet of things equipment; software development; education and consultancy services; convention and exhibition services; leisure and tourism activities; property management; non-residential property leasing; residential leasing; machinery and equipment leasing; car leasing; catering management; car park services.

Hisense Holdings has no effective controller and details of its shareholders' interests are as follows:

1. Hisense Company holds 26.79% interest in Hisense Holdings. The ultimate beneficial owner of Hisense Company 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 Latest Practicable Date, 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 Information Consulting Co., Ltd.* (青島員利信息諮詢股份有限公司) (“**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.

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

Hisense International

Hisense International was incorporated in 2008 and has a registered capital of RMB30,000,000. Its legal representative is Mr. Jia Shao Qian and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone, Qingdao City. Its main businesses includes: import and export of goods; import and export of technology; marketing strategies planning; sales of Category II medical devices; sales of intelligent home consumer equipment; sales of optical communication equipment; information system integration services; sales of information security equipment; sales of network equipment; development of rail transportation operation management system; sales of special equipment, key systems and components for rail transportation.

The controlling shareholder of Hisense International is Hisense Holdings and details of its shareholders' interests are as follows:

1. Qingdao Intelligent & Precise Electronics Co., Ltd.* (青島智動精工電子有限公司) holds 36.47% interest in Hisense International, and is a wholly-owned subsidiary of Hisense Holdings. It was established on 17 January 2014 and it principally engages in communication, electronics and household electrical products research and development, manufacturing, sales, services; communication terminal products manufacturing; professional PCB board and SMT materials for chip processing, information consulting services; tool tooling, automation equipment design, sales and services; import and export of goods, technology import and export businesses.
2. The Company holds 12.67% interest in Hisense International.
3. Hisense Visual Technology holds 12.67% interest in Hisense International.
4. The Position Incentive Shareholders of Hisense International hold an aggregate interest of 38.19% in Hisense International. As at the Latest Practicable Date, of this 38.19% interest in Hisense International, (i) 37.71% is owned by the Position Incentive Shareholders of Hisense International who hold interests in Hisense International directly; (ii) 0.19% is owned by Qingdao Yuanli; and (iii) 0.29% is owned by Qingdao Henghai One Investment Center (Limited Partnership)* (青島恆海一號投資中心 (有限合夥) (“**Qingdao Henghai**”). Qingdao Yuanli and Qingdao Henghai are respectively a company and a partnership holding interests in Hisense International on behalf of other Position Incentive Shareholders of Hisense International whose interests in Hisense International are held indirectly.

The Position Incentive Shareholders of Hisense International are the core staff of Hisense International under its incentive plan who hold interests in Hisense International directly and indirectly. They are, including but not limited to, directors, senior management staff, core management staff and key staff of Hisense International. The Position Incentive Shareholders of Hisense International who hold interests in Hisense International directly do not overlap with those who hold interests in Hisense International indirectly through Qingdao Yuanli and Qingdao Henghai. Moreover, there is no acting in concert arrangement among the Position Incentive Shareholders of Hisense International. Qingdao Henghai was established on 29 December 2021.

Qingdao Henghai acts as an interests holding vehicle for the relevant Position Incentive Shareholders of Hisense International and it does not have any operations. Please refer to the above for the information of Qingdao Yuanli.

Hisense Visual Technology

Hisense Visual Technology was established in 1997. It is mainly engaged in the research and development, production and sales of display products, as well as cloud platform services. Hisense Visual Technology 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 holds 24.36% interest in Hisense Holdings and 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 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 the Partnerships; and (iii) 3.06% is owned by 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. Please refer to the above for the information of Qingdao Yuanli, Qingdao Hengxi and the Partnerships.

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, (i) Hisense Holdings (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 International and Hisense Visual Technology is a

subsidiary of Hisense Holdings. As such, Hisense Holdings, Hisense International, Hisense Visual Technology and their respective subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, 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 Holdings, Hisense International and Hisense Visual Technology in the Supplemental Agreement, which amends and supplements the Business Co-operation Framework Agreement, Hisense Holdings, Hisense International, Hisense Visual Technology and their respective associates will abstain from voting in relation to the resolution(s) to approve the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps 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 controls or is entitled to exercise control the voting right in respect of their Shares.

GENERAL

Mr. Dai Hui Zhong, Mr. Lin Lan, Mr. Jia Shao Qian, Mr. Fei Li Cheng and Ms. Gao Yu Ling, being Directors and directors of Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries, have abstained from voting on the relevant board resolution(s) for approving the Supplemental Agreement and the continuing connected transactions contemplated under it in view of their interest therein as aforementioned.

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 Caps. 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 Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things, (i) further information on the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps; (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 12 October 2022 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
“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) dated 16 November 2021 entered into between the Company, Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense HK and Hisense Visual Technology in relation to the sale and purchase of electrical appliances, raw materials, parts and components, supply of moulds 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 2022 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 Caps
“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 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, which holds approximately 93.33% of Hisense Air-conditioning and wholly owns Hisense HK 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 Holdings
“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 is 50% owned by the Company
“Hisense Visual Technology”	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 a subsidiary of Hisense Holdings
“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 Holdings, Hisense International, Hisense Visual Technology and their respective 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(s)”	the annual caps under the Business Co-operation Framework Agreement for the year ending 31 December 2022 for (i) the purchases of raw materials, parts and components by the Group from Hisense Holdings, Hisense International, Hisense HK, Hisense Visual Technology and/or their respective subsidiaries, that is RMB2,271,910,000; (ii) the provision of services by Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group, that is RMB1,590,490,000; (iii) the supply of moulds by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries, that is RMB132,690,000; and (iv) the supply of raw materials, parts and components by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries, that is RMB1,004,380,000, 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, Hisense Holdings, Hisense International and Hisense Visual Technology dated 5 September 2022 in relation

to the revision of the annual caps in respect of (i) the purchases of raw materials, parts and components; (ii) the provision of services; (iii) the supply of moulds; and (iv) the supply of raw materials, parts and components for the year ending 31 December 2022 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.
Dai Hui Zhong
Chairman

Foshan City, Guangdong, the PRC, 5 September 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.