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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

On 25 January 2024 (after trading hours), Sanden Company, a non-wholly owned subsidiary of the Company entered into the Business Co-operation Agreement with HASCO Sanden.

As at the date of this announcement, as (i) Suzhou Sanden is a subsidiary of Sanden Company; and (ii) HASCO Sanden is a substantial shareholder of Suzhou Sanden, HASCO Sanden is connected person 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.

As (i) the Business Co-operation Agreement is entered into between Sanden Company and a connected person of the Company at the subsidiary level on normal commercial terms, (ii) the Board has approved the Business Co-operation Agreement and the Transactions, (iii) 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

On 25 January 2024 (after trading hours), Sanden Company, a non-wholly owned subsidiary of the Company entered into the Business Co-operation Agreement with HASCO Sanden.

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

BUSINESS CO-OPERATION AGREEMENT

Date: 25 January 2024

Parties: Sanden Company; and
HASCO Sanden

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 of 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, payment method, 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

Sanden Company has agreed to supply automobile air-conditioning system products, raw materials, parts and components to HASCO Sanden 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.

Proposed Caps:

The table below summarises the proposed cap for the supply of products by Sanden Company to HASCO Sanden 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)	2,700,000,000	3,400,000,000	4,600,000,000

Basis of the Annual Caps:

The above Annual Caps were determined with reference to:

- (i) the potential business growth of HASCO Sanden and the expected market situation during the Period;
- (ii) the demand of the automotive air-conditioning system market and the estimated maximum number of orders;
- (iii) the projected level of sales of products by the Sanden Company to HASCO Sanden for each of the three years ending 31 December 2026;
- (iv) the production and operation capacity of the Sanden Company; and
- (v) certain buffer to accommodate changes in market conditions.

(2) Purchase of products

During the term of the Business Co-operation Agreement, Sanden Company has agreed to purchase electrical products, raw materials, parts and components from HASCO Sanden.

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.

Proposed Caps:

The table below summarises the proposed cap for the purchase of products by Sanden Company from HASCO Sanden 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)	250,000,000	300,000,000	400,000,000

Basis of the Annual Caps:

The above Annual Caps were determined with reference to:

- (i) the potential business growth of Sanden Company and the expected market situation during the Period;
- (ii) the demand of Sanden Company for each of the three years ending 31 December 2026; and
- (iii) certain buffer to accommodate changes in market conditions.

REASONS FOR AND BENEFITS OF THE BUSINESS CO-OPERATION AGREEMENT

Supply of products

The supply of automobile air-conditioning system products by Sanden Company to HASCO Sanden helps to increase the sales scale and the sales revenue of Sanden Company.

The supply of raw materials, parts and components by Sanden Company to HASCO Sanden is a derivative business of Sanden Company's sales of automobile air-conditioning system products, which satisfies the business needs of HASCO Sanden and increases the sales revenue of Sanden Company.

Purchase of products

The purchase of electrical products by Sanden Company from HASCO Sanden satisfies the business needs of Sanden Company and enhances the business expansion scope of Sanden Company.

The purchase of raw materials, parts and components by Sanden Company from HASCO Sanden helps to satisfy the development needs of the business co-operation between Sanden Company and HASCO Sanden.

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 Annual Caps in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Business Co-operation Agreement and the Transactions and therefore none of them is required to abstain from voting on the board resolutions approving the Business Co-operation Agreement and the Transactions.

INFORMATION RELATING TO THE COMPANY, SANDEN COMPANY AND HASCO SANDEN

The Company

The Company 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 conditioners compressors and integrated thermal management systems.

Sanden Company

Sanden Company is a company established in Japan and a non-wholly owned subsidiary of the Company. It is principally engaged in the manufacture and sale of automotive equipment such as automotive compressors and automotive air-conditioning systems.

HASCO Sanden

HASCO Sanden was incorporated in 1990. The scope of business of HASCO Sanden includes the development and production of automotive air-conditioning systems, engine cooling systems and components, and the sale of self-manufactured products. The shareholders' interests of HASCO Sanden are: (i) HUAYU Automotive Systems Company Limited holds 48% interest in HASCO Sanden (listed on the Shanghai Stock Exchange, stock code: 600741); (ii) Sanden Company holds 43% interest in HASCO Sanden; and (iii) Shanghai Longhua Industry Company Limited holds 9% interest in HASCO Sanden.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, as (i) Suzhou Sanden is a subsidiary of Sanden Company, and (ii) HASCO Sanden is a substantial shareholder of Suzhou Sanden, HASCO Sanden is a connected person 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.

As (i) the Business Co-operation Agreement is entered into between Sanden Company and a connected person of the Company at the subsidiary level on normal commercial terms, (ii) the Board has approved the Business Co-operation Agreement and the Transactions, (iii) 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.

DEFINITIONS

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

“Annual Caps”	the annual caps for the Transactions for the period commencing from the date of the Business Co-operation 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 Sanden Company and HASCO Sanden 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;
“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;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sanden Company”	Sanden Holdings Corporation;
“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;
“Suzhou Sanden”	Suzhou Sanden Precision Parts Co., Ltd., a company incorporated in the PRC with limited liability;
“Transactions”	the transactions in respect of the sale and purchase of products 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.