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

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Hisense 海信家電

HISENSE HOME APPLIANCES GROUP CO., LTD.

海信家電集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00921)

CONTINUING CONNECTED TRANSACTIONS – PROPOSED REVISION OF ANNUAL CAP AND SUPPLEMENTAL AGREEMENT TO BUSINESS CO-OPERATION FRAMEWORK AGREEMENT

Independent Financial Adviser to the Independent Board Committee
and the Shareholders



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

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders is set out on pages 15 to 23 of this circular.

A notice of the EGM to be held on Friday, 25 September 2020 at 3:00 p.m. at the conference room of the Company's head office, Shunde District, Foshan City, Guangdong Province, the PRC, a proxy form for use at the EGM and a reply slip have been despatched by the Company on 31 July 2020 and are also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hxjd.hisense.cn>). Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed on it and return it to the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting (as the case may be) should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

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DEFINITIONS

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

“A Shares”	domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors
“Business Co-operation Framework Agreement”	the Business Co-operation Framework Agreement (業務合作框架協議) entered into between the Company, Hisense Group, Hisense International, Hisense Marketing Management and Hisense Visual Technology dated 5 November 2019 in relation to the sale and purchase of electrical appliances, raw materials, parts and components, supply of moulds, equipment and the provision of various services
“Company”	Hisense Home Appliances Group Co., Ltd. (海信家電集團股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Stock Exchange and the Shenzhen Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the 2020 second extraordinary general meeting of the Company to be held at the conference room of the Company’s head office, Shunde District, Foshan City, Guangdong Province, the PRC on Friday, 25 September 2020 at 3:00 p.m. to consider and, if thought fit, approve the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap
“Group”	the Company and its subsidiaries

DEFINITIONS

“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange
“Hisense Air-conditioning”	Qingdao Hisense Air-conditioning Company Limited* (青島海信空調有限公司), a company incorporated in the PRC with limited liability and indirectly controlled by Hisense Group, and holds approximately 37.92% of the Shares as at the Latest Practicable Date
“Hisense Group”	Hisense Company Limited (海信集團有限公司), a company incorporated in the PRC with limited liability
“Hisense HK”	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and indirectly controlled by Hisense Group, and holds approximately 9.13% of the Shares as at the Latest Practicable Date
“Hisense International”	Hisense International Co., Ltd. (青島海信國際營銷股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
“Hisense Marketing Management”	Hisense Marketing Management Co., Ltd.* (海信營銷管理有限公司), a company incorporated in the PRC with limited liability and owned as to 50% by the Company
“Hisense Visual Technology”	Hisense Visual Technology Co., Ltd. (海信視像科技股份有限公司) (formerly known as 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 and a subsidiary of Hisense Group, and whose shares are listed on the Shanghai Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors (namely Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit)

DEFINITIONS

“Independent Financial Adviser”	Yuanta Securities (Hong Kong) Company Limited, a corporation licensed to carry Type 1 (Dealing in securities), Type 2 (Dealing in future contracts), Type 4 (Advising on securities), Type 5 (Advising on future contracts), Type 6 (Advising on corporate finance) and Type 9 (Asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Shareholders in respect of the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap
“Independent Shareholders”	in respect of the Supplemental Agreement, Shareholders other than Hisense International and its associates and other Shareholders which are required to abstain from voting in relation to the Supplemental Agreement under the Hong Kong Listing Rules and/or the Shenzhen Listing Rules
“independent third parties”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“Latest Practicable Date”	27 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“PRC”	the People’s Republic of China
“Revised Cap”	the annual cap for purchases of electrical appliances by the Group from Hisense Group, Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement for the year ending 31 December 2020, that is RMB93,360,000, as proposed to be revised pursuant to the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares

DEFINITIONS

“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Listing Rules”	the Rules Governing the Listing of Shares on Shenzhen Stock Exchange (深圳證券交易所上市規則)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Business Co-operation Framework Agreement (業務合作框架協議之補充協議) entered into between the Company and Hisense International dated 31 July 2020 in relation to the revision of the annual cap in respect of purchases of electrical appliances for the year ending 31 December 2020 under the Business Co-operation Framework Agreement
“VAT”	value-added tax
“%”	per cent

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

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

Hisense 海信家電
HISENSE HOME APPLIANCES GROUP CO., LTD.
海信家電集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00921)

Executive Directors:

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

Registered office:

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

Independent non-executive Directors:

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

Principal place of business in Hong Kong:

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

3 September 2020

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
PROPOSED REVISION OF ANNUAL CAP
AND
SUPPLEMENTAL AGREEMENT TO BUSINESS CO-OPERATION
FRAMEWORK AGREEMENT**

BACKGROUND

Reference is made to the announcement of the Company dated 6 November 2019 and the circular of the Company dated 20 December 2019 in respect of, among other things, the Business Co-operation Framework Agreement. The Business Co-operation Framework Agreement and the continuing connected transactions contemplated under it and the related annual caps were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 17 January 2020.

LETTER FROM THE BOARD

The purpose of this circular is to:

- (a) provide you with further information on the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap;
- (b) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders in relation to the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap; and
- (c) set out the recommendation from the Independent Board Committee in relation to the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap.

SUPPLEMENTAL AGREEMENT TO BUSINESS CO-OPERATION FRAMEWORK AGREEMENT

Date: 31 July 2020

Parties: The Company; and
Hisense International

Subject matter:

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

Pursuant to the Supplemental Agreement, the Company and Hisense International have conditionally agreed to increase the annual cap in relation to purchases of electrical appliances by the Group from Hisense International and/or its subsidiaries under the Business Co-operation Framework Agreement.

Condition:

The Supplemental Agreement shall become effective from the date of approval of the Supplemental Agreement by the Independent Shareholders at the EGM until 31 December 2020.

The Supplemental Agreement and the continuing connected transactions contemplated under it are subject to the approval of the Independent Shareholders at the EGM.

Historical figures:

The annual cap allocated to the purchases of electrical appliances by the Group from Hisense Group, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2020 as specified in the Business

LETTER FROM THE BOARD

Co-operation Framework Agreement is RMB33,360,000 (exclusive of VAT). For the six months ended 30 June 2020, the aggregate transaction amount for the purchases of electrical appliances by the Group from Hisense Group, Hisense International, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB21,549,000 (exclusive of VAT and unaudited) (of which approximately RMB1,867,000 was for the purchases from Hisense Group and/or its subsidiaries, approximately RMB19,676,000 was for the purchases from Hisense International and/or its subsidiaries and approximately RMB6,100 was for the purchases from Hisense Visual Technology and/or its subsidiaries).

Historically and as of the Latest Practicable Date, the Group had not purchased any electrical appliances with the brands of “ASKO” and “Gorenje” from Hisense International and/or its subsidiaries. The original annual cap allocated to the purchases of electrical appliances by the Group from Hisense International and/or its subsidiaries and the historical transaction amount as mentioned above do not include purchases of “ASKO” and “Gorenje” electrical appliances.

Proposed Revised Cap and basis of revision:

The following table sets out the breakdown of the annual cap in relation to purchases of electrical appliances by the Group from Hisense Group, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2020 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

	Original annual cap before revision <i>RMB</i> <i>(exclusive of VAT)</i>	Proposed annual cap after revision <i>RMB</i> <i>(exclusive of VAT)</i>	Changes <i>RMB</i> <i>(exclusive of VAT)</i>
Hisense Group and/or its subsidiaries	3,920,000	3,920,000 (Remains unchanged)	Not applicable
Hisense International and/or its subsidiaries	28,950,000	88,950,000	60,000,000
Hisense Visual Technology and/or its subsidiaries	490,000	490,000 (Remains unchanged)	Not applicable
Total:	<u>33,360,000</u>	<u>93,360,000</u>	60,000,000

Subject to approval by the Independent Shareholders of the Supplemental Agreement and the continuing connected transactions contemplated under it, the Group intends to import “ASKO” and “Gorenje” high-end electrical appliances directly from the overseas subsidiary of Hisense International for sale in the PRC market. The Group’s operation

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experience and channels of resources within the PRC market are expected to benefit the further expansion of the domestic sale of the products of the two brands and thereby drive the enhancement of the overall high-end electrical appliances business scale of the Group.

The proposed Revised Cap was determined with reference to:

- (i) the past performance of sale of the “ASKO” and “Gorenje” electrical appliances in the PRC market, in particular, the growth of the sales revenue of such electrical appliances in the PRC market from 1 January 2020 to 30 June 2020, as compared to the sales revenue for the first half of 2019, at the rate of around 150% (“**Growth Rate of Sales Revenue**”);
- (ii) the average quarterly purchasing amount for importing the “ASKO” and “Gorenje” electrical appliances for sale in the PRC market in 2019; and
- (iii) the Group’s projected transaction amount for purchasing such electrical appliances from Hisense International and/or its subsidiaries in 2020, mainly based on the assumptions that (a) the transaction amount for purchasing the “ASKO” and “Gorenje” electrical appliances for the final quarter of 2020 would increase at a rate which is in line with the Growth Rate of Sales Revenue; and (b) the Group would be able to further expand the sale of such electrical appliances in the PRC market in view of its experience and resources.

Pricing:

Under the Business Co-operation Framework Agreement (as amend and supplemented by the Supplemental Agreement), pricing for the purchases of electrical appliances is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar electrical appliances offered by at least three independent third parties.

The operation department of the relevant business sector of the Group will compare the terms of the proposed purchase (including pricing and other contractual terms taking into account factors such as product quality and stability in supply of the product) to those of the similar transactions with independent third parties or quotations offered by independent third parties (as the case may be) prior to the execution of the relevant orders or contracts. The operation department of the relevant business sector will report to the finance department which will check, compare and confirm the price of the product is not less favourable than the price offered by independent third parties (with the pricing information supplied by the operation department) and the head of the finance department will approve the terms of the relevant orders or contracts.

Reasons for the proposed Revised Cap:

To further the Group’s business of sale of high-end electrical appliances, in addition to the current business co-operation with Hisense International and/or its subsidiaries under the Business Co-operation Framework Agreement, the Group intends to purchase from Hisense International and/or its subsidiaries high-end electrical appliances (mainly high-end kitchen

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appliances) with the brands of “ASKO” and “Gorenje”. The intended additional purchases of such high-end appliances by the Group from Hisense International and/or its subsidiaries are expected to further expand the business scale of the Group’s domestic sale of high-end electrical appliances, optimise the Group’s product structure, and thereby drive the enhancement of the overall high-end electrical appliances business scale of the Group.

It is therefore expected that the volume and transaction amounts of purchases of electrical appliances from Hisense International and/or its subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase. The Supplemental Agreement has revised the annual cap for the transaction of purchases of electrical appliances for the year ending 31 December 2020 under the Business Co-operation Framework Agreement.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the proposed Revised Cap in respect of purchases of electrical appliances under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for the changes pursuant to the Supplemental Agreement, all other terms of the Business Co-operation Framework Agreement shall remain unchanged and continue to be in full force and effect.

The Company’s internal policy regarding continuing connected transactions:

The Company has established connected transaction management policy (關連交易管理辦法) (the “**CT Management Policy**”) for the purposes of ensuring that connected transactions will be conducted in a fair, equal and public manner, on normal commercial terms and not prejudicial to the interests of the Company and its independent Shareholders.

According to the rules of the CT Management Policy, before a definitive transaction is conducted, the Company will compare the pricing of similar transactions with or quotations obtained from at least three randomly selected independent third parties. Commencement of the definitive transaction with the connected party/parties is conditional upon the Company’s assurance that the price of such continuing connected transaction, according to the principles of fairness and reasonableness, is no less favourable to the Group than those offered by independent third parties in order to ensure fairness of the price of the continuing connected transaction as well as the interests of the Company and the independent Shareholders as a whole.

Following the requirements under the CT Management Policy, the operation departments of the Group will compare the terms of the proposed continuing connected transactions to those of the similar transactions with independent third parties or quotations offered by independent third parties (as the case may be) prior to the execution of the relevant orders or contracts. Before an order or a definitive contract for a transaction is placed, accepted or entered into by the Group, the operation departments of the Group will, depending on the circumstances at that time, either obtain the pricing of similar transactions from at least three independent third parties through public channels, or invite at least three

LETTER FROM THE BOARD

independent third parties who are interested in the transaction to provide or offer their quotations, for the purposes of comparing the pricing of similar transactions. If the operation department of the relevant business sector is of the view that the terms of the proposed orders or contracts are less favourable to the Group than those with or offered by independent third parties, it will report to the senior management who will negotiate with the connected party on the terms of the relevant orders or contracts. If, after negotiation, the connected party cannot offer terms which are no less favourable to the Group than those with or offered by independent third parties, the Group will not execute the relevant orders or contracts.

The finance and securities department of the Company is responsible for the collection and summarisation of all information in relation to the continuing connected transactions from each operation department (including but not limited to the control list for the continuing connected transactions, and transaction invoices and contracts) and will prepare a summary report regarding the conduct of the continuing connected transactions on a quarterly 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 legal affairs department of the Company is responsible for reviewing and approving the Business Co-operation Framework Agreement (as amend and supplemented by the Supplemental Agreement) and the new transaction agreements contemplated under the Business Co-operation Framework Agreement (as amend and supplemented by the Supplemental Agreement).

INFORMATION RELATING TO THE GROUP AND HISENSE INTERNATIONAL

The Group is principally engaged in research and development, manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines and kitchen appliances.

Hisense International was incorporated in 2008 and has a registered capital of RMB30,000,000. Its legal representative is Mr. Lin Lan and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone. The scope of business of Hisense International includes: the operation and agent of import and export of goods, import and export of technology (not permitted to operate business prohibited by law and administrative regulations; if the operation of business is restricted by law and administrative regulations, operation of business is only allowed upon obtaining the necessary permit); planning of corporate marketing; carrying on sino-foreign joint venture and cooperative production business; and carrying on the business of “The Three-plus-one Trading-mix” (For projects which require approval by law, commencement of business operations shall be subject to the obtaining of the approval from the relevant departments). Hisense International is 12.67% owned by Hisense Visual Technology and 12.67% owned by

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the Company. The ultimate beneficial owner of Hisense International is State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會).

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

The transactions contemplated under the Business Co-operation Framework Agreement constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As at the Latest Practicable Date, as (i) Hisense Group (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; and (ii) Hisense International is a subsidiary of Hisense Group, Hisense International and its subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. As such, the transactions contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) will continue to constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the continuing connected transactions contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) exceed 5% on an annual basis and the annual consideration exceeds HK\$10,000,000, the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement), the continuing connected transactions contemplated under it and the related annual caps (as amended and supplemented by the Supplemental Agreement) 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 International in the Supplemental Agreement, which amends and supplements the Business Co-operation Framework Agreement, Hisense International and its associates will abstain from voting in relation to the resolution to approve the Supplemental Agreement, the continuing connected transactions contemplated it and the Revised Cap at the EGM. As such, Hisense Air-conditioning, which held 516,758,670 Shares (representing approximately 37.92% of the issued share capital of the Company) and Hisense HK, which held 124,452,000 Shares (representing approximately 9.13% of the issued share capital of the Company) as at the Latest Practicable Date, will abstain from voting in relation to the relevant resolution at the EGM. Each of Hisense Air-conditioning and Hisense HK is a subsidiary of Hisense Group, which is the indirect holding company of Hisense International. Each of Hisense Air-conditioning and Hisense HK controls, or is entitled to exercise control over, the voting right in respect of their Shares.

LETTER FROM THE BOARD

GENERAL

Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong and Mr. Duan Yue Bin, being Directors, have abstained from voting on the relevant board resolution for approving the Supplemental Agreement and the continuing connected transactions contemplated under it, given that they are also the directors or senior management of Hisense Group and/or some of its subsidiaries (including Hisense International).

EGM

The EGM will be held at the conference room of the Company's head office, Shunde District, Foshan City, Guangdong Province, the PRC on Friday, 25 September 2020 at 3:00 p.m., at which a resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap by poll.

A notice of the EGM, a proxy form for use at the EGM and a reply slip have been despatched by the Company on 31 July 2020 and are also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hxjd.hisense.cn>). Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed on it and return it to the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting (as the case may be) should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to The Securities Department, Hisense Home Appliances Group Co., Ltd. by personal delivery, post or fax during hours between 8:30 a.m. and 11:00 a.m., 1:30 p.m. and 4:30 p.m. on every business day on or before Wednesday, 16 September 2020. Failure to complete or return the reply slip will not preclude eligible Shareholders from attending the EGM should they so wish.

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

In order to determine the holders of Shares who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 17 September 2020 to Friday, 25 September 2020 (both days inclusive). In order to qualify for attending the EGM, all transfer documents of H Shares together with the relevant share certificates must have been lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 16 September 2020 for registration.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed in the EGM to approve the same.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser in relation to the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap which are respectively set out on page 14 and pages 15 to 23 of this circular. Additional information is also set out in the appendix to this circular for your information.

Yours faithfully,

By order of the Board

Hisense Home Appliances Group Co., Ltd.

Tang Ye Guo

Chairman

Hisense 海信家電
HISENSE HOME APPLIANCES GROUP CO., LTD.
海信家電集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00921)

3 September 2020

To the Shareholders

Dear Sir or Madam,

**PROPOSED REVISION OF ANNUAL CAP OF
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to the Shareholders dated 3 September 2020 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the terms of the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap as to the fairness and reasonableness of the same. Yuanta Securities (Hong Kong) Company Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out on pages 5 to 13 and pages 15 to 23 of the Circular respectively. Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we concur with the views of the Independent Financial Adviser and consider that the terms of the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap.

Yours faithfully,
For and on behalf of the Independent Board Committee
Ma Jin Quan Zhong Geng Shen Cheung Sai Kit
Independent non-executive Directors
Hisense Home Appliances Group Co., Ltd.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



*Yuanta Securities (Hong Kong)
Company Limited*

*23/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong
香港金鐘夏慤道18號海富中心1座23樓*

Tel/電話: (852) 3555 7888

Fax/傳真: (852) 3555 7889

3 September 2020

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

Dear Sirs,

PROPOSED REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the independent board committee of the Company (the “**Independent Board Committee**”) and the Shareholders in respect of the supplemental agreement to the Business Co-operation Framework Agreement (the “**Supplemental Agreement**”) and the proposed Revised Cap, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 3 September 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise defined.

As stated in the Letter from the Board, to further the Group’s business of sale of high-end electrical appliances, in addition to the current business co-operation with Hisense International and/or its subsidiaries under the Business Co-operation Framework Agreement, the Group intends to purchase from Hisense International and/or its subsidiaries high-end electrical appliances (mainly high-end kitchen appliances) with the brands of “ASKO” and “Gorenje”. The intended additional purchases of such high-end appliances by the Group from Hisense International and/or its subsidiaries are expected to further expand the business scale of the Group’s domestic sale of high-end electrical appliances, optimise the Group’s product structure, and thereby drive the growth of the business scale of the Group’s overall high-end electrical appliances.

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It is therefore expected that the volume and transaction amounts of purchases of electrical appliances from Hisense International and/or its subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase. The Supplemental Agreement has revised the annual cap for the transaction of purchases of electrical appliances for the year ending 31 December 2020 under the Business Co-operation Framework Agreement.

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

Supplement Agreement to Business Co-operation Framework Agreement

As at the Latest Practicable Date, as (i) Hisense Group (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; and (ii) Hisense International is a subsidiary of Hisense Group, Hisense International and its subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. As such, the transactions contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) will continue to constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the continuing connected transactions contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) exceed 5% on an annual basis and the annual consideration exceeds HK\$10,000,000, the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement), the continuing connected transactions contemplated under it and the related annual caps (as amended and supplemented by the Supplemental Agreement) 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 International in the Supplemental Agreement, which amends and supplements the Business Co-operation Framework Agreement, Hisense International and its associates will abstain from voting in relation to the resolution to approve the Supplemental Agreement, the continuing connected transactions contemplated it and the Revised Cap at the EGM. As such, Hisense Air-conditioning, which held 516,758,670 Shares (representing approximately 37.92% of the issued share capital of the Company) and Hisense HK, which held 124,452,000 Shares (representing approximately 9.13% of the issued share capital of the Company) as at the Latest Practicable Date, will abstain from voting in relation to the resolution at the EGM. Each of Hisense

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Air-conditioning and Hisense HK is a subsidiary of Hisense Group, which is the indirect holding company of Hisense International. Each of Hisense Air-conditioning and Hisense HK controls or is entitled to exercise control the voting right in respect of their Shares.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Ma Jin Quan, Mr. Zhong Geng Shen, Mr. Cheung Sai Kit, having taken into account the advice of the Independent Financial Adviser, considers that the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed in the EGM to approve the same.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Supplemental Agreement (which stipulates the Revised Cap) is in the ordinary and usual course of business of the Company and on normal commercial terms; and whether the terms of the Supplemental Agreement and the proposed Revised Cap for the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

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

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or its Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however,

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carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group or Hisense International.

INFORMATION RELATING TO THE GROUP AND HISENSE INTERNATIONAL

1. Information on the Group

As stated in the Letter from the Board, the Group is principally engaged in research and development, manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines and kitchen appliances.

2. Information on Hisense International

As stated in the Letter from the Board, Hisense International was incorporated in 2008 and has a registered capital of RMB30,000,000. Its legal representative is Mr. Lin Lan and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone. The scope of business of Hisense International includes: the operation and agent of import and export of goods, import and export of technology (not permitted to operate business prohibited by law and administrative regulations; if the operation of business is restricted by law and administrative regulations, operation of business is only allowed upon obtaining the necessary permit); planning of corporate marketing; carrying on sino-foreign joint venture and cooperative production business; and carrying on the business of “The Three-plus-one Trading-mix” (For projects which require approval by law, commencement of business operations shall be subject to the obtaining of the approval from the relevant departments). Hisense International is 12.67% owned by Hisense Visual Technology and 12.67% owned by the Company. The ultimate beneficial owner of Hisense International is State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會).

3. Prevailing market conditions about the demand for electrical appliances

In the Report on the Work of the Government, delivered at the Third Session of the 13th National People's Congress of the People's Republic of China on May 22 while reviewing on the work in 2019 and the first few months of 2020, the economy remained stable overall. Gross domestic product (GDP) reached 99.1 trillion yuan, representing a 6.1 percent increase over the previous year.

According to State Council Information Office of the People's Republic of China, the country's gross domestic product (GDP) expanded 3.2 percent year on year in the second quarter of the year 2020, according to data from the National Bureau of Statistics (NBS).

For total retail sales of consumer goods, according to the National Bureau of Statistics of China, from January to June 2020, it rose approximately 6.77% year-on-year to approximately RMB17,226 billion. Besides, the demand for the products in white goods market has a high demand in today's market scenario due to increased enhanced lifestyle of

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people and its use in day-to-day life applications. The white goods market has a wide range of products which can be used with strong technology attracting new customers and opening new sales channel.

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

SUPPLEMENTAL AGREEMENT TO BUSINESS CO-OPERATION FRAMEWORK AGREEMENT

As stated in the Letter from the Board, the Group will, among other things, purchase from Hisense Group, Hisense International, Hisense Visual Technology and/or their respective subsidiaries on a non-exclusive basis electrical appliances as they may require from time to time.

Pursuant to the Supplemental Agreement, the Company and Hisense International have conditionally agreed to increase the annual cap in relation to purchases of electrical appliances by the Group from Hisense International and/or its subsidiaries under the Business Co-operation Framework Agreement. Besides the terms mentioned above, the rest of terms under the Business Co-operation Framework Supplemental Agreement will remain unchanged. Therefore, the Company will follow the pricing mechanism and all the policies set out in the Company's circular dated 20 December 2019.

The Supplemental Agreement shall become effective from the date of approval of the Supplemental Agreement by the Independent Shareholders at the EGM until 31 December 2020 while the Supplemental Agreement and the continuing connected transactions contemplated under it are subject to the approval of the Independent Shareholders at the EGM.

Purchase of electrical appliances

Subject matter and terms of the purchase of electrical appliances

Refer to the Letter from the Board, historically and as of the Latest Practicable Date, the Group had not purchased any electrical appliances with the brands of "ASKO" and "Gorenje" from Hisense International and/or its subsidiaries. The original annual cap allocated to the purchases of electrical appliances by the Group from Hisense International and/or its subsidiaries and the historical transaction amount as mentioned in the Letter from the Board do not include purchases of "ASKO" and "Gorenje" electrical appliances.

As stated in the Letter from the Board, to further the Group's business of sale of high-end electrical appliances, in addition to the current business co-operation with Hisense International and/or its subsidiaries under the Business Co-operation Framework Agreement, the Group intends to purchase from Hisense International and/or its subsidiaries high-end electrical appliances (mainly high-end kitchen appliances) with the brands of "ASKO" and "Gorenje". The intended additional purchases of such high-end appliances by the Group

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from Hisense International and/or its subsidiaries are expected to further expand the business scale of the Group's domestic sale of high-end electrical appliances, optimise the Group's product structure, and thereby drive the growth of the business scale of the Group's overall high-end electrical appliances.

It is therefore expected that the volume and transaction amounts of purchases of electrical appliances from Hisense International and/or its subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase. The Supplemental Agreement has revised the annual cap for the transaction of purchases of electrical appliances for the year ending 31 December 2020 under the Business Co-operation Framework Agreement.

Historical amounts and Revised Cap

The table below sets out the breakdown of the annual cap in relation to purchases of electrical appliances by the Group from Hisense Group, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2020 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

Unit: RMB (Unaudited, exclusive of VAT)

Entities providing electrical appliances	Original annual cap before revision	Changes	The percentage change in the Original annual cap before revision is with reference to the proposed annual caps after revision		Proposed annual caps after revision
			proposed annual caps after revision	Original annual cap before revision	
Hisense Group and/or its subsidiaries	3,920,000	–	–	–	3,920,000
Hisense International and/or its subsidiaries	28,950,000	60,000,000	207.25%	28,950,000	88,950,000
Hisense Visual Technology and/or its subsidiaries	490,000	–	–	–	490,000
Total	<u>33,360,000</u>	<u>60,000,000</u>	<u>179.86%</u>	<u>93,360,000</u>	

As calculated from the table above, we note that the original annual caps before revision and Revised Cap for the purchases of electrical appliances were approximately RMB33.36 million and RMB93.36 million respectively. There is an approximately 179.86%

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increase in the proposed annual cap in relation to the transaction of the purchases of electrical appliances by the Group after revision as compared to the original annual caps before revision.

As advised by the Management, the Revised Cap is composed as follow:

- (i) RMB3,920,000 will be allocated to the purchases of electrical appliances from Hisense Group and/or its subsidiaries;
- (ii) RMB88,950,000 will be allocated to the purchases of electrical appliances from Hisense International and/or its subsidiaries; and
- (iii) RMB490,000 will be allocated to the purchases of electrical appliances from Hisense Visual Technology and/or its subsidiaries

As stated in the Letter from the Board, the proposed Revised Cap was determined with reference to: (i) the past performance of sale of the “ASKO” and “Gorenje” electrical appliances in the PRC market, in particular, the growth of the sales revenue of such electrical appliances in the PRC market from 1 January 2020 to 30 June 2020, as compared to the sales revenue for the first half of 2019, at the rate of around 150% (the “**Growth Rate of Sales Revenue**”); (ii) the average quarterly purchasing amount for importing the “ASKO” and “Gorenje” electrical appliances for sale in the PRC market in 2019; and (iii) the Group’s projected transaction amount for purchasing such electrical appliances from Hisense International and/ or its subsidiaries in 2020, mainly based on the assumptions that (a) the transaction amount for purchasing the “ASKO” and “Gorenje” electrical appliances for the final quarter of 2020 would increase at a rate which is in line with the Growth Rate of Sales Revenue; and (b) the Group would be able to further expand the sale of such electrical appliances in the PRC market in view of its experience and resources.

In assessing the reasonableness of the proposed Revised Cap of the purchases of electrical appliances under the Supplemental Agreement for the year ending 31 December 2020, we have reviewed the original annual caps before revision.

According to the Management, subject to approval by the Independent Shareholders of the Supplemental Agreement and the continuing connected transactions contemplated under it, the Group intends to import “ASKO” and “Gorenje” high-end electrical appliances directly from the oversea subsidiary of Hisense International for sale in the PRC market. The Group’s operation experience and channels of resources within the PRC market are expected to benefit the further expansion of the domestic sale of the products of the two brands and thereby drive the enhancement of the overall high-end electrical appliances business scale of the Group. As the EGM is scheduled to be held on 25 September 2020, thus, during the period from 1 October 2020 to 31 December 2020, the Group will purchase the same kind of high-end appliances from the oversea subsidiary of Hisense International so we will refer to the past performance of the same high-end electrical appliances in the PRC market in 2019 and the first half year of 2020 when evaluating the proposed Revised Cap.

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As part of our due diligence, we have reviewed the actual purchasing amount for importing high-end electrical appliances (mainly high-end kitchen appliances) with the brands of “ASKO” and “Gorenje” for sale in the PRC market in the year of 2019 with regard to the intended additional purchases of such high-end appliances by the Group from the same oversea subsidiary of Hisense International under the Supplemental Agreement for the year ending 31 December 2020. Moreover, we have also reviewed the actual sales amount of the sale of such high-end appliances in PRC market in the period from 1 January 2019 to 30 June 2019, the whole year of 2019, and the period from 1 January 2020 to 30 June 2020.

After reviewing the historical purchasing amount for importing high-end electrical appliances (mainly high-end kitchen appliances) with the brands of “ASKO” and “Gorenje” for sale in the PRC market in the year of 2019, we take the average quarterly purchasing amount for importing such electrical appliances for sale in the PRC market in 2019 as reference while justifying the proposed Revised Cap.

As the intended additional purchases of such high-end electrical appliances by the Group from Hisense International and/or its subsidiaries under the Supplemental Agreement for the year ending 31 December 2020 are expected to be the same business as with the import of such high-end electrical appliances for sale in the PRC market in 2019, therefore, we expect the baseline quarterly purchasing amount of the purchases of such electrical appliances by the Group from Hisense International and/or its subsidiaries for 1 October 2020 to 31 December 2020 to be the same with the average quarterly purchasing amount for importing such electrical appliances for sale in the PRC market in 2019 for the two brands of “ASKO” and “Gorenje”.

Moreover, we also reviewed the historical sales amount of such high-end electrical appliances in the PRC market in the first half year of 2019 and the first half year of 2020. For the period commencing from 1 January 2019 to 30 June 2019 and from 1 January 2020 to 30 June 2020, the actual sales amount of such high-end electrical appliances in the PRC market has an approximately 150% increase for the period between 1 January 2020 to 30 June 2020 with reference to the period between 1 January 2019 to 30 June 2019. Therefore, we expect to have the same year-on-year increase we mentioned above from 1 October 2020 to 31 December 2020 of the baseline quarterly purchasing amount for importing such electrical appliances.

To sum up, according to the average quarterly purchasing amount for importing high-end electrical appliances (mainly high-end kitchen appliances) with the brands of “ASKO” and “Gorenje” for sale in the PRC market in the year 2019 and the year-on-year Growth Rate of Sales Revenue for the sale of such electrical appliances in the PRC market in the first half year of 2020, the estimated transaction amount of the purchases of such electrical appliances by the Group from 1 October 2020 to 31 December 2020 is similar to the intended additional transaction amount of the purchases of high-end electrical appliances (mainly high-end kitchen appliances) with the brands of “ASKO” and “Gorenje” by the Group from 1 October 2020 to 31 December 2020 amounted approximately RMB60 million which is fair and reasonable based on above.

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As a result, the proposed annual cap after revision for the purchases of electrical appliances by the Group from Hisense International and/or its subsidiaries amounted to approximately RMB88,950,000 and the proposed annual cap after revision for the purchases of electrical appliances by the Group from Hisense Group and/or its subsidiaries, Hisense International and/or its subsidiaries and Hisense Visual Technology and/or its subsidiaries in the year 2020 amounted to approximately RMB93,360,000 which is fair and reasonable.

Based on the above, we are of the view that the proposed Revised Cap of the purchases of electrical appliances by the Group from Hisense Group and/or its subsidiaries, Hisense International and/or its subsidiaries and Hisense Visual Technology and/or its subsidiaries under the Supplemental Agreement in the year 2020 is determined by the Directors after due and careful consideration and is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

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

Yours faithfully
For and on behalf of
Yuanta Securities (Hong Kong) Company Limited
Lei Hsi Wei
Executive Director
Investment Banking

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interests of Directors, supervisors and chief executive of the Company in the securities of the Company

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

Long position in the Shares

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

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

provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered into the register maintained by the Company referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Other interests

As at the Latest Practicable Date:

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

3. SERVICE AGREEMENTS

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

4. COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors or their respective close associates had relevant interests in the following businesses which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Hong Kong Listing Rules:

Name of Director	Name of entity which business is considered to compete or likely to compete with the business of the Group	Description of business of the entity which is considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
Mr. Tang Ye Guo	The subsidiaries of Hisense Group	Production of electrical products	Director and/or senior management
Mr. Jia Shao Qian	The subsidiaries of Hisense Group	Production of electrical products	Director and/or senior management
Mr. Lin Lan	Hisense Group or Hisense Visual Technology	Production of electrical products	Director and/or senior management
Mr. Dai Hui Zhong	Hisense Group or Hisense Visual Technology	Production of electrical products	Director and/or senior management
Mr. Duan Yue Bin	The subsidiaries of Hisense Group	Production of electrical products	Director and/or senior management

As at the Latest Practicable Date, save as disclosed above, none of the Directors or their respective close associates had interests in the businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

5. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the disclosures made in announcement of the Company dated 20 August 2020 in relation to the unaudited interim results of the Group for the six months ended 30 June 2020, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up).

6. EXPERT

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

Name	Qualifications
Yuanta Securities (Hong Kong) Company Limited	a corporation licensed to carry Type 1 (Dealing in securities), Type 2 (Dealing in future contracts), Type 4 (Advising on securities), Type 5 (Advising on future contracts), Type 6 (Advising on corporate finance) and Type 9 (Asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Shareholders in respect of the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Cap

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

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

7. GENERAL

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the letter from the Independent Board Committee dated 3 September 2020;
- (b) the letter from the Independent Financial Adviser dated 3 September 2020;
- (c) the resolutions passed by the tenth session of the Board on 31 July 2020;
- (d) prior approval and independent opinion of the independent non-executive Directors dated 31 July 2020 in relation to the Supplemental Agreement;
- (e) the Business Co-operation Framework Agreement;
- (f) the Supplemental Agreement;
- (g) the consent letter issued by Yuanta Securities (Hong Kong) Company Limited referred to in the paragraph headed "6. Expert" in this appendix; and
- (h) this circular.