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HISENSE HOME APPLIANCES GROUP CO., LTD.

海信家電集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00921)

ANNOUNCEMENT

MAJOR TRANSACTION

Transfer of Target Equity Interests

The Board is pleased to announce that on 5 March 2019, the Company (as the transferee) and the Transferor entered into the Sale and Purchase Agreement, pursuant to which the Transferor has agreed to transfer and the Company has agreed to be transferred from the Transferor the Target Equity Interests.

As more than one of the applicable percentage ratios (as defined under the Listing Rules) for the Transfer of Target Equity Interests exceed(s) 25% but less than 100%, the acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements thereunder.

General

The Company will convene the Shareholders' Meeting to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the Sale and Purchase Agreement and the transactions contemplated thereunder; and notice of the Shareholders' Meeting will be despatched to the Company's Shareholders pursuant to the Listing Rules. As the Company requires more time for preparation of the circular, it is expected that the circular will be despatched beyond 15 business days after the publication of this announcement, and will be despatched to the Company's Shareholders on or before 15 April 2019.

TRANSFER OF TARGET EQUITY INTERESTS

The Board is pleased to announce that on 5 March 2019, the Company (as the transferee) and the Transferor entered into the Sale and Purchase Agreement, pursuant to which the Transferor has agreed to transfer and the Company has agreed to be transferred from the Transferor the Target Equity Interests.

The principal terms and conditions of the Sale and Purchase Agreement are set out below: -

Date: 5 March 2019

Parties:

- (i) The Company, as the transferee; and
- (ii) 株式會社聯合貿易 (Joint Trading Company*), as the Transferor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Transferor and its ultimate beneficial owner are Independent Third Parties.

ASSETS TO BE TRANSFERRED

Pursuant to the Sale and Purchase Agreement, the Transferor has agreed to transfer and the Company has agreed to be transferred from the Transferor the Target Equity Interests.

The following table sets out the registered capital of Hisense Hitachi (and registered capital held by the Hisense Hitachi Shareholders) and the change of shareholding of the Hisense Hitachi Shareholders immediately before and after Completion: -

	<i>Immediately before Completion</i>		<i>Immediately after Completion</i>	
Hisense Hitachi Shareholders	Registered Capital Held	Percentage of Shareholding	Registered Capital Held	Percentage of Shareholding
Company	USD22,540,000	49%	USD22,632,000	49.2%
Transferor	USD920,000	2.0%	USD828,000	1.8%
Other shareholders	USD22,540,000	49%	USD22,540,000	49%
Total	<u>USD46,000,000</u>	<u>100%</u>	<u>USD46,000,000</u>	<u>100%</u>

CONSIDERATION

The consideration for the Transfer of Target Equity Interests shall be RMB 25,000,000 (the "**Consideration**"). The Company shall pay the Consideration in the following manner: -

- (i) within 20 business days of obtaining approval from the board of directors of Hisense Hitachi in respect of the Sale and Purchase Agreement by way of written resolutions, the Company shall pay 50% of the Consideration to the Transferor as deposit; and
- (ii) within 20 business days from the date on which the business registration procedure in respect of the Transfer of Target Equity Interests have been completed, the Company shall pay the remaining 50% of Consideration to the Transferor.

The Consideration was determined after arm's length negotiations between the Company and the Transferor on normal commercial terms. The Directors consider that the terms and conditions in the Sale and Purchase Agreement (including Consideration) is made on normal commercial terms, is fair and reasonable and in the interest of the Company and the Company's Shareholders as a whole.

EFFECTIVE DATE OF THE SALE AND PURCHASE AGREEMENT

The Sale and Purchase Agreement shall be effective on the date on which the Company having obtained the approval from the Company's Shareholders in the Shareholders' Meeting.

COMPLETION

Completion of the Transfer of Target Equity Interests shall take place on the date on which the business registration procedure in respect of the Transfer of Target Equity Interests having been completed.

Upon Completion, the financial results of Hisense Hitachi will be consolidated into the accounts of the Company.

INFORMATION RELATING TO 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.

INFORMATION RELATING TO THE TRANSFEROR

The Transferor is established in accordance with the laws of Japan and is registered in the Ministry of Justice of Japan. Registered office: 日本東京都港区赤坂1丁目8番6號. Legal representative: 角町和満. The registered capital of the Transferor is 20 million Yen. The Transferor is principally engaged in investment consultancy services in relation to projects in relation to home appliances, communications, air conditioning and the import and export of other related parts and components. The Transferor is an existing Hisense Hitachi Shareholder and currently holds 2% shareholding in the registered capital of Hisense Hitachi.

INFORMATION RELATING TO HISENSE HITACHI

The shareholding structure of Hisense Hitachi is as follows: 49% directly held by the Company; 29% directly held by 江森自控日立空調貿易(香港)有限公司 (Johnson Controls-Hitachi Air Conditioning Trading (Hong Kong) Limited); 20% directly held by 台灣日立江森自控股股份有限公司 (Johnson Controls-Hitachi Air Conditioning Taiwan Co., Ltd.*) and 2% directly held by the Transferor; among which 江森自控日立空調貿易(香港)有限公司 (Johnson Controls-Hitachi Air Conditioning Trading (Hong Kong) Limited) and 台灣日立江森自控股股份有限公司 (Johnson Controls-Hitachi Air Conditioning Taiwan Co., Ltd.*) are associated companies under common control. Hisense Hitachi was established in 2003; nature of the enterprise: company with limited liability; registered address: 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone; legal representative: FRANZ WOLFGANG CERWINKA; registered capital: USD46 million. The scope of business include: research and development, manufacturing and sales of air-conditioners, heat pumps, refrigeration equipment, heating equipment, ventilation equipment, air purification equipment, intelligent electrical equipment and supporting facilities, electric water heaters and related parts; and the provision of installation, after-sales, technical testing services; import and export of the above goods and technologies.

The consolidated financial statements of Hisense Hitachi for the year ended 31 December 2016 and the year ended 31 December 2017 were audited by its auditors in accordance with

the accounting standards in the PRC. The following is the consolidated financial information of Hisense Hitachi:-

	for the year ended 31 December 2016 / As at 31 December 2016 RMB'000 (Approximately) (audited)	for the year ended 31 December 2017/ As at 31 December 2017 RMB'000 (Approximately) (audited)	for 9 months ended 30 September 2018 / As at 30 September 2018 RMB'000 (Approximately) (unaudited)
Net profit before tax	1,473,045	1,907,648	1,505,832
Net profit after tax	1,223,354	1,567,178	1,260,921
Net asset	3,410,517	4,490,422	5,726,918
Total asset	6,864,116	9,635,316	11,511,434
Total income	6,518,467	9,401,772	8,293,414

For the year ended 31 December 2017 (audited), the operating profit and net cash flow resulting from operating activities of Hisense Hitachi are approximately RMB1,903,296,500 and RMB2,301,009,600 respectively. As at 31 December 2017, the total liabilities and total receivables of Hisense Hitachi are approximately RMB5,144,893,600 (audited) and RMB387,045,600 (audited) respectively.

For the 9 months ended 30 September 2018 (unaudited), the operating profit and net cash flow resulting from operating activities of Hisense Hitachi are approximately RMB1,503,833,200 and RMB1,392,273,500 respectively. As at 30 September 2018, the total liabilities and total receivables of Hisense Hitachi are approximately RMB5,784,516,000 (unaudited) and RMB431,207,700 (unaudited) respectively.

REASONS AND BENEFITS OF TRANSFER OF TARGET EQUITY INTERESTS

Transfer of Target Equity Interests is conducive to enhancing the scale and quality of the Company's assets, and enhancing the Company's value and overall capability. After the completion of Transfer of Target Equity Interests and the amendments to the Hisense Hitachi's articles of association of Hisense Hitachi, the Company will hold 49.2% of Equity Interests, meanwhile, the number of members of Hisense Hitachi's board of directors will increase from currently seven to nine, among which board members to be appointed by the Company will increase from the existing three members to five. The Company will include Hisense Hitachi in the scope of the consolidated statements of the Company and the assets, income and scale of cash flow of the Company will be greatly enhanced, and the overall gross profit margin of the Company will also be improved. The Board is of the view that this transaction is in the interests of the Company and the Company's Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As more than one of the applicable percentage ratios (as defined under the Listing Rules) for the Transfer of Target Equity Interests exceed(s) 25% but less than 100%, the acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements thereunder.

THE BOARD COMPOSITION OF HISENSE HITACHI

The board composition of Hisense Hitachi will increase from the existing seven directors to nine directors, of which the number of directors appointed by the Company will increase from the existing three directors to five directors, and the remaining four directors will be appointed by the remaining shareholders of Hisense Hitachi.

GENERAL

The Company will convene the Shareholders' Meeting to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, the details of the Sale and Purchase Agreement and the transactions contemplated thereunder; and notice of the Shareholders' Meeting will be despatched to the Company's Shareholders pursuant to the Listing Rules. As the Company requires more time for preparation of the circular, it is expected that the circular will be despatched beyond 15 business days after the publication of this announcement and will be despatched to the Company's Shareholders on or before 15 April 2019.

DEFINITIONS

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

“Board” or “Director(s)”	means the board of directors of the Company;
“Company”	means Hisense Home Appliances Group Co., Ltd., 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;
“Company’s Shareholders”	means the holders of share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares;
“Completion”	means completion of the Transfer of Target Equity Interests pursuant to the Sale and Purchase Agreement;
“Equity Interests”	means the equity interests of Hisense Hitachi;
“Sale and Purchase Agreement”	means the sale and purchase agreement entered into between the Company and the Transferor dated 5 March 2019 in relation to the Transfer of Target Equity Interests;
“Hisense Hitachi”	means Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd., a company incorporated in the PRC with limited liability;
“Hisense Hitachi Shareholders”	means the holders of Equity Interests;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Parties”	means 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 associate;
“Yen”	means Japanese Yen, the lawful currency of Japan;

“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	means the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Shareholders’ Meeting”	means the general meeting to be held by the Company for, among other things, to approve the Sale and Purchase Agreement and transactions contemplated thereunder;
“Target Equity Interests”	means 0.2% Equity Interests of Hisense Hitachi;
“Transfer of Target Equity Interests”	means the transfer of Target Equity Interests by the Transferor to the Company;
“Transferor”	means 株式會社聯合貿易 (Joint Trading Company*);
“USD”	means United States dollars, the lawful currency of the United States of America;
“%”	means percentage; and
“*”	means for identification purpose only.

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

Foshan City, Guangdong, the PRC, 5 March 2019

As at the date of this announcement, the Company’s executive directors are Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong and Mr. Wang Yun Li; and the Company’s independent non-executive directors are Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit.