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If you have sold or transferred all your shares in **Hisense Home Appliances Group Co., Ltd.**, you should hand this circular at once to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

(1) CONTINUING CONNECTED TRANSACTIONS; AND (2) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

**Independent Financial Adviser to the Independent Board Committee
and the Shareholders**



Capitalised terms used in this cover page have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 68 of this circular. A letter from the Independent Board Committee is set out on pages 69 to 70 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders is set out on pages 71 to 150 of this circular.

A notice of the EGM to be held on Friday, 22 January 2021 at 3 p.m. at the conference room of the Company's head office, Shunde District, Foshan City, Guangdong Province, the PRC, a proxy form for use at the EGM and a reply slip have been despatched by the Company on 30 October 2020 and are also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hxjd.hisense.cn>). Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed on it and return it to the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting (as the case may be) should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

28 December 2020

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“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 30 October 2020 entered into between the Company, Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management 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
“Caps”	(A) the annual caps for the transactions contemplated under the Business Co-operation Framework Agreement for the year ending 31 December 2021, being (1) RMB327,370,000 in respect of the purchases of electrical appliances by the Group from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and their respective subsidiaries under the Business Co-operation Framework Agreement; (2) RMB810,040,000 in respect of the purchases of raw materials, parts and components by the Group from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and their respective subsidiaries under the Business Co-operation Framework Agreement; (3) RMB1,271,470,000 in respect of the provision of services by Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and their respective subsidiaries to the Group under the Business Co-operation Framework Agreement; (4) RMB19,552,610,000 in respect of the supply of electrical appliances by the Group to Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and their respective subsidiaries under the Business Co-operation Framework Agreement; (5) RMB151,500,000 in respect of the supply of moulds by the Group to Hisense Electric Holdings, Hisense

DEFINITIONS

International, Hisense Visual Technology and their respective subsidiaries under the Business Co-operation Framework Agreement; (6) RMB445,010,000 in respect of the supply of raw materials, parts and components by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and their respective subsidiaries under the Business Co-operation Framework Agreement; and (7) RMB39,490,000 in respect of the provision of services by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and their respective subsidiaries under the Business Co-operation Framework Agreement; and

(B) the annual caps for the transactions contemplated under the Financial Services Agreement during the term of the Financial Services Agreement, being (1) RMB18,500,000,000 (inclusive of interest) in respect of the maximum daily closing balance of the deposits placed by the Group with Hisense Finance under the Financial Services Agreement; (2) RMB11,500,000,000 (inclusive of interest and service fees) in respect of the maximum daily closing balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group under the Financial Services Agreement; (3) RMB50,000,000 in respect of the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services under the Financial Services Agreement; (4) US\$300,000,000 in respect of the annual amount of foreign currency settled or sold by Hisense Finance for the Group under the Financial Services Agreement; and (5) RMB3,000,000 in respect of the maximum annual amount of service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds under the Financial Services Agreement

“CBRC”

中國銀行業監督管理委員會 (China Banking Regulatory Commission)

“close associates”

has the meaning ascribed to it under the Hong Kong Listing Rules

DEFINITIONS

“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 both 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 2021 first extraordinary general meeting of the Company to be held at the conference room of the Company’s head office, Shunde District, Foshan City, Guangdong Province, the PRC on Friday, 22 January 2021 at 3 p.m. to, among other things, consider and, if thought fit, approve the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements
“Existing Business Co-operation Framework Agreement”	the business co-operation framework agreement (業務合作框架協議) dated 5 November 2019 entered into between the Company, Hisense Company, Hisense International, Hisense Marketing Management and Hisense Visual Technology in relation to the sale and purchase of electrical appliances, raw materials, parts and components, supply of equipment and moulds, and the provision of various services, as supplemented by the supplemental agreement (業務合作框架協議之補充協議) dated 31 July 2020 entered into between the Company and Hisense International
“Existing Financial Services Agreement”	the financial services agreement (金融服務協議) dated 5 November 2019 entered into between the Company and Hisense Finance in relation to the provision of financial services by Hisense Finance to the Group
“Financial Services Agreement”	the financial services agreement (金融服務協議) dated 30 October 2020 entered into between the Company and Hisense Finance in relation to the provision of financial services by Hisense Finance to the Group
“Group”	the Company and its subsidiaries

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“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 Electric Holdings, and holds approximately 37.92% of the Shares as at the Latest Practicable Date
“Hisense Company”	Hisense Company Limited (海信集團有限公司), a company incorporated in the PRC with limited liability
“Hisense Electric Holdings”	Qingdao Hisense Electric Holdings Company Limited* (青島海信電子產業控股股份有限公司), 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 Latest Practicable Date
“Hisense Finance”	Hisense Finance Co., Ltd* (海信集團財務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Electric Holdings
“Hisense HK”	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Electric Holdings, and holds approximately 9.13% of the Shares as at the Latest Practicable Date
“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 Electric 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 owned as to 50% 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 Electric Holdings
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors (namely Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit)
“Independent Financial Adviser”	Yuanta Securities (Hong Kong) Company Limited, a corporation licensed to carry Type 1 (Dealing in securities), Type 2 (Dealing in future contracts), Type 4 (Advising on securities), Type 5 (Advising on future contracts), Type 6 (Advising on corporate finance) and Type 9 (Asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Shareholders in respect of the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements
“Independent Shareholders”	(i) in respect of the Business Co-operation Framework Agreement, Shareholders other than Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and their respective associates and other Shareholders which are required to abstain from voting in relation to the Business Co-operation Framework Agreement under the Shenzhen Listing Rules; and (ii) in respect of the Financial Services Agreement, Shareholders other than Hisense Finance and its associates and other Shareholders which are required to abstain from voting in relation to the Financial Services Agreement under 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
“Latest Practicable Date”	21 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“PRC”	the People’s Republic of China

DEFINITIONS

“Qingdao SASAC”	State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會)
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“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 Stocks on the Shenzhen Stock Exchange (深圳證券交易所股票上市規則)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

English translations of names in Chinese or another language in this circular which are marked with “” are for identification purposes only.*

References to time and dates in this circular are to Hong Kong time and dates.

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Tang Ye Guo
Mr. Jia Shao Qian
Mr. Lin Lan
Mr. Dai Hui Zhong
Mr. Duan Yue Bin
Mr. Fei Li Cheng

Registered office:

No. 8 Ronggang Road
Ronggui Street
Shunde District
Foshan City
Guangdong Province
PRC

Independent non-executive Directors:

Mr. Ma Jin Quan
Mr. Zhong Geng Shen
Mr. Cheung Sai Kit

Principal place of business in Hong Kong:

Room 3101-05
Singa Commercial Centre
No. 148 Connaught Road West
Hong Kong

28 December 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS; AND
(2) CONTINUING CONNECTED TRANSACTIONS AND
MAJOR TRANSACTION**

BACKGROUND

Reference is made to the announcement of the Company dated 30 October 2020 in respect of the Business Co-operation Framework Agreement and the Financial Services Agreement.

As disclosed in the announcement of the Company dated 30 October 2020, each of the Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2020 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under each of the agreements from time to time after their expiration. In view of the above and to modify the scope of the transactions between certain parties, on 30 October 2020, the Company entered into the Business Co-operation Framework Agreement and the Financial Services Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to:

- (a) provide you with further information on the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements;
- (b) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders in relation to the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements; and
- (c) set out the recommendation from the Independent Board Committee in relation to the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements.

(A) CONTINUING CONNECTED TRANSACTIONS

BUSINESS CO-OPERATION FRAMEWORK AGREEMENT

Date: 30 October 2020

Parties: The Company;
Hisense Company;
Hisense Electric Holdings;
Hisense International;
Hisense Marketing Management; and
Hisense Visual Technology

Each of the parties to the Business Co-operation Framework Agreement shall be entitled to authorise its subsidiaries to take up its rights and obligations and perform under the Business Co-operation Framework Agreement, and to enter into definitive contract(s) with each other for the transactions to be conducted under the Business Co-operation Framework Agreement. As at the Latest Practicable Date, as (i) Hisense Electric Holdings is controlled by Hisense Company; and (ii) each of Hisense International, Hisense Marketing Management and Hisense Visual Technology is a subsidiary of Hisense Electric Holdings, for the purpose of the transactions to be conducted under the Business Co-operation Framework Agreement, (a) subsidiaries of Hisense Company shall not include Hisense Electric Holdings and its subsidiaries; and (b) subsidiaries of Hisense Electric Holdings shall not include Hisense International, Hisense Marketing Management and Hisense Visual Technology and their respective subsidiaries.

LETTER FROM THE BOARD

Term:

The Business Co-operation Framework Agreement shall commence from 1 January 2021 or the date of approval of the Business Co-operation Framework Agreement by the Independent Shareholders at the EGM (whichever is the later) until 31 December 2021, which can be terminated before its expiration by mutual agreement of the parties.

In the event of any exemption for connected transactions being withdrawn or revoked or becoming invalid and there is non-compliance with the relevant Hong Kong Listing Rules and/or Shenzhen Listing Rules in respect of connected transactions for any transactions contemplated under the Business Co-operation Framework Agreement, the performance of the Business Co-operation Framework Agreement in respect of such transactions shall be terminated. The Business Co-operation Framework Agreement will be terminated if all transactions contemplated under it have been terminated for the above reason.

Condition:

The Business Co-operation Framework Agreement and the transactions contemplated under it are subject to the approval of the Independent Shareholders at the EGM.

Subject matters:

The transactions contemplated under the Business Co-operation Framework Agreement 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 Co-operation Framework Agreement does not restrict the rights of the parties to sell or purchase products or services contemplated under the Business Co-operation Framework Agreement from any other purchasers or suppliers.

The relevant parties will enter into definitive contract(s) setting out specific terms including specifications of the products or services, quantity involved, pricing principles, quality standards and warranties, payment terms, terms of delivery, technological services and obligations in the event of default, but such terms shall be consistent with the principles and the terms of the Business Co-operation Framework Agreement.

Payment term(s) for the transactions contemplated under the Business Co-operation Framework Agreement shall be in accordance with the payment term(s) as stipulated in the definitive contract(s) to be signed by the relevant parties to such contract(s).

LETTER FROM THE BOARD

The Mixed Ownership Reform of Hisense Company and the proposed succession of part of the service function of Hisense Company and the related Caps by Hisense Electric Holdings following the completion of the Mixed Ownership Reform:

References are made to the overseas regulatory and inside information announcements of the Company both dated 28 May 2020 and the overseas regulatory and inside information announcement of the Company dated 23 October 2020 (the “**Announcements**”) in relation to, among other matters, the “Implementation Plan of the Mixed Ownership Reform of Hisense Company” (《海信集團深化混合所有制改革實施方案》) (the “**Mixed Ownership Reform**”).

As disclosed in the Announcements, Hisense Company is undergoing certain enterprise reform and restructuring work. As the subject entity of the Mixed Ownership Reform, Hisense Electric Holdings will, through enlarging its registered capital by issuing shares for listing and public trading on the Qingdao Property Rights Exchange (青島產權交易所), introduce strategic investor(s) with industrial synergy and the ability to assist Hisense Electric Holdings in its international development in order to achieve a more diversified shareholding structure as well as a more market-based corporate governance structure. As at the Latest Practicable Date, the Mixed Ownership Reform had not yet completed.

As at the Latest Practicable Date, (i) Hisense Company held approximately 32.36% of Hisense Electric Holdings; (ii) Hisense Electric Holdings held approximately 93.33% of Hisense Air-conditioning and wholly owned Hisense HK; (iii) Hisense Air-conditioning held approximately 37.92% of the Shares; and (iv) Hisense HK held approximately 9.13% of the Shares. Each of Hisense Company and Hisense Electric Holdings (through their indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company.

Following the completion of the Mixed Ownership Reform, it is expected that the equity interests held by Hisense Company in Hisense Electric Holdings would be diluted to approximately 26.79% and Hisense Company would no longer control Hisense Electric Holdings. As such, the Company may change from being a company ultimately controlled by Qingdao SASAC to not having any ultimate beneficial controller. Also, Hisense Company would cease to be the controlling shareholder of the Company and a connected person of the Company under the Hong Kong Listing Rules. Notwithstanding the above, the interest of Hisense Electric Holdings in the Company held through Hisense Air-conditioning and Hisense HK will not be affected by the Mixed Ownership Reform.

Hisense Company entered into the Existing Business Co-operation Framework Agreement with the Company as a representative of Hisense Company and its subsidiaries, including Hisense Electric Holdings and its subsidiaries. Despite that Hisense Company was the signing entity who was a party to the Existing Business Co-operation Framework Agreement, save for the provision of services by Hisense Company and/or its subsidiaries to the Group, as more particularised in the section headed “(3) Provision of services” below, all other continuing connected transactions

LETTER FROM THE BOARD

between the Group and Hisense Company and/or its subsidiaries under the Existing Business Co-operation Framework Agreement are conducted between the Group and Hisense Electric Holdings and/or its subsidiaries.

In view of the expected change of equity holding structure between Hisense Company and the Company following the completion of the Mixed Ownership Reform, and as a result Hisense Company would cease to be the controlling shareholder of the Company and part of the service function of Hisense Company would be succeeded by Hisense Electric Holdings, Hisense Electric Holdings joins as a party to the Business Co-operation Framework Agreement, under which it acknowledges the proposed continuing connected transactions to be conducted between the Group and Hisense Company and/or its subsidiaries and agrees to succeed the rights and obligations of Hisense Company under the Business Co-operation Framework Agreement, including the relevant Caps, upon the completion of the Mixed Ownership Reform.

For the provision of services provided by Hisense Company and/or its subsidiaries to the Group under the Business Co-operation Framework Agreement, (i) Hisense Company and (ii) Hisense Electric Holdings and/or its subsidiaries will provide services to the Group. Following the completion of the Mixed Ownership Reform, the original part of the service function of Hisense Company is expected to be succeeded by Hisense Electric Holdings, and Hisense Electric Holdings and/or its subsidiaries will continue to provide services to the Group. As a result, the rights and obligations of Hisense Company under the Business Co-operation Framework Agreement, including the relevant Caps, are expected to be fully succeeded by Hisense Electric Holdings upon the completion of the Mixed Ownership Reform.

The Company's internal policy regarding continuing connected transactions:

The Company has established connected transaction management policy (關聯交易管理辦法) (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 departments 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

LETTER FROM THE BOARD

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 departments 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. They will also conduct a monthly review on the terms of the continuing connected transaction and compare such terms with those of the similar transactions with independent third parties. 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 and the new transaction agreements contemplated under the Business Co-operation Framework Agreement.

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

(1) Purchases of electrical appliances

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will purchase from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries on a non-exclusive basis electrical appliances as it may require from time to time.

Pricing:

Pricing for the purchases of electrical appliances is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar electrical appliances offered by at least three independent third parties.

LETTER FROM THE BOARD

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 quotations 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 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.

Historical figures:

The annual cap allocated to the purchases of electrical appliances by the Group from Hisense Company, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2020 as specified in the Existing Business Co-operation Framework Agreement is RMB93,360,000 (exclusive of VAT). For the nine months ended 30 September 2020, the aggregate transaction amount for the purchases of electrical appliances by the Group from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB22,960,000 (exclusive of VAT and unaudited) (of which RMB1,890,000 was for the purchases from Hisense Electric Holdings and/or its subsidiaries, RMB21,040,000 was for the purchases from Hisense International and/or its subsidiaries and RMB30,000 was for the purchases from Hisense Visual Technology and/or its subsidiaries).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the purchases of electrical appliances by the Group from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 are subject to the Cap of RMB327,370,000 (exclusive of VAT), of which:

- (i) RMB3,920,000 will be allocated to the purchases of electrical appliances from Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB321,120,000 will be allocated to the purchases of electrical appliances from Hisense International and/or its subsidiaries; and
- (iii) RMB2,330,000 will be allocated to the purchases of electrical appliances from Hisense Visual Technology and/or its subsidiaries.

LETTER FROM THE BOARD

The above Cap was determined with reference to:

- (i) Similar transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the estimated annualised unaudited amount of the similar transactions for the year 2020 in the amount of approximately RMB75,120,000.

The estimated annualised unaudited transaction amount for the year 2020 comprises: (a) the historical transaction amount for the nine months ended 30 September 2020 as mentioned above; and (b) the projected transaction amount from October 2020 to December 2020, having taken into account the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the development of the Group's business operations in the first three quarters of 2020 (the composition of the estimated annualised unaudited transaction amount for the year 2020, together with the above projection basis of the transaction amount for the final quarter of 2020, in relation to each type of transactions under the Business Co-operation Framework Agreement as presented in this circular shall hereinafter be referred to as the **"Estimated Annualised Transaction Amount in 2020"**).

- (ii) The projected 20% year-on-year increase in the level of sales scale of the Group for the year ending 31 December 2021 (the **"2021 Projected Sales Increment"**)

Such increase was projected based on: (a) the Group's continual improvement in the structure of its product sale by increasing the sale of mid-to-high-end products and introducing products of high-end brands, which is expected to further increase the average selling price of the Group's products and bring in sales increment; (b) the Group's further effort in promotion and marketing activities with an aim to further increase its market share to boost its sales scale; and (c) the Group's plan to further enhance the competitiveness of its sales channel and the effectiveness of its sales point and sales network, thereby bringing in sales increment.

As mentioned in the section headed "Principal factors considered – I. Background information and reasons for the Agreements – 8. Prevailing market conditions about the demand for electrical appliances" in the letter from the Independent Financial Adviser on pages 79 to 81 of this circular, the largest year-on-year growth rate of the revenue of various listed major Chinese white goods companies for the twelve months ended September 2020, with reference to their estimated revenue for the year 2021, is 20%.

LETTER FROM THE BOARD

For the nine months ended 30 September 2020, the Group recorded unaudited consolidated operating revenue of approximately RMB34,866.0 million, representing a year-on-year increase of approximately 29.09% as compared to unaudited consolidated operating revenue of approximately RMB27,010.1 million for the nine months ended 30 September 2019. For the three months ended 30 September 2020, the Group recorded a year-on-year increase of approximately 70.96% in operating revenue.

The 2021 Projected Sales Increment is in line with the largest revenue growth rate of listed major Chinese white goods companies and is supported by the historical revenue growth rate of the Group.

- (iii) The anticipated percentage increase in the relevant purchases of the Group in 2021

Such anticipated increase includes: (a) the projected purchases of special air-conditioners from Hisense Electric Holdings and/or its subsidiaries in the amount of RMB3,500,000 in 2021, based on the purchase schedule of the special air-conditioners between the Group and Hisense Electric Holdings and/or its subsidiaries; and (b) the projected purchases of “ASKO” and “Gorenje” high-end electrical appliances from Hisense International and/or its subsidiaries in the amount of approximately RMB300,000,000 for the year 2021.

References are made to the announcement of the Company dated 31 July 2020 and the circular of the Company dated 3 September 2020 in relation to the revision of annual cap under the Existing Business Co-operation Framework Agreement. The revision of annual cap was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 25 September 2020, following which the Group starts to import “ASKO” and “Gorenje” high-end electrical appliances directly from the overseas subsidiary of Hisense International for sale in the PRC market.

The expected purchases of “ASKO” and “Gorenje” high-end electrical appliances from Hisense International and/or its subsidiaries in the amount of RMB300,000,000 for the year 2021 is based on (1) the estimated annualised purchase amount for importing the “ASKO” and “Gorenje” electrical appliances for sale in the PRC market in 2020, which comprises: (a) the historical purchase amount for the nine months ended 30 September 2020 of approximately RMB150,000,000; and (b) the projected purchase amount from October 2020 to December 2020

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of approximately RMB50,000,000; and (2) the Group's projected transaction amount for purchasing such electrical appliances from Hisense International and/or its subsidiaries in 2021 with reference to (a) the estimated annualised purchase amount for importing such electrical appliances for sale in the PRC market in 2020; and (b) the projected 50% year-on-year increase in the purchase of such electrical appliances from Hisense International and/or its subsidiaries for the year ending 31 December 2021, having considered (i) the expected increase in marketing efforts coupled with the acceleration of development of sales channel; and (ii) the Group is expected to further expand the business scale of mid-to-high-end electrical appliances. In 2020, more than 100 additional stores for selling "ASKO" and "Gorenje" high-end electrical appliances have been established in the PRC market. With the Group's continuous effort in expanding the scale of this part of business and through its sales network in the PRC, it has confidence in further expanding the sale of such electrical appliances in the PRC market.

- (iv) The Group's plan of marketing and product promotion activities for the year 2021

The Group plans to purchase electrical appliances as gifts for marketing and product promotion activities for the year 2021 with an aggregate value of RMB2,750,000.

Reasons and benefits:

The sales and overall image of the Group can be enhanced by purchasing electrical appliances from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries as gifts for the Group's marketing and promotion activities which aim at boosting the sale of the Group's electrical appliances. At the same time, the intended purchases of "ASKO" and "Gorenje" high-end electrical appliances by the Group from Hisense International and/or its subsidiaries are expected to further expand the business scale of the Group's sale of high-end electrical appliances in the PRC market, optimise the Group's product structure, and thereby drive the enhancement of the overall high-end electrical appliances business of the Group. The Group has appointed Hisense International and/or its subsidiaries to purchase, on its behalf, prototype of electrical appliances from overseas markets for the purpose of conducting analysis and research, and to carry out product market research. Since the pricing for the purchases of electrical appliances will be determined with reference to the market price of similar electrical appliances, it will be more convenient to the Group in terms of time and costs to purchase certain electrical appliances through Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries.

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In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the purchases of electrical appliances from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) *Purchases of raw materials, parts and components*

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will purchase from Hisense Electric 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 it may require from time to time.

Pricing:

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 raw materials, parts and components offered by 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 quotations 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.

Historical figures:

The annual cap allocated to the purchases of raw materials, parts and components by the Group from Hisense Company, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2020 as specified in the Existing Business Co-operation Framework Agreement is RMB659,580,000 (exclusive of VAT). For the nine months ended 30 September 2020, the aggregate transaction amount for the purchases of raw materials, parts and components by the Group from Hisense Electric Holdings, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB287,990,000 (exclusive of VAT).

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and unaudited) (of which RMB265,730,000 was for the purchases from Hisense Electric Holdings and/or its subsidiaries and RMB22,260,000 was for the purchases from Hisense Visual Technology and/or its subsidiaries).

Under the Existing Business Co-operation Framework Agreement and as of the Latest Practicable Date, the Group had not purchased any raw materials, parts and components from Hisense International and/or its subsidiaries.

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the purchases of raw materials, parts and components by the Group from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 are subject to the Cap of RMB810,040,000 (exclusive of VAT), of which:

- (i) RMB700,860,000 will be allocated to the purchases of raw materials, parts and components from Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB35,000,000 will be allocated to the purchases of raw materials, parts and components from Hisense International and/or its subsidiaries; and
- (iii) RMB74,180,000 will be allocated to the purchases of raw materials, parts and components from Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Electric Holdings, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020 in the amount of approximately RMB384,370,000;
- (ii) the 2021 Projected Sales Increment; and
- (iii) the anticipated percentage increase in the relevant purchases of the Group in 2021, including but not limited to:
 - (a) the projected amount of relevant purchases of the Group in 2021 given the historical transaction amount mentioned in (i) above and the projected increase in the level of sales scale as mentioned in (ii) above;

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- (b) in view of the strong ability of a subsidiary of Hisense Electric Holdings in manufacturing raw materials such as electric control boards and Wi-Fi templates, the scale of purchases of raw materials, parts and components from the subsidiary of Hisense Electric Holdings in 2021 is expected to increase to the amount of approximately RMB449,280,000, comprising (1) the expected purchases of the Group from the subsidiary of Hisense Electric Holdings in the amount of RMB361,110,000 in 2021, having taken into account the Estimated Annualised Transaction Amount of RMB300,925,000 in 2020 between the Group and the subsidiary of Hisense Electric Holdings and the 2021 Projected Sales Increment of 20%; and (2) as the Group has increased the purchase percentage allocation to purchase from the subsidiary of Hisense Electric Holdings in 2021, the increase in purchases of the Group from the subsidiary of Hisense Electric Holdings in the amount of RMB88,170,000 in 2021, out of which the expected purchases of raw materials, parts and components for the production of central air-conditioners are to increase by approximately RMB61,000,000, having considered that the subsidiary of Hisense Electric Holdings is able to provide stable supply of raw materials, parts and components of better quality and, as a result, for 2021, the Group has increased around 10% of the purchase percentage allocation to purchasing raw materials, parts and components for the production of central air-conditioners from the subsidiary of Hisense Electric Holdings;
- (c) the projected purchases of certain materials by the Group from another subsidiary of Hisense Electric Holdings, which principally engages in domestic and import and export business in the PRC and has the purchase advantage in obtaining such materials at a lower cost, in the aggregate amount of RMB251,200,000;
- (d) as a business incidental to the purchase of “ASKO” and “Gorenje” high-end electrical appliances from Hisense International and/or its subsidiaries, the Group expects to purchase raw materials, parts and components from Hisense International and/or its subsidiaries in 2021. Having considered the projected sales increment of such high-end electrical appliances in the PRC market in 2021 and that the Group intends to increase the quota of spare parts for its domestic customers, the projected purchase amount of spare parts in 2021 is increased to approximately RMB5,000,000. In addition, Hisense International and/or its subsidiaries have the advantages in purchasing certain overseas specific materials (for example, raw materials, parts and components

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for high-end kitchen and hygiene products) and the projected purchases of these overseas specific materials by the Group from Hisense International and/or its subsidiaries in 2021 is approximately RMB30,000,000; and

- (e) the projected purchases of voice control module, which are to be used to produce intelligent products, by the Group from Hisense Visual Technology and/or its subsidiaries in 2021 in the amount of approximately RMB23,000,000.

Reasons and benefits:

With the gradual increase in intelligent electrical appliances, the usage of raw materials and spare parts of intelligent product also increases. The subsidiaries of Hisense Electric Holdings have better ability in manufacturing these products with better quality and is beneficial to ensure the quality and performance of products. The Group is satisfied with the quality of the raw materials, parts and components provided by Hisense Electric Holdings and/or its subsidiaries from the previous course of dealings. Quality of the Group's products is guaranteed by purchasing certain raw materials from Hisense Electric Holdings and/or its subsidiaries, which, in turn, increases product competitiveness.

The Group imports "ASKO" and "Gorenje" high-end electrical appliances from Hisense international and/or its subsidiaries for sale in the PRC market. The purchases of raw materials, parts and components from Hisense International and/or its subsidiaries help to meet the business demand of the Group in selling such high-end electrical appliances products. Furthermore, in view of the advantages of Hisense International and/or its subsidiaries in purchasing certain overseas specific materials (for example, raw materials, parts and components for high-end kitchen and hygiene products), purchasing such overseas specific materials from Hisense International and/or its subsidiaries help to lower the Group's cost of purchase.

With the increase in demand for intelligent electrical appliances, the Group's use of raw materials, parts and components for voice control module also increases. Purchasing such raw materials, parts and components from Hisense Visual Technology and/or its subsidiaries help to meet the demand of the Group in producing intelligent electrical appliances.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the purchases of raw materials, parts and components from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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(3) Provision of services

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will, on a non-exclusive basis, engage (i) Hisense Company for the provision of property, employee health management, technical support and information system development and maintenance services as the Group may require from time to time; (ii) Hisense Electric Holdings and/or its subsidiaries for the provision of material processing, installation and maintenance, distribution, property, leasing, design, inspection, agency services, management consultancy, technical support and information system development and maintenance services as the Group may require from time to time; (iii) 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; (iv) Hisense Marketing Management and/or its subsidiaries for the provision of agency services as the Group may require from time to time; and (v) 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.

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 price for the provision of similar services offered by 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 quotations 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.

Historical figures:

The annual cap allocated to the provision of services by Hisense Company, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group for the financial year ending 31 December 2020 as specified in the Existing Business Co-operation Framework Agreement is RMB1,017,960,000. For the nine months ended 30 September 2020, the aggregate transaction amount for the provision of services contemplated under the Business Co-operation

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Framework Agreement by Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group amounted to approximately RMB623,720,000 (unaudited) (of which RMB34,840,000 was for the provision of relevant services by Hisense Company, RMB449,180,000 was for the provision of relevant services by Hisense Electric Holdings and/or its subsidiaries, RMB3,810,000 was for the provision of relevant services by Hisense International and/or its subsidiaries, RMB117,310,000 was for the provision of relevant services by Hisense Marketing Management and/or its subsidiaries and RMB18,580,000 was for the provision of relevant services by Hisense Visual Technology and/or its subsidiaries).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the provision of services by Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group for the financial year ending 31 December 2021 are subject to the Cap of RMB1,271,470,000, of which:

- (i) RMB56,600,000 will be allocated to the provision of property, employee health management, technical support and information system development and maintenance services by Hisense Company;
- (ii) RMB857,120,000 will be allocated to the provision of material processing, installation and maintenance, distribution, property (including: (a) property leasing services mostly for office buildings; and (b) property management services in relation to office buildings and factories. The majority of the aforementioned properties are located in the Guangdong Province and Shandong Province of the PRC), leasing, design, inspection, agency services, management consultancy, technical support and information system development and maintenance services by Hisense Electric Holdings and/or its subsidiaries;
- (iii) RMB36,590,000 will be allocated to the provision of maintenance, agency and technical support services by Hisense International and/or its subsidiaries;
- (iv) RMB288,190,000 will be allocated to the provision of agency services by Hisense Marketing Management and/or its subsidiaries; and
- (v) RMB32,970,000 will be allocated to the provision of property and technical support services by Hisense Visual Technology and/or its subsidiaries.

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Historical figures, proposed Caps, basis of and reasons for determining the proposed Caps are listed in the table below:

Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Company	Property services (including property management and property leasing)	25,920,000	20,660,000	34,710,000	Similar transactions between the Group and Hisense Company in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB25,820,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB34,710,000, representing an increase of approximately 34%, taking into account:
					(i) the corresponding increase in charges for electricity and water and property management in 2021 in view of the expected increase in the operating revenue of the Group;
					(ii) in addition to the existing leases, the Group will procure leasing of new properties or expand the size of leasing area to meet its increased leasing needs in view of the expected increase in the operating revenue of the Group; and
					(iii) the expected increase in property service fees in view of the expected increase in rental fees in the property market in 2021.

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Company	Information system development and maintenance services	4,910,000	1,470,000	4,670,000	Similar transactions between the Group and Hisense Company in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB3,880,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB4,670,000, representing an increase of approximately 20%, taking into account:
					(i) the Estimated Annualised Transaction Amount in 2020 for the provision of information system maintenance services by Hisense Company to the Group; and
					(ii) in addition to the existing information system of the Group, in view of the 2021 Projected Sales Increment and the increase in the level and demand of informatisation of the Group, the Group is expected to incur additional information system development and maintenance fees.

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Company	Employee health management and technical support services	17,550,000	12,710,000	17,220,000	Similar transactions between the Group and Hisense Company in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB14,520,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB17,220,000, representing an increase of approximately 19%, taking into account:
					(i) the Group will increase its purchases of these services from Hisense Company given the 2021 Projected Sales Increment; and
					(ii) the Group will increase its appointment of Hisense Company to provide technical support services to its "Laboratory Development Project".
Total		<u>48,380,000</u>	<u>34,840,000</u>	<u>56,600,000</u>	

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Electric Holdings and/or its subsidiaries	Material processing services	144,770,000	87,280,000	169,870,000	Similar transactions between the Group and Hisense Electric Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised transaction Amount in 2020, amount to approximately RMB123,180,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB169,870,000, representing an increase of approximately 38%, taking into account:
					(i) the Group will correspondingly increase its purchases of material processing services from Hisense Electric Holdings and/or its subsidiaries given the 2021 Projected Sales Increment; and
					(ii) the Group will increase the purchases of material processing services from Hisense Electric Holdings and/or its subsidiaries so as to ensure the Group's product quality as the Group is satisfied with their high service quality.

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Electric Holdings and/or its subsidiaries	Installation and maintenance services	290,660,000	138,810,000	305,280,000	Similar transactions between the Group and Hisense Electric Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB207,420,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB305,280,000, representing an increase of approximately 47%, taking into account:
					(i) the Group will correspondingly increase its appointment of Hisense Electric Holdings and/or its subsidiaries to provide installation and maintenance services given the 2021 Projected Sales Increment; and
					(ii) the Group will increase the range of products for which Hisense Electric Holdings and/or its subsidiaries are appointed to provide installation and maintenance services as the Group is satisfied with their high service quality.

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Electric Holdings and/or its subsidiaries	Property services (including property management and property leasing)	18,060,000	8,910,000	22,940,000	Similar transactions between the Group and Hisense Electric Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB17,170,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB22,940,000, representing an increase of approximately 34%, taking into account: (i) the corresponding increase in charges for electricity and water and property management in 2021 in view of the expected increase in the operating revenue of the Group; (ii) in addition to the existing leases, the Group will procure leasing of new properties or expand the size of leasing area to meet its increased leasing needs in view of the expected increase in the operating revenue of the Group; and (iii) the expected increase in property service fees in view of the expected increase in rental fees in the property market in 2021.

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Electric Holdings and/or its subsidiaries	Information system development and maintenance services	101,220,000	68,640,000	128,190,000	Similar transactions between the Group and Hisense Electric Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB99,600,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB128,190,000, representing an increase of approximately 29%, taking into account:
					(i) the Estimated Annualised Transaction Amount in 2020 for the provision of information system maintenance services by Hisense Electric Holdings and/or its subsidiaries to the Group; and
					(ii) in addition to the existing information system of the Group, in view of the 2021 Projected Sales Increment and the increase in the level and demand of informatisation of the Group, in particular, in the areas of “intellectual manufacturing”, “instant communication application”, “sales management” and “intelligent office”, the Group is expected to incur additional information system development and maintenance fees.

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Electric Holdings and/or its subsidiaries	Equipment inspection services	21,230,000	12,450,000	21,690,000	Similar transactions between the Group and Hisense Electric Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB18,220,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB21,690,000, representing an increase of approximately 19%, taking into account:
					(i) based on the Estimated Annualised Transaction Amount in 2020 for the provision of equipment inspection services by Hisense Electric Holdings and/or its subsidiaries to the Group, it is expected that the percentage increase in the relevant purchases of the Group in 2021 would be similar to the 2021 Projected Sales Increment; and
					(ii) the Group will increase its appointment of Hisense Electric Holdings and/or its subsidiaries to provide equipment inspection services as the Group is satisfied with their high service quality.

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Electric Holdings and/or its subsidiaries	Distribution, leasing, design, agency services, management consultancy and technical support services	158,280,000	133,090,000	209,150,000	Similar transactions between the Group and Hisense Electric Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB157,800,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB209,150,000, representing an increase of approximately 33%, taking into account:
					(i) the Group will increase its purchases of these services from Hisense Electric Holdings and/or its subsidiaries given the 2021 Projected Sales Increment; and
					(ii) the Group will increase its appointment of Hisense Electric Holdings and/or its subsidiaries to provide technical support services to its “intelligent appliances”.
Total		734,220,000	449,180,000	857,120,000	

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense International and/or its subsidiaries	Maintenance services	31,430,000	2,810,000	24,210,000	Similar transactions between the Group and Hisense International and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB18,580,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB24,210,000, representing an increase of approximately 30%, taking into account:
					(i) the Estimated Annualised Transaction Amount in 2020 for the provision of maintenance services by Hisense International and/or its subsidiaries to the Group;
					(ii) the expected increase in the sales revenue of the overseas market for the year 2021 to approximately RMB18,571,000,000, representing a year-on-year increase of 26% (the “ 2021 Projected Overseas Sales Increment ”); and
					(iii) the extension in warranty period of products which leads to the increase in demand for related product maintenance services.

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense International and/or its subsidiaries	Agency services	2,030,000	1,000,000	2,380,000	Similar transactions between the Group and Hisense International and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB1,830,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB2,380,000, representing an increase of approximately 30%, taking into account:
					(i) the Group will correspondingly increase its purchases of agency services from Hisense International and/or its subsidiaries given the 2021 Projected Sales Increment; and
					(ii) the Group will increase the purchases of agency services from Hisense International and/or its subsidiaries as the Group is satisfied with their high quality and efficient service.
Hisense International and/or its subsidiaries	Technical support services	Nil	Nil	10,000,000	It is expected that the anticipated purchase amount in 2021 is approximately RMB10,000,000, taking into account the Group will purchase technical support services from Hisense International and/or its subsidiaries as the Group expects to develop new projects for the research and development of high-end kitchen electrical appliances in 2021, and Hisense International and/or its subsidiaries have the experience in the research and development of high-end kitchen electrical appliances.
Total		<u>33,460,000</u>	<u>3,810,000</u>	<u>36,590,000</u>	

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Marketing Management and/or its subsidiaries	Agency services	167,000,000	117,310,000	288,190,000	Similar transactions between the Group and Hisense Marketing Management and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB159,080,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB288,190,000, representing an increase of approximately 81%, taking into account:
					(i) the Estimated Annualised Transaction Amount in 2020 for the provision of agency services by Hisense Marketing Management and/or its subsidiaries to the Group; and
					(ii) the Group will increase the purchases of agency services from Hisense Marketing Management and/or its subsidiaries in view of the expected increase in sales of white goods through the business of sale of Hisense full-range electrical appliance products.
Total		167,000,000	117,310,000	288,190,000	

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Visual Technology and/or its subsidiaries	Property services (including property management and property leasing)	24,870,000	17,720,000	27,440,000	Similar transactions between the Group and Hisense Visual Technology and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB21,050,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB27,440,000, representing an increase of approximately 30%, taking into account:
					(i) the Estimated Annualised Transaction Amount in 2020 for the provision of property services by Hisense Visual Technology and/or its subsidiaries to the Group;
					(ii) in addition to the existing leases, the Group will procure leasing of new properties or expand the size of leasing area to meet its increased leasing needs in view of the increase in operating revenue of the Group; and
					(iii) the expected increase in property service fees in view of the increase in rental fees in the property market in 2021.

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Entities providing services	Types of services provided to the Group	Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2021
		Cap for the financial year ending 31 December 2020	Actual transaction amount for the nine months ended 30 September 2020	Proposed Cap for the financial year ending 31 December 2021	
Hisense Visual Technology and/or its subsidiaries	Technical support services	10,030,000	860,000	5,530,000	Similar transactions between the Group and Hisense Visual Technology and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020, amount to approximately RMB3,150,000. It is expected that the anticipated purchase amount in 2021 is approximately RMB5,530,000, representing an increase of approximately 76%, taking into account:
					(i) the Group will correspondingly increase its purchases of technical support services from Hisense Visual Technology and/or its subsidiaries given the 2021 Projected Sales Increment; and
					(ii) in 2021, the Group anticipates to appoint Hisense Visual Technology and/or its subsidiaries to provide technical support to, among other platform and laboratory development projects, its "Intelligent Food Ingredients Management Application Module".
Total		34,900,000	18,580,000	32,970,000	

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Reasons and benefits:

The Group is satisfied with the quality of the services provided by Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries from the previous course of dealings and considers that Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries possess the expertise and experience for the provision of relevant services which can enable the Group to carry out its daily operation smoothly.

In response to the needs of customers and the market, Hisense Marketing Management is responsible for the integrated management and organisation of both the online e-commerce and offline set sales in certain markets of the Hisense full-range electrical appliance products (mainly brown and white goods), which is conducive to enhancing the synergy and sharing effect of the Hisense full-range electrical appliance products, improve the Group's marketing capability and efficiency, thereby increase the sales scale of the Group's products and profitability of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the engagement of services of Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(4) Supply of electrical appliances

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will supply on a non-exclusive basis electrical appliances to Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries as they may require from time to time.

Pricing:

Pricing for the supply of electrical appliances is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar electrical appliances offered by 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 electrical appliances (including pricing and other contractual terms taking into account factors including the customers' credit rating and qualification of the customers such

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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 price offered by the Group to 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.

Historical figures:

The annual cap allocated to the supply of electrical appliances by the Group to Hisense Company, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2020 as specified in the Existing Business Co-operation Framework Agreement is RMB16,473,940,000 (exclusive of VAT). For the nine months ended 30 September 2020, the aggregate transaction amount for the supply of electrical appliances by the Group to Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB9,889,080,000 (exclusive of VAT and unaudited) (of which RMB177,160,000 was for the supply to Hisense Electric Holdings and/or its subsidiaries, RMB9,465,790,000 was for the supply to Hisense International and/or its subsidiaries, RMB245,860,000 was for the supply to Hisense Marketing Management and/or its subsidiaries and RMB270,000 was for the supply to Hisense Visual Technology and/or its subsidiaries).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of electrical appliances by the Group to Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 are subject to the Cap of RMB19,552,610,000 (exclusive of VAT), of which:

- (i) RMB319,270,000 will be allocated to the supply of electrical appliances by the Group to Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB18,571,080,000 will be allocated to the supply of electrical appliances by the Group to Hisense International and/or its subsidiaries;

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- (iii) RMB657,910,000 will be allocated to the supply of electrical appliances by the Group to Hisense Marketing Management and/or its subsidiaries; and
- (iv) RMB4,350,000 will be allocated to the supply of electrical appliances by the Group to Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020 in the amount of approximately RMB15,406,720,000;
- (ii) the 2021 Projected Sales Increment;
- (iii) the 2021 Projected Overseas Sales Increment, having considered that in 2021, the Group will (a) focus on its major customers to ensure the continual development of its matured markets and customers scale; (b) further expand its business by exploring into other potential markets; and (c) continue to develop the potential of the overseas markets and increase the sales revenue of its brand products;
- (iv) with the sale of full-range products and set products becoming the market development trend, through the sale plan of the Hisense full-range electrical appliance products which is integrated, managed and organised by Hisense Marketing Management, the sales of electrical appliance products from the Group to Hisense Marketing Management in 2021 is expected to amount to approximately RMB657,910,000, representing a year-on-year increase of 65%. Hisense Marketing Management will (a) continue to leverage the strength of its full-range sales platform to continue to expand its sales revenue; and (b) continue to develop potential customers to expand its business scale;
- (v) Hisense Electric Holdings and/or its subsidiaries are expected to further increase their bidding for the provision of special air-conditioners projects in 2021, as a result of which Hisense Electric Holdings and/or its subsidiaries are expected to entrust the Group with the production of special air-conditioners units, with the corresponding amount of approximately RMB214,030,000. In addition, Hisense Electric Holdings and/or its subsidiaries will enhance the development of home appliance

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ancillary projects and is expected to purchase home appliance products from the Group in the amount of approximately RMB69,000,000; and

- (vi) Hisense Visual Technology and/or its subsidiaries will increase the purchases of electrical appliance products from the Group in the amount of approximately RMB4,350,000 as promotional gifts.

Reasons and benefits:

The production and supply of electrical appliances by the Group to Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries can help to increase production and sales scale and enhance the market competitiveness of the Group's products. At the same time, the Group can continue to develop overseas market and enhance brand competitiveness and awareness. Developing online platform and offline set sales through Hisense Marketing Management benefits the creation of a synergetic effect, which can further increase the Group's sales scale and boost the Group's market share and income.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the supply of electrical appliances to Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(5) Supply of moulds

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will supply on a non-exclusive basis moulds to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries as they may require from time to time.

Pricing:

In response to the invitations to tender from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries (which are also extended to various independent third parties) from time to time, the Group may submit such tenders or bids to supply the moulds for such products requested by Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in its/their invitation to tender. Pricing for the supply of moulds 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.

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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.

Historical figures:

The annual cap allocated to the supply of moulds by the Group to Hisense Company, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2020 as specified in the Existing Business Co-operation Framework Agreement is RMB263,140,000 (exclusive of VAT). For the nine months ended 30 September 2020, the aggregate transaction amount for the supply of moulds by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB78,590,000 (exclusive of VAT and unaudited) (of which RMB nil was for the supply to Hisense Electric Holdings and/or its subsidiaries, RMB34,580,000 was for the supply to Hisense International and/or its subsidiaries and RMB44,010,000 was for the supply to Hisense Visual Technology and/or its subsidiaries).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of moulds by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 are subject to the Cap of RMB151,500,000 (exclusive of VAT), of which:

- (i) RMB2,000,000 will be allocated to the supply of moulds to Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB70,000,000 will be allocated to the supply of moulds to Hisense International and/or its subsidiaries; and
- (iii) RMB79,500,000 will be allocated to the supply of moulds to Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020 of approximately RMB87,380,000; and

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- (ii) the expected growth in the sales scale of the moulds of the Group in 2021, as:
 - (a) the demand for the Group's moulds is expected to further increase due to the growth in the business scale and addition of new customers of Hisense International and/or its subsidiaries, and the corresponding sales amount is expected to be approximately RMB70,000,000; and
 - (b) the expected amount of purchases by Hisense Visual Technology and/or its subsidiaries is approximately RMB79,500,000 after consultation and negotiation between the Group and Hisense Visual Technology and/or its subsidiaries.

Reasons and benefits:

The manufacture and sale of moulds have become important parts of the business of the Company's subsidiaries, and the sale of moulds by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries can facilitate the expansion of the sales scale of the Group and increase the sales revenue of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the supply of moulds to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(6) Supply of raw materials, parts and components

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will supply to Hisense Electric 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.

Pricing:

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 price of similar raw materials, parts and components supplied by the Group to at least three independent third parties.

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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 price of similar raw materials, parts and components supplied by the Group to 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.

Historical figures:

The annual cap allocated to the supply of raw materials, parts and components by the Group to Hisense Company, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2020 as specified in the Existing Business Co-operation Framework Agreement is RMB385,220,000 (exclusive of VAT). For the nine months ended 30 September 2020, the aggregate transaction amount for the supply of raw materials, parts and components by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB122,800,000 (exclusive of VAT and unaudited) (of which RMB88,240,000 was for the supply to Hisense Electric Holdings and/or its subsidiaries, RMB33,870,000 was for the supply to Hisense International and/or its subsidiaries and RMB690,000 was for the supply to Hisense Visual Technology and/or its subsidiaries).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of raw materials, parts and components by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 are subject to the Cap of RMB445,010,000 (exclusive of VAT), of which:

- (i) RMB351,350,000 will be allocated to the supply of raw materials, parts and components to Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB90,000,000 will be allocated to the supply of raw materials, parts and components to Hisense International and/or its subsidiaries; and

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- (iii) RMB3,660,000 will be allocated to the supply of raw materials, parts and components to Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020 in the amount of approximately RMB205,990,000;
- (ii) the 2021 Projected Sales Increment;
- (iii) the anticipated percentage increase in the relevant purchases of the Group in 2021, as it is expected that the Group will increase its purchases of raw materials such as electric control boards processed by a subsidiary of Hisense Electric Holdings to meet the Group's production needs in 2021. The Group will first sell raw materials such as resistors to the subsidiary of Hisense Electric Holdings for processing, and it is expected that the purchases of the raw materials for producing electric control boards by the subsidiary of Hisense Electric Holdings will increase to the amount of approximately RMB200,000,000;
- (iv) another subsidiary of Hisense Electric Holdings is principally engaged in domestic and import and export trading business. As the Group has the advantages in sourcing certain specific materials, it is expected that the subsidiary of Hisense Electric Holdings will purchase these materials from the Group in the amount of approximately RMB130,000,000;
- (v) 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. Based on the 2021 Projected Overseas Sales Increment, having also taken into account the increase in the quota of spare parts required by overseas customers and the expected increase in the revenue from the sale of spare parts, the amount for exporting raw materials, parts and components for the year 2021 is estimated to be approximately RMB90,000,000; and
- (vi) the Group sell raw materials, parts and components to Hisense Visual Technology and/or its subsidiaries, which mainly include the parts and components of television backboard and television case etc. produced by the Group for Hisense Visual Technology and/or its subsidiaries, and the expected amount of purchases by

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Hisense Visual Technology and/or its subsidiaries is approximately RMB3,660,000 after consultation and negotiation between the Group and Hisense Visual Technology and/or its subsidiaries.

Reasons and benefits:

A subsidiary of Hisense Electric Holdings has better ability in manufacturing raw materials (such as electric control boards and Wi-Fi modules) required for manufacturing electrical appliances with better quality and is beneficial to ensure the quality and performance of the products. Quality of the Group's products is guaranteed by purchasing certain raw materials from the subsidiary of Hisense Electric Holdings, which, in turn, increases product competitiveness. Such businesses are carried out by means of raw material processing. The Group supplies Hisense Electric Holdings with the raw materials required for processing and producing raw materials such as electric control boards and Wi-Fi modules, which facilitates the development of the aforementioned businesses.

Another subsidiary of Hisense Electric Holdings principally engages in domestic and import and export business in the PRC. As the Group has the advantages in sourcing certain specific materials, supply of these materials by the Group would increase its sourcing scale, enhance the Group's bargaining power and further reduce the sourcing cost.

Hisense International has overseas sales channels and high quality customer resources. The supply of raw materials, parts and components of export products by the Group to Hisense International can satisfy the business needs of the Group's export sales and expand the export sales scale of the Group. The provision of raw materials, parts and components to Hisense Visual Technology and its subsidiaries can also increase the revenue of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the supply of raw materials, parts and components to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(7) Provision of services by the Group

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will, on a non-exclusive basis, (i) provide property services, processing services and installation services to Hisense Electric Holdings and/or its subsidiaries; (ii) provide property services to Hisense International and/or its subsidiaries; and (iii) provide property services, processing services and installation services to Hisense Visual Technology and/or its subsidiaries.

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Pricing:

The fees payable by Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the aforesaid services are determined by commercial negotiations according to the principles of fairness and reasonableness between the parties with reference to the market price for the provision of similar services offered by the Group to 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 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 service fees are not less favourable than the fees of similar services offered by the Group to 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.

Historical figures:

The annual cap allocated to the provision of services by the Group to Hisense Company, Hisense International, Hisense Visual Technology and/or its subsidiaries for the financial year ending 31 December 2020 as specified in the Existing Business Co-operation Framework Agreement is RMB48,660,000. For the nine months ended 30 September 2020, the aggregate transaction amount for the provision of services contemplated under the Business Co-operation Framework Agreement by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB19,150,000 (unaudited) (of which RMB12,450,000 was for the provision of relevant services by the Group to Hisense Electric Holdings and/or its subsidiaries, RMB2,140,000 was for the provision of relevant services by the Group to Hisense International and/or its subsidiaries and RMB4,560,000 was for the provision of relevant services by the Group to Hisense Visual Technology and/or its subsidiaries).

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Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the provision of services by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 are subject to the Cap of RMB39,490,000, of which:

- (i) RMB24,590,000 will be allocated to the provision of property services, processing services and installation services by the Group to Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB4,140,000 will be allocated to the provision of property services by the Group to Hisense International and/or its subsidiaries; and
- (iii) RMB10,760,000 will be allocated to the provision of property services, processing services and installation services by the Group to Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020 in the amount of approximately RMB28,140,000;
- (ii) the 2021 Projected Sales Increment;
- (iii) related business needs of Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the year 2021; and
- (iv) the following expected growth in the businesses of the Group in 2021: (a) property services in the sum of approximately RMB25,110,000 to be provided by the Group; (b) processing services in the sum of approximately RMB2,000,000 to be provided by the Group; and (c) installation services in the sum of approximately RMB7,890,000 to be provided by the Group.

Reasons and benefits:

The provision of services for property and processing services to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries can improve the utilisation rate of the Group's resources and increase the Group's revenue. Provision of installation services to Hisense Electric Holdings, Hisense Visual Technology and/or

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their respective subsidiaries is incidental to the Group's business of supply of electrical appliances to these companies, which facilitates the development of the Group's business of sale of electrical appliances and increases the Group's revenue.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the provision of services to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(B) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

FINANCIAL SERVICES AGREEMENT

Date: 30 October 2020

Parties: The Company; and
Hisense Finance

Term:

The term of the Financial Services Agreement shall commence from 1 January 2021 or the date of approval of the Financial Services Agreement by the Independent Shareholders at the EGM (whichever is later) until 31 December 2021, which can be terminated by either party if the other party is in default and such default is not remedied within a reasonable period.

Condition:

The Financial Services Agreement and the transactions contemplated under it are subject to the approval of the Independent Shareholders at the EGM.

Subject matters:

Pursuant to the terms of the Financial Services Agreement, the Group will engage Hisense Finance to provide a range of financial services within its scope of business, including but not limited to the following services and such other businesses as may be carried on by Hisense Finance as approved by the regulatory authorities:

- (i) deposit services;
- (ii) loan and electronic bank acceptance bill (電子銀行承兌匯票) services;
- (iii) draft discount services (票據貼現服務);

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- (iv) settlement and sale of foreign exchange services (結售匯服務); and
- (v) agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務).

For the draft discount services which will be provided to the Group by Hisense Finance, the Group is entitled to present bank drafts to Hisense Finance for payment before the maturity date of the bank drafts. In return, Hisense Finance will charge discount interest (貼現利息) from the Group for “cashing” the bank drafts. After the Group has discounted the bank drafts with Hisense Finance, such bank drafts will belong to the latter which will have the right to present such bank drafts to the issuing banks for payment on their respective maturity dates.

The implementation of the provision of particular services contemplated under the Financial Services Agreement shall be subject to the definitive contract(s) to be entered into between the relevant parties within the scope of the Financial Services Agreement.

The Group may obtain financial services contemplated under the Financial Services Agreement from other financial institutions in addition to Hisense Finance, as it sees fit.

The Company’s internal policy regarding continuing connected transactions:

The Company has established the CT Management Policy to ensure 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 CT Management Policy, before entering into a definitive transaction, the Company will compare the price of similar transactions with or quotations obtained from independent third parties. Commencement of the definitive transaction with the connected party/parties is subject to 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 finance department of the Group will compare the interest rates on deposits and loans and the service fee for electronic bank acceptance bills offered by Hisense Finance to the Group to those offered by commercial banks in the PRC prior to the execution of the relevant transactions. For deposit services, the designated finance staff of the Group will review and compare the interest rates offered by Hisense Finance with the major commercial banks based on the nature and tenure of such deposits (e.g. the time deposits will be reviewed quarterly, the demand deposits will be reviewed monthly and the interest rates for loans will be reviewed regularly). For the purpose of ensuring the sufficiency of independent bank transactions that are subject to review, the finance staff

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will review the interest rates on deposits offered by the five major commercial banks in the PRC, namely, China Construction Bank, Industrial and Commercial Bank of China, Bank of China, Bank of Communications and Agricultural Bank of China (the “**Five Major PRC Commercial Banks**”). The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of the interest rates on deposits. For electronic bank acceptance bill services, the Group’s finance staff will conduct a monthly review on the service fees charged by external commercial banks, and the Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain quotations of service fees for issuing electronic bank acceptance bills to ensure that the service fees charged by Hisense Finance are not higher than those charged by commercial banks.

If the finance department is of the view that the interest rates on deposits and loan and the service fee for electronic bank acceptance bills offered by Hisense Finance to the Group are less favourable to the Group than those offered by commercial banks in the PRC, it will report to the senior management who will negotiate with Hisense Finance on the terms of the relevant transactions. If, after negotiation, Hisense Finance cannot offer terms which are no less favourable to the Group than those offered by commercial banks in the PRC, the Group will not execute the relevant transactions. The designated finance staff responsible for reviewing and comparing the interest rates mentioned above is not a member of the aforesaid senior management, and his duties are segregated from those of the senior management.

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 the finance 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 Group. They will also conduct a monthly review on the terms of the continuing connected transaction and compare such terms with those of the similar transactions with independent third parties based on the information provided by the finance department. The scope of the review conducted by the finance department and the securities department is the same so that the same information can be reviewed by personnel of different departments whose duties are segregated from each other. 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 Financial Services Agreement and the new transaction agreements contemplated under the Financial Services Agreement.

The Company and Hisense Finance periodically enter into deposit and loan agreements and electronic bank acceptance bill contracts pursuant to the Financial Services Agreement. The approval process of the relevant agreements and contracts is initiated by the finance department and the agreements and contracts can only be executed after the approval by the responsible finance officer in charge of a specific

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business operation. The finance department and securities department will closely monitor the daily closing balances of the deposit service and the loan and electronic bank acceptance bill service so that the relevant annual caps are not exceeded and the risks involved are under control.

The transactions contemplated under the Financial Services Agreement are in connection with the following aspects:

(1) *Deposit services*

Pricing:

The interest rate payable for the Group's deposits with Hisense Finance shall not be lower than the rate payable by normal commercial banks in the PRC for comparable deposits. The designated finance staff of the Group will review and compare the interest rates offered by Hisense Finance with the major commercial banks based on the nature and tenure of such deposits (e.g. the time deposits will be reviewed quarterly and the demand deposits will be reviewed monthly). For the purpose of ensuring the sufficiency of independent bank transactions that are subject to review, the finance staff will review the interest rates on deposits offered by the Five Major PRC Commercial Banks. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of interest rates on deposits via conducting online and telephone enquiries.

Historical figures:

The maximum daily closing balance of the deposits which can be placed by the Group with Hisense Finance during the term of the Existing Financial Services Agreement is RMB16,800,000,000 (inclusive of interest). For the period commencing from 1 January 2020 to 30 September 2020, the maximum daily closing balance of the deposits placed by the Group with Hisense Finance amounted to approximately RMB13,000,000,000.

Proposed Cap:

The Company currently expects that the maximum daily closing balance of the deposits placed by the Group with Hisense Finance at any time during the term of the Financial Services Agreement shall not exceed the Cap of RMB18,500,000,000 (inclusive of interest) for the year ending 31 December 2021.

The above Cap was determined with reference to:

- (i) the historical cashflow figures of the Group; and

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- (ii) the level of growth in monetary funds attributable to the 2021 Projected Sales Increment. As at 30 September 2020, the balance of monetary funds held by the Group was RMB12,380,000,000, and the balance of monetary funds from wealth management was RMB3,050,000,000 (the total amount of monetary funds held by the Group and from wealth management was thus RMB15,430,000,000). Based on the 2021 Projected Sales Increment, it is anticipated that the highest daily closing cash balance held by the Group will correspondingly increase by 20% to approximately RMB18,500,000,000 (inclusive of interest) in 2021.

While the Group does not intend to deposit all its cash with Hisense Finance, taking into account the following, a buffer in the maximum daily closing cash balance of the deposits placed by the Group with Hisense Finance is required:

- (i) although the Group intends to continue to allocate a substantial amount of its cash for subscription of entrusted wealth management products, deposit services are still required for cash involved in the transition period between the expiry of entrusted wealth management products and the subscription of new entrusted wealth management products. The expected amount of cash for subscription of entrusted wealth management products in the year 2021 is approximately RMB9,000,000,000; and
- (ii) the Group will also borrow loans from Hisense Finance if the relevant terms are more favourable than those available from other financial institutions. As the loans to be provided by Hisense Finance to the Group under the Financial Services Agreement will first be transferred by Hisense Finance to the Group in its deposit account with Hisense Finance for drawdown, the Group's funding needs in terms of loans will also affect the Group's deposit balances with Hisense Finance, as the Group would require temporary deposit of the proceeds of the loans proposed to be provided by Hisense Finance to the Group under the Financial Services Agreement.

In view of the above, in order to satisfy the business needs, it is expected that the daily closing balance of deposit will not exceed RMB18,500,000,000 (inclusive of interest) in 2021.

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(2) Loan and electronic bank acceptance bill services

Pricing:

The interest rate charged for the loans provided to the Group by Hisense Finance shall not be higher than the rate charged by normal commercial banks in the PRC for comparable loans. The designated finance staff of the Group will review and compare the interest rates for loan offered by Hisense Finance with the major commercial banks regularly. For the purpose of ensuring the sufficiency of independent bank transactions that are subject to review, the finance staff will review the interest rates for loan offered by the Five Major PRC Commercial Banks. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of interest rate charged for loans via conducting online and telephone enquiries.

The service fees charged for the provision of electronic bank acceptance bill services by Hisense Finance for the Group shall not be higher than the standard service fees charged by normal commercial banks in the PRC for comparable services. The finance department of the Group will conduct a monthly review on the service fees charged by external commercial banks, namely the Five Major PRC Commercial Banks. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of service fees for issuing electronic bank acceptance bills via conducting online and telephone enquiries. The monthly review is conducted to ensure that the service fees charged by Hisense Finance are not higher than those charged by commercial banks.

Historical figures:

The maximum daily closing balance of loan and electronic bank acceptance bills which can be provided by Hisense Finance to the Group during the term of the Existing Financial Services Agreement is RMB11,500,000,000 (inclusive of interest and service fees). For the period commencing from 1 January 2020 to 30 September 2020, the maximum daily closing balance of the loans and electronic bank acceptance bills provided by Hisense Finance to the Group amounted to approximately RMB8,870,000,000.

Proposed Cap:

The Company currently expects that the maximum daily closing balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group during the term of the Financial Services Agreement shall not exceed the Cap of RMB11,500,000,000 (inclusive of interest and service fees) on any given day for the year ending 31 December 2021.

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The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Finance (that is, the estimated annualised unaudited amount of the similar transactions for the year 2020);
- (ii) the estimated ratio of payment by means of electronic bank acceptance bills by the Group for the year 2021; and
- (iii) the plan of the Group to continue to obtain more loans and electronic bank acceptance bill services from Hisense Finance instead of from other financial institutions for the year ending 31 December 2021 since the terms for the provision of the loans and electronic bank acceptance bill services by Hisense Finance to the Group shall be no less favourable than those of other normal commercial banks and financial institutions and Hisense Finance has better knowledge of the background and financial status of the Group which will facilitate the loan and electronic bank acceptance bill services application process by the Group.

In 2021, the Group will continue to optimise payment terms, increase payment via electronic bank acceptance bills, reduce payments via cash and endorsement of bills receivable. On one hand, the Group can utilise the available capital more efficiently to obtain operational income and increase cash flow. On the other hand, the Group can reduce costs derived from endorsement of bills receivable. As such, it is expected that the Group will continue to use electronic bank acceptance bills services in the future. For the nine months ended 30 September 2020, the maximum daily closing balance of the loan and electronic bank acceptance bills amounted to approximately RMB8,870,000,000. It is expected that payment by means of electronic bank acceptance bills will increase from currently 48% to 50% in 2021; coupled with the estimated increase in the amount of purchase payment of 20% (which corresponds with the 2021 Projected Sales Increment), the daily closing balance of loan and electronic bank acceptance bills are expected to be not exceeding RMB11,500,000,000 (inclusive of interests and service fees) in order to meet business needs.

(3) *Draft discount services*

Pricing:

The discount rate for the provision of draft discount services by Hisense Finance to the Group shall not be higher than the discount rate charged by normal commercial banks in the PRC providing such services to the Group.

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Prior to the execution of the relevant contracts for the draft discount services, the Group's staff will obtain and compare the quotations from Hisense Finance and the Five Major PRC Commercial Banks. The Group would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of discount rate via conducting online and telephone enquiries.

Historical figures:

Under the Existing Financial Services Agreement, the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services shall not exceed RMB50,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2020 to 30 September 2020, the total discount interest paid by the Group to Hisense Finance for the provision of draft discount services amounted to approximately RMB1,290,000.

Proposed Cap:

The Company currently expects that the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services during the term of the Financial Services Agreement shall not exceed the Cap of RMB50,000,000 for the year ending 31 December 2021.

The above Cap was determined with reference to:

- (i) the expected financial needs of the Group during the peak season for production for the year 2021; and
- (ii) the plan of the Group to continue to use more draft discount services to be provided by Hisense Finance instead of from other financial institutions for the year ending 31 December 2021 since the terms for the provision of the draft discount services by Hisense Finance to the Group shall be no less favourable than those of other normal commercial banks and financial institutions and Hisense Finance has better knowledge of the background and financial status of the Group which will facilitate the draft discount application process by the Group.

On the basis of: (i) the expected increase in revenue and the projected capital expenditure in 2021; and (ii) the Group's plan to continue to enhance its management on its accounts receivables and inventory to expedite the capital turnover rate, it is estimated that the Group's annual sum of money for procurement of draft discount services from Hisense Finance will be RMB3,300,000,000 in 2021 and the total discount interest payable by the Group to Hisense Finance for the provision of draft discount services will be

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RMB50,000,000 for the year ending 31 December 2021 taking into account the existing market interest level and the financing cycle of draft discount services.

(4) Settlement and sale of foreign exchange services

Pricing:

The level of services (including the level of exchange rates) for the settlement and sale of foreign exchange at Hisense Finance shall not be worse than the level of services (including the level of exchange rates) of normal commercial banks in the PRC providing such services to the Group.

Prior to the execution of the relevant contracts for the services for settlement and sale of foreign exchange, the Group's staff will obtain and compare the quotations from Hisense Finance and the Five Major PRC Commercial Banks. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of service fees (including the level of exchange rates) via conducting online and telephone enquiries.

Historical figures:

Under the Existing Financial Services Agreement, the annual amount settled or sold by Hisense Finance for the Group shall not exceed US\$300,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2020 to 30 September 2020, the amount settled or sold by Hisense Finance for the Group amounted to approximately US\$48,180,000.

Proposed Cap:

The Group expects that the annual amount of the settlement and sale of foreign exchange services provided by Hisense Finance to the Group shall not exceed the Cap of US\$300,000,000 for the year ending 31 December 2021.

The above Cap was determined with reference to:

- (i) the expected volume of export and the expected amount subject to settlement and sale of foreign exchange for the year ending 31 December 2021. For the full year of 2020, it is expected that foreign currency received by the Group from its export business would amount to approximately US\$170,000,000, and payments to be made by the Group in foreign currency would amount to US\$70,000,000 (the total amount of foreign currency received and paid by the Group would thus be US\$240,000,000); and

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(ii) the 2021 Projected Overseas Sales Increment.

(5) *Agency services such as settlement services for receipt and payment of funds*

Pricing:

Hisense Finance will provide agency services such as settlement services for receipt and payment of funds to the Group in accordance with its instructions. The charging standard for service fees chargeable for the provision of agency services such as settlements services for receipt and payment of funds by Hisense Finance for the Group shall not be higher than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC during the corresponding period. Hisense Finance announces its scale of charges at the beginning of every year. Currently, the said scale of charges has been lower than those of the major commercial banks in the PRC. The finance department of the Group conducts monthly review on the service fees charged by external commercial banks, namely the Five Major PRC Commercial Banks. The Group would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of service fees via conducting online and telephone enquiries. These monthly reviews are conducted for the provision of agency services to ensure that the service fees charged by Hisense Finance are not higher than those charged by commercial banks. If the expected scale of charges of Hisense Finance is found to be more expensive than that of other major commercial banks, the Company will select the bank with cheaper charging rates.

Historical figures:

Under the Existing Financial Services Agreement, the annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds shall not exceed RMB3,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2020 to 30 September 2020, the aggregate amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds amounted to approximately RMB580,000.

Proposed Cap:

The Company currently expects that the annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds during the term of the Financial Services Agreement shall not exceed the Cap of RMB3,000,000 for the year ending 31 December 2021.

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The above Cap was determined with reference to:

- (i) the historical expenses for agency services such as settlement services for receipt and payment of funds of the Group, taking into account the corresponding increase in agency services such as settlement services for receipt and payment of funds resulting from the increment in the scale of the Group's revenue; and
- (ii) the charging standard for service fees chargeable for the provision of agency services such as settlement services for receipt and payment of funds by Hisense Finance for the Group which shall not be higher than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC.

Currently, the agency services such as settlement services for receipt and payment of funds provided by Hisense Finance to the Group is mainly transfer services and its standard service fees of RMB0.8 per transaction payable by the Group to Hisense Finance is significantly lower than the charging standard for service fees charged by normal commercial banks or similar agencies in the PRC during the same period which ranges from RMB5 to RMB200 per transaction. As the Company is unable to ensure that the service fees payable by the Group to Hisense Finance will remain to be lower than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC, and taking into account the Group's expected demand for transfer services in 2021 and the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC in 2020, it is estimated that the aggregate amount of the service fees payable by the Group to Hisense Finance for the provision of agency services will be RMB3,000,000.

Reasons for and benefits of the Financial Services Agreement:

It is set out in the Financial Services Agreement that the transactions contemplated under it will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties.

The main reasons for the election by the Company to use Hisense Finance for the provision of the relevant financial services are as follows:

- (i) having reviewed the historical sample deposit rates offered by Hisense Finance and other major commercial banks (including the Five Major PRC Commercial Banks), the Board noted that the interest rates offered by Hisense Finance are not less favourable than those offered by major commercial banks for the deposit with the same type and tenure. Moreover, Hisense Finance may offer to the Group tailor-made beneficial loan mix that can specifically cater for the Group's funding needs which may not be readily available from other commercial banks;

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- (ii) the Group is expected to benefit from Hisense Finance's better understanding of the operations of the Group which should allow more suitable, expedient and efficient service provision than those offered by PRC commercial banks; and
- (iii) Hisense Finance is regulated by the CBRC and engages in the provision of financial services in compliance with the regulations and operation requirements issued by the relevant regulatory authorities. Its primary customers are companies within Hisense Company. In general, as the risks exposed to Hisense Finance are lesser than those exposed to the financial institutions with a broad and unrestricted customer base, Hisense Finance is able to safeguard customers' funds more effectively.

Given the above, the Company prefers to conduct the deposit service under the Financial Services Agreement with Hisense Finance in order to maximise the benefits of the Shareholders, instead of conducting the deposit service under the Financial Services Agreement with commercial banks in the PRC to diversify risk. The transactions contemplated under the Financial Services Agreement are conducive to the reduction of financing expenses and the maintaining of a relatively stable scope of external financing by the Company. It would in turn strengthen the Company's ability to avoid the risk arising from the change of national monetary policies and ensure that the Company will maintain a stable level of assets for daily operation. It would also further improve capital efficiency of the Company.

Despite the Company considers that the risk associated with placing deposits with Hisense Finance is minimal, the Group is still facing a risk that the Group may not be able to withdraw all of its deposits from Hisense Finance due to operational problems of Hisense Finance. However, the Company is of the view that such risk can be managed and monitored. On one hand, Hisense Finance will strictly adhere to the risk management guidelines to financial institutions issued by the CBRC and the asset-liability ratio, liquidity ratio and other regulatory indicators of Hisense Finance are in compliance with the relevant requirements of the Measures for the Administration of Finance Companies of Enterprise Group (企業集團財務公司管理辦法) issued by the CBRC. On the other hand, the Company has devised a risk management plan to prevent, timely control and resolve the risk involved in the Group's deposit arrangement with Hisense Finance and ensure safety of its capital. To enhance risk assessment and management, during the period when cash is deposited with Hisense Finance, the Company will review the latest available financial reports of Hisense Finance, obtain and review the indicator data submitted by Hisense Finance to CBRC on a quarterly basis, assess the operational and financial risks of Hisense Finance, and regularly issue risk assessment reports to the Directors for their consideration and adoption of necessary measures to prevent the risks identified and ensure the safety and liquidity of the Company's capital and to publish announcement timely. As the Company has been reviewing

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financial reports of Hisense Finance, arranging simulation stress test every year and formulates liquidity stress test report, assessing the operational and financial risks of Hisense Finance and regularly issuing risk assessment reports to the Directors during the period when cash is deposited with Hisense Finance pursuant to the Existing Financial Services Agreement and taking into consideration the information from the aforesaid review and comparing with the risk portfolio of other independent financial service providers, the Board considers that the risk profile of Hisense Finance, as a financial services provider to the Group, is not greater than that of the independent commercial banks in the PRC.

The Board has also considered the risks which may be involved in fully utilising the relevant Caps and assessed the possibility of default for Hisense Finance by:

- (i) reviewing the audited reports of Hisense Finance of the previous two financial years to ascertain the amount of its total assets and has found that its total assets has year-on-year increase and such reports are not qualified nor disclaimed by the auditors;
- (ii) preparing 「關於在海信集團財務有限公司開展存款金融業務的風險評估報告」(the “**Risk Assessment Reports**”) which has been published by the Company on the designated website of Shenzhen Stock Exchange (www.cninfo.com.cn) in which it was noted that Hisense Finance had complied with certain key regulatory requirements pursuant to the Measures for the Administration of Finance Companies of Enterprise Group (企業集團財務公司管理辦法) as at the relevant reporting dates and the Board noted that Hisense Finance has been maintaining a relatively higher standard for the weighted average capital adequacy ratio and current ratio (the latest Risk Assessment Reports for the year ended 31 December 2019 and the six months ended 30 June 2020 have been published by the Company on the designated website of the Shenzhen Stock Exchange (www.cninfo.com.cn) on 15 April 2020 and 21 August 2020 respectively); and
- (iii) reviewing the internal regulatory report submitted by Hisense Finance to the Company and the confirmation from Hisense Finance that there was no non-compliance events or deficiencies which resulted in suspension of business or administrative punishment.

Having considered the above findings and the fact that Hisense Finance provides financial services primarily to Hisense Company, Hisense Electric Holdings and its subsidiaries which Hisense Finance shall have better understanding on their financial positions and such focus of client base enables Hisense Finance to subject to lower default risk as compared to those commercial banks which serve voluminous clients, the Directors are of

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the view that even with the full utilisation of the relevant Caps, the Company will not be subject to undue default risk by Hisense Finance in light of its relatively sound financial positions and historical compliance with relevant regulatory requirements.

As quite a substantial amount of the Group's cash and borrowings will be handled by Hisense Finance under the Financial Services Agreement, the Company has adopted risk control measures to mitigate the risks involved by:

- (i) periodically checking the deposit balance placed with Hisense Finance and reviewing the same by the designated finance staff of the Group;
- (ii) requesting Hisense Finance to provide monthly deposit transaction record statements to the Group so that the Group can monitor the safety of deposits;
- (iii) requesting the designated finance staff of the Group to ask for quotations and terms from other commercial banks for the deposits and electronic bank acceptance bill services that are comparable to the same provided by Hisense Finance in order to ensure that the terms offered by Hisense Finance are not less favourable than other commercial banks; and
- (iv) regularly reviewing the financial statements of Hisense Finance to monitor its financial positions and if there is any extraordinary issues noted (for example, where the financial position of Hisense Finance has severely deteriorated), the Group can easily switch to other commercial banks given the non-exclusivity of the Financial Services Agreement.

The Directors, having taken into consideration of the above matters, are of the view that the Group can be benefited from Hisense Finance's better understanding of the operations of the Group which can provide more suitable and efficient service to the Group comparing with those offered by other commercial banks in the PRC and the risk control measures implemented by the Group are sufficient to mitigate the risks involved should the Group fully utilise the relevant Caps.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that (i) the transactions contemplated under the Financial Services Agreement will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (ii)

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the terms of the Financial Services Agreement and the related Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PLEDGING AND OTHER SECURITY

Hisense Finance may require the Group to provide guarantee, security or pledge in respect of the loan services and the electronic bank acceptance bill services rendered, depending on the then circumstances and business needs.

If the Group is to provide charges in favour of Hisense Finance in respect of the provision of electronic bank acceptance bills provided by Hisense Finance, pursuant to such charges, part of the bank acceptance bills held by the Group will be charged to Hisense Finance to form a portfolio of bank acceptance bills. The Group has opened a special account with Hisense Finance for depositing due and charged bank acceptance bills. The pledged amount would be the face amount of the bank acceptance bills issued by the Group multiplied by the pledge rate determined by Hisense Finance pursuant to the relevant regulations set out by the relevant banking supervision department. The maximum balance of the bank acceptance bills which Hisense Finance may provide for the Group will then be not lower than such pledged amount from time to time. It is contemplated that if the Group is required to provide security or pledge to Hisense Finance in respect of the provision of electronic bank acceptance bill services, such security or pledge will be on similar terms with the pledge mentioned above.

As at the Latest Practicable Date, the Group did not obtain any loan from Hisense Finance and therefore no guarantee, security or pledge in respect of loan services was provided by the Group to Hisense Finance. In the future, if the Group is required to obtain loan from Hisense Finance exceeding the credit limit, Hisense Finance may require the Group to provide guarantee, security or pledge in relation to the provision of loan services. In such circumstance, the Group will use bank acceptance bills as security and such security or pledge will be on similar terms with the pledge in respect of the electronic bank acceptance bill services mentioned above.

If the Group is required to provide security or pledge to Hisense Finance in respect of the provision of electronic bank acceptance bill services or loan services which will involve pledging or charging of any assets other than electronic bank acceptance bills or if the maximum balance of the electronic bank acceptance bills services or loans which Hisense Finance may provide for the Group up to is less than 100% of the pledge value for the bank acceptance bills which are deposited by the Group as security for such services or loans, the Company will re-comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules.

FINANCIAL EFFECTS ON THE COMPANY FOR THE USE OF DEPOSIT SERVICES UNDER THE FINANCIAL SERVICES AGREEMENT

The use of deposit services allows the Group to receive interests for its deposits kept in Hisense Finance at a rate that is no less favourable than the interest rates for deposits offered by other commercial banks in the PRC for similar deposits. However, the annual

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interest income only accounts for a small portion of its profits, assets and liabilities. Therefore, the Company expects that its use of deposit services under the Financial Services Agreement will not have any material impact towards the profit, assets and liabilities of the Company.

INFORMATION RELATING TO THE GROUP, HISENSE COMPANY, HISENSE ELECTRIC HOLDINGS, HISENSE INTERNATIONAL, HISENSE MARKETING MANAGEMENT, HISENSE VISUAL TECHNOLOGY AND HISENSE FINANCE

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 and kitchen appliances.

Hisense Company was a wholly state-owned enterprise incorporated in August 1979 and has a registered capital of RMB806,170,000. Its legal representative is Mr. Zhou Houjian and its registered address is at No. 17 Donghai West Road, Shinan District, Qingdao City. The scope of business of Hisense Company includes: the entrusted operation of state-owned assets; the engagement in foreign investment with its own capital; the manufacture and sale of, and provision of service related to, television sets, refrigerators, freezers, washing machines, small household appliances, disc players, audio sets, broadcasting appliances, air-conditioners, electronic computers, telephones, communication products, internet products and electronic products; the development of software and the provision of internet services; technology development and provision of consultation services; self-operated import and export business; foreign economic and technical cooperation; operation of property rights transaction and provision of brokerage and information services; provision of industrial travel agency services; provision of relevant business trainings; property management; leasing of tangible property, leasing of immovable property; catering management services; catering services; conference services and parking services. The ultimate beneficial owner of Hisense Company is Qingdao SASAC.

Hisense Electric Holdings was incorporated in 2001 and has a registered capital of RMB199,774,600. 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. The scope of business of Hisense Electric Holdings includes: capital operation management; investment of own assets; 3C technology development, achievement transfer and technical consulting services; development, manufacture and sale of consumer electronic products; import and export business; development, manufacture and sale of special-purpose electrical equipment; investment management of own funds; property leasing; property management. The ultimate beneficial owner of Hisense Electric Holdings is Qingdao SASAC.

Hisense International was incorporated in 2008 and has a registered capital of RMB30,000,000. 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. The principal of Hisense International includes: the operation and agent of import and export of goods, import and export of technology; planning of corporate marketing; carrying

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on sino-foreign joint venture and cooperative production business; and carrying on the business of “The Three-plus-one Trading-mix”. Hisense International is 12.67% owned by the Company. The ultimate beneficial owner of Hisense International is Qingdao SASAC.

Hisense Marketing Management was incorporated in July 2017 and has a registered capital of RMB100,000,000. Its legal representative is Mr. Cheng Kai Xun and its registered address is at No. 399, Songling Road, Laoshan District, Qingdao City, Shandong Province. The scope of business of Hisense Marketing Management includes: wholesale, retail, agency sales, after-sale service, warranty extension services for televisions, air conditioners, home appliances and components, electronic products, communication equipment, communication devices (excluding satellite antenna), sensing and control equipment, marketing planning, sales, construction and technical services for security and surveillance equipment, e-commerce technical service, internet information services, internet operation and promotion, exhibition display services, design, production, publication, agency of domestic advertisements, logistics design, supply chain management, road freight transport. Hisense Marketing Management is 50% owned by the Company. The ultimate beneficial owner of Hisense Marketing Management is Qingdao SASAC.

Hisense Visual Technology was established on 17 April 1997 and has a registered capital of RMB1,308,481,222. Its legal representative is Mr. Cheng Kai Xun and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone. The scope of business of Hisense Visual Technology includes: the research and development, manufacture, sales, service, repair and recycling of television sets, flat panel display sets, mobile phones, electric refrigerators, electric freezers, washing machines, water heaters, microwave ovens, small household appliance products (such as dishwashers, electric irons, electric hair dryers, electric cookers), broadcasting appliances, electronic computers, communication products, mobile communication appliances, information technology products, household and commercial appliances and electronic products; non-standardised equipment processing, installation and after-sales services; self-operated import and export business; production of terrestrial broadcasting receiver equipment for satellite televisions; leasing of houses, leasing of machinery and equipment, property management; general logistics. The ultimate beneficial owner of Hisense Visual Technology is Qingdao SASAC.

Hisense Finance is a non-bank financial institution established with the approval from the CBRC and is regulated by the CBRC and other regulatory authorities in the PRC. Hisense Finance is not a banking company as defined in Rule 14A.88 of the Hong Kong Listing Rules. Hisense Finance was established in the PRC on 12 June 2008 and has a registered capital of RMB1,300,000,000. The business scope of Hisense Finance includes: providing financial and financing consultation services, credit appraisal and other relevant consultancy and agency services to member companies; assisting member companies in the receipt and payment of transaction proceeds; conducting approved insurance agency services; providing guarantees for member companies; handling of entrusted loans and entrusted investment among member companies; handling of draft acceptance and discount services for member companies; handling of intra-group transfer settlement and other related settlement between member companies and formulating settlement schemes; accepting deposit of member companies; arranging loan and finance leasing to member companies; engaging in lending and borrowing with business counterparts; underwriting corporate bonds

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for member companies; investing in securities other than investment in secondary markets for stocks; and providing consumer credit and buyer credit for products of member companies. The ultimate beneficial owner of Hisense Finance is Qingdao SASAC.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

(A) Business Co-operation Framework Agreement

As at the Latest Practicable Date, (i) Hisense Company (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; (ii) Hisense Electric Holdings (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; (iii) each of Hisense International and Hisense Visual Technology is a subsidiary of Hisense Electric Holdings; and (iv) Hisense Marketing Management is an associate of Hisense Visual Technology as Hisense Visual Technology holds more than 30% of the issued shares of Hisense Marketing Management. As such, Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Visual Technology, Hisense Marketing Management 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 will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Business Co-operation Framework Agreement exceed 5% on an annual basis and the annual consideration exceeds HK\$10,000,000, the Business Co-operation Framework Agreement, the transactions contemplated under it and the related Caps 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 Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management and Hisense Visual Technology in the Business Co-operation Framework Agreement, Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and their respective associates will abstain from voting in relation to the resolution(s) to approve the Business Co-operation Framework Agreement, the transactions contemplated under it and the relevant 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 Latest Practicable Date, 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 over the voting right in respect of their Shares.

(B) Financial Services Agreement

As at the Latest Practicable Date, as (i) Hisense Electric 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) Hisense Finance is a subsidiary of Hisense

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Electric Holdings, Hisense Finance is a connected person of the Company under the Hong Kong Listing Rules. As such, the transactions contemplated under the Financial Services Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the Caps in relation to the transactions for the provision of deposit services, loan and electronic bank acceptance bill services, draft discount services, settlement and sale of foreign exchange services and agency services such as settlement services for receipt and payment of funds by Hisense Finance to the Group contemplated under the Financial Services Agreement exceed 5%, the Financial Services Agreement, the transactions contemplated under it and the related Caps are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The provision of deposit services to the Group under the Financial Services Agreement also constitutes the provision of financial assistance by the Group to Hisense Finance under Rule 14.04(1)(e) of the Hong Kong Listing Rules. Although certain applicable percentage ratios for the provision of such deposit services exceed 100%, the provision of financial assistance does not constitute an acquisition or a series of acquisitions of assets by the Group and hence the transaction does not fall into the classification of very substantial acquisition under Rule 14.06(5) of the Hong Kong Listing Rules. Instead, since the other applicable percentage ratios for the provision of such deposit services are more than 25% but less than 75%, the transaction will constitute a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules.

In view of the interests of Hisense Finance in the Financial Services Agreement, Hisense Finance and its associates will abstain from voting in relation to the resolution(s) to approve the Financial Services Agreement, the transactions contemplated under it and the relevant 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 Latest Practicable Date, will abstain from voting in relation to the relevant resolution(s) at the EGM.

The Business Co-operation Framework Agreement and the Financial Services Agreement are not inter-conditional on each other.

GENERAL

Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong, Mr. Duan Yue Bin and Mr. Fei Li Cheng, being Directors, have abstained from voting on the relevant board resolution(s) for approving the Business Co-operation Framework Agreement and the Financial Services Agreement and the transactions contemplated under the agreements in view of their interest therein as set out below:

- (i) Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan and Mr. Dai Hui Zhong are directors or senior management of Hisense Company; and

LETTER FROM THE BOARD

- (ii) Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong, Mr. Duan Yue Bin and Mr. Fei Li Cheng are directors of Hisense Electric Holdings and/or some of its subsidiaries.

EGM

The EGM will be held at the conference room of the Company's head office, Shunde District, Foshan City, Guangdong Province, the PRC on Friday, 22 January 2021 at 3 p.m., at which resolutions will be proposed for the Independent Shareholders to, among other things, consider and, if thought fit, approve the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements by poll.

A notice of the EGM, a proxy form for use at the EGM and a reply slip have been despatched by the Company on 30 October 2020 and are also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hxjd.hisense.cn>). Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed on it and return it to the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting (as the case may be) should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to The Securities Department, Hisense Home Appliances Group Co., Ltd. by personal delivery, post or fax during hours between 8:30 a.m. and 11:00 a.m., 1:30 p.m. and 4:30 p.m. on every business day on or before Wednesday, 13 January 2021. Failure to complete or return the reply slip will not preclude eligible Shareholders from attending the EGM should they so wish.

The vote of the Shareholders at the EGM will be taken by poll in accordance with Rule 13.39(4) of the Listing Rules and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

In order to determine the holders of Shares who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 14 January 2021 to Friday, 22 January 2021 (both days inclusive). In order to qualify for attending the EGM, all transfer documents of H Shares together with the relevant share certificates must have been lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 13 January 2021 for registration.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that each of the Business Co-operation Framework Agreement and the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed in the EGM to approve the same.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser in relation to the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements which are respectively set out on pages 69 to 70 and pages 71 to 150 of this circular. Additional information is also set out in the appendices to this circular for your information.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

28 December 2020

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders dated 28 December 2020 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the terms of the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements as to the fairness and reasonableness of the same. Yuanta Securities (Hong Kong) Company Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out on pages 7 to 68 and pages 71 to 150 of the Circular respectively. Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we concur with the views of the Independent Financial Adviser and consider that the terms of the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements.

Yours faithfully,

For and on behalf of the Independent Board Committee

Ma Jin Quan Zhong Geng Shen Cheung Sai Kit

Independent non-executive Directors

Hisense Home Appliances Group Co., Ltd.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Yuanta Securities (Hong Kong) Company Limited to the Independent Board Committee and the Shareholders in relation to the Agreements prepared for the purpose of incorporation in this circular.



Yuanta Securities (Hong Kong) Company Limited
23/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong
香港金鐘夏慤道18號海富中心1座23樓
Tel/電話: (852) 3555 7888
Fax/傳真: (852) 3555 7889

28 December 2020

*To: The Independent Board Committee and
the Shareholders of
Hisense Home Appliances Group Co., Ltd.*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the independent board committee of the Company (the “**Independent Board Committee**”) and the Shareholders in respect of the Business Co-operation Framework Agreement and the Financial Services Agreement (collectively the “**Agreements**”), details of which are set out in the circular to the Shareholders dated around 28 December 2020 (the “**Circular**”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Shareholders in respect of the Agreements. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

The Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2020 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under each of the agreements from time to time after their expiration. In view of the above and to revise the Caps for the transactions among certain parties, on 30 October 2020, the Company entered into the Business Co-operation Framework Agreement and the Financial Services Agreement.

The purpose of this circular is to: (a) provide you with further information on the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the Agreements and the Caps in relation to the Agreements; (b) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders in relation to the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the Agreements and the Caps in relation to the Agreements; and (c) set out the recommendation from the Independent Board Committee in relation to the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the Agreements and the Caps in relation to the Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Business Co-operation Framework Agreement

As at the Latest Practicable Date, (i) Hisense Company (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; (ii) Hisense Electric Holdings (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; (iii) each of Hisense International and Hisense Visual Technology is a subsidiary of Hisense Electric Holdings; and (iv) Hisense Marketing Management is an associate of Hisense Visual Technology as Hisense Visual Technology holds more than 30% of the issued shares of Hisense Marketing Management. As such, Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, 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 will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Business Co-operation Framework Agreement exceed 5% on an annual basis and the annual consideration exceeds HK\$10,000,000, the Business Co-operation Framework Agreement, the transactions contemplated under it and the related Caps 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 Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management and Hisense Visual Technology in the Business Co-operation Framework Agreement, Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and their respective associates will abstain from voting in relation to the resolution(s) to approve the Business Co-operation Framework Agreement, the transactions contemplated under it and the relevant 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 Latest Practicable Date, 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.

Financial Services Agreement

As at the Latest Practicable Date, as (i) Hisense Electric 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) Hisense Finance is a subsidiary of Hisense Electric Holdings, Hisense Finance is a connected person of the Company under the Hong Kong Listing Rules. As such, the transactions contemplated under the Financial Services Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the applicable percentage ratios for the Caps in relation to the transactions for the provision of deposit services, loan and electronic bank acceptance bill services, draft discount services, settlement and sale of foreign exchange services and agency services such as settlement services for receipt and payment of funds by Hisense Finance to the Group contemplated under the Financial Services Agreement exceed 5%, the Financial Services Agreement, the transactions contemplated under it and the related Caps are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The provision of deposit services to the Group under the Financial Services Agreement also constitutes the provision of financial assistance by the Group to Hisense Finance under Rule 14.04(1)(e) of the Hong Kong Listing Rules. Although certain applicable percentage ratios for the provision of such deposit services exceed 100%, the provision of financial assistance does not constitute an acquisition or a series of acquisitions of assets by the Group and hence the transaction does not fall into the classification of very substantial acquisition under Rule 14.06(5) of the Hong Kong Listing Rules. Instead, since the other applicable percentage ratios for the provision of such deposit services are more than 25% but less than 75%, the transaction will constitute a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules.

In view of the interests of Hisense Finance in the Financial Services Agreement, Hisense Finance and its associates will abstain from voting in relation to the resolution(s) to approve the Financial Services Agreement, the transactions contemplated under it and the relevant 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 Latest Practicable Date, will abstain from voting in relation to the relevant resolution(s) at the EGM.

The Business Co-operation Framework Agreement and the Financial Services Agreement are not inter-conditional on each other.

The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit, has been established to advise the Shareholders on whether or not the Agreements and the transactions contemplated thereunder and the Caps in relation thereto are on normal commercial terms and in the ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned. As the independent financial adviser to the Independent Board Committee and the Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders as to (i) whether the Agreements and the transactions contemplated thereunder and the Caps in relation thereto are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned; (ii) whether the Agreements and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the Group; and (iii) how the Shareholders should vote in respect of the resolution(s) to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder.

During the past year, Yuanta had been engaged as the independent financial adviser for the continuing connected transactions in relation to the Business Co-operation Framework Agreement, Financial Services Agreement and Financial Business Framework Agreement (see Company's circular dated 20 December 2019 for details) and the supplemental agreement to the Business Co-operation Framework Agreement (see Company's circular dated 3 September 2020 for details). The professional fees for the aforesaid appointment have already been fully settled. We are not aware of the existence of or change in any circumstances that would affect our independence. As such, we consider that we are eligible to give independent advice on the Agreements (stipulating the Proposed Annual Caps).

BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Directors and/or its senior management staff (the “**Management**”) and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have assumed that all the opinions and representations made or provided by the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or its Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group or Hisense Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the Agreements, we have taken into consideration the following principal factors:

I. Background information and reasons for the Agreements

1. Information on 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 and kitchen appliances.

As stated in the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report"), approximately 60.64% of the Group's turnover for the year ended 31 December 2019 was derived from the PRC market and the rest was derived from overseas markets.

Set out below is a summary of the Group's consolidated operating results and financial position as extracted from the 2019 Annual Report and the Group's interim report for the six months ended 30 June 2020 (the "2020 Interim Report"):

	For the year ended 31 December		For the six months ended 30 June	
	2018	2019	2019	2020
<i>In RMB million, approximately</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenues				
– Sales of refrigerators & washing machines	16,073.0	16,128.0	7,659.7	7,266.7
– Sales of air-conditioners	14,891.5	16,369.0	8,914.8	11,207.6
– Sales of other products	1,826.6	1,700.0	754.9	699.6
Revenue from principal operations	32,791.1	34,196.9	17,329.4	19,174.0
Revenue from other operations	3,228.5	3,256.1	1,620.9	1,912.7
Total operating revenue	36,019.6	37,453.0	18,950.3	21,086.7
Operating costs	(29,171.5)	(29,424.8)	(15,091.0)	(16,242.2)
Business taxes and surcharges	(311.6)	(326.7)	(150.7)	(134.1)
Selling and distribution expenses	(5,005.9)	(5,670.2)	(2,624.9)	(2,929.0)
Management expenses	–	–	(241.0)	(314.9)
Research and development expenses				
<i>(Note)</i>	(686.8)	(934.4)	(377.2)	(570.1)
Financial income/finance cost	(34.6)	8.0	(14.8)	70.4
Impairment (losses)/gains on assets	(2.6)	(15.9)	2.5	(0.9)
Credit impairment loss	(2.4)	(44.1)	(8.5)	(8.4)
Total operating costs	(35,636.2)	(36,863.3)	(18,499.6)	(20,119.9)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended 31 December		For the six months ended 30 June	
	2018	2019	2019	2020
<i>In RMB million, approximately</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Other income	302.6	278.4	107.5	95.3
(Loss)/gain from changes in fair value	(2.3)	2.6	2.3	(0.8)
Investment income	828.7	1,122.3	498.0	52.5
Gains on disposal of assets	1.2	121.6	0.6	1.0
Operating profits	1,508.7	2,054.7	1,053.0	1,105.4
Non-operating income	74.0	126.2	66.7	103.9
Non-operating expenses	(17.8)	(28.7)	(10.8)	(6.4)
Profit before tax	1,564.9	2,152.3	1,108.9	1,202.9
Income tax expenses	(141.8)	(201.8)	(122.4)	(261.7)
Net profit for the year/period	1,423.1	1,950.4	986.5	941.2
Attributable to:				
– Owners of the Company	1,377.5	1,793.7	959.7	503.3
– Minority interests	45.6	156.8	26.8	437.9

	As at 31 December		As at 30 June	
	2018	2019	2019	2020
<i>In RMB million, approximately</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Non-current assets	7,531.1	9,470.2	7,189.7	9,956.7
Current assets	14,296.8	24,520.5	17,519.3	26,722.8
Non-current liabilities	432.0	671.4	509.5	645.1
Current liabilities	13,506.5	20,838.4	15,753.4	23,574.6
Total shareholders' equity	7,889.4	12,480.9	8,446.1	12,459.8

Note: In 2019, research and development expenses mainly include employee compensation, depreciation and amortization, and direct expenses, with the percentage to the total research and development expenses over 80% (2018: over 80%).

According to the 2019 Annual Report, the Group's total operating profits increased by approximately 36.19% from approximately RMB1,508.7 million for the year ended 31 December 2018 to approximately RMB2,054.7 million for the year ended 31 December 2019. Besides, the net profit of the Group increased by approximately 37.05% from approximately RMB1,423.1 million for the year ended 31 December 2018 to approximately RMB1,950.4 million for the year ended 31 December 2019.

The Group's total operating revenue increased by approximately 3.98% from approximately RMB36,019.6 million for the year ended 31 December 2018 to approximately RMB37,453.0 million for the year ended 31 December 2019. According to the 2019 Annual Report, the increase was due to the increase in sales of air-conditioners, refrigerators and washing machines. Total operating costs for the year ended 31 December 2019 increased roughly in the same line with the increase in the total operating revenue for the same year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, the Group's non-operating income increased approximately 70.54% from approximately RMB74 million for the year ended 31 December 2018 to approximately RMB126.2 million for the year ended 31 December 2019. According to the 2019 Annual Report, the increase was due to the gain from scrapping of non-current assets and the government grants.

2. *Information on Hisense Company*

Hisense Company was a wholly state-owned enterprise incorporated in August 1979 and has a registered capital of RMB806,170,000. Its legal representative is Mr. Zhou Houjian and its registered address is at No. 17 Donghai West Road, Shinan District, Qingdao City. The scope of business of Hisense Company includes: the entrusted operation of state-owned assets; the engagement in foreign investment with its own capital; the manufacture and sale of, and provision of service related to, television sets, refrigerators, freezers, washing machines, small household appliances, disc players, audio sets, broadcasting appliances, air-conditioners, electronic computers, telephones, communication products, internet products and electronic products; the development of software and the provision of internet services; technology development and provision of consultation services; self-operated import and export business; foreign economic and technical cooperation; operation of property rights transaction and provision of brokerage and information services; provision of industrial travel agency services; provision of relevant business trainings; property management; leasing of tangible property, leasing of immovable property; catering management services; catering services; conference services and parking services. The ultimate beneficial owner of Hisense Company is Qingdao SASAC.

3. *Information on Hisense Electric Holdings*

Hisense Electric Holdings was incorporated in 2001 and has a registered capital of RMB199,774,600. 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. The scope of business of Hisense Electric Holdings includes: capital operation management; investment of own assets; 3C technology development, achievement transfer and technical consulting services; development, manufacture and sale of consumer electronic products; import and export business; development, manufacture and sale of special-purpose electrical equipment; investment management of own funds; property leasing; property management. The ultimate beneficial owner of Hisense Electric Holdings is Qingdao SASAC.

4. *Information on Hisense International*

Hisense International was incorporated in 2008 and has a registered capital of RMB30,000,000. 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. The principal of Hisense International includes: the operation and agent of import and export of goods, import and export of technology; planning of corporate marketing; carrying on sino-foreign joint venture and cooperative production business;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and carrying on the business of “The Three-plus-one Trading-mix”. Hisense International is 12.67% owned by the Company. The ultimate beneficial owner of Hisense International is Qingdao SASAC.

5. *Information on Hisense Marketing Management*

Hisense Marketing Management was incorporated in July 2017 and has a registered capital of RMB100,000,000. Its legal representative is Mr. Cheng Kai Xun and its registered address is at No. 399, Songling Road, Laoshan District, Qingdao City, Shandong Province. The scope of business of Hisense Marketing Management includes: wholesale, retail, agency sales, after-sale service, warranty extension services for televisions, air conditioners, home appliances and components, electronic products, communication equipment, communication devices (excluding satellite antenna), sensing and control equipment, marketing planning, sales, construction and technical services for security and surveillance equipment, e-commerce technical service, internet information services, internet operation and promotion, exhibition display services, design, production, publication, agency of domestic advertisements, logistics design, supply chain management, road freight transport. Hisense Marketing Management is 50% owned by the Company. The ultimate beneficial owner of Hisense Marketing Management is Qingdao SASAC.

6. *Information on Hisense Visual Technology*

Hisense Visual Technology was established on 17 April 1997 and has a registered capital of RMB1,308,481,222. Its legal representative is Mr. Cheng Kai Xun and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone. The scope of business of Hisense Visual Technology includes: the research and development, manufacture, sales, service, repair and recycling of television sets, flat panel display sets, mobile phones, electric refrigerators, electric freezers, washing machines, water heaters, microwave ovens, small household appliance products (such as dishwashers, electric irons, electric hair dryers, electric cookers), broadcasting appliances, electronic computers, communication products, mobile communication appliances, information technology products, household and commercial appliances and electronic products; non-standardised equipment processing, installation and after-sales services; self-operated import and export business; production of terrestrial broadcasting receiver equipment for satellite televisions; leasing of houses, leasing of machinery and equipment, property management; general logistics. The ultimate beneficial owner of Hisense Visual Technology is Qingdao SASAC.

7. *Information on Hisense Finance*

Hisense Finance is a non-bank financial institution established with the approval from the CBRC and is regulated by the CBRC and other regulatory authorities in the PRC. Hisense Finance is not a banking company as defined in Rule 14A.88 of the Hong Kong Listing Rules. Hisense Finance was established in the PRC on 12 June 2008 and has a registered capital of RMB1,300,000,000. The business scope of Hisense Finance includes: providing financial and financing consultation services, credit

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

appraisal and other relevant consultancy and agency services to member companies; assisting member companies in the receipt and payment of transaction proceeds; conducting approved insurance agency services; providing guarantees for member companies; handling of entrusted loans and entrusted investment among member companies; handling of draft acceptance and discount services for member companies; handling of intra-group transfer settlement and other related settlement between member companies and formulating settlement schemes; accepting deposit of member companies; arranging loan and finance leasing to member companies; engaging in lending and borrowing with business counterparts; underwriting corporate bonds for member companies; investing in securities other than investment in secondary markets for stocks; and providing consumer credit and buyer credit for products of member companies. The ultimate beneficial owner of Hisense Finance is Qingdao SASAC.

8. Prevailing market conditions about the demand for electrical appliances

According to the National Bureau of Statistics (NBS), China's economy grew by 4.9 per cent in the third quarter in 2020 compared with a year earlier, accelerating from growth of 3.2 per cent growth in the second quarter in 2020. The world's second-largest economy has recovered strongly after shrinking by 6.8 per cent in the first three months of the year 2020. "Year-on-year growth was up from 3.2 per cent in quarter two, showing that the economic recovery from Covid-19 continues. For total retail sales, a key measurement of consumer spending in the world's most populous nation, grew by 3.3 per cent, improving further from the 0.5 per cent increase in August 2020, and above the projection of a 1.7 per cent rise estimated in the Bloomberg survey.

For the white goods industry export market, according to the General Administration of Customs of the People's Republic of China, for the six months ended 30 June 2020, the cumulative export volume of home appliances recorded a year-on-year increase of approximately 4.2%. Meanwhile, the cumulative export volume and cumulative retail value of air-conditioner industry recorded a year-on-year increase of approximately 9.5% and 5.4% respectively. Also the cumulative export volume and cumulative retail value of refrigerator industry recorded a year-on-year increase of approximately 9.3% and 6.5% respectively.

White goods enterprises strive to offer products with better user experience through unceasing technological upgrades and innovations as well as refined management, and continue to optimize the product structure of white goods and upgrade industrial consumption by shifting to air-cooled products from two-door and three-door refrigerators, broadening product offerings with high-end products, and upgrading air-conditioners products with inverter technology, energy efficiency, health and comfort and stronger cooling capacity.

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Stock Code	Company Name	Revenue for the last 12 months ended September 2020 (CNY million)	Estimated revenue for the year 2021 (CNY million)	The year-on-year growth rate in LTM compared to estimated value in the year 2021
000333	MIDEA GROUP CO-A	275,359.60	314,272.10	14%
600690	HAIER SMART HOME-A	206,277.70	230,707.40	12%
000651	GREE ELECTRIC-A	171,300.20	204,697.30	20%
000921-A	HISENSE HA-A/H	45,309.00	49,580.90	9%
00921-H				
000521	CHANGHONG MEIL-A	14,869.00	16,453.00	11%

Refer to Bloomberg dated on 10/11/2020

As part of our due diligence, we compared the revenues of the listed major Chinese white goods companies in the last twelve months ended in September 2020. The year-on-year growth rates of listed major Chinese white goods companies in last twelve months ended in September 2020 are up to 20% with reference to the estimated revenue in the year 2021.

When taking into account the fact that the revenue growth rates of listed major Chinese white goods companies can be up to 20%, thus, as compared with the maximum revenue growth rate of listed major Chinese white goods companies, the Group sets the growth target of revenue to be 20% in 2021 will be fair and reasonable.

China experienced most of its economic contraction in the first three months in the year 2020 due to the coronavirus, whereas most other countries felt the maximum amount of pain in the second quarter. China becomes first major economy to recover from Covid-19 pandemic and the Chinese economy surged 4.9 percent in the July-to-September quarter compared with the same months last year, the country's National Bureau of Statistics announced in October 2020. The robust performance brings China almost back up to the roughly 6 percent pace of growth that it was reporting before the pandemic. Having been first into recession, China was first out, like many other countries in the region, knew what to do after previous health scares and its lockdown was brutally effective.

In addition, the total operating revenue of the Group for the six months ended 30 June 2019 and for the six months ended 30 June 2020 were amounted to approximately RMB18,950.3 million and RMB21086.7 million with a year-on-year increase of approximately 11.27% under the coronavirus pandemic starting from the end of 2019 and the year 2020. As such, the impact from Covid-19 pandemic can be partially offset

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and we expect the situation will have a substantial improvement in 2021. Therefore, without the impact of Covid-19 pandemic, the revenue growth 20% of the Group in 2021 will be fair and reasonable.

We consider that for success of the business, as implied by the prevailing market conditions, it is essential for the market players to excel itself by increasing market competitiveness in the domestic market and riding on the opportunities lied ahead for the export market. We consider that the entering of the Agreements, which targets to strengthen the Group's cost effectiveness, is one of strategies for this purpose.

According to the above statistic, the refrigerator industry, air-conditioner industry, the country's retail sales of consumer goods and the competitive landscape have recorded an increased demand in the first half year of 2020. Overall, the above market data on GDP consumption and retail sales indicate a positive economic landscape for the industry.

9. *Reasons for the Agreements*

a. The Business Co-operation Framework Agreement

Under the Business Co-operation Framework Agreement, the Company has agreed that it (or any of its subsidiaries which will be entitled to have the same rights and obligations under the Business Co-operation Framework Agreement) may enter into certain transactions with the respective subsidiaries of Hisense Electric Holdings, Hisense International and Hisense Visual Technology in respect of the purchase and supply of electrical appliances, raw materials, parts and components, provision of services, and supply of moulds (particulars and terms of each category of the aforesaid transactions are discussed in the section headed "Terms of the Agreements" below), we consider that the business arrangements under the Business Co-operation Framework Agreement serve essentially to assist the Group's operations as a manufacturer of electrical appliances.

The Company has also agreed that it (or any of its subsidiaries which will be entitled to have the same rights and obligations under the Business Co-operation Framework Agreement) may enter into certain transactions with Hisense Marketing Management or their subsidiaries in respect of the supply of electrical appliances and the provision of services while entering into certain transactions with the respective subsidiaries of Hisense Company in respect of the provision of services.

In view of the substantial interest of Hisense Company and Hisense Electric Holdings in the Company, the Group believes that it is in the commercial interest of Hisense Company and Hisense Electric Holdings to assist the Group in its business conditions and improving its profitability. In addition, certain transactions contemplated under the Business Co-operation Framework Agreement such as the sales of electrical appliances, moulds, raw materials parts and components and provision of services by the Group, when take place, will

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continue being recognised by the Group as its sales or other income, and the overall revenue of the Group will therefore be increased as a result of such transactions.

As regards the purchases of electrical appliances, the sales and overall image of the Group can be enhanced by purchasing electrical appliances from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries as gifts for the Group's marketing and promotion activities which aim at boosting the sale of the Group's electrical appliances. At the same time, the intended purchases of "ASKO" and "Gorenje" high-end electrical appliances by the Group from Hisense International and/or its subsidiaries are expected to further expand the business scale of the Group's sale of high-end electrical appliances in the PRC market, optimise the Group's product structure, and thereby drive the enhancement of the overall high-end electrical appliances business of the Group. The Group has appointed Hisense International and/or its subsidiaries to purchase, on its behalf, prototype of electrical appliances from overseas markets for the purpose of conducting analysis and research, and to carry out product market research. Since the pricing for the purchases of electrical appliances will be determined with reference to the market price of similar electrical appliances, it will be more convenient to the Group in terms of time and costs to purchase certain electrical appliances through Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries.

As regards the purchases of raw materials, parts and components stated in the Letter from the Board, the purchases of raw materials, parts and components with the gradual increase in intelligent electrical appliances, the usage of raw materials and spare parts of intelligent product also increases. The subsidiaries of Hisense Electric Holdings have better ability in manufacturing those products with better quality and is beneficial to ensure the quality and performance of products. The Group is satisfied with the quality of the raw materials, parts and components provided by Hisense Electric Holdings and/or its subsidiaries from the previous course of dealings. Quality of the Group's products is guaranteed by purchasing certain raw materials from Hisense Electric Holdings and/or its subsidiaries, which, in turn, increases product competitiveness.

As a business incidental to the purchase of "ASKO" and "Gorenje" high-end electrical appliances from Hisense International and/or its subsidiaries, the Group expects to purchase raw materials, parts and components from Hisense International and/or its subsidiaries in 2021. Having considered the projected sales increment of such high-end electrical appliances in the PRC market in 2021 and that the Group intends to increase the quota of spare parts for its domestic customers, the projected purchase amount of spare parts in 2021 is increased to approximately RMB5,000,000. In addition, Hisense International and/or its subsidiaries have the advantages in purchasing certain overseas specific materials (for example, raw materials, parts and components for high-end kitchen and

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hygiene products) and the projected purchases of these overseas specific materials by the Group from Hisense International and/or its subsidiaries in 2021 is approximately RMB30,000,000.

The Group purchases “ASKO” and “Gorenje” high-end electrical appliances from Hisense international and/or its subsidiaries for sale in the PRC market. The purchases of raw materials, parts and components from Hisense International and/or its subsidiaries help to meet the business demand of the Group in selling such high-end electrical appliances products. Furthermore, in view of the advantages of Hisense International and/or its subsidiaries in purchasing certain overseas specific materials (for example, raw materials, parts and components for high-end kitchen and hygiene products), purchasing such overseas specific materials from Hisense International and/or its subsidiaries help to lower the Group’s cost of purchase.

With the increase in demand for smart electrical appliances, the Group’s use of raw materials, parts and components for voice control module also increases. Purchasing such raw materials, parts and components from Hisense Visual Technology and/or its subsidiaries help to meet the demand of the Group in producing smart electrical appliances.

As regards the engagement of services, the Group is satisfied with the quality of the services provided by Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries from the previous course of dealings and considers that Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries possess the expertise and experience for the provision of relevant services which can enable the Group to carry out its daily operation smoothly.

In response to the needs of customers and the market, Hisense Marketing Management is responsible for the integrated management and organisation of both the online e-commerce and offline set sales in certain markets of the Hisense full-range electrical appliance products (mainly brown and white goods), which is conducive to enhancing the synergy and sharing effect of the Hisense full-range electrical appliance products, improve the Group’s marketing capability and efficiency, thereby increase the sales scale of the Group’s products and profitability of the Group.

As regards the supply of electrical appliances stated in the Letter from the Board, the production and supply of electrical appliances by the Group to Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries can help to increase production and sales scale and enhance the market competitiveness of the Group’s products. At the same time, the Group can continue to develop overseas market and enhance brand competitiveness and awareness. Developing online platform

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and offline set sales through Hisense Marketing Management benefits the creation of a synergetic effect, which can further increase the Group's sales scale and boost the Group's market share and income.

As regards the supply of moulds, the manufacture and sale of moulds have become important parts of the business of the Group's subsidiaries, and the sale of moulds by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries can facilitate the expansion of the sales scale of the Group and increase the sales revenue of the Group.

As regards the supply of raw materials, parts and components stated in the Letter from the Board, The subsidiaries of Hisense Electric Holdings have better ability in manufacturing raw materials (such as electric control boards and Wi-Fi modules) required for manufacturing electrical appliances products with better quality and is beneficial to ensure the quality and performance of the products. Quality of the Group's products is guaranteed by purchasing certain raw materials from Hisense Electric Holdings and/or its subsidiaries, which, in turn, increases product competitiveness. Such businesses are carried out by means of raw material processing. The Group supplies Hisense Electric Holdings and/or its subsidiaries with the raw materials such as electric control boards and Wi-Fi modules required for production, which facilitates the development of the aforementioned businesses.

Another subsidiary of Hisense Electric Holdings principally engages in domestic and import and export business in the PRC. As the Group has advantages in sourcing certain specific materials, supply of these materials by the Group would increase its sourcing scale, enhance the Group's bargaining power and further reduce the sourcing cost.

Hisense International has overseas sales channels and high quality customer resources. The supply of raw materials, parts and components of export products by the Group to Hisense International can satisfy the business needs of the Group's export sales and expand the export sales scale of the Group. The provision of raw materials, parts and components to Hisense Visual Technology and its subsidiaries can also increase the revenue of the Group.

As regards the provision of services by the Group stated in the Letter from the Board, the provision of services for property and processing services to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries can improve the utilisation rate of the Group's resources and increase the Group's revenue. Provision of installation services to Hisense Electric Holdings, Hisense Visual Technology and/or their respective subsidiaries is incidental to the Group's business of supply of electrical appliances to these companies, which facilitates the development of the Group's business of sale of electrical appliances and increases the Group's revenue.

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In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the purchases of electrical appliances, purchases of raw materials, parts and component, supply of electrical appliances, provision of services to the Group, supply of moulds, supply of raw materials, parts and components, provision of services to Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In summary, we are of the view that the respective co-operation between the Group and each of Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and their subsidiaries, which have a wide range of advantageous resources, channels or professional ability, experience, etc. and are in an advantageous position to obtain products, raw materials or service with better quality and pricing, can (i) help enhance the market competitiveness of the Group's products; (ii) bring benefit to the Group from the sharing of resources and the maximization of the economies of scale; and (iii) continue to provide quality services to the Group due to their familiarity of the operations of the Group and help reduce the operational risk exposure of the Group.

Based on the nature of the transactions to be contemplated under the Business Co-operation Framework Agreement and the benefits expected to be brought by such transactions as discussed above, we consider that the transactions to be contemplated under the Business Co-operation Framework Agreement will be conducted in the ordinary and usual course of business of the Group and we concur with the view of the Group that the entering into of the Business Co-operation Framework Agreement is in the interests of the Group and the Shareholders as a whole.

b. The Financial Services Agreement

As set out in the Letter from the Board, the main reasons for the election by the Group to use Hisense Finance for the provision of the relevant financial services are as follows:

- having reviewed the historical sample deposit rates offered by Hisense Finance and other major commercial banks (including the Five Major PRC Commercial Banks), the Board has noted that the interest rates offered by Hisense Finance are not less favourable than those offered by major commercial banks for the deposit with the same type and tenure. Moreover, Hisense Finance may offer to the Group tailor-made beneficial loan mix that can specifically cater for the Group's funding needs which may not be readily available from other commercial banks;

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- the Group is expected to benefit from Hisense Finance’s better understanding of the operations of the Group which should allow more suitable, expedient and efficient service provision than those offered by PRC commercial banks; and
- Hisense Finance is regulated by the CBRC and engages in the provision of financial services in compliance with the regulations and operation requirements issued by the relevant regulatory authorities. Its primary customers are companies within Hisense Company. In general, as the risks exposed to Hisense Finance are lesser than those exposed to the financial institutions with a broad and unrestricted customer base, Hisense Finance is able to safeguard customers’ funds more effectively.

Furthermore, as stated in the Letter from the Board, the transactions contemplated under the Financial Services Agreement are conducive to the reduction of financing expenses and the maintaining of a relatively stable scope of external financing by the Company. It would in turn strengthen the Company’s ability to avoid the risk arising from the change of national monetary policies and ensure that the Company will maintain a stable level of assets for daily operation. It would also further improve capital efficiency of the Company.

According to the Letter from the Board, the Group is of the view that the risk associated with placing deposits with Hisense Finance is minimal, the Group is still facing a risk that the Group may not be able to withdraw all of its deposits from Hisense Finance due to operational problems of Hisense Finance. However, the Company is of the view that such risk can be managed and monitored. On one hand, Hisense Finance will strictly adhere to the risk management guidelines to financial institutions issued by the CBRC and the asset-liability ratio, liquidity ratio and other regulatory indicators of Hisense Finance are in compliance with the relevant requirements of the Measures for the Administration of Finance Companies of Enterprise Group (企業集團財務公司管理辦法) issued by the CBRC. On the other hand, the Company has devised a risk management plan to prevent, timely control and resolve the risk involved in the Group’s deposit arrangement with Hisense Finance and ensure safety of its capital. To enhance risk assessment and management, during the period when cash is deposited with Hisense Finance, the Company will review the latest available financial reports of Hisense Finance, obtain and review the indicator data submitted by Hisense Finance to CBRC on a quarterly basis, assess the operational and financial risks of Hisense Finance, and regularly issue risk assessment reports to the Directors for their consideration and adoption of necessary measures to prevent the risks identified and ensure the safety and liquidity of the Company’s capital and to publish announcement timely.

In order to assess the possibility of default for Hisense Finance, we have carried out the followings:

- (i) We have reviewed the PRC audited reports of Hisense Finance for the two years ended 31 December 2018 and 2019 and the PRC unaudited reports for six months ended 30 June 2019 and 2020 (the “**PRC**

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Financial Reports”). Based on the PRC Financial Reports, the total assets of Hisense Finance increased by approximately 22.88% from approximately RMB22,824.5 million for the six months ended 30 June 2019 to approximately RMB28,047.2 million for the six months ended 30 June 2020. We had also noted from the PRC audited reports that the auditor of Hisense Finance did not issue any qualified or disclaimer audit opinion regarding Hisense Finance’s financial positions and operation results for the two years ended 31 December 2018 and 2019.

The highlight of PRC Financial Reports is set out as below:

	For the year ended 31 December		For the six months ended 30 June	
	2018	2019	2019	2020
<i>(approximate RMB million)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating revenue	573.8	550.1	278.3	240.8
– Net interest income	509.7	390.4	222.7	165.1
Net profit	357.7	362.6	187.9	170.8
Total assets	19,853.4	23,833.0	22,824.5	28,047.2
<i>Cash and money deposited into central bank</i>	1,283.6	1,493.6	1,263.1	1,559.4
– <i>Deposits placed into same industry and other financial companies</i>	7,204.0	5,393.5	7,020.6	11,204.8
– <i>Loans and advances granted</i>	8,702.6	10,395.4	9,511.9	10,222.0
– <i>Available for sales of financial assets</i>	860.2	6,456.8	4,539.3	3,946.2
– <i>Interest receivable</i>	74.4	51.9	125.7	73.1
Total liabilities	16,524.3	20,280.2	19,306.9	24,301.7
– <i>Deposits received</i>	16,176.8	20,099.9	19,055.1	24,103.4
– <i>Inter-bank borrowing</i>	–	–	–	–
– <i>Tax payables</i>	45.0	11.3	35.1	12.4
– <i>Interest payables</i>	190.5	129.4	187.5	107.6
– <i>Other liabilities</i>	105.7	32.1	24.8	25.1

In view of the above financial highlights, given that (i) the profit of Hisense Finance for the year 2019 had been increased to approximately RMB362.6 million representing a year-on-year increase of approximately 1.37%, indicating a growing trend of business; (ii) the total asset had been increased from approximately RMB19,853.4 million for the year 2018 to approximately RMB23,833.0 million for the year 2019; and (iii) the current ratio of Hisense Finance was approximately 95.13% for the six months ended 30 June 2020, which is far exceeded the statutory requirement of 25%, we have no reason to

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believe that the credit risk to be exposed to the Group in relation to the deposits placed with Hisense Finance would be higher than the credit risk associated with other finance companies.

- (ii) We reviewed the reports entitled “關於在海信集團財務有限公司開展存款金融業務的風險評估報告” (the “**Risk Assessment Reports**”) 30 March 2018, 29 March 2019, 15 April 2020 and 21 August 2020 respectively, issued and published by the Company on the website of Shenzhen Stock Exchange and noticed from the Risk Assessment Reports, Hisense Finance had complied with certain key regulatory requirements pursuant to the Measures for the Administration of Finance Companies of Enterprise Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 respectively. The details are set out below:

Relevant indicators	Requirements for finance companies	Hisense Finance as at 31 December 2017	Hisense Finance as at 31 December 2018	Hisense Finance as at 31 December 2019	Hisense Finance as at 30 June 2020
Capital adequacy ratio	Shall not be lower than 10%	22.69%	22.47%	21.38%	20.54%
Current ratio	Shall not be lower than 25%	55.53%	65.91%	52.65%	95.13%
Inter-bank borrowing balances over the total registered capital of relevant finance company	Shall not exceed the total registered capital	0.00% (not higher than the registered capital)	0.00% (not higher than the registered capital)	0.00% (not higher than the registered capital)	0.00% (not higher than the registered capital)
Investment to total capital ratio	Shall not be higher than 70%	52.61%	6.64%	39.94%	51.86%
Outstanding guaranteed amount over the total capital	Shall not exceed the total capital	43.06% (not higher than the total capital)	53.80% (not higher than the total capital)	54.51% (not higher than the total capital)	57.80% (not higher than the total capital)
Self-owned fixed assets to total capital ratio	Shall not be higher than 20%	0.05%	0.05%	0.05%	0.05%
Non-performing Asset Ratio	Shall not be higher than 4%	—	—	—	—
Bad Loan Ratio	Shall not be higher than 5%	—	—	—	—

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As illustrated above, Hisense Finance has been continuously maintaining the requisite ratios at a higher standard than the regulatory requirements as at 31 December 2017, 31 December 2018, 31 December 2019, and 30 June 2020, respectively.

- (iii) After reviewing the internal regulatory report submitted by Hisense Finance to the Company and the confirmation from Hisense Finance that there was no non-compliance events or deficiencies which resulted in suspension of business or administrative punishment; and
- (iv) Based on our discussions with the Management, Hisense Finance provides financial services primarily to Hisense Company and its subsidiaries which Hisense Finance shall have better understanding on their financial positions and such focus of clients base enables Hisense Finance to subject to lower default risk as compared to those commercial banks which with voluminous clients.

Given the above factors, we concur with the Board's views that the default risk by Hisense Finance may not be high in light of its relatively sound financial positions and historical compliance with relevant regulatory requirements.

In assessing the risk control measures adopted by the Group for utilising the deposit service and loan and electronic bank acceptance bill services with Hisense Finance, we have also reviewed the Risk Assessment Reports and discussed with the Management. Based on our review and discussions, we understand that the Group had established the following risk control measures:

- (i) periodically checking the deposit closing balance placed with Hisense Finance and reviewing the same by the designated finance staff of the Group;
- (ii) requesting Hisense Finance to provide monthly deposit transaction record statements to the Group so that the Group can monitor the safety of deposits;
- (iii) requesting the designated finance staff of the Group to ask for quotations and terms from other commercial banks for the deposits and electronic bank acceptance bill services that are comparable to the same provided by Hisense Finance in order to ensure that the terms offered by Hisense Finance are not less favourable than other commercial banks. In particular, for deposit services, the designated finance staff of the Group will review and compare the interest rates offered by Hisense Finance with the major commercial banks based on the nature and tenure of such deposits (e.g. the time deposits will be reviewed quarterly and the demand deposits will be reviewed monthly and the interest rates for loans will be reviewed regularly). For the purpose of ensuring the sufficiency of independent bank transactions that are subject to review, the finance staff will review the interest rates on

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deposits offered by the five major commercial banks in the PRC, namely, China Construction Bank, Industrial and Commercial Bank of China, Bank of China, Bank of Communications and Agricultural Bank of China. The Company would randomly select three banks out of the aforementioned five major banks to obtain their quotations of the interest rates on deposits. For electronic bank acceptance bill services, the Group's finance will conduct a monthly review on the service fees charged by external commercial banks, and the Company would randomly select three banks out of the five aforementioned major banks to obtain quotations of service fees for issuing electronic bank acceptance bills to ensure that the service fees charged by Hisense Finance are not higher than those charged by commercial banks;

- (iv) request the finance department to view the interest rates on deposits and loan and the service fee for electronic bank acceptance bills offered by Hisense Finance to the Group. If such rates and service fee are less favourable to the Group than those offered by commercial banks in the PRC, it will report to the senior management who will negotiate with Hisense Finance on the terms of the relevant transactions. If, after negotiation, Hisense Finance cannot offer terms which are no less favourable to the Group than those offered by commercial banks in the PRC, the Group will not execute the relevant transactions. The designated finance staff responsible for reviewing and comparing the interest rates mentioned above is not a member of the aforesaid senior management, and his duties are segregated from those of the senior management;
- (v) regularly review the financial statements of Hisense Finance to monitor its financial positions and if there is any extraordinary issues noted (such as the financial positions of Hisense Finance is severely deteriorated), the Group can easily switch to other commercial banks given the non-exclusivity of the Financial Services Agreement;
- (vi) the finance department and securities department of the Company are responsible for the collection and summarization of all information in relation to the continuing connected transactions from the finance department and will prepare a summary report regarding the conduct of the continuing connected transactions on a regular basis and make timely report to the senior management regarding the operating status of the continuing connected transactions of Group. They will also conduct a monthly review on the terms of the continuing connected transaction and compare such terms with those of the similar transactions with independent third parties based on the information provided by the finance department. The scope of the review conducted by the finance department and securities department is the same. The same information can be reviewed by personnel of different

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departments whose duties are segregated from each other. In addition, the Company conducts annual review on the execution of the continuing connected transactions of the Group;

- (vii) The legal affairs department of the Company is responsible for reviewing and approving the Financial Services Agreement and the new transaction agreements contemplated under the Financial Services Agreement.

As part of our due diligence, we have reviewed the quotations and terms from at least three other commercial banks about service fees for agency services such as settlement services for receipt and payment of funds and the interest rates on deposits and loan and the service fee for electronic bank acceptance bills offered by the Group. The service charges and interest rates provided by Hisense Finance to the Group are no less favourable to the Group when compared with those commercial banks.

In view that (i) the above risk control measures and the internal procedures to ensure the terms that are no less favourable to the Group such as request quotations from other commercial banks before execution; (ii) the continuous compliance of regulatory requirements by Hisense Finance in the past; and (iii) those transactions contemplated pursuant to the Financial Services Agreement had been reviewed by the independent non-executive Directors and the auditor of the Company who had confirmed that they (a) were conducted in the ordinary course of business of the Group and on normal commercial terms; (b) were on terms not less favorable to the Company than terms available to/from (as appropriate) independent third parties; and (c) have not exceeded the annual caps, we concur with the executive Directors' views that the risk control measures implemented by the Group are sufficient to mitigate the default risk arising from the transactions with Hisense Finance.

In light of the existing financial position of the Group, the credit and risk control measures as discussed above, we consider that the transactions contemplated under the Financial Services Agreement will be conducted in the ordinary and usual course of business of the Company and we concur with the view of the Company that the entering into of the Financial Services Agreement is in the interests of the Company and the Shareholders as a whole.

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II. Terms of the Agreements

1. *The Business Co-operation Framework Agreement*

Date: 30 October 2020

Parties: The Company;
Hisense Company;
Hisense Electric Holdings;
Hisense International;
Hisense Marketing Management; and
Hisense Visual Technology

Term:

The Business Co-operation Framework Agreement shall commence from 1 January 2021 or the date of approval of the Business Co-operation Framework Agreement by the Independent Shareholders at the EGM (whichever is the later) until 31 December 2021, which can be terminated before its expiration by mutual agreement of the parties.

In the event of any exemption for connected transactions being withdrawn or revoked or becoming invalid and there is non-compliance with the relevant Hong Kong Listing Rules and/or Shenzhen Listing Rules in respect of connected transactions for any transactions contemplated under the Business Co-operation Framework Agreement, the performance of the Business Co-operation Framework Agreement in respect of such transactions shall be terminated. The Business Co-operation Framework Agreement will be terminated if all transactions contemplated under it have been terminated for the above reason.

Condition:

The Business Co-operation Framework Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM.

Subject matters:

The transactions contemplated under the Business Co-operation Framework Agreement 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 Co-operation Framework Agreement does not restrict the rights of the parties to sell or purchase products or services contemplated under the Business Co-operation Framework Agreement from any other purchasers or suppliers.

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The relevant parties will enter into definitive contract(s) setting out specific terms including specifications of the products or services, quantity involved, pricing principles, quality standards and warranties, payment terms, terms of delivery, technological services and obligations in the event of default, but such terms shall be consistent with the principles and the terms of the Business Co-operation Framework Agreement.

Payment term(s) for the transactions contemplated under the Business Co-operation Framework Agreement shall be in accordance with the payment term(s) as stipulated in the definitive contract(s) to be signed by the relevant parties to such contract(s).

The Mixed Ownership Reform of Hisense Company and the proposed succession of part of the service function of Hisense Company and the related Caps by Hisense Electric Holdings following the completion of the Mixed Ownership Reform:

References are made to the overseas regulatory and inside information announcements of the Company both dated 28 May 2020 and the overseas regulatory and inside information announcement of the Company dated 23 October 2020 (the “**Announcements**”) in relation to, among other matters, the “Implementation Plan of the Mixed Ownership Reform of Hisense Company” (《海信集團深化混合所有制改革實施方案》) (the “**Mixed Ownership Reform**”).

As disclosed in the Announcements, Hisense Company is undergoing certain enterprise reform and restructuring work. As the subject entity of the Mixed Ownership Reform, Hisense Electric Holdings will, through enlarging its registered capital by issuing shares for listing and public trading on the Qingdao Property Rights Exchange (青島產權交易所), introduce strategic investor(s) with industrial synergy and the ability to assist Hisense Electric Holdings in its international development in order to achieve a more diversified shareholding structure as well as a more market-based corporate governance structure. As at the Latest Practicable Date, the Mixed Ownership Reform had not yet completed.

As at the Latest Practicable Date, (i) Hisense Company held approximately 32.36% of Hisense Electric Holdings; (ii) Hisense Electric Holdings held approximately 93.33% of Hisense Air-conditioning and wholly-owned Hisense HK; (iii) Hisense Air-conditioning held approximately 37.92% of the Shares; and (iv) Hisense HK held approximately 9.13% of the Shares. Each of Hisense Company and Hisense Electric Holdings (through their indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company.

Following the completion of the Mixed Ownership Reform, it is expected that the equity interests held by Hisense Company in Hisense Electric Holdings would be diluted to approximately 26.79% and Hisense Company would no longer control Hisense Electric Holdings. As such, the Company may change from being

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a company ultimately controlled by Qingdao SASAC to not having any ultimate beneficial controller. Also, Hisense Company would cease to be the controlling shareholder of the Company and a connected person of the Company under the Hong Kong Listing Rules. Notwithstanding the above, the interest of Hisense Electric Holdings in the Company held through Hisense Air-conditioning and Hisense HK will not be affected by the Mixed Ownership Reform.

Hisense Company entered into the Existing Business Co-operation Framework Agreement with the Company as a representative of Hisense Company and its subsidiaries, including Hisense Electric Holdings and its subsidiaries. Despite that Hisense Company was the signing entity who was a party to the Existing Business Co-operation Framework Agreement, save for the provision of services provided by Hisense Company and/or its subsidiaries to the Group, all other continuing connected transactions between the Group and Hisense Company and/or its subsidiaries under the Existing Business Co-operation Framework Agreement are conducted between the Group and Hisense Electric Holdings and/or its subsidiaries.

In view of the expected change of equity holding structure between Hisense Company and the Company following the completion of the Mixed Ownership Reform, that Hisense Company would cease to be the controlling shareholder of the Company and part of the service function of Hisense Company would be succeeded by Hisense Electric Holdings, Hisense Electric Holdings joins as a party to the Business Co-operation Framework Agreement, under which it acknowledges the proposed continuing connected transactions to be conducted between the Group and Hisense Company and/or its subsidiaries and agrees to succeed the rights and obligations of Hisense Company under the Business Co-operation Framework Agreement, including the relevant Caps, upon the completion of the Mixed Ownership Reform.

For the provision of services provided by Hisense Company and/or its subsidiaries to the Group under the Business Co-operation Framework Agreement, (i) Hisense Company and (ii) Hisense Electric Holdings and/or its subsidiaries will provide services to the Group. Following the completion of the Mixed Ownership Reform, the original part of the service function of Hisense Company is expected to be succeeded by Hisense Electric Holdings, and Hisense Electric Holdings and/or its subsidiaries will continue to provide services to the Group. As a result, the rights and obligations of Hisense Company under the Business Co-operation Framework Agreement, including the relevant Caps, are expected to be fully succeeded by Hisense Electric Holdings upon the completion of the Mixed Ownership Reform.

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The Company's internal policy regarding continuing connected transactions

The Company has established connected transaction management policy (關聯交易管理辦法) (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 departments 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 departments 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 on a periodically basis and make timely report to the senior management regarding the operating status of the continuing connected transactions of the Group. They will also conduct a monthly review on the terms of the continuing connected transaction and compare such

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terms with those of the similar transactions with independent third parties. 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 and the new transaction agreements contemplated under the Business Co-operation Framework Agreement.

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

a. Purchases of electrical appliances

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will purchase from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries on a non-exclusive basis electrical appliances as it may require from time to time.

The pricing for the purchases of electrical appliances is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar electrical appliances offered by 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 quotations 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 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.

The purchases of electrical appliances by the Group will be conducted in the ordinary and usual course of its business, on normal commercial terms and on terms not less favourable to the Group than terms available to or from (as appropriate) independent third parties. The Business Co-operation Framework Agreement will not restrict the Group from purchasing electrical appliances from other suppliers apart from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries, nor will it restrict Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries from selling their electrical appliances to any other third parties.

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On the basis that (i) the purchases of electrical appliances by the Group will be conducted in the ordinary and usual course of its business and the terms of the definitive contract(s) to be entered into between the relevant contracting parties will be consistent with those of the Business Co-operation Framework Agreement and will be determined in accordance with the principle of fairness and reasonableness with reference to the market price of the similar electrical appliances and not less favourable to the Group than terms available to or from (as appropriate) independent third parties; (ii) the non-exclusive arrangement under the Business Co-operation Framework Agreement provides the Group with the flexibility without any commitment on the purchase quantity from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries; and (iii) the Group has conducted similar transactions under the Existing Business Co-operation Framework Agreement in the past and based on our review of the relevant sample of transaction records and our discussion with the Management that there is no indication the terms of the transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and their respective subsidiaries were less favourable than those between the Group and independent third party suppliers, we are of the view that the terms of the Business Co-operation Framework Agreement with respect to the purchases of electrical appliances by the Group are in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

b. Purchases of raw materials, parts and components

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will purchase from Hisense Electric 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 it may require from time to time.

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 raw materials, parts and components offered by 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 quotations 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

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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.

The Business Co-operation Framework Agreement will not restrict the Group from purchasing raw materials, parts and components from suppliers other than Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries, nor will it restrict Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries from selling their raw materials, parts and components to any other third parties.

On the basis that (i) the purchases of raw materials, parts and components by the Group will be conducted in the ordinary and usual course of its business and the terms of the definitive contract(s) to be entered into between the relevant contracting parties will be consistent with those of the Business Co-operation Framework Agreement and will be determined in accordance with the principle of fairness and reasonableness and not less favourable to the Group than terms available to or from (as appropriate) independent third parties; (ii) the non-exclusive arrangement under the Business Co-operation Framework Agreement provides the Group with the flexibility without any commitment on the purchase quantity from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries; and (iii) the Group has conducted similar transactions under the Existing Business Co-operation Framework Agreement in the past and based on our review of the relevant sample of transaction records and our discussion with the Management that there is no indication the terms of the transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and their respective subsidiaries were less favourable than those between the Group and independent third party suppliers, we are of the view that the terms of the Business Co-operation Framework Agreement with respect to the purchases of raw materials, parts and components by the Group are in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

c. Provision of services

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will, on a non-exclusive basis, engage (i) Hisense Company for the provision of property, employee health management, technical support and information system development and maintenance services as the Group may require from time to time; (ii) Hisense Electric Holdings and/or its subsidiaries for the provision of material processing, installation and maintenance, distribution, property, leasing, design, inspection, agency services, management consultancy, technical support and information system development and maintenance services as the Group may require from time to time; (iii) Hisense International and/or its subsidiaries

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for the provision of maintenance, agency and technical support services as the Group may require from time to time; (iv) Hisense Marketing Management and/or its subsidiaries for the provision of agency services as the Group may require from time to time; and (v) 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.

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 price for the provision of similar services offered by 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 quotations 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.

The Business Co-operation Framework Agreement will not restrict the Group from engaging services providers other than Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries, nor will it restrict Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries from providing their services to any other third parties.

On the basis that (i) the terms of the definitive contract(s) to be entered into between the contracting parties will be consistent with those of the Business Co-operation Framework Agreement and will be determined in accordance with the principle of fairness and reasonableness with reference to the market price of similar services from time to time and not less favourable to the Group than terms available to or from (as appropriate) independent third parties; (ii) the non-exclusive arrangement under the Business Co-operation Framework Agreement provides the Group with the flexibility without any commitment on the amount of services to be provided by Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries; and (iii) the Group has conducted similar transactions under the Existing Business Co-operation Framework Agreement in the past

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and based on our review of the relevant sample of the definitive agreements entered into between the Group and Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and their respective subsidiaries as well as those entered into between the Group and independent third party suppliers and our discussion with the Management that there is no indication the terms of the transactions between the Group and Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and their respective subsidiaries were less favourable than those between the Group and independent third party suppliers, we are of the view that the terms of the Business Co-operation Framework Agreement with respect to the provision of services are in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

d. Supply of electrical appliances

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will supply on a non-exclusive basis electrical appliances to Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries as they may require from time to time.

Pricing for the supply of electrical appliances is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar electrical appliances offered by 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 electrical appliances (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 price offered by the Group to 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.

The Business Co-operation Framework Agreement will not restrict Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries from purchasing electrical appliances from suppliers other than the Group, nor will it restrict the Group from selling its electrical appliances to any other third parties.

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On the basis that (i) the sale and supply of electrical appliances by the Group to Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries will increase the revenue of the Group; (ii) such transactions will enhance the market competitiveness of the Group's product; (iii) such transactions will be conducted in the ordinary and usual course of business of the Group and on terms according to the principle of fairness and reasonableness between the contracting parties with reference to the market price of the similar electrical appliances from time to time; and (iv) the Group has conducted similar transactions under the Existing Business Co-operation Framework Agreement in the past and based on our review of the relevant sample of the transaction records as well as our discussion with the Management that there is no indication that the terms of the transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and their respective subsidiaries were less favourable than those between the Group and independent third parties, we are of the view that the terms of the Business Co-operation Framework Agreement with respect to the sale and supply of electrical appliances by the Group to Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries are in the interests of the Group and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

e. Supply of moulds

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will supply on a non-exclusive basis moulds to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries as they may require from time to time.

In response to the invitations to tender from Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries (which are also extended to various independent third parties) from time to time, the Group may submit such tenders or bids to supply the moulds for such products requested by Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in its/their invitation to tender. Pricing for the supply of moulds 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.

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The Business Co-operation Framework Agreement will not restrict the Group from supplying its moulds to any other third parties, nor will it restrict Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries from purchasing moulds from suppliers other than the Group.

In view of (i) the moulds are customised as per the customers' requirements; (ii) the pricing for the supply of moulds will be determined by open bidding process, which is a transparent pricing mechanism; (iii) the bidding price is determined on the basis of a reasonable cost plus reasonable profit margin; and (iv) the Group has conducted similar transactions under the Existing Business Co-operation Framework Agreement in the past and based on our review of the relevant sample of the transaction records and our discussion with the Management that there is no indication that the terms of the transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and their respective subsidiaries were less favourable than those between the Group and independent third parties, we are of the view that the terms of the Business Co-operation Framework Agreement with respect to the sale and supply of moulds by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries are in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

f. Supply of raw materials, parts and components

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will supply to Hisense Electric 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.

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 price of similar raw materials, parts and components supplied by the Group to 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 price of similar raw materials, parts

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and components supplied by the Group to 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.

The Business Co-operation Framework Agreement will not restrict the Group from selling its raw materials, parts and components to any other third parties, nor will it restrict Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries from purchasing raw materials, parts and components from suppliers other than the Group.

On the basis that (i) the sale and supply of raw materials, parts and components by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries will increase the revenue of the Group; (ii) the terms of the definitive contract(s) to be entered into between the relevant contracting parties will be consistent with those of the Business Co-operation Framework Agreement and will be determined in accordance with the principle of fairness and reasonableness and not less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) the Group has conducted similar transactions under the Existing Business Co-operation Framework Agreement in the past and based on our review of the relevant sample of the transaction records and our discussion with the Management that there is no indication that the terms of the transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and their respective subsidiaries were less favourable than those between the Group and independent third parties, we are of the view that the terms of the Business Co-operation Framework Agreement with respect to the supply of raw materials, parts and components to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries are in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

g. Provision of services by the Group

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will, on a non-exclusive basis, (i) provide property services, processing services and installation services to Hisense Electric Holdings and/or its subsidiaries; (ii) provide property services to Hisense International and/or its subsidiaries; and (iii) provide property services, processing services and installation services to Hisense Visual Technology and/or its subsidiaries.

The fees payable by Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the aforesaid services are determined by commercial negotiations according to

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the principles of fairness and reasonableness between the parties with reference to the market price for the provision of similar services offered by the Group to 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 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 service fees are not less favourable than the fees of similar services offered by the Group to 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.

The Business Co-operation Framework Agreement will not restrict the Group from providing its services to any other third parties, nor will it restrict Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries from engaging services providers other than the Group.

On the basis that (i) the terms of the definitive contract(s) to be entered into between the contracting parties will be consistent with those of the Business Co-operation Framework Agreement and will be determined in accordance with the principle of fairness and reasonableness with reference to the market price for the provision of such services from time to time; (ii) the transactions, when taken place, will increase the utilization rate of the Group's resources and the revenue of the Group; (iii) the non-exclusive arrangement under the Business Co-operation Framework Agreement provides the Group with the flexibility without any commitment on the amount of services to be provided; and (iv) the Group has conducted similar transactions under the Existing Business Co-operation Framework Agreement in the past and based on our review of the relevant sample of the definitive agreements entered into between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and its subsidiaries as well as those entered into between the Group and independent third parties and our discussion with the Management that there is no indication that the terms of the transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and its subsidiaries were less favourable than those between the Group and independent third parties, we are of the view that the terms of the Business Co-operation Framework Agreement with respect to the provision of services are in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

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We also note from respective annual reports of the Company in 2018 and 2019, the auditor confirmed that the relevant continuing connected transactions of the Group had been approved by the Board, were carried out in accordance with the Company's pricing policies pursuant to the terms of the agreements of the relevant transactions, and have not exceeded the caps disclosed in the previous announcements. In addition, the Company has engaged its auditor to perform independent audit on the effectiveness of the Company's internal control and an audit report on internal control has been issued. The auditor is of the view that as at 31 December 2018 and 31 December 2019, the Company has maintained effective internal control related to financial reporting in accordance with "Basic Norms for Enterprise Internal Control" and the relevant requirements in all material aspects. Moreover, it was stated in these annual reports that in both years 2018 and 2019, the independent non-executive Directors had reviewed the Continuing Connected Transactions in the relevant years and confirmed that these transactions were conducted in the ordinary course of business of the Group in accordance with the relevant agreements governing them.

Given the on-going review by the independent non-executive Directors and auditors of the Company in relation to the terms and annual caps of the Continuing Connected Transactions and no non-compliance matter relating to connected transactions was noted in the past years, we consider that appropriate internal control measures are in place by the Company to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

As part of our due diligence, there are seven Connected Transaction categories under the Business Co-operation Framework Agreement and we requested at least three samples for each Connected Transaction category. As such, we are on a randomly selected sampling basis, reviewed at least three samples for each major and majority type of transactions, including the following six Connected Transaction categories "Purchases of electrical appliances", "Purchases of raw materials, parts and components", "Provision of services", "Supply of raw materials, parts and components", "Supply of electrical appliances" and "Provision of services by the Group", for the ten months ended 31 October 2020 to justify the price under the Business Co-operation Framework Agreement.

For those transactions which are customised as per the customers' requirements, we discussed with the management and understood that (i) regarding "Supply of moulds", the price was determined through a transparent bidding process and the bidding price is determined on the basis of a reasonable cost plus reasonable profit margin. Although those transactions are customised as per the customers' requirements and there is no exactly the same products to be compared, we ask for the transactions from the same categories or similar categories when doing the comparison. As the samples for the transactions with the connected parties are mainly related to the supply of mould of television cabinet, we requested and

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checked the samples related to the supply of mould of television cabinet for the transactions with the independent third parties. We obtained at least three sample transactions' profit margin with the independent third parties and the connected parties respectively to justify the profit margin under the Business Co-operation Framework Agreement.

Based on the review of the samples, we note that (i) the prices for the products and services offered by Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries were no less favourable than those offered by the independent third party; and (ii) the prices paid by the Group to Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their subsidiaries were no more favourable than those to the independent third parties. Based on the above, we consider that interests of the Group can be safeguarded. As regards those transactions which are customised as per the customers' requirements, based on our discussion with the Management that there is no indication that the terms of the transactions between the Group, Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and their respective subsidiaries were less favourable than those between the Group and independent third parties.

As part of our due diligence, we reviewed the past five year audited annual reports. The auditor has done their work and there is nothing abnormal, moreover, these transactions have been doing for many years and audited in the previous years by the professional auditor. We also did the sampling with a random selection basis of at least three samples for each major and majority type of transactions in the past two years and there is nothing abnormal. Therefore, according to our analysis judgement and experience, we believe reviewing at least three samples for each major and majority type of transactions will be sufficient and representative. We noted that the CT Management Policy procedures mentioned above were properly followed, we are not aware of any violation of the terms under the Business Co-operation Framework Agreement after reviewing the samples for similar type of transactions at the relevant time and discussing with the management. The Management of the Company confirmed us that the above-mentioned internal control policies were, and would be, consistently applied to all connected transactions and on terms no less favourable to the Group than those made available from independent third parties. We are of the view that the samples provided, together with the aforesaid CT Management Policy control measures adopted by the Group, are sufficient to support our above mentioned conclusion.

For the sake of evaluating the pricing mechanism under the Business Co-operation Framework Agreement, in connection with the our work performed, we have discussed with the Management and reviewed (i) the CT Management Policy; (ii) an internal price decision assessment process on the

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proposed continuing connected transactions; (iii) samples of each service for the ten months ended 31 October 2020 with both connected parties and independent third parties which set out the prices, except for those transactions which are customised as per the customers' requirements; (iv) summary report prepared by finance department and securities department regarding the conduct of continuing connected transactions on a regular basis; and (v) monthly review process on terms of continuing connected transaction comparing to independent third parties.

Furthermore, as set out in the "Letter from the Board" contained in the Circular, the pricing mechanism under the Business Co-operation Framework Agreement adopted by the Group was supervised by the operation departments and the finance department. Given that (i) the terms of the proposed transaction are compared 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; (ii) the price of similar transactions of other companies in the industry is reviewed by the finance department of the Group regularly to ensure that the price of such purchase is market-oriented, fair and reasonable; (iii) results of our discussion with the Management and review on samples for each type of transactions, except for those transactions which are customised as per the customers' requirements, that the prices of transactions are no less favourable than quotation offered by independent third party; and (iv) the Company has established the CT Management Policy to ensure that any 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, we concur with the Management that the internal control procedures of the Company are efficient and adequate.

2. *The Financial Services Agreement*

Date: 30 October 2020

Parties: The Company; and
Hisense Finance

Term:

The term of the Financial Services Agreement shall commence from 1 January 2021 or the date of approval of the Financial Services Agreement by the Independent Shareholders at the EGM (whichever is later) until 31 December 2021, which can be terminated by either party if the other party is in default and such default is not remedied within a reasonable period.

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Condition:

The Financial Services Agreement and the transactions contemplated under it are subject to the approval of the Independent Shareholders at the EGM.

Subject matters:

Pursuant to the terms of the Financial Services Agreement, the Group will engage Hisense Finance to provide a range of financial services within its scope of business, including but not limited to the following services and such other businesses as may be carried on by Hisense Finance as approved by the regulatory authorities:

- (i) deposit services;
- (ii) loan and electronic bank acceptance bill (電子銀行承兌匯票) services;
- (iii) draft discount services (票據貼現服務);
- (iv) settlement and sale of foreign exchange services (結售匯服務); and
- (v) agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務).

For the draft discount services which will be provided to the Group by Hisense Finance, the Group is entitled to present bank drafts to Hisense Finance for payment before the maturity date of the bank drafts. In return, Hisense Finance will charge discount interest (貼現利息) from the Group for “cashing” the bank drafts. After the Group has discounted the bank drafts with Hisense Finance, such bank drafts will belong to the latter which will have the right to present such bank drafts to the issuing banks for payment on their respective maturity dates.

The implementation of the provision of particular services contemplated under the Financial Services Agreement shall be subject to the definitive contract(s) to be entered into between the relevant parties within the scope of the Financial Services Agreement.

The Group may obtain financial services contemplated under the Financial Services Agreement from other financial institutions in addition to Hisense Finance, as it sees fit.

The Company’s internal policy regarding continuing connected transactions:

The Company has established the CT Management Policy to ensure 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.

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According to the CT Management Policy, before entering into a definitive transaction, the Company will compare the price of similar transactions with or quotations obtained from independent third parties. Commencement of the definitive transaction with the connected party/parties is subject to 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 finance department of the Group will compare the interest rates on deposits and loans and the service fee for electronic bank acceptance bills offered by Hisense Finance to the Group to those offered by commercial banks in the PRC prior to the execution of the relevant transactions. For deposit services, the designated finance staff of the Group will review and compare the interest rates offered by Hisense Finance with the major commercial banks based on the nature and tenure of such deposits (e.g. the time deposits will be reviewed quarterly, the demand deposits will be reviewed monthly and the interest rates for loans will be reviewed regularly).

For the purpose of ensuring the sufficiency of independent bank transactions that are subject to review, the finance staff will review the interest rates on deposits offered by the five major commercial banks in the PRC, namely, China Construction Bank, Industrial and Commercial Bank of China, Bank of China, Bank of Communications and Agricultural Bank of China (the **"Five Major PRC Commercial Banks"**). The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of the interest rates on deposits.

For electronic bank acceptance bill services, the Group's finance staff will conduct a monthly review on the service fees charged by external commercial banks, and the Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain quotations of service fees for issuing electronic bank acceptance bills to ensure that the service fees charged by Hisense Finance are not higher than those charged by commercial banks.

If the finance department is of the view that the interest rates on deposits and loan and the service fee for electronic bank acceptance bills offered by Hisense Finance to the Group are less favourable to the Group than those offered by commercial banks in the PRC, it will report to the senior management who will negotiate with Hisense Finance on the terms of the relevant transactions. If, after negotiation, Hisense Finance cannot offer terms which are no less favourable to the Group than those offered by commercial banks in the PRC, the Group will not execute the relevant transactions. The designated finance staff responsible for reviewing and comparing the interest rates mentioned above is not a member of the aforesaid senior management, and his duties are segregated from those of the senior management.

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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 the finance 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 on a periodically basis and make timely report to the senior management regarding the operating status of the continuing connected transactions of Group. They will also conduct a monthly review on the terms of the continuing connected transaction and compare such terms with those of the similar transactions with independent third parties based on the information provided by the finance department. The scope of the review conducted by the finance department and the securities department is the same so that the same information can be reviewed by personnel of different departments whose duties are segregated from each other. 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 Financial Services Agreement and the new transaction agreements contemplated under the Financial Services Agreement.

The Company and Hisense Finance periodically enter into deposit and loan agreements and electronic bank acceptance bill contracts pursuant to the Financial Services Agreement. The approval process of the relevant agreements and contracts is initiated by the finance department and the agreements and contracts can only be executed after the approval by the responsible finance officer in charge of a specific business operation. The finance department and securities department will closely monitor the daily closing balances of the deposit service and the loan and electronic bank acceptance bill service so that the relevant annual caps are not exceeded and the risks involved are under control.

The transactions contemplated under the Financial Services Agreement are in connection with the following aspects:

a. Pricing of deposit service

The interest rate payable for the Group's deposits with Hisense Finance shall not be lower than the rate payable by normal commercial banks in the PRC for comparable deposits. The designated finance staff of the Group will review and compare the interest rates offered by Hisense Finance with the major commercial banks based on the nature and tenure of such deposits (e.g. the time deposits will be reviewed quarterly and the demand deposits will be reviewed monthly). For the purpose of ensuring the sufficiency of independent bank transactions that are subject to review, the finance staff will review the interest rates on deposits offered by the Five Major PRC Commercial Banks. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of interest rates on deposits via conducting online and telephone enquiries.

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b. Pricing of loan and electronic bank acceptance bill service

The interest rate charged for the loans provided to the Group by Hisense Finance shall not be higher than the rate charged by normal commercial banks in the PRC for comparable loans. The designated finance staff of the Group will review and compare the interest rates for loan offered by Hisense Finance with the major commercial banks regularly. For the purpose of ensuring the sufficiency of independent bank transactions that are subject to review, the finance staff will review the interest rates for loan offered by the Five Major PRC Commercial Banks. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of interest rate charged for loans via conducting online and telephone enquiries.

The service fees charged for the provision of electronic bank acceptance bill services by Hisense Finance for the Group shall not be higher than the standard service fees charged by normal commercial banks in the PRC for comparable services. The finance department of the Group will conduct a monthly review on the service fees charged by external commercial banks, namely the Five Major PRC Commercial Banks. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of service fees for issuing electronic bank acceptance bills via conducting online and telephone enquiries. The monthly review is conducted to ensure that the service fees charged by Hisense Finance are not higher than those charged by commercial banks.

c. Pricing of draft discount service

The discount rate for the provision of draft discount services by Hisense Finance to the Group shall not be higher than the discount rate charged by normal commercial banks in the PRC providing such services to the Group.

Prior to the execution of the relevant contracts for the draft discount services, the Group's staff will obtain and compare the quotations from Hisense Finance and the Five Major PRC Commercial Banks. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of discount rate via conducting online and telephone enquiries.

d. Pricing of settlement and sale of foreign exchange services

The level of services (including the level of exchange rates) for the settlement and sale of foreign exchange at Hisense Finance shall not be worse than the level of services (including the level of exchange rates) of normal commercial banks in the PRC providing such services to the Group.

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Prior to the execution of the relevant contracts for the services for settlement and sale of foreign exchange, the Group's staff will obtain and compare the quotations from Hisense Finance and the Five Major PRC Commercial Banks. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of service fees (including the level of exchange rates) via conducting online and telephone enquiries.

e. Price of agency services such as settlement services for receipt and payment of funds

Hisense Finance will provide agency services such as settlement services for receipt and payment of funds to the Group in accordance with its instructions. The charging standard for service fees chargeable for the provision of agency services such as settlements services for receipt and payment of funds by Hisense Finance for the Group shall not be higher than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC during the corresponding period. Hisense Finance announces its scale of charges at the beginning of every year. Currently, the said scale of charges has been lower than those of the major commercial banks in the PRC. The finance department of the Group conducts monthly review on the service fees charged by external commercial banks, namely the Five Major PRC Commercial Banks. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of service fees via conducting online and telephone enquiries. These monthly reviews are conducted for the provision of agency services to ensure that the service fees charged by Hisense Finance are not higher than those charged by commercial banks. If the expected scale of charges of Hisense Finance is found to be more expensive than that of other major commercial banks, the Company will select the bank with cheaper charging rates.

Based on our review of the principal terms of the Financial Services Agreement as stated above, we consider (i) the non-exclusivity of the financial services to be provided under the Financial Services Agreement (i.e. the Group is free to obtain such financial services from other financial institutions as it sees fit); and (ii) the condition that the actual terms of such financial services shall not be less favourable than those offered by other normal commercial banks and financial institutions to be the most important terms in safeguarding the interests of the Company.

We also note from respective annual reports of the Company in 2018 and 2019, the auditor confirmed that the relevant continuing connected transactions of the Group had been approved by the Board, were carried out in accordance with the Company's pricing policies pursuant to the terms of the agreements of the relevant transactions, and have not exceeded the caps disclosed in the previous announcements. In addition, the Company has engaged its auditor to perform independent audit on the effectiveness of the

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Company's internal control and an audit report on internal control has been issued. The auditor is of the view that as at 31 December 2018 and 31 December 2019, the Company has maintained effective internal control related to financial reporting in accordance with "Basic Norms for Enterprise Internal Control" and the relevant requirements in all material aspects. Moreover, it was stated in these annual reports that in both years 2018 and 2019, the independent non-executive Directors had reviewed the Continuing Connected Transactions in the relevant years and confirmed that these transactions were conducted in the ordinary course of business of the Group in accordance with the relevant agreements governing them.

Given the on-going review by the independent non-executive Directors and auditors of the Company in relation to the terms and annual caps of the Continuing Connected Transactions and no non-compliance matter relating to connected transactions was noted in the past years, we consider that appropriate internal control measures are in place by the Company to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders. We have obtained and reviewed all interest rates and financial service fees offered by Hisense Finance for "deposit services" and "loan and electronic bank acceptance bill services" for the nine months ended 30 September 2020 and compared them to those provided or charged by other commercial banks in PRC to justify the pricing under the Financial Services Agreement. We, on a randomly selected sampling basis, obtained at least three transaction record samples of "settlement and sale of foreign exchange services", "agency services such as settlement services for receipt and payment of funds", and one transaction record of "draft discount services" for the nine months ended 30 September 2020. We reviewed and compared the above mentioned deposit interest rate and financial service fee to those provided or charged by other commercial banks in PRC to justify the pricing under the Financial Services Agreement. Based on our comparison, we note that the interest rate and the prices for the services offered by Hisense Finance were no less favourable than those offered by the independent third party. Based on the above, we consider that interests of the Group can be safeguarded.

We considered the samples are representative, and noted that the CT Management Policy procedures mentioned above were properly followed, and the interest rates offered by Hisense Finance were comparable to other banks in the PRC and in compliance with the relevant interest rate policies imposed by PBOC for similar type of deposits at the relevant time. The Management of the Company confirmed us that the above-mentioned internal control policies were, and would be, consistently applied to all financial services and on terms no less favourable to the Group than those made available from independent third parties. We were also given to understand that finance department of the Company would monitor the risk associated with the financial service by assessing the financial position of Hisense

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Finance regularly with reference to the latest management accounts and annual audited financial statements of Hisense Finance and the Risk Assessment Reports.

Having considered the internal control measures implemented by the Group and the fact that Hisense Finance is a regulated non-bank financial institution subject to the regulations of the PBOC and the CBRC, we are of the view that the samples provided are sufficient to support our above mentioned conclusion.

For the sake of evaluating the pricing mechanism under the Financial Services Agreement, in connection with our work performed, we have discussed with the Management and reviewed (i) the CT Management policy with respect to connected transactions; (ii) summary report prepared by finance and securities department regarding the conduct of continuing connected transactions on a regular basis; and (iii) monthly review process conducted by finance staff on the terms charged by both connected parties and external commercial banks.

Furthermore, as set out in the “Letter from the Board” contained in the Circular, the pricing mechanism under the Financial Services Agreement adopted by the Group was supervised by the finance department. Given that (1) the designated finance staff of the Group will review and compare the interest rates offered by Hisense Finance with the major commercial banks based on the nature and tenure of such deposits (e.g. the time deposits will be reviewed quarterly, the demand deposits will be reviewed monthly and the interest rates for loans will be reviewed regularly). For the purpose of ensuring the sufficiency of independent bank transactions that are subject to review, the finance staff will review the interest rates on deposits offered by the five major commercial banks in the PRC, namely, China Construction Bank, Industrial and Commercial Bank of China, Bank of China, Bank of Communications and Agricultural Bank of China. The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of the interest rates on deposits.; (2) results of our review on sample record for each type of transactions that the interest rate and service fees of the transactions are no less favourable than quotation offered by major commercial banks; and (3) the Company has established the CT Management Policy to ensure that any 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, we concur with the Management that the internal control procedures of the Company are efficient and adequate, we are of the view that the pricing basis relating to the Financial Services Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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On the basis that (i) the transactions under the Financial Services Agreement will be conducted in the ordinary and usual course of business of the Group and on terms not less favourable to the Company than terms available from other normal commercial banks and financial institutions; (ii) the non-exclusive arrangement under the Financial Services Agreement provides the Company with the flexibility without any commitment or obligation for the Company to obtain such services from Hisense Finance; and (iii) the Group has conducted similar transactions in the past, we are of the view that the terms of the Financial Services Agreement are in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

III. Rationale for determining the maximum value of the transactions contemplated under the Agreements

Pursuant to Rule 14A.53 of the Hong Kong Listing Rules, the transactions contemplated under (1) the Business Co-operation Framework Agreements during the year commencing from the date of approval of the Business Co-operation Framework Agreement by the Shareholders until 31 December 2021 will be subject to an annual cap for the financial year ending 31 December 2021 of the Company; and (2) the Financial Services Agreement during the year commencing from the date of approval of the Financial Services Agreement by the Shareholders until 31 December 2021 will be subject to an annual cap for the financial year ending 31 December 2021 of the Company. The proposed maximum aggregate values, or “caps”, of the transactions contemplated under the Agreements for the year ending 31 December 2021 and the estimated unaudited value of similar transactions between the relevant parties in 2020 are summarised below:

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	Annual caps for the year ending 31 December 2020	Proposed caps during the term of the Agreements	Unaudited value of the similar transactions between the relevant parties for the nine months ended 30 September 2020
<i>All currency will be RMB unless specify</i>	<i>RMB('000)</i>	<i>RMB('000)</i>	<i>RMB('000)</i>
The Business Co-operation Framework Agreement:			
Maximum aggregate value of purchases of electrical appliances:	93,360	327,370	22,960
Maximum aggregate value of purchases of raw materials, parts and components:	659,580	810,040	287,990
Maximum aggregate value of the provision of services by Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries:	1,017,960	1,271,470	623,720
Maximum aggregate value of supply of electrical appliances:	16,473,940	19,552,610	9,889,080
Maximum aggregate value of supply of moulds:	263,140	151,500	78,590
Maximum aggregate value of supply of raw materials, parts and components:	385,220	445,010	122,800
Maximum aggregate value of the provision of services by the Group:	48,660	39,490	19,150
The Financial Services Agreement:			
Maximum daily closing balance of the deposits to be placed by the Group with Hisense Finance in respect of the deposit services:	16,800,000	18,500,000	13,000,000
Maximum daily closing balance of the loan and electronic bank acceptance bills to be provided by Hisense Finance to the Group in respect of the loan and electronic bank acceptance bill services:	11,500,000	11,500,000	8,870,000
Maximum aggregate value of the annual discount interest payable by the Group to Hisense Finance in respect of the draft discount services:	50,000	50,000	1,290
Maximum aggregate value payable by the Group to Hisense Finance in respect of settlement and sale of foreign exchange services:	USD300,000	USD300,000	USD48,180
Maximum aggregate value payable by the Group to Hisense Finance in respect of agency services:	3,000	3,000	580

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The basis for the proposed maximum value for each category of transactions contemplated under the Business Co-operation Framework Agreement and the Financial Services Agreement is set out in the Letter from the Board. The table below summaries the basis for each category of the transactions:

Category	Basis for the proposed Caps
The Business Co-operation Framework Agreement:	
Purchases of electrical appliances	(i) Similar transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the estimated annualised unaudited amount of the similar transactions for the year 2020; (ii) The projected 20% year-on-year increase in the level of sales scale of the Group for the year ending 31 December 2021; (iii) The anticipated percentage increase in the relevant purchases of the Group in 2021; and (iv) The Group's plan of marketing and product promotion activities for the year 2021.
Purchases of raw materials, parts and components	(i) similar transactions between the Group and Hisense Electric Holdings, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020; (ii) the 2021 Projected Sales Increment; and (iii) the anticipated percentage increase in the relevant purchases of the Group in 2021.
Provision of services	(i) similar transactions between the Group and Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries in the past; (ii) increase in charges for electricity and water and property management in 2021; (iii) leasing of new properties or expand the size of leasing area; (iv) the expected increase in property service fees; (v) 2021 Project Sales Increment and the increase in the level and demand of informatisation of the Group, the Group is expected to incur additional information system development and maintenance fees; (vi) increase its purchases of these services, the range of products and its appointment; and (vii) the extension in warranty period of products.

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Category	Basis for the proposed Caps
Supply of electrical appliances	(i) similar transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020; (ii) the 2021 Projected Sales Increment; (iii) the 2021 Projected Overseas Sales Increment; (iv) the expected increase in the sale of full-range products and set products; (v) the increase of their bidding for the provision of special air-conditioners projects in 2021; and (vi) the increase of the purchases of electrical appliance products by Hisense Visual Technology and/or its subsidiaries.
Supply of moulds	(i) similar transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020; and (ii) the expected growth in the sales scale of the moulds of the Group in 2021.
Supply of raw materials, parts and components	(i) similar transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020; (ii) the 2021 Projected Sales Increment; (iii) the anticipated percentage increase in the relevant purchases of the Group in 2021. (iv) the increase of purchase of certain specific materials; and (v) Projected Overseas Sales Increment in 2021.
Provision of services by the Group	(i) similar transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2020; (ii) the 2021 Projected Sales Increment; (iii) related business needs of Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the year 2021; and (iv) the expected growth in the businesses of the Group in 2021.

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Category	Basis for the proposed Caps
The Financial Services Agreement:	
Deposit service	(i) the historical cashflow figures of the Group; and (ii) the level of growth in monetary funds attributable to the 2021 Projected Sales Increment.
Loan and electronic bank acceptance bill service	(i) similar transactions between the Group and Hisense Finance (that is, the estimated annualised unaudited amount of the similar transactions for the year 2020); (ii) the estimated ratio of payment by means of electronic bank acceptance bills by the Group for the year 2021; and (iii) the plan of the Group to continue to obtain more loans and electronic bank acceptance bill services from Hisense Finance.
Draft discount service	(i) the expected financial needs of the Group during the peak season for production for the year 2021; and (ii) the plan of the Group to continue to use more draft discount services to be provided by Hisense Finance.
Settlement and sale of foreign exchange	(i) the expected volume of export and the expected amount subject to settlement and sale of foreign exchange for the year ending 31 December 2021; and (ii) the 2021 Projected Overseas Sales Increment.
Agency services such as settlement services for receipt and payment of funds	(i) the historical expenses for agency services such as settlement services for receipt and payment of funds of the Group, taking into account the corresponding increase in agency services such as settlement services for receipt and payment of funds resulting from the increment in the scale of the Group's revenue and the charging standard for service fees chargeable for the provision of agency services such as settlements services for receipt and payment of funds by Hisense Finance for the Group which shall not be higher than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC.

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The Business Co-operation Framework Agreement

As we mentioned before, Hisense Company is undergoing certain enterprise reform and restructuring work. In view of the expected change of equity holding structure between Hisense Company and the Company following the completion of the Mixed Ownership Reform, Hisense Electric Holdings will succeed the rights and obligations of Hisense Company under the Business Co-operation Framework Agreement, including the relevant Caps, upon the completion of the Mixed Ownership Reform. For the provision of services provided by Hisense Company and/or its subsidiaries to the Group under the Business Co-operation Framework Agreement, (i) Hisense Company and (ii) Hisense Electric Holdings and/or its subsidiaries will provide services to the Group. Following the completion of the Mixed Ownership Reform, the original part of the service function of Hisense Company is expected to be succeeded by Hisense Electric Holdings, and Hisense Electric Holdings and/or its subsidiaries will continue to provide services to the Group.

Therefore, when the Company estimated the proposed Caps in 2021 with the Hisense Electric Holdings and/or their respective subsidiaries and Hisense Company, the continuing connected transactions between the Company and Hisense Electric Holdings and/or their respective subsidiaries and the continuing connected transactions between the Company and Hisense Company will be mentioned separately.

In addition, we believe that it is more accurate to use the estimated annualized unaudited value for the similar transactions for 2020 based on their unaudited value for the nine months ended 30 September 2020 as a base to analyzed the Proposed Caps for 2021 while the estimated annualized unaudited value is calculated by the sum of the unaudited actual value occurred from January to September 2020 and the predicted value from October to December 2020 which is estimated by the Management based on the business conditions including the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the business operations development of the Group in the first three quarters of 2020.

For assessing the Proposed Cap, we have reviewed and discussed with the Management the respective value of the historical transactions, the underlying assumptions and calculation in arriving at proposed Caps, details of which are elaborated in the following:

(1) Purchases of electrical appliances

As regards the purchases of electrical appliances by the Group, we note that the proposed 2021 annual cap of RMB327,370,000 involves an upward of approximately 335.79% as compared to the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted as RMB75,120,000.

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In assessing the reasonableness of the proposed 2021 annual cap of the purchases of electrical appliances under the Business Co-operation Framework Agreement for the year ending 31 December 2021, we consider the Transactions between the Group and Hisense Electric Holdings, Hisense International and Hisense Visual Technology. As advised by the Management, the proposed annual caps are composed as follow:

- (i) RMB3,920,000 will be allocated to the purchases of electrical appliances from Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB321,120,000 will be allocated to the purchases of electrical appliances from Hisense International and/or its subsidiaries; and
- (iii) RMB2,330,000 will be allocated to the purchases of electrical appliances from Hisense Visual Technology and/or its subsidiaries.

Transaction between the Group and Hisense Electric Holdings

The transaction amount of the purchases of electrical appliances between the Group and Hisense Electric Holdings and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB3,920,000 with an increase of 70.37% as compared to the transaction amount of the purchases of electrical appliances between the Group and Hisense Electric Holdings and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB2,300,000.

Transaction between the Group and Hisense International

The transaction amount of the purchases of electrical appliances between the Group and Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB321,120,000 with an increase of 341.22% as compared to the transaction amount of the purchases of electrical appliances between the Group and Hisense International and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB72,780,000.

As part of our due diligence, we review the estimated units calculated by the sum of the actual units transacted from January to September 2020 and the predicted transaction units from October to December 2020 which is estimated by the Management based on the business conditions including the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the business operations development of the Group in the first three quarters of 2020, and the average purchase price for the purchases of electrical appliances in 2021 provided by the Management. We realized that the estimated units for the purchases of electrical appliances mentioned above from Hisense International and/or its subsidiaries in 2021 increases to approximately 311% with reference to the estimated annualized units

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in 2020 calculated by the sum of the actual units transacted from January to September 2020 and the predicted transaction units from October to December 2020 which is estimated by the Management based on the business conditions including the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the business development operations of the Group in the first three quarters of 2020. After calculating the estimated units and the average purchase price, we find that the transaction amount of the purchases of electrical appliances between the Group and Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB321,120,000.

Moreover, as stated in the Letter from the Board, the projected purchases of "ASKO" and "Gorenje" high-end electrical appliances from Hisense International and/or its subsidiaries in the amount of approximately RMB300,000,000 for the year 2021. Refer to the circular dated on 3 September 2020, the Company and Hisense International have conditionally agreed to increase the annual cap in relation to purchases of electrical appliances by the Group from Hisense International and/or its subsidiaries under the Business Co-operation Framework Agreement. In order to further the Group's business of sale of high-end electrical appliances, in addition to the current business co-operation with Hisense International and/or its subsidiaries under the Business Co-operation Framework Agreement, the Group will purchase from Hisense International and/or its subsidiaries high-end electrical appliances (mainly high-end kitchen appliances) with the brands of "ASKO" and "Gorenje". The intended additional purchases of such high-end appliances by the Group from Hisense International and/or its subsidiaries are expected to further expand the business scale of the Group's domestic sale of high-end electrical appliances, optimise the Group's product structure, and thereby drive the growth of the business scale of the Group's overall high-end electrical appliances.

The Group starts to import "ASKO" and "Gorenje" high-end electrical appliances directly from the overseas subsidiary of Hisense International for sale in the PRC market after the EGM held on 25 September 2020 (References are made to the announcement of the Company dated 31 July 2020 and the circular of the Company dated 3 September 2020 in relation to the revision of annual cap under the Existing Business Co-operation Framework Agreement. The revision of annual cap was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 25 September 2020). The expected purchases of "ASKO" and "Gorenje" high-end electrical appliances from Hisense International and/or its subsidiaries is based on the estimated annualised purchase amount for importing the "ASKO" and "Gorenje" electrical appliances for sale in the PRC market in 2020, which comprises the historical purchase amount for the nine months ended 30 September 2020 of approximately RMB150,000,000 and the projected purchase amount from October 2020 to December 2020 of approximately RMB50,000,000 and the Group's projected transaction amount for purchasing such electrical appliances from Hisense International and/or its subsidiaries in 2021 with reference to the estimated annualised purchase amount for importing such electrical appliances for sale in the PRC market in 2020 as

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well as the projected 50% year-on-year increase in the purchase of such electrical appliances from Hisense International and/or its subsidiaries for the year ending 31 December 2021.

According to the prevailing market conditions about the demand for electrical appliances we do before, The year-on-year growth rates of listed major Chinese white goods companies in last twelve months ended in September 2020 are up to 20% with reference to the estimated revenue in the year 2021. When taking into account the fact that the revenue growth rates of listed major Chinese white goods companies, the Group sets the growth target of revenue to a substantial increase in 2021 will be fair and reasonable.

In addition, as further discussed with the Management, it is expected that there will have a substantial increase in marketing efforts coupled with the acceleration of development of sales channel and the Group is expected to further expand the business scale of mid-to-high-end electrical appliances. In 2020, more than 100 additional stores for selling “ASKO” and “Gorenje” high-end electrical appliances have been established in the PRC market. With the Group’s continuous effort in expanding the scale of this part of business and through its sales network in the PRC, it has confidence in further expanding the sale of such electrical appliances in the PRC market. Having considered all the reasons above, we believe that the projected 50% year-on-year increase in the purchase of such electrical appliances from Hisense International and/or its subsidiaries for the year ending 31 December 2021 will be fair and reasonable.

Therefore, it is expected that the transaction amount of purchases of electrical appliances from Hisense International and/or its subsidiaries in 2021, as contemplated under the Business Co-operation Framework Agreement having a substantial increase is fair and reasonable and hence, we believe the transaction of purchases of electrical appliances from Hisense International and/or its subsidiaries amounted to approximately RMB321,120,000 is fair and reasonable.

Transaction between the Group and Hisense Visual Technology

The transaction amount of the purchases of electrical appliances between the Group and Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB2,330,000 with an increase of 5,720% as compared to the transaction amount of the purchases of electrical appliances between the Group and Hisense Visual Technology and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB40,000.

As further discussed with the Management, the above Cap is mainly for the marketing and product promotion activities and will offer electrical appliances as gifts for its marketing and product promotion activities for the year 2021 amounted to approximately RMB2,330,000. Therefore, the transaction amount of

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the purchases of electrical appliances between the Group and Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap will be amounted to approximately RMB2,330,000.

Therefore, taking into account the facts and reasons discussed above as well as the estimated annualized unaudited value, we consider that it is reasonable for the transaction amount of the purchases of electrical appliances between the Group, Hisense Electric Holdings, Hisense International and Hisense Visual Technology and/or their respective subsidiaries of the proposed 2021 annual cap in response to the expected significant increase in transaction amounts under the Business Co-operation Framework Agreement for the year ending 31 December 2021 as a result of the increasing transaction amounts for the purchases of electrical appliances.

(2) Purchases of raw materials, parts and components

As regards the purchases of raw materials, parts and component by the Group, we note that the proposed 2021 annual cap of RMB810,040,000 involves an upward of approximately 110.75% as compared to the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted as RMB384,370,000.

In assessing the reasonableness of the proposed 2021 annual cap of the purchases of raw materials, parts and component under the Business Co-operation Framework Agreement for the year ending 31 December 2021, we consider the transactions between the Group and Hisense Electric Holdings, Hisense International and Hisense Visual Technology. As advised by the Management, the proposed annual caps are composed as follow:

- (i) RMB700,860,000 will be allocated to the purchases of raw materials, parts and components from Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB35,000,000 will be allocated to the purchases of raw materials, parts and components from Hisense International and/or its subsidiaries; and
- (iii) RMB74,180,000 will be allocated to the purchases of raw materials, parts and components from Hisense Visual Technology and/or its subsidiaries.

Transaction between the Group and Hisense Electric Holdings

The transaction amount of the purchases of raw materials, parts and component between the Group and Hisense Electric Holdings and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB700,860,000 with an increase of 99.85% as compared to the transaction amount of the purchases of raw materials, parts and components between the Group and Hisense Electric Holdings and/or its subsidiaries of the estimated

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annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB350,690,000.

As stated in the Letter from the Board, it is expected that there will have an increase in the scale of purchases of raw materials, parts and components from a subsidiary of Hisense Electric Holdings in 2021 with corresponding quota in the amount of approximately RMB449,280,000 given the strong ability of the subsidiary of Hisense Electric Holdings in manufacturing raw materials such as electric control boards and Wi-Fi templates comprising into two parts. Firstly, the expected purchases of the Group from the subsidiary of Hisense Electric Holdings will be amounted to approximately RMB361,110,000 in 2021, having taken into account the Estimated Annualised Transaction Amount of RMB300,925,000 in 2020 between the Group and the subsidiary of Hisense Electric Holdings and the 2021 Projected Sales Increment of 20%. As part of our due diligence, we compared the revenues of the listed major Chinese white goods companies in the last twelve months ended in September 2020. The year-on-year growth rates of listed major Chinese white goods companies in last twelve months ended in September 2020 are up to 20% with reference to the estimated revenue in the year 2021. When taking into account the fact that the revenue growth rates of listed major Chinese white goods companies can be up to 20%, thus, as compared with the maximum revenue growth rate of listed major Chinese white goods companies, the Group sets the growth target of revenue to be 20% in 2021 will be fair and reasonable.

In addition, as the Group has increased the purchase percentage allocation to purchase from the subsidiary of Hisense Electric Holdings in 2021, the increase in purchases of the Group from the subsidiary of Hisense Electric Holdings in the amount of RMB88,170,000 in 2021, out of which the expected purchases of raw materials, parts and components for the production of central air-conditioners are to increase by approximately RMB61,000,000, having considered that the subsidiary of Hisense Electric Holdings is able to provide stable supply of raw materials, parts and components of better quality and, as a result, for 2021, the Group has increased around 10% of the purchase percentage allocation to purchasing raw materials, parts and components for the production of central air-conditioners from such subsidiary of Hisense Electric Holdings. As further discussed with the Company and having considered all the reasons above, we believe that the purchases of raw materials, parts and components from the subsidiary of Hisense Electric Holdings in 2021 with corresponding quota in the amount of approximately RMB449,280,000 is fair and reasonable.

As part of our due diligence, we also reviewed the estimated number of units calculated by the sum of the actual units transacted from January to September 2020 and the predicted transaction units from October to December 2020 which is estimated by the Management based on the business conditions including the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the business operations development of the Group in the first three quarters of 2020, and the average unit

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price of the purchases of raw materials, parts and component of the refrigerators, central air-conditioners and household air-conditioners for electric control boards and Wi-Fi templates from the subsidiary of Hisense Electric Holdings in 2021 provided by the Management. We realized that the estimated units for the purchases of raw materials, parts and component of the refrigerators and central air-conditioners from the subsidiary of Hisense Electric Holdings in 2021 increases to approximately 29% and 66% for electric control boards, while the estimated units for the purchases of raw materials, parts and component of the refrigerators and household air-conditioners from the subsidiary of Hisense Electric Holdings in 2021 increases to approximately 10% and 90% for Wi-Fi templates with reference to the estimated annualized units in 2020 calculated by the sum of the actual units transacted from January to September 2020 and the predicted transaction units from October to December 2020 which is estimated by the Management based on the business conditions including the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the business operations development of the Group in the first three quarters of 2020. Therefore, the scale of purchases of raw materials, parts and components from such subsidiary of Hisense Electric Holdings in 2021 amounted to approximately RMB449,280,000 is fair and reasonable.

Furthermore, as part of our due diligence, we reviewed the estimated number of units of materials for the production of electrical appliances calculated by the sum of the actual units transacted from January to September 2020 and the predicted transaction units from October to December 2020 which is estimated by the Management based on the business conditions including the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the business operations development of the Group in the first three quarters of 2020, and the average purchase unit price in 2021 provided by the Management. As the projected purchases of certain materials by the Group from another subsidiary of Hisense Electric Holdings, which principally engages in domestic and import and export business in the PRC and has the purchase advantage in obtaining such materials at a lower cost, in the aggregate amount of RMB251,200,000, therefore, we believe the estimated units of materials for the production of electrical appliances from another subsidiary of Hisense Electric Holdings in 2021 is fair and reasonable and the purchases of certain materials from the subsidiary of Hisense Electric Holdings amounted to approximately RMB251,200,000 is also fair and reasonable.

Transaction between the Group and Hisense International

The transaction amount of the purchases of raw materials, parts and component between the Group and Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB35,000,000 as there was no such transaction amount of the purchases of raw materials, parts and component between the Group and Hisense International and/or its subsidiaries for the year 2020 based on the information provided by the Company.

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As further discussed with the Management, as a business incidental to the purchase of “ASKO” and “Gorenje” high-end electrical appliances from Hisense International and/or its subsidiaries, the Group expects to purchase raw materials, parts and components from Hisense International and/or its subsidiaries in 2021. Having considered the projected sales increment of such high-end electrical appliances in the PRC market in 2021 and that the Group intends to increase the quota of spare parts for its domestic customers, the projected purchase amount of spare parts in 2021 is increased to approximately RMB5,000,000. In addition, Hisense International and/or its subsidiaries have the advantages in purchasing certain overseas specific materials (for example, raw materials, parts and components for high-end kitchen and hygiene products) and the projected purchases of these overseas specific materials by the Group from Hisense International and/or its subsidiaries in 2021 is approximately RMB30,000,000.

Transaction between the Group and Hisense Visual Technology

The transaction amount of the purchases of raw materials, parts and component between the Group and Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB74,180,000 with an increase of 120.27% as compared to the transaction amount of the purchases of electrical appliances between the Group and Hisense Visual Technology and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB33,680,000.

As part of our due diligence, we further discussed with the Management and requested for the evidence about the continuing connected transaction provided by Hisense Visual Technology to the Group which provided the announcement of the continuing connected transaction given by Hisense Visual Technology in order to illustrate the transaction of the purchases of raw materials, parts and component from Hisense Visual Technology and/or its subsidiaries mentioned above. Furthermore, the projected purchases of voice control module, which are to be used to produce intelligent products, by the Group from Hisense Visual Technology and/or its subsidiaries in 2021 in the amount of approximately RMB23,000,000 with a substantial increase rate of 943.46%.

Therefore, taking into account the facts and reasons discussed above as well as the estimated annualized unaudited value, we consider that it is reasonable for the transaction amount of the purchases of raw materials, parts and component between the Group, Hisense Electric Holdings, Hisense International and Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap in response to the expected significant increase in transaction amounts under the Business Co-operation Framework Agreement for the year ending 31 December 2021 as a result of the increasing transaction amounts for the purchases of raw materials, parts and component.

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(3) Provision of services

As regards the purchases of provision of services to the Group, we note that the proposed 2021 annual cap of RMB1,271,480,000 involves an upward of approximately 45.93% as compared to the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted as RMB871,310,000.

In assessing the reasonableness of the proposed 2021 annual cap of the purchases of provision of services to the Group under the Business Co-operation Framework Agreement for the year ending 31 December 2021, we consider the transactions regarding the provision of services by Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group. As advised by the Management, the proposed annual caps are composed as follow:

- (i) RMB56,600,000 will be allocated to the provision of property, employee health management, technical support and information system development and maintenance services by Hisense Company;
- (ii) RMB857,120,000 will be allocated to the provision of material processing, installation and maintenance, distribution, property (including: (a) property leasing services mostly for office buildings; and (b) property management services in relation to office buildings and factories. The majority of the aforementioned properties are located in the Guangdong Province and Shandong Province of the PRC), leasing, design, inspection, agency services, management consultancy, technical support and information system development and maintenance services by Hisense Electric Holdings and/or its subsidiaries;
- (iii) RMB36,590,000 will be allocated to the provision of maintenance, agency and technical support services by Hisense International and/or its subsidiaries;
- (iv) RMB288,190,000 will be allocated to the provision of agency services by Hisense Marketing Management and/or its subsidiaries; and
- (v) RMB32,970,000 will be allocated to the provision of property and technical support services by Hisense Visual Technology and/or its subsidiaries.

Transaction between the Group and Hisense Company

The transaction amount of the provision of services to the Group from Hisense Company and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB56,600,000 with an increase of 28% as compared to the transaction amount of the provision of services to the Group from Hisense Company and/or its subsidiaries of the estimated annualized unaudited value of

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the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB44,220,000.

It mainly includes three types of services which are property services (including property management and property leasing), information system development and maintenance services, and employee health management and technical support services and its proposed 2021 annual caps amounted to approximately RMB34,710,000, RMB4,670,000 and RMB17,220,000 with an increase of 34.43%, 20.47% and 18.58% as compared to the transaction amount of the provision of services to the Group from Hisense Company and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB25,820,000, RMB3,880,000 and RMB14,520,000 respectively.

According to the Management, the increase of the property services (including property management and property leasing) in charges for electricity and water and property management in 2021 in view of the expected increase in the operating revenue of the Group. In addition to the existing leases, the Group will procure leasing of new properties or expand the size of leasing area to meet its increased leasing needs in view of the expected increase in the operating revenue of the Group and the expected increase in property service fees in view of the expected increase in rental fees in the property market in 2021.

As the sales revenue of the Group is projected to increase by 20% year-on-year for the year ending 31 December 2021, the procurement scale of information system, maintenance services, employee health management and technical support services of the Group will be increased by 20%. Besides, it is estimated that the Group is expected to have additional information system development, maintenance fees from the maintenance services and its appointments of Hisense Company to provide technical support services to its “Laboratory Development Project”.

Transaction between the Group and Hisense Electric Holdings

The transaction amount of the provision of services to the Group from Hisense Electric Holdings and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB857,120,000 with an increase of 37.49% as compared to the transaction amount of the provision of services to the Group from Hisense Electric Holdings and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB623,390,000.

It mainly includes 6 types of services which are (i)material processing services, (ii)installation and maintenance services, (iii)property services (including property management and property leasing), (iv)information system development

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and maintenance services, (v)equipment inspection services, (vi)distribution, leasing, design, agency services, management consultancy and technical support services and its proposed 2021 annual caps amounted to approximately RMB169,870,000, RMB305,280,000, RMB22,940,000, RMB128,190,000, RMB21,690,000 and RMB209,150,000 with an increase of 37.90%, 47.18%, 33.57%, 28.71%, 19.03% and 32.54% respectively, as compared to the transaction amount of the provision of services to the Group from Hisense Electric Holdings and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB123,180,000, RMB207,420,000, RMB17,170,000, RMB99,600,000, RMB18,220,000, RMB157,800,000 respectively.

According to the information provided by the Management, the Group will correspondingly increase its purchases of material processing services from Hisense Electric Holdings and/or its subsidiaries given the 2021 Projected Sales Increment so as to ensure the Group's product quality as the Group is satisfied with their high service quality. As part of our due diligence, we reviewed the estimated number of processed sets and the average processing price per set in 2021 provided by the Company, therefore, the purchases of material processing services from Hisense Electric Holdings and/or its subsidiaries amounted to approximately RMB169,870,000 is fair and reasonable.

According to the information provided by the Management, the Group will correspondingly increase the installation and maintenance services appointment of Hisense Electric Holdings and/or its subsidiaries given the 2021 Projected Sales Increment and the range of products for which Hisense Electric Holdings and/or its subsidiaries are appointed to provide installation and maintenance services as the Group is satisfied with their high service quality.

The increase of the property services (including property management and property leasing) is due to the increase of the electricity and water and property management in 2021 in view of the expected increase in the operating revenue of the Group. In addition to the existing leases, the Group will procure leasing of new properties or expand the size of leasing area to meet its increased leasing needs in view of the expected increase in the operating revenue of the Group and the expected increase in property service fees in view of the expected increase in rental fees in the property market in 2021.

According to the information provided by the Management, the installation and maintenance services by the Group from Hisense Electric Holdings and/or its subsidiaries mainly include three categories which are refrigerator products, air-conditioner products and kitchen electrical appliances. As part of our due diligence, we reviewed the estimated number of products receiving installation and maintenance services calculated by the sum of the actual units transacted from January to September 2020 and the predicted transaction units from October to December 2020 which is estimated by the Management based on the business conditions including the current progress of the Group's projects, the

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contemplated transactions under the contracts already entered into by the Group and the business operations development of the Group in the first three quarters of 2020, and the the average service unit price in 2021 provided by the Group, therefore, the proposed 2021 annual caps of the installation and maintenance services to the Group from Hisense Electric Holdings and/or its subsidiaries amounted to approximately RMB305,280,000 is fair and reasonable.

As further discussed with the Management, in addition to the existing information system of the Group, in view of the 2021 Project Sales Increment and the increase in the level and demand of informatisation of the Group, in particular, in the areas of “intellectual manufacturing”, “instant communication application”, “sales management” and “intelligent office”, the Group is expected to incur additional information system development and maintenance fees. The Group will also increase the quality equipment inspection services appointment of Hisense Electric Holdings and/or its subsidiaries to provide equipment inspection services as the Group is satisfied with their high quality service.

According to the information provided by the Management and in view of the transaction amount of the provision of information system development and maintenance services to the Group from Hisense Electric Holdings and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 is amounted to approximately RMB99,600,000, the Project Sales Increment 20% in 2021 and the demand of maintenance services for existing information systems in 2021 estimated by the Group and the additional information system maintenance fees in the areas of “intellectual manufacturing”, “instant communication application”, “sales management” and “intelligent office” added by the Group, therefore, we believe the proposed 2021 annual caps of the information system development and maintenance services to the Group from Hisense Electric Holdings and/or its subsidiaries amounted to approximately RMB128,190,000 is fair and reasonable.

According to the Management, the Group will increase the purchases of distribution, leasing, design, agency services, management consultancy and technical support services from Hisense Electric Holdings and/or its subsidiaries given the 2021 Projected Sales Increment 20% and the Group will increase its appointment of Hisense Electric Holdings and/or its subsidiaries to provide technical support services to its “smart appliances.

Transaction between the Group and Hisense International

The transaction amount of the provision of services to the Group from Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB36,590,000 with an increase of 79% as compared to the transaction amount of the provision of services to the Group from Hisense International and/or its subsidiaries of the estimated annualized unaudited value of

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the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB20,420,000.

It mainly includes the maintenance services, agency services and technical support services. Its proposed 2021 annual caps amounted to approximately RMB24,210,000, RMB2,380,000 and RMB10,000,000 with an increase of 30% for the maintenance services and agency services. There was no transaction of the technical support services to the Group from Hisense International and/or its subsidiaries but taking into account the Group will increase the purchases of technical support services from Hisense International and/or its subsidiaries as the Group expects to develop new projects for the research and development of high-end kitchen electrical appliances in 2021, and Hisense International and/or its subsidiaries have the experience in the research and development of high-end kitchen electrical appliances so the technical support services to the Group from Hisense International and/or its subsidiaries will be amounted to approximately RMB10,000,000.

To sum up, the transaction amount of the provision of services to the Group from Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB36,590,000 is with reference with the items mentioned above and the transaction amount of the provision of services to the Group from Hisense International and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB20,420,000, thus the transaction amount of the provision of services to the Group from Hisense International and/or its subsidiaries of the proposed 2021 annual cap will be fair and reasonable.

Transaction between the Group and Hisense Marketing Management

The transaction amount of the provision of services to the Group from Hisense Marketing Management and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB288,190,000 with an increase of 81% as compared to the transaction amount of the provision of services to the Group from Hisense Marketing Management and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB159,080,000.

According to the Letter from the Board and the information provided by the Management, the Group will increase the purchases of agency services from Hisense Marketing Management and/or its subsidiaries in view of the expected increase in sales of white goods through the business of sale of Hisense full-range electrical appliance products, calculated based on the Management's expected revenue through the business of sale of Hisense full-range electrical appliance products and related agency fee rates in 2021, thus, the transaction amount of the

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provision of services to the Group from Hisense Marketing Management and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB288,190,000 is fair and reasonable.

As part of our due diligence, we reviewed the estimated sales revenue of white goods products and the agency fee rate through the business of sale of Hisense full-range electrical appliance products to the Group from Hisense Marketing Management and/or its subsidiaries, thus, we believe that the transaction amount of the agency services to the Group from Hisense Marketing Management and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB288,190,000 is fair and reasonable.

Transaction between the Group and Hisense Visual Technology

The transaction amount of the provision of services to the Group from Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB32,970,000 with an increase of 36% as compared to the transaction amount of the provision of services to the Group from Hisense Visual Technology and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB24,200,000.

As part of our due diligence, we have requested and reviewed the announcement of the continuing connected transaction provided by Hisense Visual Technology to the Group in order to confirm the transaction of the provision of services to the Group from Hisense Visual Technology and/or its subsidiaries mentioned above which are due to the increase of property services (including property management and property leasing) and technical support services.

Therefore, taking into account the facts and reasons discussed above as well as the estimated annualized unaudited value, we consider that it is reasonable for the transaction amount of the provision of services to the Group between Hisense Company, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap in response to the expected significant increase in transaction amounts under the Business Co-operation Framework Agreement for the year ending 31 December 2021 as a result of the increasing transaction amounts for the provision of services to the Group.

(4) *Supply of electrical appliances*

As regards the purchases of supply of electrical appliances by the Group, we note that the proposed 2021 annual cap of RMB19,552,610,000 involves an upward of approximately 26.91% as compared to the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted as RMB15,406,720,000.

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In assessing the reasonableness of the proposed 2021 annual cap of the purchases of supply of electrical appliances under the Business Co-operation Framework Agreement for the year ending 31 December 2021, we consider the transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology. As advised by the Management, the proposed annual caps are composed as follow:

- (i) RMB319,270,000 will be allocated to the supply of electrical appliances by the Group to Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB18,571,080,000 will be allocated to the supply of electrical appliances by the Group to Hisense International and/or its subsidiaries;
- (iii) RMB657,910,000 will be allocated to the supply of electrical appliances by the Group to Hisense Marketing Management and/or its subsidiaries; and
- (iv) RMB4,350,000 will be allocated to the supply of electrical appliances by the Group to Hisense Visual Technology and/or its subsidiaries.

Transaction between the Group and Hisense Electric Holdings

The transaction amount of the supply of electrical appliances between the Group and Hisense Electric Holdings and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB319,270,000 with an increase of 42.15% as compared to the transaction amount of the supply of electrical appliances between the Group and Hisense Electric Holdings and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB224, 600,000.

As further discussed with the Management, Hisense Electric Holdings and/or its subsidiaries are expected to further increase their bidding for the provision of special air-conditioners projects in 2021, as a result of which Hisense Electric Holdings and/or its subsidiaries are expected to entrust the Group with the production of special air-conditioners units, with the corresponding amount of approximately RMB214,030,000. In addition, Hisense Electric Holdings and/or its subsidiaries will enhance the development of home appliance ancillary projects and is expected to purchase home appliance products from the Group in the amount of approximately RMB69,000,000 while the home appliance products for “smart home” is amounted to approximately RMB45,220,000.

According to the information provided by the Management, the supply of electrical appliances for “smart home” from the Group to Hisense Electric Holdings and/or its subsidiaries include four categories which are refrigerator products, household air-conditioners products, central air-conditioners products and kitchen electrical appliances. As part of our due diligence, we reviewed the estimated sale of the number of refrigerators, household air-conditioners, central air-conditioners, kitchen electrical appliances calculated by the sum of the actual

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units transacted from January to September 2020 and the predicted transaction units from October to December 2020 which is estimated by the Management based on the business conditions including the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the business operations development of the Group in the first three quarters of 2020, and their average unit prices in 2021 provided by the Group, thus, we believe that the proposed 2021 annual caps of the supply of electrical appliances for "smart home" from the Group to Hisense Electric Holdings and/or its subsidiaries amounted to approximately RMB45,220,000 is fair and reasonable.

Moreover, we also reviewed the number of the production of special air-conditioners and the average selling price per unit, therefore, we believe the transaction amount of the supply of electrical appliances from the Group to Hisense Electric Holdings and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB214,030,000 is fair and reasonable.

Transaction between the Group and Hisense International

The transaction amount of the supply of electrical appliances between the Group and Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB18,571,080,000 with an increase of 26% as compared to the transaction amount of the purchases of electrical appliances between the Group and Hisense International and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB14,782,890,000.

As part of our due diligence, we have requested and reviewed the evidence provided by the Group. We read the estimated transactions of the supply of electrical appliances between the Group and Hisense International and/or its subsidiaries include refrigerators, air-conditioners, freezers, washing machines and kitchen appliances products. Therefore, we believe the growth target and the transaction amount of the supply of electrical appliances between the Group and Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB18,571,080,000 is fair and reasonable.

Transaction between the Group and Hisense Marketing Management

The transaction amount of the supply of electrical appliances between the Group and Hisense Marketing Management and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB657,910,000 with an increase of 65% as compared to the transaction amount of the supply of electrical appliances between the Group and Hisense Marketing Management and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB398,340,000.

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As further discussed with the Management, the sale of full-range products and set products, which have become the market development trend, through the sale plan of the Hisense full-range electrical appliance products which is integrated, managed and organised by Hisense Marketing Management, the sales of electrical appliance products from the Group to Hisense Marketing Management in 2021 is expected to amount to approximately RMB657,910,000, representing a year-on-year increase of 65%. Hisense Marketing Management will continue to leverage the strength of full-range sales platform to continue to expand the Group's sales revenue and develop potential customers to expand the Group's business scale.

As part of our due diligence, we have requested and reviewed the evidence provided by the Group and we found that the transactions of the supply of electrical appliances between the Group and Hisense Marketing Management and/or its subsidiaries include the products of air-conditioners, refrigerators and washing machines with the estimated transaction amounted to approximately RMB291,420,000 and RMB366,490,000 respectively.

Therefore, we believe the growth target and the transaction amount of the supply of electrical appliances between the Group and Hisense Marketing Management and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB657,910,000 is fair and reasonable.

Transaction between the Group and Hisense Visual Technology

The transaction amount of the supply of electrical appliances between the Group and Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB4,350,000 with an increase of 390% as compared to the transaction amount of the supply of electrical appliances between the Group and Hisense Visual Technology and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB890,000.

As part of our due diligence, we have requested and reviewed the announcement of the continuing connected transaction provided by Hisense Visual Technology to the Group in order to confirm the transaction of the supply of electrical appliances from the Group to Hisense Visual Technology and/or its subsidiaries mentioned above.

In conclusion, taking into account the facts and reasons discussed above as well as the estimated annualized unaudited value, we consider that it is reasonable for the transaction amount of the supply of electrical appliances between the Group, Hisense Electric Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap in response to the expected significant increase in transaction

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amounts under the Business Co-operation Framework Agreement for the year ending 31 December 2021 as a result of the increasing transaction amounts for the supply of electrical appliances.

(5) Supply of moulds

As regards the supply of moulds by the Group, we note that the proposed 2021 annual cap of RMB151,500,000 involves an upward of approximately 73.37% as compared to the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted as RMB87,380,000.

In assessing the reasonableness of the proposed 2021 annual cap of the supply of moulds by the Group under the Business Co-operation Framework Agreement for the year ending 31 December 2021, we consider the transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology. As advised by the Management, the proposed annual caps are composed as follow:

- (i) RMB2,000,000 will be allocated to the supply of moulds to Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB70,000,000 will be allocated to the supply of moulds to Hisense International and/or its subsidiaries; and
- (iii) RMB79,500,000 will be allocated to the supply of moulds to Hisense Visual Technology and/or its subsidiaries.

Transaction between the Group and Hisense Electric Holdings

The transaction amount of the supply of moulds between the Group and Hisense Electric Holdings and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB2,000,000 and the transaction amount of the supply of moulds between the Group and Hisense Electric Holdings and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to zero.

Although there was no transaction conducted for the nine months ended 30 September 2020, therefore, there is no sample available for reference. However, the pricing will be determined as same with the mechanism of the rest of the categories and it is in compliance with the CT Management Policy procedures and the terms under the Business Co-operation Framework Agreement so we agreed that it is necessary to the Group for reserving the transaction amount of the supply of moulds as the transactions may be occurred in 2021, thus the proposed 2021 annual cap for the supply of moulds between the Group and Hisense Electric Holdings will be fair and reasonable in 2021.

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Transaction between the Group and Hisense International

The transaction amount of the supply of moulds between the Group and Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB70,000,000 with an increase of 92.45% as compared to the transaction amount of the supply of moulds between the Group and Hisense International and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB36,370,000.

According to the Letter from the Board, the demand for the Group's moulds is expected to further increase due to the growth in the business scale and addition of new customers of Hisense International and/or its subsidiaries, and the corresponding sales amount is expected to be increased.

As part of our due diligence, we have requested and reviewed the estimated number of mould sets supplied by the Group to Hisense International and/or its subsidiaries and the average sale of price per set provided by the Company, therefore, we believe the transaction amount of the supply of moulds between the Group and Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB70,000,000 is fair and reasonable.

Transaction between the Group and Hisense Visual Technology

The transaction amount of the supply of moulds between the Group and Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB79,500,000 with an increase of 56% as compared to the transaction amount of the supply of moulds between the Group and Hisense Visual Technology and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB51,010,000.

As part of our due diligence, we reviewed the announcement of the continuing connected transaction provided by Hisense Visual Technology to the Group and we believe that the transaction of the supply of moulds from the Group to Hisense Visual Technology and/or its subsidiaries mentioned above is fair and reasonable.

Therefore, taking into account the facts and reasons discussed above as well as the estimated annualized unaudited value, we consider that it is reasonable for the transaction amount of the supply of moulds between the Group, Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap in response to the expected significant increase in transaction amounts under the Business Co-operation Framework Agreement for the year ending 31 December 2021 as a result of the increasing transaction amounts for the supply of moulds.

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(6) Supply of raw materials, parts and components

As regards the supply of raw materials, parts and components by the Group, we note that the proposed 2021 annual cap of RMB445,010,000 involves an upward of approximately 116.03% as compared to the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted as RMB205,990,000.

In assessing the reasonableness of the proposed 2021 annual cap of the supply of raw materials, parts and components under the Business Co-operation Framework Agreement for the year ending 31 December 2021, we consider the transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology. As advised by the Management, the proposed annual caps are composed as follow:

- (i) RMB351,350,000 will be allocated to the supply of raw materials, parts and components to Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB90,000,000 will be allocated to the supply of raw materials, parts and components to Hisense International and/or its subsidiaries; and
- (iii) RMB3,660,000 will be allocated to the supply of raw materials, parts and components to Hisense Visual Technology and/or its subsidiaries.

Transaction between the Group and Hisense Electric Holdings

The transaction amount of the supply of raw materials, parts and components between the Group and Hisense Electric Holdings and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB351,350,000 with an increase of 150.59% as compared to the transaction amount of the supply of electrical appliances between the Group and Hisense Electric Holdings and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB140,210,000.

As part of our due diligence, we have requested and reviewed the information provided by the Group about the transaction of the supply of raw material between the Group and the subsidiary of Hisense Electric Holdings in 2020 amounted to approximately RMB201,240,000 with an increase of 71% as compared to the similar transaction between the Group and the subsidiary of Hisense Electric Holdings of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB117,480,000. Based on the Letter from the Board, the anticipated percentage increase in the relevant purchases of the Group in 2021, as it is expected that the Group will increase its purchases of raw materials such as electric control boards processed by the subsidiary of Hisense Electric Holdings to meet the Group's production needs in 2021. The Group will first sell raw materials such as resistors to the

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subsidiary of Hisense Electric Holdings for their processing, and it is expected that the purchases of the raw materials for producing electric control boards by the subsidiary of Hisense Electric Holdings will increase to the amount of approximately RMB200,000,000.

As part of our due diligence, we requested and reviewed the estimated number of supply of raw materials to the subsidiaries of Hisense Electric Holdings calculated by the sum of the actual units transacted from January to September 2020 and the predicted transaction units from October to December 2020 which is estimated by the Management based on the business conditions including the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the business operations development of the Group in the first three quarters of 2020, and the average unit price of raw materials in the year 2021 provided by the Company.

Based on the Letter from the Board, there is another subsidiary of Hisense Electric Holdings principally engaged in domestic and import and export trading business. As the Group has advantages in sourcing certain specific materials, it is expected that such subsidiary of Hisense Electric Holdings will purchase these materials from the Group in the amount of approximately RMB130,000,000.

As part of our due diligence, we requested and reviewed the information provided by the Group about the estimated transaction with another subsidiary of Hisense Electric Holdings engaged in domestic and import and export trading business. It includes three categories which are electronics and motors, sheet metal and plastic and we checked the estimated transaction amounts for each category provided by the Company. Therefore, the transaction amount of the supply of raw materials, parts and component between the Group and Hisense Electric Holdings and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB351,350,000 is fair and reasonable.

Transaction between the Group and Hisense International

The transaction amount of the supply of raw materials, parts and component between the Group and Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB90,000,000 with an increase of 38.46% as compared to the transaction amount of the supply of raw materials, parts and component between the Group and Hisense International and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB65,000,000.

As part of our due diligence, we have requested and reviewed the evidence provided by the Group and we found that the transactions of the supply of raw materials, parts and component between the Group and Hisense International and/

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or its subsidiaries include the spare parts of refrigerators, air-conditioners and freezers with the estimated transaction amounted to approximately RMB37,890,000, RMB39,110,000 and RMB13,000,000 respectively.

Therefore, the transaction amount of the supply of raw materials, parts and component between the Group and Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB90,000,000 is fair and reasonable.

Transaction between the Group and Hisense Visual Technology

The transaction amount of the supply of raw materials, parts and component between the Group and Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB3,660,000 with an increase of 366.4% as compared to the transaction amount of the supply of raw materials, parts and component between the Group and Hisense Visual Technology and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB780,000.

As part of our due diligence, we have requested and reviewed the announcement of the continuing connected transaction provided by Hisense Visual Technology to the Group in order to confirm the transaction of the supply of raw materials, parts and component from the Group to Hisense Visual Technology and/or its subsidiaries mentioned above.

Therefore, taking into account the facts and reasons discussed above as well as the estimated annualized unaudited value, we consider that it is reasonable for the transaction amount of the supply of raw materials, parts and component between the Group, Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries of the proposed 2021 annual cap in response to the expected significant increase in transaction amounts under the Business Co-operation Framework Agreement for the year ending 31 December 2021 as a result of the increasing transaction amounts for the supply of raw materials, parts and component.

(7) Provision of services by the Group

As regards the provision of services by the Group, we note that the proposed 2021 annual cap of RMB39,490,000 involves an upward of approximately 40.34% as compared to the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted as RMB28,140,000.

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In assessing the reasonableness of the proposed 2021 annual cap of the provision of services by the Group under the Business Co-operation Framework Agreement for the year ending 31 December 2021, we consider the transactions between the Group and Hisense Electric Holdings, Hisense International, Hisense Visual Technology. As advised by the Management, the proposed annual caps are composed as follow:

- (i) RMB24,590,000 will be allocated to the provision of property services, processing services and installation services by the Group to Hisense Electric Holdings and/or its subsidiaries;
- (ii) RMB4,140,000 will be allocated to the provision of property services by the Group to Hisense International and/or its subsidiaries; and
- (iii) RMB10,760,000 will be allocated to the provision of property services, processing services and installation services by the Group to Hisense Visual Technology and/or its subsidiaries.

Transaction between the Group and Hisense Electric Holdings

The transaction amount of the provision of services by the Group to Hisense Electric Holdings and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB24,590,000 with an increase of 40.92% as compared to the transaction amount of the provision of services by the Group to Hisense Electric Holdings and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB17,450,000. According to the Management, it is mainly due to the expected growth in the businesses of property services (including property management and property leasing) and the installation services.

Transaction between the Group and Hisense International

The transaction amount of the provision of services by the Group to Hisense International and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB4,140,000 with an increase of 19.84% as compared to the transaction amount of the provision of services by the Group to Hisense International and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB3,450,000. As further discussed with the Management, the increase of the provision of services by the Group to Hisense International and/or its subsidiaries of the proposed 2021 annual cap is mainly due to the increase of property services (including property management and property leasing).

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Transaction between the Group and Hisense Visual Technology

The transaction amount of the provision of services by the Group between the Group and Hisense Visual Technology and/or its subsidiaries of the proposed 2021 annual cap amounted to approximately RMB10,760,000 with an increase of 48.74% as compared to the transaction amount of the provision of services by the Group to Hisense Visual Technology and/or its subsidiaries of the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted to approximately RMB7,230,000.

As part of our due diligence, we have requested and reviewed the announcement of the continuing connected transaction provided by Hisense Visual Technology to the Group in order to confirm the transaction of the provision of services by the Group to Hisense Visual Technology and/or its subsidiaries mentioned above.

Therefore, taking into account the facts and reasons discussed above as well as the estimated annualized unaudited value, we consider that it is reasonable for the transaction amount of the provision of services by the Group to Hisense Electric Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries of the proposed 2021 annual cap in response to the expected significant increase in transaction amounts under the Business Co-operation Framework Agreement for the year ending 31 December 2021 as a result of the increasing transaction amounts for the provision of services by the Group.

In conclusion, we note that the total proposed 2021 annual cap under Business Co-operation Framework Agreement will be amounted to approximately RMB22,597,490,000 involves an upward of approximately 32.47% as compared to the estimated annualized unaudited value of the similar transactions for the year 2020 based on their unaudited value for the nine months ended 30 September 2020 amounted as RMB17,059,020,000. Based on (i) the above discussions with the Management and our analyses; and (ii) our review of the underlying assumptions, basis and calculation, we concur with the Management's view that the continuing connected transactions and major transactions are prepared on a fair and reasonable basis.

The Financial Services Agreement

(1) Deposit Services

As set out in the Letter from the Board, the Company currently expects that the maximum daily closing balance of the deposits placed by the Group with Hisense Finance at any time during the term of the Financial Services Agreement shall not exceed the Cap of RMB18,500,000,000 (inclusive of interest) for the year ending 31 December 2021. The above Cap was determined with reference to (i) the historical cashflow figures of the Group; (ii) the level of growth in monetary funds attributable to the 2021 Projected Sales Increment.

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	Proposed Cap for the Group for the year ending 31 December 2020	Proposed Cap for the Group for the year ending 31 December 2021	Maximum daily closing balance of the Group for the period from 1 January 2020 to 30 September 2020	2021 Projected Sales Increment	2020 Deemed Actual Utilisation Rate
Services provided by Hisense Finance					
Deposit Services	16,800,000,000	18,500,000,000	13,000,000,000	20%	77.4%

We note that (i) the 2020 Deemed Actual Utilisation Rate is approximately 77.4%; and (ii) the 2021 annual cap of RMB18,500,000,000 increased RMB1,700,000,000 (or 10%) from the 2020 annual cap of RMB16,800,000,000.

According to the Management, as at 30 September 2020, the highest daily closing balance of cash and cash equivalents (including entrusted wealth management product) held by the Group was approximately RMB13,000,000,000.

According to the Management, the above Cap was also determined with reference to the level of growth in monetary funds attributable to the 2021 Projected Sales Increment. As at 30 September 2020, the closing balance of monetary funds held by the Group was RMB12,380,000,000, and the closing balance of monetary funds from wealth management was RMB3,050,000,000 (the total amount of monetary funds held by the Group and from wealth management was thus RMB15,430,000,000). Based on the 2021 Projected Sales Increment, it is anticipated that the highest daily closing cash balance held by the Group will correspondingly increase by 20% to approximately RMB18,500,000,000 (inclusive of interest) in 2021.

As part of our due diligence, we prepared a list of revenues of the listed major Chinese white goods companies in the past year under the prevailing market conditions about the demand for electrical appliances. Since the year-on-year growth rates of revenues of the listed major Chinese white goods companies in the last twelve months ended in September 2020 are up to 20% with reference to the estimated revenue in the year 2021, we believe the revenue growth target of the Company 20% is reasonable and fair. We concur that the underlying assumptions, basis and calculation of the growth rate are fair and reasonable.

Based on the above, we are of the view that the proposed maximum daily closing balance for the Group for the financial year ending 31 December 2021 of deposit services under the Financial Services Agreement is determined by the Directors after due and careful consideration which is fair and reasonable so far as the Independent Shareholders are concerned.

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(2) Loan and electronic bank acceptance bill services

As set out in the Letter from the Board, the Company currently expects that the maximum daily closing balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group during the term of the Financial Services Agreement shall not exceed the Cap of RMB11,500,000,000 (inclusive of interest and service fees) on any given day for the year ending 31 December 2021.

The above Cap was determined with reference to (i) similar transactions between the Group and Hisense Finance (that is, the estimated annualised unaudited amount of the similar transactions for the year 2020); (ii) the estimated ratio of payment by means of electronic bank acceptance bills by the Group for the year 2021; and (iii) the plan of the Group to continue to obtain more loans and electronic bank acceptance bill services from Hisense Finance instead of from other financial institutions for the year ending 31 December 2021 since the terms for the provision of the loans and electronic bank acceptance bill services by Hisense Finance to the Group shall be no less favourable than those of other normal commercial banks and financial institutions and Hisense Finance has better knowledge of the background and financial status of the Group which will facilitate the loan and electronic bank acceptance bill services application process by the Group.

	Proposed Cap for the Group for the year ending 31 December 2020	Proposed Cap for the Group for the year ending 31 December 2021	Maximum daily closing balance of the Group for the period from 1 January 2020 to 30 September 2020	The percentage increase of the proposed cap in 2021 with reference to the proposed cap in 2020	2019 Deemed Actual Utilisation Rate
Services provided by Hisense Finance					
Loan and electronic bank acceptance bill services	11,500,000,000	11,500,000,000	8,870,000,000	–	77.13%

In 2021, the Group will continue to optimise payment terms, increase payment via electronic bank acceptance bills, reduce payments via cash and endorsement of bills receivable. On one hand, the Group can utilise the available capital more efficiently to obtain operational income and increase cash flow. On the other hand, the Group can reduce costs derived from endorsement of bills receivable. As such, it is expected that the Group will continue to use electronic bank acceptance bills services in the future. For the nine months ended 30 September 2020, the maximum daily closing balance of the loan and electronic bank acceptance bills amounted to approximately RMB8,870,000,000. It is expected that payment by means of electronic acceptance bills will increase from currently 48% to 50% in 2021; coupled with the estimated increase in the amount of purchase payment of 20% (which corresponds with the 2021 Projected Sales Increment), the daily closing balance of loan and electronic bank acceptance bills are expected to be not exceeding RMB11,500,000,000 (inclusive of interests and service fees) in order to meet business needs.

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According to the expected amount of purchase payment in 2021 provided by the Management, as the efficiency and convenience of using the electronic bills, the percentage of payment in form of electronic bills is expected to be increased from currently 48% to 50% in the year ending 2021, thus, the expected maximum daily closing balance of the Group for the electronic bank acceptance bill services for the year ending in 2021 will be RMB10.5 billion with reserving for the loan amounted to RMB1 billion to meet the irregular funding needs.

As part of our due diligence, we prepared a list of revenues of the listed major Chinese white goods companies in the past year under the prevailing market conditions about the demand for electrical appliances. Since the year-on-year growth rates of revenues of the listed major Chinese white goods companies in the last twelve months ended in September 2020 are up to 20% with reference to the estimated revenue in the year 2021, we believe the revenue growth target of the Company 20% is reasonable and fair. We concur that the underlying assumptions, basis and calculation of the growth rate are fair and reasonable.

In addition, we understand from the Management that the service charge for electronic bank acceptance bills by Hisense Finance is at par or lower than those charged by any of the independent commercial banks.

In light of the above, we consider that it is beneficial for the Group to continue utilising such loan and electronic bank acceptance bills services from Hisense Finance as the Group will be able to reduce its finance costs and service charges. We also consider that it is of the Group's interest to maximise the relevant annual cap so as to capture the potential interest and cost savings to the greatest extent.

Given that the loan and electronic bank acceptance bill services under the Financial Services Agreement will be conducted in the ordinary and usual course of business of the Company and on normal commercial terms and on terms not less favourable to the Company than terms available from other normal commercial banks and financial institutions, we are of the view that the 2021 annual cap in respect of the loan and electronic bank acceptance bill services under the Financial Services Agreement is fair and reasonable.

(3) *Draft discount services*

As set out in the Letter from the Board, the Company currently expects that the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services during the term of the Financial Services Agreement shall not exceed the Cap of RMB50,000,000 for the year ending 31 December 2021. As regards the draft discount services, we noted that the 2020 Deemed Actual Utilisation Rate is approximately 2.6%.

The above Cap was determined with reference to (i) the expected financial needs of the Group during the peak season for production for the year 2021; and (ii) the plan of the Group to continue to use more draft discount services to be provided by Hisense Finance instead of from other financial institutions for the year ending 31 December 2021 since the terms for the provision of the draft discount services by Hisense Finance to the Group shall

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be no less favourable than those of other normal commercial banks and financial institutions and Hisense Finance has better knowledge of the background and financial status of the Group which will facilitate the draft discount application process by the Group.

According to the Letter from the board with the basis of (i) the expected increase in revenue and the projected capital expenditure in 2021; and (ii) the Group's plan to continue to enhance its management on its accounts receivables and inventory to expedite the capital turnover rate and it is estimated that the Company's annual sum of money for procurement of draft discount services by the Group to Hisense Finance will be RMB3,300,000,000 in 2021 and the total discount interest payable by the Group to Hisense Finance for the provision of draft discount services will be RMB50,000,000 for the year ending 31 December 2021 taking into account the existing market interest level and the financing cycle of draft discount services.

In view of the fact that (i) the proposed draft discount services to be provided by Hisense Finance to the Group will be conducted in the ordinary and usual course of business of the Company and on normal commercial terms and on terms not less favourable to the Company than terms available from other normal commercial banks and financial institutions; (ii) the non-exclusive arrangement under the Financial Services Agreement provides the Company with the flexibility without any commitment on the actual transaction values; and (iii) given the existing development plans of the Company, it is generally in the interest of the Company to maximise the amount of service fees payable so as to provide for its expected increasing utilisation in the coming financial years, we are of the view that the cap of RMB50 million in respect of the draft discount service fees to be payable under the Financial Services Agreement is fair and reasonable.

(4) Settlement and sale of foreign exchange services

As set out in the Letter from the Board, the Company expects that the annual amount of the settlement and sale of foreign exchange services provided by Hisense Finance to the Group shall not exceed the Cap of US\$300,000,000 for the year ending 31 December 2021.

As regards the settlement and sale of foreign exchange services, we note that (i) the expected volume of export and the expected amount subject to settlement and sale of foreign exchange for the year ending 31 December 2021. For the full year of 2020, it is expected that foreign currency received by the Group from its export business would amount to approximately US\$170,000,000, and payments to be made by the Group in foreign currency would amount to US\$70,000,000 (the total amount of foreign currency received and paid by the Group would thus be US\$240,000,000); and (ii) the 2021 Projected Overseas Sales Increment.

According to the Management, we understand from the Management that the Group currently uses the current term settlement and sale of foreign exchange services provided by Hisense Finance while the long-term settlement and sale of foreign exchange services are provided by other financial institutions. Meanwhile, the expected amount of the foreign currency remittances for the year ending 2020 by the Group will be approximated US\$240 million while the receivable amount of the foreign currency will be US\$170 million and the amount of foreign currency payment by the Group will be US\$70 million separately. Taking

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into account of the estimated export scale by the Group, the growth rate will be 26% in 2021, it is expected that the foreign exchange settlement and sales volume will be US\$300 million in 2021.

In view of the fact that (i) the proposed settlement and sale of foreign exchange services to be provided by Hisense Finance to the Group will be conducted in the ordinary and usual course of business of the Company and on normal commercial terms and on terms not less favourable to the Company than terms available from other normal commercial banks and financial institutions; (ii) the non-exclusive arrangement under the Financial Services Agreement provides the Company with the flexibility without any commitment on the actual transaction values. Therefore, we are of the view that the annual amount settled or sold by Hisense Finance for the Group of US\$300 million in respect of the settlement and sale of foreign exchange to be payable under the Financial Services Agreement is fair and reasonable.

(5) Agency services such as settlement services for receipt and payment of funds

As set out in the Letter from the Board, the Company currently expects that the annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds during the term of the Financial Services Agreement shall not exceed the Cap of RMB3,000,000 for the year ending 31 December 2021.

As regards the agency services, we note that (i) the 2020 Deemed Actual Utilisation Rate is approximately 19.33%; and (ii) the 2021 annual cap of RMB3 million remains the same as the 2020 annual cap of RMB3 million. For the period commencing from 1 January 2020 to 30 September 2020, the aggregate amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds amounted to approximately RMB580,000. From the above, we note a relatively low utilisation rate.

Advised by the Management, the agency services such as settlement services for receipt and payment of funds provided by Hisense Finance to the Group is mainly transfer services and its standard service fees of RMB0.8 per transaction payable by the Group to Hisense Finance is significantly lower than the charging standard for service fees charged by normal commercial banks or similar agencies in the PRC during the same period which ranges from RMB5 to RMB200 per transaction. As the Company is unable to ensure that the service fees payable by the Group to Hisense Finance will remain to be lower than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC, and taking into account the Group's expected demand for transfer services in 2021 and the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC in 2020, it is estimated that the aggregate amount of the service fees payable by the Group to Hisense Finance for the provision of agency services will be RMB3,000,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to determine the fairness and reasonableness of the cap, we, for the purpose of ensuring the accuracy of the Company's computation of the cap, have reviewed the basis and assumptions on calculation in respect of the expected agency services such as settlement services for receipt and payment of funds for the coming one financial year.

In view of the fact that (i) the proposed agency services such as settlement services for receipt and payment of funds to be provided by Hisense Finance to the Group will be conducted in the ordinary and usual course of business of the Company and on normal commercial terms and on terms not less favourable to the Company than terms available from other normal commercial banks and financial institutions; (ii) the non-exclusive arrangement under the Financial Services Agreement provides the Company with the flexibility without any commitment on the actual transaction values; and (iii) the business development plans of the Company to be implemented in the future, it is generally in the interest of the Company to maximise the amount of agency services fees payable so as to provide for its expected increase in sales for the coming financial years, we are of the view that the cap of RMB3 million in respect of agency services fees to be payable under the Financial Services Agreement is fair and reasonable.

Conditions of the annual caps under the Agreements

There are certain conditions of the annual cap pursuant to the Hong Kong Listing Rules, in particular, the restriction of the value of the transactions contemplated under the Agreements by way of the annual cap for each of the relevant financial years and the annual review by the independent non-executive Directors of the terms of such transactions and the relevant annual caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. Also, pursuant to the Hong Kong Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the Agreements are conducted in accordance with the terms of the relevant Agreements and that the relevant annual caps not being exceeded. In addition, pursuant to the Hong Kong Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transactions or the relevant annual caps not being exceeded. We are of the view that there are appropriate measures in place to govern the conduct of the transactions to be contemplated under the Agreements and safeguard the interests of the Shareholders.

Recommendation

Based on the above, we are of the opinion that the proposed Annual Caps, the transactions and terms contemplated under the Business Co-operation Framework Agreement and the Financial Services Agreement are (i) with fair and reasonable terms; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee advising the Shareholders to vote in favour of the relevant resolutions to approve the Agreements (stipulating the Proposed Cap) and the transactions contemplated thereunder at the relevant general meeting of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Yours faithfully

For and on behalf of

Yuanta Securities (Hong Kong) Company Limited

Lei Hsi Wei

Executive Director

Investment Banking

Note: Mr. Lei Hsi Wei is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Yuanta Securities (Hong Kong) Company Limited to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Lei has over 10 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://hxjd.hisense.cn>):

- (a) on pages 61 to 189 of the annual report of the Company for the year ended 31 December 2017 published on 27 April 2018
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN201804272902.pdf>);
- (b) on pages 64 to 205 of the annual report of the Company for the year ended 31 December 2018 published on 26 April 2019
(<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0426/LTN201904261930.pdf>);
and
- (c) on pages 78 to 219 of the annual report of the Company for the year ended 31 December 2019 published on 15 May 2020
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051501158.pdf>).

2. INDEBTEDNESS

As at the close of business on 30 November 2020, being the latest practicable date for the purpose of ascertaining the information contained in this indebtedness statement prior to the printing of this circular, apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowing (including but not limited to bank overdrafts and liabilities under acceptance (other than normal trade bills)), acceptance credits, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, any other mortgages and charges or any other material contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, taking into account the effect of the transactions contemplated under the Financial Services Agreement, the cash flow generated from the operating activities, financial resources available to the Group, including internally generated funds and the available credit financing, the Group has sufficient working capital to meet its requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the disclosures made in the announcement of the Company dated 20 August 2020 in relation to the unaudited interim results of the Group for the six months ended 30 June 2020 and the announcement of the Company dated 28 October 2020 in relation to the unaudited quarterly results of the Group for the three

months ended 30 September 2020, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

With the spread of the novel coronavirus (“**COVID-19**”) epidemic, household appliance enterprises have been facing severe and complex operating environment in 2020. Facing the severe challenges, the Group promotes its mid-to-high-end products vigorously while actively optimising its product structure. As the “offline” market was negatively impacted by COVID-19, the Group has also actively changed its marketing model to ensure stable operations.

In the first three quarters of 2020, the Group continued to adhere to its business philosophy of “making good and high quality products” and implemented various of its business plans, achieving operating revenue of RMB34.87 billion, representing a year-on-year increase of 29.09%; net profits attributable to the Shareholders of RMB1.002 billion; basic earnings per share of RMB0.74, and net cash flow from operating activities of RMB4.108 billion, representing a year-on-year increase of 65.40%. For the three months ended 30 September 2020, net profits attributable to the Shareholders amounted to RMB499 million, representing a year-on-year increase of 28.19%. The operations of the Group continued to maintain a steadily and positive developing trend.

Looking ahead, in 2021, with the mission of “committing to technological innovation, raising people’s living standard and making hundreds of millions of families happy”, the Group will firmly implements its “smart ecological strategy” in the production of high quality smart household electrical appliances, with an aim to becoming an international branded smart household electrical appliance manufacturing enterprise.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accepts full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**Interests of Directors, supervisors and chief executive of the Company in the securities of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Hong Kong Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director/ Supervisor	Nature of interest	Number of A Shares	Approximate	Approximate
			percentage of issued A Shares (%)	percentage of total issued share capital of the Company (%)
Mr. Tang Ye Guo	Beneficial owner	623,700	0.069	0.046
Mr. Jia Shao Qian	Beneficial owner	404,360	0.045	0.030

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executive of the Company had interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, supervisor or chief executive was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to

be entered into the register maintained by the Company referred to therein or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Other interests

As at the Latest Practicable Date:

- (a) none of the Directors or supervisors of the Company had any interest, direct or indirect, in any asset which have been, since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (c) Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong, Mr. Duan Yue Bin and Mr. Fei Li Cheng, being Directors, are also directors or senior management of Hisense Company or some of its subsidiaries. Hisense Company was deemed to have an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

4. COMPETING BUSINESS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors nor their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules, as if each of them were treated as a controlling shareholder of the Company.

5. LITIGATION

As at the Latest Practicable Date, no litigation, arbitration or claims of material importance known to the Directors was pending or threatened by or against the Company or any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (i) the sale and purchase agreement dated 5 March 2019 entered into between the Company as purchaser and the Unitecs Corporation (株式會社聯合貿易) as vendor in relation to the transfer of 0.2% equity interest in Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd. (青島海信日立空調系統有限公司) at the consideration of RMB25,000,000, details of which are set out in the announcement of the Company dated 5 March 2019 and the circular of the Company dated 14 August 2019;
- (ii) the capital injection agreement dated 28 September 2020 entered into between Qingdao Hisense Financial Investment Co., Ltd.* (青島海信金融投資股份有限公司) (“**Hisense Financial Investment**”), Qingdao Hisense Electronic Equipment Co., Ltd.* (青島海信電子設備股份有限公司) (“**Hisense Electronic Equipment**”), the Company and Hisense International in relation to the injection of registered capital in the aggregate amount of RMB100,000,000 into Hisense Financial Holdings Co., Ltd. (青島海信金融控股有限公司) (“**Hisense Financial Holdings**”) in proportion to the respective equity interests of the existing equity holders in Hisense Financial Holdings (that is, as to RMB24,000,000 by the Company), details of which are set out in the announcement of the Company dated 28 September 2020; and
- (iii) the capital injection agreement dated 17 November 2020 entered into between Hisense Financial Investment, Hisense Electronic Equipment, the Company, Hisense International and Qingdao Intelligent & Precise Electronics Co., Ltd.* (青島智動精工電子有限公司) (“**Hisense I&P Electronics**”) in relation to the injection of registered capital in the aggregate amount of RMB318,000,000 into Hisense Financial Holdings. Pursuant to the capital injection agreement, (i) the Company will subscribe for an additional registered capital of RMB40,000,000 at a consideration of RMB50,400,000; (ii) Hisense International will subscribe for an additional registered capital of RMB40,000,000 at a consideration of RMB50,400,000; (iii) Hisense I&P Electronics, as a new equity holder, will subscribe for registered capital of RMB238,000,000 at a consideration of RMB299,880,000; and (iv) each of Hisense Financial Investment and Hisense Electronic Equipment will not inject any additional registered capital into Hisense Financial Holdings. Details of the capital injection are set out in the announcement of the Company dated 17 November 2020.

7. EXPERT

The following sets out the qualifications of the expert which has given its opinion or advice as contained in this circular:

Name	Qualifications
Yuanta Securities (Hong Kong) Company Limited	a corporation licensed to carry Type 1 (Dealing in securities), Type 2 (Dealing in future contracts), Type 4 (Advising on securities), Type 5 (Advising on future contracts), Type 6 (Advising on corporate finance) and Type 9 (Asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Shareholders in respect of the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the Agreements and the Caps in relation to the Agreements

As at the Latest Practicable Date, Yuanta Securities (Hong Kong) Company Limited:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any interest, direct or indirect, in any assets which have been, since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they are included.

8. GENERAL

- (a) The registered office of the Company is at No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province, the PRC. The Company's head office and principal place of business in Hong Kong is situated at Room 3101-05, Singa Commercial Centre, No. 148 Connaught Road West, Hong Kong.
- (b) The secretary of the Company is Ms. Wong Tak Fong, who is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom, a certified tax adviser and a fellow member of the Taxation Institute of Hong Kong. She acted as the managing

director of General Bright Consultants Ltd. from November 1994 to May 2014. She was the chief financial controller of DIAMOND DRAGON FASHION LTD (鑽龍時裝有限公司) from December 2010 to March 2019.

- (c) In case of inconsistency, the Chinese text of this circular shall prevail over its English text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Room 3101-05, Singa Commercial Centre, No. 148 Connaught Road West, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the letter from the Independent Board Committee dated 28 December 2020;
- (c) the letter from the Independent Financial Adviser dated 28 December 2020;
- (d) the resolutions passed by the tenth session of the Board on 30 October 2020;
- (e) prior approval and independent opinion of the independent non-executive Directors dated 30 October 2020 in relation to the continuing connected transactions and major transaction;
- (f) the material contracts referred to in the section headed "6. Material contracts" in this appendix;
- (g) the Existing Business Co-operation Framework Agreement;
- (h) the Existing Financial Services Agreement;
- (i) the Business Co-operation Framework Agreement;
- (j) the Financial Services Agreement;
- (k) the consent letter issued by Yuanta Securities (Hong Kong) Company Limited referred to in the paragraph headed "7. Expert" in this appendix;
- (l) the annual reports and consolidated audited accounts of the Company for the three years ended 31 December 2019;
- (m) the circulars of the Company dated 14 August 2019, 20 December 2019 and 3 September 2020; and
- (n) this circular.