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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

Reference is made to the announcements of the Company dated 9 January 2023 and 30 October 2023 in relation to, among other things, the Existing Business Co-operation Agreement and the Second Business Co-operation Agreement. The Company wishes to inform the Shareholders and investors that the Existing Business Co-operation Agreement and the Second Business Co-operation Agreement expired on 31 December 2023 and it is expected the Group will continue to enter into transactions of a nature similar to the transactions under the Existing Business Co-operation Agreement and the Second Business Co-operation Agreement from time to time after its expiration. In view of the above, on 25 January 2024 (after trading hours), the Company and Johnson Hitachi entered into the Business Co-operation Agreement.

As at the date of this announcement, as (i) Hisense Hitachi is a subsidiary of the Company; and (ii) Johnson Hitachi is the holding company of two substantial shareholders of Hisense Hitachi (namely, Johnson Controls-Hitachi Air Conditioning Trading (Hong Kong) Limited (江森自控日立空調貿易(香港)有限公司) and Johnson Controls-Hitachi Air Conditioning Taiwan Co., Ltd (台灣日立江森自控股份有限公司)), Johnson Hitachi Group are connected persons of the Company at the subsidiary level under Chapter 14A of the Hong Kong Listing Rules. Therefore, the Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The Board has approved the Business Co-operation Agreement and the Transactions. The Directors (including the independent non-executive Directors) have also confirmed that the terms of the Business Co-operation Agreement and the Transactions are fair and reasonable, the Business Co-operation Agreement and the Transactions are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Therefore, by virtue of Rule 14A.101 of the Hong Kong Listing Rules, the Business Co-operation Agreement and the Transactions are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements.

BACKGROUND

Reference is made to the announcements of the Company dated 9 January 2023 and 30 October 2023 in relation to, among other things, the Existing Business Co-operation Agreement and the Second Business Co-operation Agreement. The Company wishes to inform the Shareholders and investors that the Existing Business Co-operation Agreement and the Second Business Co-operation Agreement expired on 31 December 2023 and it is expected the Group will continue to enter into transactions of a nature similar to the transactions under the Existing Business Co-operation Agreement and the Second Business Co-operation Agreement from time to time after its expiration. In view of the above, on 25 January 2024 (after trading hours), the Company and Johnson Hitachi entered into the Business Co-operation Agreement.

Details of the Business Co-operation Agreement are set out below.

BUSINESS CO-OPERATION AGREEMENT

Date: 25 January 2024

Parties: The Company; and
Johnson Hitachi

Term:

The Business Co-operation Agreement shall commence from the date of signing of the Business Co-operation Agreement until 31 December 2026. It can be terminated before its expiration by mutual agreement of the parties.

Subject matters:

The Transactions will be conducted in the ordinary and usual course of business of the parties, on normal commercial terms and on terms not less favourable to the parties than terms available to or from (as appropriate) Independent Third Parties. The Business Cooperation Agreement does not restrict the rights of the parties (as the case may be) to sell or purchase products or services contemplated under the Business Co-operation Agreement from any other purchasers or suppliers (as the case may be).

The Business Co-operation Agreement is a framework agreement between the parties on the maximum transaction amount in relation to the Transactions. The parties will enter into specific contracts for the Transactions, based on the results of the negotiation of the parties. The contents of the specific contracts shall be in line with the principles on the transaction amount and the agreed terms as stated in the Business Co-operation Agreement. The specific contracts shall at least contain the following terms: models and quantities of the relevant products (services) for the sale and purchase of electrical appliances, supply of raw materials, parts and components, pricing principles, quality standards, and assurances, settlement methods, delivery methods, technical services and obligations in the event of default, etc.

Either party can authorise and delegate its subsidiaries to perform the corresponding obligations and enjoy the corresponding rights under the Business Co-operation Agreement. Specific contracts shall be entered into between the subsidiaries of the parties separately and the transaction amount in respect of such specific contracts shall be negotiated and implemented based on the agreed terms in the Business Co-operation Agreement.

Payment term(s) for the Transactions shall be in accordance with the payment term(s) as stipulated in the specific contract(s) to be signed by the relevant parties thereto.

The Company’s internal policy regarding continuing connected transactions:

The Company has established the 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 transaction to those of 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 monthly 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 Agreement and the specific contracts contemplated under the Business Co-operation Agreement.

The Transactions contemplated under the Business Co-operation Agreement are in connection with the following aspects:

(1) Supply of products

The Group has agreed to supply electrical appliances, moulds, raw materials, parts and components and provide information system services to Johnson Hitachi Group during the term of the Business Co-operation Agreement.

Pricing:

Pricing for the supply of products 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.

Historical figures:

The table below summarises the aggregate annual cap for each of the three years ending 31 December 2023 (exclusive of VAT) and the aggregate historical transaction amounts involved for each of the two years ended 31 December 2022 and the eleven months ended 30 November 2023 (exclusive of VAT):

| | For the year ended 31 December 2021 | For the year ended 31 December 2022 | For the year ending 31 December 2023 |
|--|--|--|---|
| Aggregate annual cap (RMB) | 435,960,000 | 588,490,000 | 432,690,000 |
| | For the year ended 31 December 2021 (audited) | For the year ended 31 December 2022 (audited) | For the eleven months ended 30 November 2023 (unaudited) |
| Aggregate historical transaction amount (RMB) | 229,520,199.76 | 257,545,796.37 | 227,087,387.03 |

Proposed Caps:

The table below summarises the proposed cap for the supply of products by the Group to Johnson Hitachi Group for each of the three years ending 31 December 2026 (exclusive of VAT):

| | For the year ending 31 December 2024 | For the year ending 31 December 2025 | For the year ending 31 December 2026 |
|-------------------------|---|---|---|
| Annual cap (RMB) | 415,030,000 | 607,110,000 | 783,120,000 |

Basis of the Annual Caps:

The above Annual Caps were determined with reference to:

- (i) the historical aggregate annual cap and the aggregate transaction amount supplied by the Group to Johnson Hitachi Group;

- (ii) similar transactions between the Group with Johnson Hitachi Group in the past;
- (iii) the business expansion demand of Johnson Hitachi Group;
- (iv) the projected level of production and sales of central air-conditioners by the Group to Johnson Hitachi Group for each of the three years ending 31 December 2026; and
- (v) certain buffer to accommodate changes in market conditions.

(2) Purchase of products

During the term of the Business Co-operation Agreement, the Group has agreed to purchase electrical appliances, raw materials, parts and components from Johnson Hitachi Group, and Johnson Hitachi Group has agreed to provide technical support services to the Group.

Pricing for the purchases of products 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.

Historical figures:

The table below summarises the aggregate annual cap for each of the three years ending 31 December 2023 (exclusive of VAT) and the aggregate historical transaction amounts involved for each of the two years ended 31 December 2022 and the eleven months ended 30 November 2023 (exclusive of VAT):

| | For the year ended 31 December 2021 | For the year ended 31 December 2022 | For the year ending 31 December 2023 |
|--|---|---|--|
| Aggregate annual cap (RMB) | 929,550,000 | 1,318,360,000 | 1,303,810,000 |
| | For the year ended 31 December 2021 (audited) | For the year ended 31 December 2022 (audited) | For the eleven months ended 30 November 2023 (unaudited) |
| Aggregate historical transaction amount (RMB) | 924,482,726.91 | 723,634,749.13 | 859,912,184.61 |

Proposed Caps:

The table below summarises the proposed cap for the purchase of products by the Group from Johnson Hitachi Group for each of the three years ending 31 December 2026 (exclusive of VAT):

| | For the year ending 31 December 2024 | For the year ending 31 December 2025 | For the year ending 31 December 2026 |
|-------------------------|---|---|---|
| Annual cap (RMB) | 1,415,860,000 | 1,862,580,000 | 2,536,400,000 |

Basis of the Annual Caps:

The above Annual Caps were determined with reference to:

- (i) the historical aggregate annual cap and the aggregate transaction amount purchased by the Group from Johnson Hitachi Group;
- (ii) similar transactions between the Group with Johnson Hitachi Group in the past;
- (iii) the prevailing market demand for central air-conditioners;
- (iv) the projected level of the production and sales of central air-conditioners of the Group for each of the three years ending 31 December 2023; and
- (v) certain buffer to accommodate changes in market conditions.

REASONS FOR AND BENEFITS OF THE BUSINESS CO-OPERATION AGREEMENT

Supply of products

The supply of electrical appliances and moulds by the Group to Johnson Hitachi Group helps to increase the sales scale and the sales revenue of the Group.

The supply of raw materials, parts and components by the Group to Johnson Hitachi Group is a derivative business of the Group's sales of electrical appliances, which satisfies the business needs of Johnson Hitachi Group and increases the sales revenue of the Group.

The provision of information system services by the Group to Johnson Hitachi Group helps to satisfy the development needs of the business co-operation between the Group and Johnson Hitachi Group.

Purchase of products

The purchase of electrical appliances by the Group from Johnson Hitachi Group satisfies the business needs of the Group and enhances the sales scale of the Group.

The major types of raw materials, parts and components purchased by the Group from Johnson Hitachi Group are compressors. The Group is engaged in the production of central air-conditioners, which requires the use of compressors, being the important parts and components for its production. The manufacturing capacity and quality of compressor products of Johnson Hitachi Group are higher and the compressor products are of assured quality. The purchase of compressor products from Johnson Hitachi Group is advantageous to the Group in ensuring the quality and functions of the products of the Group, and can enhance the product competitiveness of the Group.

The provision of technical support services to the Group by Johnson Hitachi Group helps to strengthen the level of technical aspects of the central air-conditioners of the Group, enhance the product competitiveness and maintain the leading advantage of products.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Business Co-operation Agreement, the Transactions and the

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|---|--|
| | Agreement for each of the three years ending 31 December 2026, details of which are set out in this announcement; |
| “A Shares” | domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange; |
| “Board” | the board of Directors; |
| “Business Co-operation Agreement” | the Business Co-operation Agreement (業務合作協議) entered into between the Company and Johnson Hitachi dated 25 January 2024 in relation to the sale and purchase of products; |
| “Company” | Hisense Home Appliances Group Co., Ltd., a company incorporated in the PRC with limited liability, whose shares are listed on the main board of both the Stock Exchange and the Shenzhen Stock Exchange; |
| “connected person(s)” | has the meaning ascribed to it under the Hong Kong Listing Rules; |
| “Director(s)” | director(s) of the Company; |
| “Existing Business Cooperation Agreement” | the Business Co-operation Agreement (業務合作協議) entered into between the Company and Johnson Hitachi dated 9 January 2023 in relation to the sale and purchase of electrical appliances, raw materials, parts and components, and the provision by or to the Group of various services; |
| “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 Hitachi” | Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd., a company incorporated in the PRC with limited liability; |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Johnson Hitachi” | Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd., a company incorporated in the United Kingdom; |
| “Johnson Hitachi Group” | Johnson Hitachi and its subsidiaries; |
| “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; |

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| “PRC” | the People’s Republic of China; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Second Business Co-operation Agreement” | the Second Business Co-operation Agreement (第二份業務合作協議) entered into between the Company and Johnson Hitachi dated 30 October 2023 in relation to the supply of moulds; |
| “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; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “substantial shareholder” | has the meaning ascribed to it under the Hong Kong Listing Rules; |
| “Transactions” | the transactions in respect of the sale and purchase of electrical appliances, raw materials, parts and components, and the provision by or to the Group of various services contemplated under the Business Co-operation Agreement; and |
| “VAT” | value-added tax. |

By order of the Board
Hisense Home Appliances Group Co., Ltd.
Dai Hui Zhong
Chairman

Foshan City, Guangdong, the PRC, 25 January 2024

As at the date of this announcement, the Company’s executive directors are Mr. Dai Hui Zhong, Mr. Jia Shao Qian, Mr. Yu Zhi Tao, Mr. Hu Jian Yong, Mr. Xia Zhang Zhua and Ms. Gao Yu Ling; and the Company’s independent non-executive directors are Mr. Zhong Geng Shen, Mr. Cheung Sai Kit and Mr. Li Zhi Gang.