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**HISENSE HOME APPLIANCES GROUP CO., LTD.**

海信家電集團股份有限公司

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

*(Stock Code: 00921)*

**ANNOUNCEMENT**

- (1) CONTINUING CONNECTED TRANSACTIONS;**
- (2) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION; AND**
- (3) CONTINUING CONNECTED TRANSACTIONS- REVISED ANNUAL CAPS AND SUPPLEMENTAL AGREEMENT**

The Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2018 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under that agreement from time to time thereafter. In view of the above and to modify the scope of the transactions between certain parties, on 26 November 2018, the Business Co-operation Framework Agreement and the Financial Services Agreement were entered into by the Company. In order to cater for future business, the Company entered into the Supplemental Agreement on 26 November 2018. Save for the changes pursuant to the Supplemental Agreement, all other terms and conditions of the Financial Business Framework Agreement shall remain unchanged and continue in full force and effect. The Supplemental Agreement has revised the annual caps for the year ending 31 December 2019 for the transactions of recourse factoring services and non-recourse factoring services contemplated under the Financial Business Framework Agreement and extended the scope of the services which may be provided by Hisense Financial Holdings and its subsidiaries to include the provision of finance leasing services.

**BUSINESS CO-OPERATION FRAMEWORK AGREEMENT**

As at the date of this announcement, as (i) Hisense Group (though its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is a controlling shareholder of the Company and (ii) Hisense Electric is a subsidiary of Hisense Group, Hisense Group, Hisense Electric and their respective subsidiaries are connected persons of the Company according to the Hong Kong Listing Rules. Since Hisense Electric holds more than 30% of the issued shares of Hisense Electric Business, Hisense Electric Business is an associate of Hisense Electric and Hisense Electric Business and its subsidiaries are also connected persons of the Company according to the Hong Kong Listing Rules. As such, 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 and the transactions contemplated thereunder and the Caps in relation thereto are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **FINANCIAL SERVICES AGREEMENT**

As at the date of this announcement, as (i) Hisense Group (though its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is a controlling shareholder of the Company and (ii) Hisense Finance is a subsidiary of Hisense Group, Hisense Finance is a connected person of the Company according to 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, loan and electronic bank acceptance bill, draft discount, 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 thereunder and the Caps in relation thereto 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 one of the applicable percentage ratios

for the provision of such deposit services is more than 100%, the provision of financial assistance does not constitute an acquisition or a series of acquisitions of assets by the Company 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, it 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 thereunder.

## **SUPPLEMENTAL AGREEMENT IN RELATION TO THE FINANCIAL BUSINESS FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 28 November 2017 and circular of the Company dated 3 January 2018 in respect of, amongst others, the Financial Business Framework Agreement. The Financial Business Framework Agreement and the transactions contemplated thereunder (subject to the related caps)

were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 18 January 2018.

As at the date of this announcement, Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company, holding 37.92% of the issued shares of the Company. Hisense Financial Holdings is a subsidiary of the holding company of Hisense Air-conditioning and an associate of Hisense Air-conditioning. Therefore, Hisense Financial Holdings is a connected person of the Company according to the Hong Kong Listing Rules. As such, the transactions contemplated under the Financial Business Framework Agreement (as supplemented by the Supplemental Agreement) will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

The transactions under the Financial Services Agreement and the Financial Business Framework Agreement (as supplemented by the Supplemental Agreement) will be aggregated under the Hong Kong Listing Rules. As the applicable percentage ratios as defined under Rule 14.07 of the Hong Kong Listing Rules in respect of the Financial Business Framework Agreement (as supplemented by the Supplemental Agreement) and the Financial Services Agreement on an aggregate basis exceed 5%, the transactions contemplated under the Financial Business Framework Agreement (as supplemented by the Supplemental Agreement) and the caps in relation thereto are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **GENERAL**

A circular containing, inter alia, (a) further information on the Business Co-operation Framework Agreement and the Financial Services Agreement and the Caps in relation thereto; (b) further information on the Supplemental Agreement (which stipulates, inter alia, (1) the Revised Annual Caps; (2) provision of finance leasing services; and (3) Finance Leasing Services Annual Cap) and the transactions contemplated thereunder and the Revised Annual Caps and Finance Leasing Services Annual Cap in relation thereto; (c) the letter of advice from the independent financial adviser to the independent board committee and Shareholders; and (d) the recommendation from the independent board committee will be despatched to the Shareholders on or before 3 January 2019 in accordance with the Hong Kong Listing Rules. In view of the number of transactions contemplated under the Business Co-operation Framework Agreement, the Financial Services Agreement and the Supplemental Agreement (which stipulates, inter alia, (1) the Revised Annual Caps; (2) provision of finance leasing services; and (3) Finance Leasing Services Annual Cap) which are to be covered in the circular, it is expected that more time may be required by the Company to prepare the circular and for the independent financial adviser to review and advise on such transactions. Therefore, it is expected that the circular will be despatched beyond 15 business days after the publication of this announcement.

## **BACKGROUND**

References are made to:-

- (a) the announcement of the Company dated 28 November 2017 in relation to, inter alia, the Existing Business Co-operation Framework Agreement, the Existing Financial Services Agreement and the Financial Business Framework Agreement; and
- (b) the circular of the Company dated 3 January 2018 in relation to, inter alia, the Existing Business Co-operation Framework Agreement, the Existing Financial Services Agreement and the Financial Business Framework Agreement.

The Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2018 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under those agreements from time to time thereafter. In view of the above and to modify the scope of the transactions between certain parties, on 26 November 2018, the Business Co-operation Framework Agreement and the Financial Services Agreement were entered into by the Company.

Reference is also made to the announcement of the Company dated 28 November 2017 and circular of the Company dated 3 January 2018 in respect of, amongst others, the Financial Business Framework Agreement. The Financial Business Framework Agreement and the transactions contemplated thereunder (subject to the related caps) were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 18 January 2018.

In order to cater for future business, the Company entered into the Supplemental Agreement on 26 November 2018. Save for the changes pursuant to the Supplemental Agreement, all other terms and conditions of the Financial Business Framework Agreement shall remain unchanged and continue in full force and effect. The Supplemental Agreement has revised the annual caps for the year ending 31 December 2019 for the transactions of recourse factoring services and non-recourse factoring services contemplated under the Financial Business Framework Agreement and extended the scope of the services which may be provided by Hisense Financial Holdings and its subsidiaries to include the provision of finance leasing services.

#### **(A) CONTINUING CONNECTED TRANSACTIONS**

##### **BUSINESS CO-OPERATION FRAMEWORK AGREEMENT**

**Date:** 26 November 2018

**Parties:** The Company;  
Hisense Group;  
Hisense Electric and

## Hisense Electric Business

### **Term:**

The Business Co-operation Framework Agreement shall commence from 1 January 2019 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 2019, 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 thereunder 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 (as the case may be) to sell or purchase products or services contemplated under the Business Co-operation Framework Agreement from any other purchasers or suppliers (as the case may be).

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 thereto.

### **The Company's internal policy regarding continuing connected transactions:**

Before a definitive transaction is conducted, the Company will compare the price of

similar existing transactions with or quotations obtained from 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.

For such purpose, the Company has adopted an internal policy for managing and monitoring continuing connected transactions contemplated under the Business Co-operation Framework Agreement. According to the internal policy, the operation departments of the Group will compare the terms of the proposed continuing connected transactions to those of the similar existing 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. If the operation department is of the view that the terms of 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 and securities department of the Company is responsible for the collection and summarization of all information in relation to the continuing connected transactions from each operation 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. It 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 transactions contemplated under the Business Co-operation Framework Agreement are in connection with the following aspects of business co-operation between the parties:-

#### ***(1) Purchase of home electrical appliances***

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

#### **Pricing:**

Pricing for the purchase of home electrical appliances is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness mainly with reference to the market price of similar home electrical appliances from time to time.

**Historical figures:**

The annual cap allocated to the purchase of home electrical appliances by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2018 as specified in the Existing Business Co-operation Framework Agreement is RMB1,670,000 (exclusive of VAT). For the nine months ended 30 September 2018, the aggregate transaction amount for the purchase of home electrical appliances by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB80,000 (exclusive of VAT and unaudited) (of which RMB50,000 was for the purchases from Hisense Group and/or its subsidiaries, whereas RMB30,000 was for the purchases from Hisense Electric and/or its subsidiaries).

**Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the purchase of home electrical appliances by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2019 are subject to the Cap of RMB278,290,000 (exclusive of VAT), of which:-

- (i) RMB277,880,000 will be allocated to the purchase of home electrical appliances from Hisense Group and/or its subsidiaries; and
- (ii) RMB410,000 will be allocated to the purchase of home electrical appliances from Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) the prevailing market conditions about the demand for electrical appliances; (b) the Group's plan to boost the sales of the Group's home electrical appliances through marketing and promotion activities; and (c) the projected need to purchase television sets from Hisense Electric and/or its subsidiaries for the year ending 31 December 2019 as gifts for the Group's marketing and promotion activities which aim at boosting the sales of the Group's home electrical appliances such as refrigerators.

In addition, the Group also expects to purchase "ASKO" and "Gorenje" high-end electrical home appliances (mainly high-end kitchen appliances) from Hisense Group and/or its subsidiaries in 2019 with the total transaction amount of approximately RMB277,000,000. The Group expects to purchase television sets from Hisense Electric and/or its subsidiaries in 2019 with the total transaction amount of approximately RMB410,000

**Reasons for and benefits of the purchase of home electrical appliances from Hisense Group, Hisense Electric and/or their respective subsidiaries:**

The sales and overall image of the Company can be enhanced by purchasing television sets from Hisense Electric and/or its subsidiaries as gifts for the Group's marketing and promotion activities which aim at boosting the sales of the Group's home electrical appliances. At the same time, the ownership rights of the high-end

home appliance brands, “ASKO” and “Gorenje”, belong to Gorenje Company under Hisense Group. The purchase of high-end home electrical appliances of “ASKO” and “Gorenje” (mainly being high-end kitchen appliances) from Hisense Group is conducive to expanding the domestic sales scale of high-end products and optimising product structure, thereby driving the enhancement of the Company’s overall high-end product scale. Since the pricing for the purchase of home electrical appliances will be determined with reference to the market price of similar home electrical appliances, it will be more convenient to the Group in terms of time and costs to purchase certain home electrical appliances through Hisense Group, Hisense Electric and/or their respective subsidiaries.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the purchase of home electrical appliances from Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## ***(2) Purchase of raw materials, parts and components***

Pursuant to the terms of the Business Co-operation Framework Agreement, the Company and/or its subsidiaries will purchase from Hisense Group, Hisense Electric 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 purchase of raw materials, parts and components is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness mainly with reference to the market price of similar raw materials, parts and components offered by at least three independent third parties from time to time.

### **Historical figures:**

The annual cap allocated to the purchase of raw materials, parts and components by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2018 as specified in the Existing Business Co-operation Framework Agreement is RMB235,860,000 (exclusive of VAT). For the nine months ended 30 September 2018, the aggregate transaction amount for the purchase of raw materials, parts and components by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB134,300,000 (exclusive of VAT and unaudited) (of which RMB121,570,000 was for the purchases from Hisense Group and/or its subsidiaries, whereas

RMB12,730,000 was for the purchases from Hisense Electric and/or its subsidiaries).

### **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the purchase of raw materials, parts and components by the Group from Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2019 are subject to the Cap of RMB267,900,000 (exclusive of VAT), of which:-

- (i) RMB238,360,000 will be allocated to the purchase of raw materials, parts and components from Hisense Group and/or its subsidiaries; and
- (ii) RMB29,540,000 will be allocated to the purchase of raw materials, parts and components from Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric and/or their respective subsidiaries in the past (that is, estimated annualised unaudited value of the similar transactions for the year 2018); and (b) the projected level of production and sales of electrical appliances of the relevant subsidiaries of the Company for the year ending 31 December 2019 taking into account its anticipated increase in the relevant purchase of the Group in 2019.

### **Reasons for and benefits of the purchase of raw materials, parts and components from Hisense Group, Hisense Electric and/or their respective subsidiaries:**

With the gradual increase in intelligent electrical home appliances, the usage of raw materials and spare parts of intelligent product also increases; Hisense Group has better ability in manufacturing those products with better quality and is beneficial to ensure the quality and performance of products. The Company is satisfied with the quality of raw materials, parts and components provided by Hisense Group, Hisense Electric and/or their respective subsidiaries from their previous course of dealings. Quality of the Group's products is enhanced by purchasing certain raw materials from Hisense Group, Hisense Electric and/or their respective subsidiaries, which in turn boosts the sales of high-end products and increases product and brand competitiveness.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the purchase of raw materials, parts and components from Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **(3) *Provision of services***

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

**Pricing:**

The fees payable by the Group for the provision of 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 from time to time.

**Historical figures:**

The annual cap allocated to the provision of services by Hisense Group, [Hisense Electric Business,] Hisense Electric and/or their respective subsidiaries to the Group for the financial year ending 31 December 2018 as specified in the Existing Business Co-operation Framework Agreement is RMB642,480,000. For the nine months ended 30 September 2018, the aggregate transaction amount for the provision of services contemplated under the Business Co-operation Framework Agreement by Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries to the Group amounted to approximately RMB354,750,000 (unaudited) (of which RMB341,660,000 was for the provision of relevant services by Hisense Group and/or its subsidiaries, whereas RMB6,820,000 was for the provision of relevant services by Hisense Electric Business and/or its subsidiaries and RMB6,270,000 was for the provision of relevant services by Hisense Electric and/or its subsidiaries).

**Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the provision of services by Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries to the Group for the financial year ending 31 December 2019 are subject to the Cap of RMB838,240,000, of which:-

- (i) RMB656,580,000 will be allocated to the provision of material processing, installation and maintenance, distribution, property, medical, leasing, design, inspection, agency services, property construction, management consultancy, technical support and information system maintenance services by Hisense Group and/or its subsidiaries;
- (ii) RMB167,250,000 will be allocated to the provision of agency services by Hisense Electric Business and/or its subsidiaries; and

(iii) RMB14,410,000 will be allocated to the provision of property, technical support and advertisement services by Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries in the past; and (b) the projected level of production and sales of electrical appliances of the relevant subsidiaries of the Company for the year ending 31 December 2019.

Based on the Group's increase in the scale of revenue, Hisense Group, Hisense Electric and/or their respective subsidiaries will provide installation and maintenance services, to the Group in 2019. It is estimated that the transaction amount in respect of the provision of such services will amount to approximately RMB281,640,000. As the quality of services including distribution and technical support services provided by Hisense Group, Hisense Electric and/or their respective subsidiaries is higher than those offered by independent third parties engaged by the Group in the past, the Group plans to continue to procure these services from Hisense Group, Hisense Electric and/or their respective subsidiaries. Furthermore, it is estimated that the relevant transaction amount for the provision of material processing services by Hisense Group, Hisense Electric and/or their respective subsidiaries to the Group in 2019 will amount to approximately RMB142,990,000. As the Company is satisfied with the quality of the services provided by Hisense Group, Hisense Electric and/or their respective subsidiaries from the previous course of dealing, the Group plans to engage Hisense Group, Hisense Electric and/or their respective subsidiaries to provide more services in 2019. In addition, the Group expects that the property service fees will increase in 2019 due to the increment of charges for electricity and water and rent. Moreover, the Group will procure leasing of new properties in addition to the existing properties leased from Hisense Group and/or its subsidiaries and will procure the entering into of new leases between its subsidiaries and Hisense Group and/or its subsidiaries.

**Reasons for and benefits of the engagement of services of Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries:**

The Company is satisfied with the quality of the services provided by Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries from their previous course of dealings and considers that Hisense Group, Hisense Electric Business, Hisense Electric 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.

The acceptance by the Company of the services provided by Hisense Electric Business and/or its subsidiaries is conducive to leveraging synergy effects, accelerating the expansion of the Company's own brand channels and the construction

and development of its own brand stores, thereby promoting the growth in the Company's sales scale.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the engagement of services of Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

#### ***(4) Supply of home electrical appliances***

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

#### **Pricing:**

Pricing for the supply of home 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 home electrical appliances from time to time.

#### **Historical figures:**

The annual cap allocated to the supply of home electrical appliances by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2018 as specified in the Existing Business Co-operation Framework Agreement is RMB13,051,860,000 (exclusive of VAT). For the nine months ended 30 September 2018, the aggregate transaction amount for the supply of home electrical appliances by the Group to Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB7,794,390,000 (exclusive of VAT and unaudited) (of which RMB7,606,910,000 was for the supply to Hisense Group and/or its subsidiaries, whereas RMB187,440,000 was for the supply to Hisense Electric Business and/or its subsidiaries and RMB40,000 was for the supply to Hisense Electric and/or its subsidiaries).

#### **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of home electrical appliances by the Group to Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2019 are subject to the Cap of RMB15,085,700,000 (exclusive of VAT), of which:-

- (i) RMB14,413,900,000 will be allocated to the supply of home electrical appliances by the Group to Hisense Group and/or its subsidiaries;

- (ii) RMB670,640,000 will be allocated to the supply of home electrical appliances by the Group to Hisense Electric Business and/or its subsidiaries; and
- (iii) RMB1,160,000 will be allocated to the supply of home electrical appliances by the Group to Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries in the past; (b) the prevailing market conditions about the demand for electrical appliances in the PRC; and (c) the projected level of production and sales of electrical appliances of the relevant subsidiaries of the Company for the year ending 31 December 2019.

The above Cap was also determined with reference to the following expected increase in the relevant sales of the Group in 2019: (i) according to the business plan of the Group for the year 2019, the Group has set a target which is to increase the total transaction amount of home electrical appliances supplied to Hisense Group and/or their subsidiaries by approximately 30% in 2019. In addition, apart from the expansion of the existing overseas channels above mentioned, the Group will increase its sales in new overseas sales markets. Therefore, (i) the value of home electrical appliances supplied by the Group to the subsidiaries of Hisense Group is estimated to be approximately RMB14,049,620,000 and (ii) the value of home electrical appliances supplied by the Group to Hisense Electric Business is estimated to be approximately RMB670,640,000

**Reasons for and benefits of the supply of home electrical appliances to Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries:**

The production and supply of home electrical appliances by the Group to Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries can help to lower the production costs of the Group by lowering the fixed costs per unit of product incurred by the Group as a result of the increase in production level, which in turn 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. Through developing online platform of Hisense Electric Business, a synergistic effect can be created. On one hand, Hisense Electric Business can further increase its sales scale; on the other hand, the Group can boost its market share and income.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the supply of home electrical appliances to Hisense Group, Hisense Electric Business, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

**(5) Supply of equipment**

Pursuant to the terms of the Business Co-operation Framework Agreement, the Company and/or its subsidiaries will supply on a non-exclusive basis such quantities of equipment to Hisense Group and/or its subsidiaries as they may require from time to time.

**Pricing:**

Pricing for the supply of equipment is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness mainly with reference to the market price of similar equipment supplied to at least three independent third parties from time to time.

**Historical figures:**

The annual cap allocated to the supply of equipment by the Group to Hisense Group and/or its subsidiaries for the financial year ending 31 December 2018 as specified in the Existing Business Co-operation Framework Agreement is RMB16,500,000 (exclusive of VAT). For the nine months ended 30 September 2018, the aggregate transaction amount for the supply of equipment by the Group to Hisense Group and/or its subsidiaries amounted to approximately RMB0 (exclusive of VAT and unaudited).

**Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of equipment by the Group to Hisense Group and/or its subsidiaries for the financial year ending 31 December 2019 are subject to the Cap of RMB12,500,000 (exclusive of VAT).

The above Cap was determined with reference to (a) the prevailing market conditions about the demand for electrical appliances in the PRC; and (b) the projected sales of home electrical appliances of the Group for the year ending 31 December 2019.

**Reasons for and benefits of the supply of equipment to Hisense Group and/or its subsidiaries:**

The supply of equipment by the Group to Hisense Group and/or its subsidiaries will increase the Company's revenue and satisfy the production needs of Hisense Group and/or its subsidiaries. At the same time, through the export channels of Hisense Group and/or its subsidiaries, sales to overseas markets will be enhanced to satisfy the demands therein.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the supply of equipment to Hisense Group and/or its subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **(6) Supply of moulds**

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

### **Pricing:**

In response to the invitations to tender from Hisense Group, Hisense Electric 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 Group, Hisense Electric and/or their respective subsidiaries in its/their invitation to tender. Pricing for the supply of moulds is determined by the open bidding process.

### **Historical figures:**

The annual cap allocated to the supply of moulds by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2018 as specified in the Existing Business Co-operation Framework Agreement is RMB453,550,000 (exclusive of VAT). For the nine months ended 30 September 2018, the aggregate transaction amount for the supply of moulds by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB144,700,000 (exclusive of VAT and unaudited) (of which RMB51,900,000 was for the supply to Hisense Group and/or its subsidiaries, whereas RMB92,800,000 was for the supply to Hisense Electric 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 Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2019 are subject to the Cap of RMB228,320,000 (exclusive of VAT), of which:-

- (i) RMB70,320,000 will be allocated to the supply of moulds to Hisense Group and/or its subsidiaries; and
- (ii) RMB158,000,000 will be allocated to the supply of moulds to Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric and/or their respective subsidiaries in the past; and (b) the prevailing market conditions relating to the demand for electrical appliances in the PRC. Based on the projection of the actual business needs, the Group will supply moulds to Hisense Group's subsidiaries for export in the sum of approximately RMB61,320,000 and will supply moulds to Hisense Electric in the sum of approximately RMB158,000,000.

**Reasons for and benefits of the supply of moulds to Hisense Group, Hisense Electric and/or their respective subsidiaries:**

The sale of moulds by the Group to Hisense Group and Hisense Electric has become an important part of the Group's business. The sale of moulds under the Business Co-operation Framework Agreement will facilitate the Group in maintaining an important existing relationship with the relevant subsidiaries of Hisense Group and Hisense Electric as the latter's supplier for moulds. By maintaining such relationship, the relevant subsidiaries of Hisense Group and Hisense Electric may continue to serving as stable customers of the Group in respect of the sale of moulds, thereby further expanding the sales of the Group and increasing the sales revenue of the Group.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the supply of moulds to Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

**(7) *Supply of raw materials, parts and components***

Pursuant to the terms of the Business Co-operation Framework Agreement, the Company and/or its subsidiaries will supply to Hisense Group, Hisense Electric and/or their respective subsidiaries on a non-exclusive basis such quantities of raw materials, parts and components to Hisense Group, Hisense Electric and/or their respective subsidiaries 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 mainly with reference to the market price of similar raw materials, parts and components supplied to at least three independent third parties from time to time.

**Historical figures:**

The annual cap allocated to the supply of raw materials, parts and components by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2018 as specified in the Existing Business Co-operation Framework Agreement is RMB180,730,000 (exclusive of VAT). For the nine months ended 30 September 2018, the aggregate transaction amount for the supply of raw materials, parts and components by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB78,780,000 (exclusive of VAT and unaudited) (of which RMB60,630,000 was

for the supply to Hisense Group and/or its subsidiaries, whereas RMB18,150,000 was for the supply to Hisense Electric 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 Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2019 are subject to the Cap of RMB161,420,000 (exclusive of VAT), of which:-

- (i) RMB112,050,000 will be allocated to the supply of raw materials, parts and components to Hisense Group and/or its subsidiaries; and
- (ii) RMB49,370,000 will be allocated to the supply of raw materials, parts and components to Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric and/or their respective subsidiaries in the past; and (b) the prevailing market conditions relating to the demand for electrical appliances in the PRC.

### **Reasons for and benefits of the supply of raw materials, parts and components to Hisense Group, Hisense Electric and/or their respective subsidiaries:**

Hisense Group has overseas sales channels and high quality customer resources which can enhance the sales of raw materials, parts and components of the Company and expand the sales scale of the Company. Further, the provision of raw materials, parts and components to Hisense Group, Hisense Electric and their respective subsidiaries can increase the revenues of the Group.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the supply of raw materials, parts and components to Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### ***(8) Provision of services by the Group***

Pursuant to the terms of the Business Co-operation Framework Agreement, (i) the Company and/or its subsidiaries will provide design, processing services and property services to Hisense Group and/or its subsidiaries and (ii) the Company will provide processing services and property services to Hisense Electric and/or its subsidiaries on a non-exclusive basis from time to time.

### **Pricing:**

The fees payable by Hisense Group, Hisense Electric 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 from time to time.

**Historical figures:**

The annual cap allocated to the provision of services by the Group to Hisense Group and/or its subsidiaries for the financial year ending 31 December 2018 as specified in the Existing Business Co-operation Framework Agreement is RMB30,220,000. For the nine months ended 30 September 2018, the aggregate transaction amount for the provision of services contemplated under the Business Co-operation Framework Agreement by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries amounted to approximately RMB11,100,000 (unaudited) (of which RMB10,410,000 was for the provision of relevant services by the Group to Hisense Group and/or its subsidiaries, whereas RMB690,000 was for the provision of relevant services by the Group to Hisense Electric and/or its subsidiaries).

**Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the provision of services by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries for the financial year ending 31 December 2019 are subject to the Cap of RMB34,390,000, of which:-

- (i) RMB32,390,000 will be allocated to the provision of design, processing services and property services by the Group to Hisense Group and/or its subsidiaries; and
- (ii) RMB2,000,000 will be allocated to the provision of processing services and property services by the Group to Hisense Electric and/or its subsidiaries.

The above Cap was determined with reference to (a) similar transactions between the Group with Hisense Group, Hisense Electric and/or their respective subsidiaries in the past; and (b) the prevailing market conditions relating to the provision of such services.

Furthermore, the following adjustment for the actual business needs of the Group in 2019 was also taken into consideration when determining the above Cap: (i) property services in the sum of approximately RMB9,710,000 to be provided by the Group; (ii) design services in the sum of approximately RMB12,500,000 to be provided by the Group; and (iii) processing services in the sum of approximately RMB3,400,000 to be provided by the Group.

**Reasons for and benefits of the provision of services to Hisense Group, Hisense**

**Electric and/or their respective subsidiaries:**

The provision of services to Hisense Group, Hisense Electric and/or their respective subsidiaries can improve the utilisation rate of the Group's resources and increase the Group's revenue.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the provision of services to Hisense Group, Hisense Electric and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the Cap in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

**(B) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION**

**FINANCIAL SERVICES AGREEMENT**

**Date:** 26 November 2018

**Parties:** The Company;  
Hisense Finance

**Term:**

The term of the Financial Services Agreement shall commence from 1 January 2019 or the date of approval of the Financial Services Agreement by the Independent Shareholders at the EGM (whichever is later) until 31 December 2019, 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 thereunder 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 without limitation, deposit services, loan and electronic bank acceptance bill services, draft discount services (票據貼現服務) and other businesses which may be carried on by Hisense Finance as approved by the regulatory authorities. Particulars of the services to be provided by Hisense Finance to the Group are as follows:

- (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 transactions contemplated under the Financial Services Agreement are in connection with the following aspects of financial services between the parties:-

***(1) Deposit service***

**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.

**Historical figures:**

The maximum daily balance of the deposits which can be placed by the Group with Hisense Finance during the term of the Existing Financial Services Agreement is RMB6,500,000,000 (inclusive of interest). For the period commencing from 1 January 2018 to 30 September 2018, the maximum daily balance of the deposits placed by the Group with Hisense Finance amounted to approximately RMB4,600,000,000.

**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 RMB8,000,000,000 (inclusive of interest) on any given day for the year ending 31 December 2019.

The above Cap was determined with reference to (i) the historical cashflow figures of

the Group; and (ii) the expected financial needs of cash of the Group taking into account the business development plans on areas relating to research and development, investment, sales and supply of the Group. The Company expects that as a result of the business development plans on areas relating to research and development, investment, sales and supply of the Group, the Company shall utilise more deposit services in the coming years to take advantage of the more expedient and efficient service provision by Hisense Finance. As the Group may frequently utilise the loan services to be provided by Hisense Finance if the relevant terms are more favourable than those available from other financial institutions and the proposed 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 withdrawal, the Company also expects to utilise frequently the deposit services to be provided by Hisense Finance. In addition, the Company will further enhance its management on account receivables and inventory in the next year to expedite the capital turnover rate and reduce unused inventory and capital, and it is estimated that the net cash flows from operating activities will further increase. In order to further improve the efficiency of capital utilisation and bring revenue from capital utilisation, the Company will further increase the extent of its use of electronic bills payment next year and reduce the endorsement of bills receivable. As such, monetary funds will be further increased.

## ***(2) Loan and electronic bank acceptance bill service***

### **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 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.

Hisense Finance may require the Group to provide guarantee or 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.

### **Historical Figures:**

The maximum 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 RMB6,000,000,000 (inclusive of interest and service fees). For the period commencing from 1 January 2018 to 30 September 2018, the maximum daily balance of the loans and electronic bank acceptance bills provided by Hisense Finance to the Group amounted to approximately RMB3,700,000,000.

### **Proposed Cap:**

The Company currently expects that the maximum 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 RMB9,000,000,000 (inclusive of interest and service fees) on any given day for the year ending 31 December 2019.

The above Cap was determined with reference to (i) the historical cashflow figures of the Group; (ii) the expected financial needs of the Group taking into account the business development plans on areas relating to research and development, investment, sales and supply of the Group; and (iii) the plan of the Group to obtain more loans and electronic bank acceptance bill services from Hisense Finance instead of from other financial institutions for the years ending 31 December 2019 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 about the background and financial status of the Company which will facilitate the loan and electronic bank acceptance bill services application process by the Company.

### ***(3) Draft discount service***

#### **Pricing:**

The discount rate for the provision of draft discount services by Hisense Finance to the Group shall be determined on the basis of the rediscount rate(再貼現利率) quoted by The People's Bank of China and with reference to market level and shall not be higher than the discount rate charged by normal commercial banks in the PRC providing such services to the Group.

#### **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 2018 to 30 September 2018, the total discount interest paid by the Group to Hisense Finance for the provision of draft discount services amounted to approximately RMB753,740,000.

#### **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 2019.

The above Cap was determined with reference to (i) the expected financial needs of the Group taking into account the business development plans on areas relating to research and development, investment, sales and supply of the Group; and (ii) the plan of the Group to use more draft discount services to be provided by Hisense Finance instead of from other financial institutions for the year ending 31 December 2019 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 about the background and financial status of the Company which will facilitate the draft discount application process by the Company.

#### ***(4) Settlement and sale of foreign exchange***

##### **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.

##### **Historical Figures:**

Under the Existing Financial Services Agreement, the annual amount settled or sold by Hisense Finance for the Group shall not exceed US\$500,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2018 to 30 September 2018, the amount settled or sold by Hisense Finance for the Group amounted to approximately US\$6,154,800.

##### **Proposed Cap:**

The Company currently expects that the annual amount settled or sold by Hisense Finance for the Group shall not exceed the Cap of US\$500,000,000 for the year ending 31 December 2019. The above Cap was determined with reference to the expected volume of export and the expected amount subject to settlement and sale of foreign exchange for the year ending 31 December 2019.

#### ***(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.

**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 (資金收支結算等代理類服務) shall not exceed RMB3,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2018 to 30 September 2018, 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 (資金收支結算等代理類服務) amounted to approximately RMB322,400.

**Proposed Cap:**

The Company currently expects that 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 (資金收支結算等代理類服務) during the term of the Financial Services Agreement shall not exceed the Cap of RMB3,000,000 for the year ending 31 December 2019.

The above Cap was determined with reference to 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.

**Reasons for and benefits of the Financial Services Agreement:**

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) the rates on loans and deposits offered by Hisense Finance to the Group will be equal to or more favourable than those offered by PRC commercial banks;

- (ii) the Group is expected to benefit from Hisense Finance's better understanding of the operations of the Group which should allow more expedient and efficient service provision than those offered by PRC commercial banks; and
- (iii) Hisense Finance is regulated by the CBRC and engages into 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 the Hisense Group. 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.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the Financial Services Agreement and the Caps in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **(C) CONTINUING CONNECTED TRANSACTIONS**

#### **THE SUPPLEMENTAL AGREEMENT IN RELATION TO THE FINANCIAL BUSINESS FRAMEWORK AGREEMENT**

**Date:** 26 November 2018

**Parties:** The Company;  
Hisense Financial Holdings

##### ***(1) Revision of annual cap***

###### **(a) Recourse factoring services**

Pursuant to the Financial Business Framework Agreement, the Company has agreed that the Group shall engage Hisense Financial Holdings to provide recourse factoring services as may be required by the Group from time to time upon the terms and conditions of the Financial Business Framework Agreement.

###### **Original annual cap**

The daily closing balance of the recourse factoring services at Hisense Financial Holdings or its relevant subsidiaries during the term of the Financial Business Framework Agreement shall not exceed RMB100,000,000 (inclusive of interest).

###### **Revised annual cap**

Pursuant to the Supplemental Agreement and upon the approval by the Independent Shareholders, the daily closing balance of the recourse factoring services at Hisense Financial Holdings or its relevant subsidiaries during the term of the Financial Business Framework Agreement shall not exceed RMB800,000,000 (inclusive of interest).

### **Historical figures**

For the period from 1 January 2018 to 30 September 2018, the highest daily closing balance of the recourse factoring services was approximately RMB99,970,000 (inclusive of interest).

### **(b) Non-recourse factoring services**

Pursuant to the Financial Business Framework Agreement, the Company has agreed that the Group shall engage Hisense Financial Holdings to provide non-recourse factoring services as may be required by the Group from time to time upon the terms and conditions of the Financial Business Framework Agreement.

#### Original annual cap

The daily closing balance of the non-recourse factoring services at Hisense Financial Holdings or its subsidiaries during the term of the Financial Business Framework Agreement shall not exceed RMB500,000,000 (inclusive of interest).

#### Revised annual cap

Pursuant to the Supplemental Agreement and upon the approval by the Independent Shareholders, the daily closing balance of the non-recourse factoring services at Hisense Financial Holdings or its subsidiaries during the term of the Financial Business Framework Agreement shall not exceed RMB400,000,000 (inclusive of interest).

### **Historical figures**

For the period from 1 January 2018 to 30 September 2018, the highest daily closing balance of the non-recourse factoring services was approximately RMB54,400,000 (inclusive of interest).

### **Basis of the Revised Annual Caps**

The Revised Annual Caps for the year ending 31 December 2019 was determined with reference to the actual amounts paid or received by the Group in relation to the Factoring Transactions for the 12 months ended 31 December 2018 and the requirement for business development of the Company in the remaining term of the Financial Business Framework Agreement. It is estimated that the original annual caps will not be sufficient to meet the current requirement for business development of the Company. The basis on which the Company determines the Revised Annual Cap for recourse factoring services are as follows: it is expected that the monthly average for recourse factoring services would be of RMB 130 million. Based on a term of six-month for the bills, the annual cap for next year is expected to be not exceeding RMB 800 million.

As at the date of this announcement, the original annual caps for the Factoring Transactions have not been exceeded.

It was also set out in the Financial Business Framework Agreement that the transactions contemplated thereunder 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.

Save and except for the revision of the annual caps for the transactions of the recourse factoring services and non-recourse factoring services which may be provided by Hisense Financial Holdings and its subsidiaries to the Group as set out above, all other terms and conditions under the Financial Business Framework Agreement shall remain unchanged.

## ***(2) Provision of finance leasing services***

In addition to the provision of factoring services as set out in the Financial Business Framework Agreement, the Supplemental Agreement expands the scope of services under the Financial Business Framework Agreement to include the provision of finance leasing services.

### **Subject matters:**

Pursuant to the terms of the Supplemental Agreement, the Company or its subsidiaries will engage Hisense Financial Holdings or its subsidiaries to provide finance leasing services, the particulars of which are set out as follows:-

- (i) direct leasing;
- (ii) sale and leaseback;
- (iii) leveraged leasing;
- (iv) captive lease; and
- (v) operating leasing.

**Pricing:**

The pricing of the finance leasing services provided by Hisense Financial Holdings or its subsidiaries to the Company shall not be higher than the pricing offered by the finance leasing service companies which are independent third parties over the same period.

The interest rate charged for the finance leasing services provided by Hisense Financial Holdings or its subsidiaries to the Company shall not be higher than the rate charged by normal commercial banks in the PRC for comparable services.

**Proposed cap:**

The daily closing balance of the finance leasing services provided by Hisense Financial Holdings or its subsidiaries to the Company at Hisense Financial Holdings or its subsidiaries during the term of the Financial Business Framework Agreement shall not exceed RMB300,000,000 (inclusive of interest).

**Reasons for the revision of the annual caps and provision of finance leasing services under the Supplemental Agreement**

Factoring and finance leasing services provided by Hisense Financial Holdings or its subsidiaries can further revitalize the Company's idle assets. The Company can in turn receive operating income and improve efficiency of the use of capital.

The Supplemental Agreement is conditional upon the approval of the Supplemental Agreement (which stipulates, *inter alia*, (1) the Revised Annual Caps; (2) the provision of finance leasing services; and (3) the Finance Leasing Services Annual Cap as set out above) by the Independent Shareholders.

In view of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that Factoring Transactions and the Finance Leasing Transactions have been and 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. As such, the Directors (excluding the independent non-executive Directors) consider that the terms of the Supplemental Agreement and

the Revised Annual Caps and the Finance Leasing Services Annual Cap thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **INFORMATION RELATING TO THE COMPANY, HISENSE ELECTRIC BUSINESS, HISENSE ELECTRIC, HISENSE GROUP, HISENSE FINANCE AND HISENSE FINANCIAL HOLDINGS**

The Company is principally engaged in the manufacture and sales of refrigerators and air-conditioners.

Hisense Electric was established on 17 April 1997 and has a registered capital of RMB 1,308,481,222. Its authorised representative is Mr. Liu Hong Xin and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone. The scope of business includes: the research and development, manufacture, sales, service, repair and recycling of TV 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-standardized equipment processing, installation and after-sales services; self-operated import and export business (with its operation subject to the list of projects as approved by the MOFTEC); production of terrestrial broadcasting receiver equipment for satellite televisions; leasing of houses, leasing of machinery and equipment, property management; general logistics. (for projects which require approval under the laws, commencement of the operations thereof shall be subject to the approval from the relevant departments).

Hisense Group was incorporated in August 1979 with its registered address at No. 17 Donghai West Road, Shinan, Qingdao. Zhou Houjian is the legal representative of Hisense Group, a wholly state-owned enterprise with the registered capital of RMB806,170,000. The scope of business includes: the entrusted operation of state-owned assets; the manufacture and sales of TV 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 and the provision of related services; the development of software and the provision of internet services; the technological development and the provision of consultation services; the self-operated import and export business (with its operation subject to the list of projects as approved by the MOFTEC); the foreign economic and technical cooperation (with its operation subject to the list of projects as approved by the MOFTEC); 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 (projects which require permit/approval under the laws, commencement of operations of the businesses which require approval from the relevant department).

Hisense Electric Business was incorporated in July 2017 with its registered address at No. 399, Songling Road, Laoshan District, Qingdao City, Shandong Province. Its legal representative is Mr. Cheng Kai Xun and the registered capital is RMB5,000,000. The scope of business includes: e-commerce technical services, online wholesale, retail, warranty extension services for televisions, household appliances, electronic products, communication equipment, communication devices (excluding radio transmission and satellite ground receiving facilities), sensing and control equipment (excluding equipment dedicated to eavesdropping or secret photographing), sales, construction and technical services for security, surveillance equipment (excluding equipment dedicated to eavesdropping or secret photographing), internet information services (commencement of operational activities subject to the approval and issue of permits by communication administrations), internet operation and promotion, exhibition display services, design, production, publication, agency of domestic advertisements, logistics design, supply chain management, road freight transport (commencement of operational activities subject to the approval and issue of permits by transport administrations) (for projects which require approval under the laws, commencement of the operations thereof shall be subject to the approval from the relevant departments). Hisense Electric Business is owned as to 50% by the Company (transfer of shareholding is in progress).

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 was established in the PRC on 12 June 2008 with a registered capital of RMB900 million. Hisense Finance is owned as to 56.99% by 青島海信通信有限公司 (Hisense Communications Co., Ltd.), 30.89% by Hisense Group and 12.12% by 青島海信電子產業控股股份有限公司 (Qingdao Hisense Electronic (Holdings) Company Limited). Hisense Finance is not a banking company as defined in Rule 14A.10 of the Hong Kong Listing Rules.

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 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.

Hisense Financial Holdings is established in Qingdao City of the PRC with limited liability under the Company Law of the PRC. The Company holds 24% equity interest in Hisense Financial Holdings.

The business scope of Hisense Financial Holdings includes: engaging in asset management, investment management, equity investment, equity investment

management, venture capital investment, and venture capital investment management with its own capital, security business investment management, entrusted management of equity investment fund, technology investment and technology consultation in financial software, business management and consultation, business information consultation, commencement of debt investment, short-term financial investment, investment planning and consultation which targeted on the entity's economic project within the approved regions (provided that financial businesses such as deposit-taking, financing guarantee and wealth management for clients are not permitted without the approval of financial regulatory authorities). Hisense Commercial Factoring, a subsidiary of Hisense Financial Holdings, is principally engaged in the businesses of commercial factoring services and supply chain management consultation services.

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

### **(A) Business Co-operation Framework Agreement**

As at the date of this announcement, as (i) Hisense Group (though its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is a controlling shareholder of the Company and (ii) Hisense Electric is a subsidiary of Hisense Group, Hisense Group, Hisense Electric and their respective subsidiaries are connected persons of the Company according to the Hong Kong Listing Rules. Since Hisense Electric holds more than 30% of the issued shares of Hisense Electric Business, Hisense Electric Business is an associate of Hisense Electric and Hisense Electric Business and its subsidiaries are also connected persons of the Company according to the Hong Kong Listing Rules. As such, 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 and the transactions contemplated thereunder and the Caps in relation thereto 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 Group, Hisense Electric Business and Hisense Electric in the Business Co-operation Framework Agreement, Hisense Group, Hisense Electric Business and Hisense Electric and their respective associates will abstain from voting in relation to the resolution(s) to approve the Business Co-operation Framework Agreement and the transactions contemplated thereunder and the relevant Caps at the EGM.

### **(B) Financial Services Agreement**

As at the date of this announcement, as (i) Hisense Group (though its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is a controlling shareholder of the Company and (ii) Hisense Finance is a subsidiary of Hisense Group, Hisense Finance is a connected person of the Company according to 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, loan and electronic bank acceptance bill, draft discount, 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 thereunder and the Caps in relation thereto 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 one of the applicable percentage ratios for the provision of such deposit services is more than 100%, the provision of financial assistance does not constitute an acquisition or a series of acquisitions of assets by the Company 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, it 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 thereunder.

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 and the transactions contemplated thereunder and the relevant Caps at the EGM.

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

#### **(C) Supplemental Agreement in relation to the Financial Business Framework Agreement**

As at the date of this announcement, Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company, holding 37.92% of the issued shares of the Company. Hisense Financial Holdings is a subsidiary of the holding company of Hisense Air-conditioning and an associate of Hisense Air-conditioning. Therefore, Hisense Financial Holdings is a connected person of the Company according to the Hong Kong Listing Rules. As such, the transactions contemplated under the Financial Business Framework Agreement (as supplemented by the Supplemental Agreement) will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

The transactions under the Financial Services Agreement and the Financial Business Framework Agreement (as supplemented by the Supplemental Agreement) will be aggregated under the Hong Kong Listing Rules. As the applicable percentage ratios as defined under Rule 14.07 of the Hong Kong Listing Rules in respect of the Financial Business Framework Agreement and the Financial Services Agreement (as

supplemented by the Supplemental Agreement) on an aggregate basis exceed 5%, the transactions contemplated under the Financial Business Framework Agreement (as supplemented by the Supplemental Agreement) and the caps in relation thereto are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Supplemental Agreement (which stipulates, inter alia, (1) the Revised Annual Caps; (2) provision of finance leasing services and (3) Finance Leasing Services Annual Cap) and the transactions contemplated thereunder and the Revised Annual Caps and the Finance Leasing Services Annual Cap will be subject to the approval of the Independent Shareholders at the EGM by poll.

In view of the interests of Hisense Financial Holdings in the Company, Hisense Financial Holdings and its associates will abstain from voting in relation to the resolution(s) to approve the Supplemental Agreement (which stipulates, inter alia, (1) the Revised Annual Caps; (2) provision of finance leasing services; and (3) Finance Leasing Services Annual Cap) and the transactions contemplated thereunder and the Revised Annual Caps and Finance Leasing Services Annual Cap at the EGM..

## **GENERAL**

Mr. Tang Ye Guo, Mr. Lin Lan, Mr. Liu Hong Xin, Mr. Dai Hui Zhong and Mr. Jia Shao Qian, being Directors, have abstained from voting on the relevant board resolution(s) for approving the Business Co-operation Framework Agreement, the Financial Services Agreement and the Supplemental Agreement (which stipulates, inter alia, (1) the Revised Annual Caps; (2) provision of finance leasing services; and (3) Finance Leasing Services Annual Cap) and the transactions contemplated thereunder and the Revised Annual Caps and the Finance Leasing Services Annual Cap in view of their interest therein as set out below:-

- (a) Mr. Tang Ye Guo, Mr. Liu Hong Xin, Mr. Lin Lan, Mr. Dai Hui Zhong and Mr. Jia Shao Qian are also directors or senior management of Hisense Group and/or some of its subsidiaries;
- (b) Mr. Lin Lan, Mr. Liu Hong Xin and Mr. Dai Hui Zhong are also directors of Hisense Electric and/or some of its subsidiaries; and
- (c) Mr. Tang Ye Guo and Mr. Liu Hong Xin are also directors of Hisense Finance.

An independent financial adviser will be appointed to advise the independent board committee of the Company and the Shareholders regarding (a) the Business Co-operation Framework Agreement and the Financial Services Agreement and the transactions contemplated thereunder and the Caps in relation thereto; and (b) the Supplemental Agreement (which stipulates, inter alia, (1) the Revised Annual Caps; (2) provision of finance leasing services; and (3) Finance Leasing Services Annual

Cap) and the transactions contemplated thereunder and the Revised Annual Caps and the Finance Leasing Services Annual Cap in relation thereto. An independent board committee of the Company will also be formed to advise the Shareholders on whether or not (a) the Business Co-operation Framework Agreement and the Financial Services Agreement and the transactions contemplated thereunder and the Caps in relation thereto; and (b) the Supplemental Agreement (which stipulates, *inter alia*, (1) the Revised Annual Caps; (2) provision of finance leasing services; and (3) Finance Leasing Services Annual Cap) and the transactions contemplated thereunder and the Revised Annual Caps and the Finance Leasing Services Annual Cap in relation thereto are in the interest of the Company and are fair and reasonable so far as the Shareholders are concerned.

A circular containing, *inter alia*, (a) further information on the Business Co-operation Framework Agreement and the Financial Services Agreement and the Caps in relation thereto; (b) further information on the Supplemental Agreement (which stipulates, *inter alia*, (1) the Revised Annual Caps; (2) provision of finance leasing services; and (3) Finance Leasing Services Annual Cap) and the transactions contemplated thereunder and the Revised Annual Caps and the Finance Leasing Services Annual Cap in relation thereto; (c) the letter of advice from the independent financial adviser to the independent board committee and Shareholders; and (d) the recommendation from the independent board committee will be despatched to the Shareholders on or before 3 January 2019 in accordance with the Hong Kong Listing Rules. In view of the number of transactions contemplated under the Business Co-operation Framework Agreement, the Financial Services Agreement and the Supplemental Agreement (which stipulates, *inter alia*, (1) the Revised Annual Caps; (2) provision of finance leasing services; and (3) Finance Leasing Services Annual Cap) which are to be covered in the circular, it is expected that more time may be required by the Company to prepare the circular and for the independent financial adviser to review and advise on such transactions. Therefore, it is expected that the circular will be despatched beyond 15 business days after the publication of this announcement.

## **DEFINITIONS**

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

<b>“A Shares”</b>	domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange;
<b>“associates”</b>	has the meaning ascribed to it under the Hong Kong Listing Rules;
<b>“Board” or “Director(s)”</b>	the board of directors of the Company;
<b>“Business Co-operation Framework Agreement”</b>	the Business Co-operation Framework Agreement (業務合作框架協議) entered into between the Company, Hisense Electric, Hisense Electric Business and Hisense Group dated

26 November 2018 in relation to the sale and purchase of home electrical appliances, raw materials, parts and components, supply of equipment and moulds, and the provision of various services;

**“Caps”**

the annual caps for the transactions contemplated under the Business Co-operation Framework Agreement for the year ending 31 December 2019, being (i) RMB278,290,000 in respect of the purchase of home electrical appliances by the Group from Hisense Group, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; (ii) RMB267,900,000 in respect of the purchase of raw materials, parts and components by the Group from Hisense Group, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; (iii) RMB838,240,000 in respect of the provision of services by Hisense Group, Hisense Electric Business, Hisense Electric and their respective subsidiaries to the Group under the Business Co-operation Framework Agreement; (iv) RMB15,085,700,000 in respect of the supply of home electrical appliances by the Group to Hisense Group, Hisense Electric Business, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; (v) RMB12,500,000 in respect of the supply of equipment by the Group to Hisense Group and its subsidiaries under the Business Co-operation Framework Agreement; (vi) RMB228,320,000 in respect of the supply of moulds by the Group to Hisense Group, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; (vii) RMB161,420,000 in respect of the supply of raw materials, parts and components by the Group to Hisense Group, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; (viii) RMB34,390,000 in respect of the provision of services by the Group to Hisense Group, Hisense Electric and their respective subsidiaries under the Business Co-operation Framework Agreement; and the annual caps for the transactions contemplated under the Financial Services Agreement during the term of the Financial Services Agreement, being (a) RMB8,000,000,000 (inclusive of interest) in respect of the maximum daily balance of the deposits placed by the Group with Hisense Finance under the Financial Services Agreement; (b) RMB9,000,000,000 (inclusive of interest and service fees) in respect of the maximum balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group under the Financial Services Agreement; (c) 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; and (d) US\$500,000,000 in respect of the annual amount settled or sold by Hisense Finance for the Group under the Financial Services Agreement and (e) 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;
<b>“CBRC”</b>	中國銀行業監管管理委員會 (China Banking Regulatory Commission) ;
<b>“Company”</b>	Hisense Home Appliances Group Co., Ltd. , a company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Stock Exchange and the Shenzhen Stock Exchange;
<b>“connected person”</b>	has the meaning ascribed to it in the Hong Kong Listing Rules;
<b>“controlling shareholder”</b>	has the meaning ascribed to it in the Hong Kong Listing Rules;
<b>“EGM”</b>	the first 2019 extraordinary general meeting of the Company to be held for, among other things, the approval of (a) the Business Co-operation Framework Agreement and the Financial Services Agreement and the transactions contemplated thereunder and the Caps in relation thereto; and (b) the Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps and the Finance Leasing Services Annual Cap in relation thereto;
<b>“Existing Business Co-operation Framework Agreement”</b>	the framework agreement (業務合作框架協議) entered into between the Company, Hisense Electric and Hisense Group dated 28 November 2017 in relation to the sale and purchase of home electrical appliances, raw materials, parts and components, supply of equipment and moulds, and the provision of various services;
<b>“Existing Financial Services Agreement”</b>	the financial services agreement(金融服務協議) entered into between the Company and Hisense Finance dated 28 November 2017 in relation to the provision of financial services by Hisense Finance to the Group;
<b>“Factoring Transactions”</b>	the provision of recourse and non-recourse factoring services by Hisense Financial Holdings to the Company contemplated under the Financial Business Framework Agreement (as amended and supplemented by the Supplemental Agreement) as set out in the section headed “The Supplemental Agreement in relation to the Financial

Business Framework Agreement" in this announcement;

**"Finance Leasing Services Annual Cap"**

the annual caps for the transactions contemplated under the Supplemental Agreement for the year ending 31 December 2019, being RMB300,000,000 (inclusive of interest) in respect of the maximum daily closing balance of the finance leasing services provided by Hisense Financial Holdings or its subsidiaries to the Company at Hisense Financial Holdings or its subsidiaries during the term of the Financial Business Framework Agreement;

**"Finance Leasing Transactions"**

the provision of finance leasing services by Hisense Financial Holdings to the Company contemplated under the Supplemental Agreement as set out in the section headed "The Supplemental Agreement in relation to the Financial Business Framework Agreement" in this announcement;

**"Financial Business Framework Agreement"**

the financial business framework agreement (金融業務框架協議) entered into between the Company and Hisense Financial Holdings dated 28 November 2017 in connection with the provision of factoring services by Hisense Financial Holdings to the Company;

**"Financial Services Agreement"**

the financial service agreement (金融服務協議) entered into between the Company and Hisense Finance dated 26 November 2018 in connection with the provision of financial services by Hisense Finance to the Group;

**"Group"**

the Company and its subsidiaries;

**"H Shares"**

overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange;

**"Hisense Air-conditioning"**

青島海信空調有限公司 (Qingdao Hisense Air-conditioning Company Limited), a company incorporated in the PRC with limited liability and being indirectly controlled by Hisense Group, holding 37.92% of the issued shares of the Company as at the date of this announcement;

**"Hisense Commercial Factoring"**

青島海信商業保理有限公司 (Hisense Commercial Factoring Co., Ltd\*), a company incorporated in the PRC with limited liability;

**"Hisense Electric"**

Hisense Electric Co., Ltd. (青島海信電器股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange;

<b>“Hisense Electric Business”</b>	Qingdao Hisense Electric Business Co., Ltd. (青島海信電子商務有限公司), a company incorporated in the PRC with limited liability;
<b>“Hisense Finance”</b>	海信集團財務有限公司 (Hisense Finance Co., Ltd) , a company incorporated in the PRC with limited liability and a subsidiary of the Hisense Group;
<b>“Hisense Financial Holdings”</b>	Hisense Financial Holdings Co., Ltd. (青島海信金融控股有限公司), a company incorporated in the PRC with limited liability and the holding company of Hisense Commercial Factoring;
<b>“Hisense Group”</b>	海信集團有限公司 (Hisense Company Limited), a company incorporated in the PRC with limited liability;
<b>“Hisense HK”</b>	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Group, holding 9.13% of the issued shares of the Company as at the date of this announcement;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“Hong Kong Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Independent Shareholders”</b>	(i) in respect of the Business Co-operation Framework Agreement, Shareholders other than Hisense Group, Hisense Electric Business, Hisense Electric 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; (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; and (iii) in respect of the Supplemental Agreement, Shareholders other than Hisense Financial Holdings and its associates and other Shareholders which are required to abstain from voting in relation to the Supplemental Agreement under the Shenzhen Listing Rules;
<b>“MOFTEC”</b>	the Ministry of Foreign Trade and Economic Co-operation (對外貿易經濟合作部);
<b>“PRC”</b>	the People’s Republic of China,;

<b>“Revised Annual Caps”</b>	the revised annual caps for the Factoring Transactions for the year ending 31 December 2019;
<b>“Share(s)”</b>	share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares;
<b>“Shareholder(s)”</b>	holder(s) of the Shares;
<b>“Shenzhen Listing Rules”</b>	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (深圳証券交易所上市規則);
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“substantial shareholder”</b>	has the meaning ascribed to it under the Hong Kong Listing Rules;
<b>“Supplemental Agreement”</b>	the supplemental agreement (金融業務框架協議之補充協議) entered into between the Company and Hisense Financial Holdings dated 26 November 2018, which amends and supplements the Financial Business Framework Agreement;
<b>“VAT”</b>	value-added tax;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America;
<b>“%”</b>	per cent; and
<b>“*”</b>	for identification purpose only.

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

Foshan City, Guangdong, the PRC, 26 November 2018

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