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

The Company wishes to inform the Shareholders and investors that each of the Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2021 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under each of the agreements from time to time after their expiration. In view of the above and to engage Hisense HK as a party to the relevant transactions, on 16 November 2021, the Company entered into the Business Co-operation Framework Agreement and the Financial Services Agreement.

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

As at the date of this announcement, (i) Hisense Holdings (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; (ii) each of Hisense International, Hisense HK and Hisense Visual Technology is a subsidiary of Hisense Holdings; and (iii) Hisense Marketing Management is an associate of Hisense Visual Technology as Hisense Visual Technology holds more than 30% interest in Hisense Marketing Management. As such, Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense HK, Hisense Visual Technology and their respective subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Business Co-operation Framework Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Business Co-operation Framework Agreement exceed 5% on an annual basis and the annual consideration exceeds HK\$10,000,000, the Business Co-operation Framework Agreement, the transactions contemplated under it and the related Caps are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **FINANCIAL SERVICES AGREEMENT**

As at the date of this announcement, as (i) Hisense Holdings (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; and (ii) Hisense Finance is a subsidiary of Hisense Holdings, Hisense Finance is a connected person of the Company under the Hong Kong Listing Rules. As such, the transactions contemplated under the Financial Services Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

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

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

## **GENERAL**

A circular containing, inter alia, (i) further information on the Business Co-operation Framework Agreement and the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements; (ii) the letter of advice from the independent financial adviser to the independent board committee and the Shareholders; and (iii) the recommendation from the independent board committee will be despatched to the Shareholders on or before 4 January 2022 in accordance with the Hong Kong Listing Rules. In view of the transactions contemplated under the Business Co-operation Framework Agreement and the Financial Services Agreement 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**

Reference is made to the announcement of the Company dated 30 October 2020 and the circular of the Company dated 28 December 2020 in relation to, inter alia, the Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement.

The Company wishes to inform the Shareholders and investors that each of the Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2021 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under each of the agreements from time to time after their expiration. In view of the above and to engage Hisense HK as a party to the relevant transactions, on 16 November 2021, the Company entered into the Business Co-operation Framework Agreement and the Financial Services Agreement.

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

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

**Date:** 16 November 2021

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

Each of the parties to the Business Co-operation Framework Agreement shall be entitled to authorise its subsidiaries to take up its rights and obligations and perform under the Business Co-operation Framework Agreement, and to enter into definitive contract(s) with each other for the transactions to be conducted under the Business Co-operation Framework Agreement. As at the date of this announcement, as each of Hisense International, Hisense Marketing Management, Hisense HK and Hisense Visual Technology is a subsidiary of Hisense Holdings, for the purpose of clarifying the subject scope of the subsidiaries of Hisense Holdings under the Business Co-operation Framework Agreement and for the purpose of the transactions to be conducted under the Business Co-operation Framework Agreement, subsidiaries of Hisense Holdings shall not include Hisense International, Hisense Marketing Management, Hisense HK and Hisense Visual Technology and their respective subsidiaries.

**Term:**

The Business Co-operation Framework Agreement shall commence from 1 January 2022 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 2022, which can be terminated before its expiration by mutual agreement of the parties.

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

#### **Condition:**

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

#### **Subject matters:**

The transactions contemplated under the Business Co-operation Framework Agreement will be conducted in the ordinary and usual course of business of the parties, on normal commercial terms and on terms not less favourable to the parties than terms available to or from (as appropriate) independent third parties. The Business Co-operation Framework Agreement does not restrict the rights of the parties to sell or purchase products or services contemplated under the Business Co-operation Framework Agreement from any other purchasers or suppliers.

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

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

#### **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 purpose of ensuring that connected transactions will be conducted in a fair, equal and public manner, on normal commercial terms and not prejudicial to the interests of the Company and its independent Shareholders.

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

Following the requirements under the CT Management Policy, the operation department of the Group will compare the terms of the proposed continuing connected 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 department of the Group will, depending on the circumstances at that time, either obtain the pricing of similar transactions from at least three independent third parties through public channels, or invite at least three independent third parties who are interested in the transaction to provide or offer their quotations, for the purpose of comparing the pricing of similar transactions. If the operation department of the relevant business sector is of the view that the terms of the proposed orders or contracts are less favourable to the Group than those with or offered by independent third parties, it will report to the senior management who will negotiate with the connected party on the terms of the relevant orders or contracts. If, after negotiation, the connected party cannot offer terms which are no less favourable to the Group than those with or offered by independent third parties, the Group will not execute the relevant orders or contracts.

The finance department and securities department of the Company are responsible for the collection and summarisation of all information in relation to the continuing connected transactions from each operation department (including but not limited to the control list for the continuing connected transactions, and transaction invoices and contracts) and will prepare a summary report regarding the conduct of the continuing connected transactions periodically and make timely report to the senior management regarding the operating status of the continuing connected transactions of the Group. In addition, the Company conducts annual review on the execution of the continuing connected transactions of the Group.

The legal affairs department of the Company is responsible for reviewing and approving the Business Co-operation Framework Agreement and the new transaction agreements contemplated under the Business Co-operation Framework Agreement.

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

#### ***(1) Purchases of electrical appliances***

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

#### **Pricing:**

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

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

### **Historical figures:**

The annual cap allocated to the purchases of electrical appliances by the Group from Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 as specified in the Existing Business Co-operation Framework Agreement is RMB327,370,000 (exclusive of VAT). For the nine months ended 30 September 2021, the aggregate transaction amount for the purchases of electrical appliances by the Group from Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB116,100,000 (exclusive of VAT and unaudited) (of which RMB1,630,000 was for the purchases from Hisense Holdings and/or its subsidiaries, RMB113,520,000 was for the purchases from Hisense International and/or its subsidiaries and RMB950,000 was for the purchases from Hisense Visual Technology and/or its subsidiaries).

### **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the purchases of electrical appliances by the Group from Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2022 are subject to the Cap of RMB310,500,000 (exclusive of VAT), of which:

- (i) RMB10,490,000 will be allocated to the purchases of electrical appliances from Hisense Holdings and/or its subsidiaries;
- (ii) RMB298,740,000 will be allocated to the purchases of electrical appliances from Hisense International and/or its subsidiaries; and
- (iii) RMB1,270,000 will be allocated to the purchases of electrical appliances from Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) Similar transactions between the Group and Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the estimated annualised unaudited amount of the similar transactions for the year 2021 in the amount of approximately RMB173,930,000.

The estimated annualised unaudited transaction amount for the year 2021 comprises: (a) the historical transaction amount for the nine months ended 30 September 2021 as mentioned above; and (b) the projected transaction amount from October 2021 to December 2021, having taken into account the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the development of the Group's business operations in the first three quarters of 2021 (the composition of the estimated annualised unaudited transaction amount for the year 2021, together with the above projection basis of the transaction amount for the final quarter of 2021, in relation to each type of transactions under the Business Co-operation Framework Agreement as presented in this announcement shall hereinafter be referred to as the "**Estimated Annualised Transaction Amount in 2021**").

- (ii) The projected 30% year-on-year increase in the level of sales scale of the Group for the financial year ending 31 December 2022 (the "**2022 Projected Sales Increment**"):

Such increase was projected based on: (a) the Group's leverage of the opportunity of Hisense becoming the official sponsor of the 2022 Qatar World Cup to continue its efforts in sports marketing and it is expected that the sales scale will be further expanded; (b) the Group's perseverance to its high-end strategy and continual optimisation of its product structure and it is expected that the sales scale of mid-to-high-end products will be further expanded; and (c) the Group's plan to further enhance the competitiveness of its sales channel and the effectiveness of its sales point and sales network, thereby bringing sales increment.

- (iii) The anticipated increase in the relevant purchases of the Group in 2022:

Such anticipated increase includes: (a) the projected purchases of special air-conditioners from Hisense Holdings and/or its subsidiaries in the amount of RMB10,000,000 in 2022, based on the purchase schedule of the special air-conditioners between the Group and Hisense Holdings and/or its subsidiaries; and (b) the projected purchases of "ASKO" and "Gorenje" high-end electrical appliances from Hisense International and/or its subsidiaries in the amount of RMB298,740,000 for the year 2022.

The expected purchases of “ASKO” and “Gorenje” high-end electrical appliances from Hisense International and/or its subsidiaries by the Group in the amount of RMB298,740,000 for the year 2022 is based on the following: (1) the estimated annualised transaction amount of the business for 2021 of approximately RMB170,000,000: (a) the revenue of the business amounted to approximately RMB110,000,000 for the nine months ended 30 September 2021; and (b) the revenue of the business is expected to reach approximately RMB60,000,000 for the period from 1 October 2021 to 31 December 2021; and (2) the projected sales increment for the business is expected to reach 76% in 2022, which is based on the following: (a) the projected sales increment of the business in 2021 compared to 2020 is expected to reach 74%; and (b) the Group will continue to focus on expanding the scale of its mid-to-high-end product in the PRC through increased market investment, active channel development and other methods. With the Group’s continued efforts to expand the scale of the business and actively develop its channel networks, the Group is confident that it will further expand the sales of these electrical appliances in the PRC market.

- (iv) The Group’s plan of marketing and product promotion activities for the year 2022: the Group plans to purchase electrical appliances as gifts for marketing and product promotion activities for the year 2022 with an aggregate value of RMB1,740,000.

## **Reasons and benefits:**

The Group forecasts, based on the orders for projects in hand, that it will need to purchase precision air-conditioners from Hisense Holdings and/or its subsidiaries for the ancillary needs of the projects. The Group's purchase of precision air-conditioners from Hisense Holdings and/or its subsidiaries is beneficial to the Group's business development. The Group's purchase of "ASKO" and "Gorenje" high-end electrical appliances from Hisense International and/or its subsidiaries is conducive to expanding the domestic sales scale of the Company's high-end products and optimising the product structure, thereby driving the overall high-end product scale of the Company. The Group's purchase of electrical appliances from Hisense Visual Technology and/or its subsidiaries as gifts for the Company's marketing and promotional activities can increase the sales revenue of the Company's electrical appliances, boost the Company's sales revenue and enhance the overall image of the Company.

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 purchases of electrical appliances from Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will purchase from Hisense Holdings, Hisense International, Hisense HK, Hisense Visual Technology and/or their respective subsidiaries on a non-exclusive basis such quantities of raw materials, parts and components as it may require from time to time.

### **Pricing:**

Pricing for the purchases of raw materials, parts and components is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market prices of similar transactions from at least three independent third parties.

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

### **Historical figures:**

The annual cap allocated to the purchases of raw materials, parts and components by the Group from Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 as specified in the Existing Business Co-operation Framework Agreement is RMB810,040,000 (exclusive of VAT). For the nine months ended 30 September 2021, the aggregate transaction amount for the purchases of raw materials, parts and components by the Group from Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB362,070,000 (exclusive of VAT and unaudited) (of which RMB325,030,000 was for the purchases from Hisense Holdings and/or its subsidiaries, RMB5,430,000 was for the purchases from Hisense International and/or its subsidiaries and RMB31,610,000 was for the purchases from Hisense Visual Technology and/or its subsidiaries).

### **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the purchases of raw materials, parts and components by the Group from Hisense Holdings, Hisense International, Hisense HK, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2022 are subject to the Cap of RMB2,081,460,000 (exclusive of VAT), of which:

- (i) RMB756,530,000 will be allocated to the purchases of raw materials, parts and components from Hisense Holdings and/or its subsidiaries;
- (ii) RMB35,350,000 will be allocated to the purchases of raw materials, parts and components from Hisense International and/or its subsidiaries;
- (iii) RMB1,200,000,000 will be allocated to the purchases of raw materials, parts and components from Hisense HK; and
- (iv) RMB89,580,000 will be allocated to the purchases of raw materials, parts and components from Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021 in the amount of approximately RMB493,450,000;
- (ii) the 2022 Projected Sales Increment; and
- (iii) the anticipated increase in the relevant purchases of the Group in 2022, including but not limited to:
  - (a) in view of the strong ability of a subsidiary of Hisense Holdings in manufacturing raw materials such as electric control boards and Wi-Fi templates, the scale of purchases of raw materials, parts and components from the subsidiary of Hisense Holdings in 2022 is expected to increase to the amount of approximately RMB440,000,000, having taken into account the Estimated Annualised Transaction Amount in 2021 of approximately RMB330,000,000 between the Group and the subsidiary of Hisense Holdings and the 2022 Projected Sales Increment of 30%;
  - (b) the projected purchases of certain materials by the Group from another subsidiary of Hisense Holdings, which principally engages in domestic and import and export business in the PRC and has the purchase advantage in obtaining such materials at a lower cost, in the aggregate amount of approximately RMB250,000,000;
  - (c) the Group's procurement of raw materials from Hisense International and/or its subsidiaries is mainly for the Group's overseas plant to leverage on the overseas supply chain resources of Hisense International and/or its subsidiaries to achieve synergy and optimise the procurement cost. The expected purchase amount in 2022 is approximately RMB35,350,000;
  - (d) the Group needs to purchase a huge number of raw materials and electrical components overseas for its production and operation demands. The expected purchase amount for raw materials and components through Hisense HK in 2022 is approximately RMB1,200,000,000; and
  - (e) it is expected that the Group will purchase raw materials such as display panels from Hisense Visual Technology and/or its subsidiaries for use in high-end refrigerator products. The expected purchase amount is approximately RMB12,000,000.

#### **Reasons and benefits:**

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

In view of the advantages of Hisense Holdings and/or its subsidiaries in purchasing certain specific materials (for example, raw materials, parts and components for high-end kitchen and hygiene products), purchasing such specific materials from Hisense Holdings and/or its subsidiaries helps to lower the Group's cost of purchase.

With the increase in demand for high-end electrical appliances, the Group's use of raw materials, parts and components for high-end refrigerators also increases. Purchasing such raw materials, parts and components from Hisense Visual Technology and/or its subsidiaries helps to meet the demand of the Group in producing high-end electrical appliances.

As a free trade port, Hong Kong offers mature logistics and transportation services. Centralising the sourcing of raw materials and components through Hisense HK and using Hong Kong as a transfer station for both the collection and delivery of goods will help to reduce the logistics costs and improve the efficiency in collecting raw materials and components.

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 purchases of raw materials, parts and components from Hisense Holdings, Hisense International, Hisense HK, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

## **Pricing:**

The fees payable by the Group for receiving the aforesaid services are determined by commercial negotiations according to the principles of fairness and reasonableness between the parties with reference to the market prices for the provision of similar transactions from at least three independent third parties.

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

## **Historical figures:**

The annual cap allocated to the provision of services by Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group for the financial year ending 31 December 2021 as specified in the Existing Business Co-operation Framework Agreement is RMB1,271,470,000. For the nine months ended 30 September 2021, the aggregate transaction amount for the provision of services contemplated under the Business Co-operation Framework Agreement by Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group amounted to approximately RMB769,760,000 (unaudited) (of which RMB581,470,000 was for the provision of relevant services by Hisense Holdings and/or its subsidiaries, RMB5,300,000 was for the provision of relevant services by Hisense International and/or its subsidiaries, RMB163,950,000 was for the provision of relevant services by Hisense Marketing Management and RMB19,040,000 was for the provision of relevant services by Hisense Visual Technology and/or its subsidiaries).

## **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the provision of services by Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group for the financial year ending 31 December 2022 are subject to the Cap of RMB1,494,200,000, of which:

- (i) RMB1,134,260,000 will be allocated to the provision of employee health management, material processing, installation and maintenance, distribution, property (including: (a) property leasing services mostly for office buildings; and (b) property management services in relation to office buildings and factories. The majority of the aforementioned properties are located in the Guangdong Province and Shandong Province of the PRC), leasing, design, equipment inspection, agency, training, technical support and information system services by Hisense Holdings and/or its subsidiaries;
- (ii) RMB22,230,000 will be allocated to the provision of maintenance, agency and technical support services by Hisense International and/or its subsidiaries;
- (iii) RMB282,880,000 will be allocated to the provision of agency services by Hisense Marketing Management; and
- (iv) RMB54,830,000 will be allocated to the provision of property and technical support services by Hisense Visual Technology and/or its subsidiaries.

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

Entities providing services	Historical figures (Unit: RMB)	Proposed Caps (Unit: RMB)	Actual transaction amount for the nine months ended 30 September 2021	Proposed Cap for the financial year ending 31 December 2022	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2022
Types of services provided to the Group	Cap for the financial year ending 31 December 2021				
Hisense Holdings and/or its subsidiaries	Equipment inspection services	21,690,000	16,930,000	30,000,000	Similar transactions between the Group and Hisense Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB21,690,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB30,000,000, representing an increase of approximately 38%, taking into account that the Group will increase its purchases of these services from Hisense Holdings and/or its subsidises given the 2022 Projected Sales Increment.

**Historical figures  
(Unit: RMB)**

Entities providing services	Types of services provided to the Group	Proposed Caps (Unit: RMB)		Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2022
		Actual transaction amount for the nine months ended 30 September 2021	Proposed Cap for the financial year ending 31 December 2022	
Hisense Holdings and/or its subsidiaries	Material processing services	169,870,000	104,990,000	Similar transactions between the Group and Hisense Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB 143,590,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB 184,990,000, representing an increase of approximately 29%, taking into account that the Group will correspondingly increase its purchases of material processing services from Hisense Holdings and/or its subsidiaries given the 2022 Projected Sales Increment.
Hisense Holdings and/or its subsidiaries	Installation and maintenance services	305,280,000	164,300,000	Similar transactions between the Group and Hisense Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB 225,150,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB 284,870,000, representing an increase of approximately 27%, taking into account that the Group will correspondingly increase its appointment of Hisense Holdings and/or its subsidiaries to provide installation and maintenance services given the 2022 Projected Sales Increment.

**Historical figures**  
(Unit: RMB)

**Proposed Caps**  
(Unit: RMB)

Entities providing services	Types of services provided to the Group	Actual transaction		Proposed Cap for the financial year ending 31 December 2021	Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2022
		Cap for the financial year ending 31 December 2021	amount for the nine months ended 30 September 2021		
Hisense Holdings and/or its subsidiaries	Property services (including property management and property leasing)	57,650,000 (Notes 1 and 2)	38,570,000	82,980,000	<p>Similar transactions between the Group and Hisense Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB57,650,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB82,980,000, representing an increase of approximately 44%, taking into account:</p> <ul style="list-style-type: none"> <li>(i) the corresponding increase in charges for electricity and water and property management in 2022 in view of the expected increase in the operating revenue of the Group;</li> <li>(ii) in addition to the existing leases, the Group will procure leasing of new properties or expand the size of leasing area to meet its increased leasing needs in view of the expected increase in the operating revenue of the Group; and</li> <li>(iii) the expected increase in property service fees in view of the expected increase in rental fees in the property market in 2022.</li> </ul>
	Information system services	132,860,000 (Notes 1 and 3)	97,490,000	204,770,000	<p>Similar transactions between the Group and Hisense Holdings and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB132,860,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB204,770,000, representing an increase of approximately 54%, taking into account:</p> <ul style="list-style-type: none"> <li>(i) the Estimated Annualised Transaction Amount in 2021 for the provision of information system services by Hisense Holdings and/or its subsidiaries to the Group; and</li> <li>(ii) in addition to the existing information system of the Group, in view of the 2022 Project Sales Increment and the increase in the level and demand of informatisation of the Group, Hisense Holdings and/or its subsidiaries will integrate IT resources for the Group, provide information technology planning and build information systems for the Group, and the Group is expected to incur additional information system fees.</li> </ul>



*Note 1:* Following the completion of the Mixed Ownership Reform, part of the service function of Hisense Company has been succeeded by Hisense Holdings which joined as a party to the Existing Business Co-operation Framework Agreement, under which it acknowledged the continuing connected transactions conducted between the Group and Hisense Company and/or its subsidiaries and agreed to succeed the rights and obligations of Hisense Company under the Existing Business Co-operation Framework Agreement, including the relevant Caps, upon the completion of the Mixed Ownership Reform.

*Note 2:* Before the completion of the Mixed Ownership Reform, the cap in respect of property services (including property management and property leasing) to be provided by Hisense Company was RMB34,710,000. In addition to its cap of RMB22,940,000 in respect of the same services, Hisense Holdings succeeded the abovementioned cap of Hisense Company. No actual transaction amount with Hisense Company was incurred under the Existing Business Co-operation Framework Agreement.

*Note 3:* Before the completion of the Mixed Ownership Reform, the cap in respect of information system development and maintenance services to be provided by Hisense Company was RMB4,670,000. In addition to its cap of RMB128,190,000 in respect of the same services, Hisense Holdings succeeded the abovementioned cap of Hisense Company. No actual transaction amount with Hisense Company was incurred under the Existing Business Co-operation Framework Agreement.

*Note 4:* Before the completion of the Mixed Ownership Reform, the cap in respect of employee health management and technical support services to be provided by Hisense Company was RMB17,220,000. Hisense Holdings succeeded the abovementioned cap of Hisense Company and included the abovementioned cap under the services of distribution, leasing, design, agency, training, employee health management and technical support services. No actual transaction amount with Hisense Company was incurred under the Existing Business Co-operation Framework Agreement.

**Historical figures**  
(Unit: RMB)

**Proposed Caps**  
(Unit: RMB)

Entities providing services	Types of services provided to the Group	Actual transaction amount for the nine months ended 30 September 2021	Proposed Cap for the financial year ending 31 December 2021	Proposed Cap for the financial year ending 31 December 2022
Hisense International and/or its subsidiaries	Maintenance	24,210,000	3,000,000	14,910,000
Hisense International and/or its subsidiaries	Technical support services	10,000,000	1,240,000	5,000,000

**Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2022**

Similar transactions between the Group and Hisense International and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB3,950,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB14,910,000, representing an increase of approximately 277%, taking into account:

- (i) the Estimated Annualised Transaction Amount in 2021 for the provision of maintenance services by Hisense International and/or its subsidiaries to the Group;
- (ii) the expected increase in the sales of the overseas market for the year 2022; and
- (iii) the extension in warranty period of products which leads to the increase in demand for related product maintenance services.

Similar transactions between the Group and Hisense International and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB1,530,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB5,000,000, representing an increase of approximately 227%, taking into account:

- (i) the Estimated Annualised Transaction Amount in 2021 for the provision of technical support services by Hisense International and/or its subsidiaries to the Group; and
- (ii) Hisense International and/or its subsidiaries have extensive research and development experience in high-end kitchen appliance products and the Group will increase the procurement of technical support services from Hisense International and/or its subsidiaries.

**Historical figures  
(Unit: RMB)**

Entities providing services	Types of services provided to the Group	Proposed Caps (Unit: RMB)		Basis of and reasons for determining the proposed Cap for the financial year ending 31 December 2022
		Actual transaction	Proposed Cap for the financial year ending 31 December 2021	
Hisense International and/or its subsidiaries	Agency services	2,380,000	1,060,000	2,320,000
				Similar transactions between the Group and Hisense International and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB1,660,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB2,320,000, representing an increase of approximately 40%, taking into account:
				(i) the Group will correspondingly increase its purchases of agency services from Hisense International and/or its subsidiaries given the 2022 Projected Sales Increment; and
				(ii) the Group will increase the purchases of agency services from Hisense International and/or its subsidiaries as the Group is satisfied with their high quality and efficient service.
	<b>Total</b>	<b>36,590,000</b>	<b>5,300,000</b>	<b>22,230,000</b>

**Historical figures  
(Unit: RMB)**

Entities providing services	Types of services provided to the Group	Proposed Caps (Unit: RMB)	
		Actual transaction Cap for the financial year ending 31 December 2021	Proposed Cap for the financial year ending 31 December 2022
Hisense Marketing Management	Agency services	288,190,000	163,950,000
			282,880,000
			Similar transactions between the Group and Hisense Marketing Management in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB 224,000,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB282,880,000, representing an increase of approximately 26%, taking into account:
			(i) the Estimated Annualised Transaction Amount in 2021 for the provision of agency services by Hisense Marketing Management to the Group; and
			(ii) the 2022 Projected Sales Increment.
	<b>Total</b>	<b>288,190,000</b>	<b>163,950,000</b>
			<b>282,880,000</b>

Historical figures (Unit: RMB)		Proposed Caps (Unit: RMB)	
Entities providing services	Types of services provided to the Group	Actual transaction amount for the nine months ended 30 September 2021	Proposed Cap for the financial year ending 31 December 2022
Hisense Visual Technology and/or its subsidiaries	Property services (including property management and property leasing)	27,440,000	44,980,000
		17,640,000	Similar transactions between the Group and Hisense Visual Technology and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB26,570,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB44,980,000, representing an increase of approximately 69%, taking into account:
			<p>(i) the Estimated Annualised Transaction Amount in 2021 for the provision of property services by Hisense Visual Technology and/or its subsidiaries to the Group;</p> <p>(ii) in addition to the existing leases, the Group will procure leasing of new properties or expand the size of leasing area to meet its increased leasing needs in view of the increase in operating revenue of the Group; and</p> <p>(iii) the expected increase in property service fees in view of the increase in rental fees in the property market in 2022.</p>
	Technical support services	5,530,000	9,850,000
		1,400,000	Similar transactions between the Group and Hisense Visual Technology and/or its subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021, amount to approximately RMB3,940,000. It is expected that the anticipated purchase amount in 2022 is approximately RMB9,850,000, representing an increase of approximately 150%, taking into account:
			<p>(i) the Group will correspondingly increase its purchases of technical support services from Hisense Visual Technology and/or its subsidiaries given the 2022 Projected Sales Increment;</p> <p>(ii) in 2022, the Group anticipates to appoint Hisense Visual Technology and/or its subsidiaries to develop product intelligence features to provide technical support to the online voice module of the products; and</p> <p>(iii) in 2022, the Group will entrust Hisense Visual Technology and/or its subsidiaries to jointly develop key experimental projects.</p>
	<b>Total</b>	<b>32,970,000</b>	<b>19,040,000</b>
			<b>54,830,000</b>

## **Reasons and benefits:**

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

In response to the needs of customers and the market, Hisense Marketing Management is responsible for the integrated management and organisation of both the online e-commerce and offline set sales in certain markets of the Hisense full-range electrical appliance products (mainly brown and white goods), which is conducive to enhancing the synergy and sharing effect of the Hisense full-range electrical appliance products, improving the Group's marketing capability and efficiency, thereby increasing the sales scale of the Group's products and profitability 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 engagement of services of Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

#### **Pricing:**

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

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

## **Historical figures:**

The annual cap allocated to the supply of electrical appliances by the Group to Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 as specified in the Existing Business Co-operation Framework Agreement is RMB19,552,610,000 (exclusive of VAT). For the nine months ended 30 September 2021, the aggregate transaction amount for the supply of electrical appliances by the Group to Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB13,310,270,000 (exclusive of VAT and unaudited) (of which RMB154,150,000 was for the supply to Hisense Holdings and/or its subsidiaries, RMB12,755,210,000 was for the supply to Hisense International and/or its subsidiaries, RMB400,000,000 was for the supply to Hisense Marketing Management and RMB910,000 was for the supply to Hisense Visual Technology and/or its subsidiaries).

## **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of electrical appliances by the Group to Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2022 are subject to the Cap of RMB25,036,390,000 (exclusive of VAT), of which:

- (i) RMB474,820,000 will be allocated to the supply of electrical appliances by the Group to Hisense Holdings and/or its subsidiaries;
- (ii) RMB23,213,270,000 will be allocated to the supply of electrical appliances by the Group to Hisense International and/or its subsidiaries;
- (iii) RMB1,337,900,000 will be allocated to the supply of electrical appliances by the Group to Hisense Marketing Management; and
- (iv) RMB10,400,000 will be allocated to the supply of electrical appliances by the Group to Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021 in the amount of approximately RMB17,425,820,000;
- (ii) the 2022 Projected Sales Increment;

- (iii) in 2022, the Group will leverage the opportunity of Hisense becoming the official sponsor of the 2022 Qatar World Cup to continue its efforts in sports marketing and it is expected that the export sales scale will be further expanded. In 2022, the projected year-on-year increase in export sales scale is 40%;
- (iv) with the sale of full-range products and set products becoming the market development trend through the sale plan of the Hisense full-range electrical appliance products which is integrated, managed and organised by Hisense Marketing Management, the sales of electrical appliance products from the Group to Hisense Marketing Management in 2022 is expected to amount to approximately RMB1,337,900,000. Hisense Marketing Management will (a) continue to leverage the strength of its full-range sales platform to continue to expand its sales revenue; and (b) continue to develop potential customers to expand its business scale;
- (v) as it is expected that Hisense Holdings and/or its subsidiaries will increase the level of bidding for the provision of special air-conditioners projects in 2022, Hisense Holdings and/or its subsidiaries are expected to entrust the Group with the production of more special air-conditioners units, with the corresponding amount of approximately RMB380,000,000; and
- (vi) it is expected that the purchases of electrical appliances from Hisense Visual Technology and/or its subsidiaries will amount to approximately RMB10,400,000 in 2022.

**Reasons and benefits:**

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

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

## **(5) Supply of moulds**

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

### **Pricing:**

In response to the invitations to tender from Hisense International, Hisense Visual Technology and/or their respective subsidiaries (which are also extended to various independent third parties) from time to time, the Group may submit such tenders or bids to supply the moulds for such products requested by Hisense International, Hisense Visual Technology and/or their respective subsidiaries in its/their invitation to tender. Pricing for the supply of moulds is determined by the open bidding process. The bidding price is determined on the basis of a reasonable cost plus reasonable profit margin. For determining reasonable costs, the Company will take into account fixed cost (e.g. depreciation of machinery), cost of raw material, and labour cost for the production of the moulds. The profit margin of the Group in such bidding price will not be lower than the profit margin of the Group in the bidding price for supply of similar and comparable moulds to independent third parties during the same period.

### **Historical figures:**

The annual cap allocated to the supply of moulds by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 as specified in the Existing Business Co-operation Framework Agreement is RMB151,500,000 (exclusive of VAT). For the nine months ended 30 September 2021, the aggregate transaction amount for the supply of moulds by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB60,160,000 (exclusive of VAT and unaudited) (of which RMB23,230,000 was for the supply to Hisense International and/or its subsidiaries and RMB36,930,000 was for the supply to Hisense Visual Technology and/or its subsidiaries).

### **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of moulds by the Group to Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2022 are subject to the Cap of RMB129,190,000 (exclusive of VAT), of which:

- (i) RMB52,000,000 will be allocated to the supply of moulds to Hisense International and/or its subsidiaries; and
- (ii) RMB77,190,000 will be allocated to the supply of moulds to Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021 of approximately RMB100,640,000; and
- (ii) the expected growth in the sales scale of the moulds of the Group in 2022, including but not limited to:
  - (a) the demand for the Group's moulds is expected to further increase due to the growth in the business scale and addition of new customers of Hisense International and/or its subsidiaries, and the corresponding sales amount is expected to be approximately RMB52,000,000; and
  - (b) the expected amount of purchases by Hisense Visual Technology and/or its subsidiaries is approximately RMB77,190,000 after consultation and negotiation between the Group and Hisense Visual Technology and/or its subsidiaries.

#### **Reasons and benefits:**

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

In light of the above, the Directors (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 International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### ***(6) Supply of raw materials, parts and components***

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

## **Pricing:**

Pricing for the supply of raw materials, parts and components is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market prices of similar transactions from at least three independent third parties.

The operation department of the relevant business sector of the Group will compare the terms of the proposed supply of raw materials, parts and components (including pricing and other contractual terms taking into account factors including the customers' credit rating and qualification of the customers such as their asset scale) to those of the similar transactions with independent third parties or the terms offered to independent third parties (as the case may be) prior to the execution of the relevant orders or contracts. The operation department of the relevant business sector will report to the finance department which will check, compare and confirm the price of the product is not less favourable than the similar transaction price of independent third parties (with the pricing information supplied by the operation department) and the head of the finance department will approve the terms of the relevant orders or contracts.

## **Historical figures:**

The annual cap allocated to the supply of raw materials, parts and components by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2021 as specified in the Existing Business Co-operation Framework Agreement is RMB445,010,000 (exclusive of VAT). For the nine months ended 30 September 2021, the aggregate transaction amount for the supply of raw materials, parts and components by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB273,450,000 (exclusive of VAT and unaudited) (of which RMB184,690,000 was for the supply to Hisense Holdings and/or its subsidiaries and RMB88,760,000 was for the supply to Hisense International 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 Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2022 are subject to the Cap of RMB930,750,000 (exclusive of VAT), of which:

- (i) RMB706,650,000 will be allocated to the supply of raw materials, parts and components to Hisense Holdings and/or its subsidiaries;
- (ii) RMB220,000,000 will be allocated to the supply of raw materials, parts and components to Hisense International and/or its subsidiaries; and

(iii) RMB4,100,000 will be allocated to the supply of raw materials, parts and components to Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021 in the amount of approximately RMB371,290,000;
- (ii) the 2022 Projected Sales Increment;
- (iii) it is expected that the Group will continue to purchase raw materials such as electric control boards processed by a subsidiary of Hisense Holdings to meet the Group's production needs in 2022. Since these operations are carried out by means of material sales processing, the Group will first sell raw materials such as resistors to the subsidiary of Hisense Holdings for processing, and the amount of raw materials expected to be supplied to the subsidiary of Hisense Holdings for the production of raw materials such as electronic control boards is approximately RMB170,000,000;
- (iv) another subsidiary of Hisense Holdings is principally engaged in domestic and import and export trading business and will further expand its trading business in 2022. As the Group has advantages in sourcing certain specific materials, it is expected that the subsidiary of Hisense Holdings will purchase these materials from the Group in the amount of approximately RMB500,000,000; and
- (v) the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries is a business incidental to the sale of electrical appliances by the Group to Hisense International and/or its subsidiaries. Based on the 2022 Projected Overseas Sales Increment, having also taken into account the increase in the quota of spare parts required by overseas customers and the expected increase in the revenue from the sale of spare parts, the amount for exporting raw materials, parts and components for the year 2022 is estimated to be approximately RMB220,000,000.

## **Reasons and benefits:**

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

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

Hisense International has overseas sales channels and high quality customer resources. The supply of raw materials, parts and components of export products by the Group to Hisense International can satisfy the business needs of the Group's export sales and expand the export sales scale of the Group. The provision of raw materials, parts and components to Hisense Visual Technology and/or its subsidiaries can enhance the efficiency of the operation 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 Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

## **Pricing:**

The fees payable by Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries for the aforesaid services are determined by commercial negotiations according to the principles of fairness and reasonableness between the parties with reference to the market price for the provision of similar services to at least three independent third parties.

The operation department of the relevant business sector of the Group will compare the terms of the proposed services (including pricing and other contractual terms taking into account factors including the customers' credit rating and qualification of the customers such as their asset scale) to those of the similar transactions with independent third parties or the terms offered to independent third parties (as the case may be) prior to the execution of the relevant orders or contracts. The operation department of the relevant business sector will report to the finance department which will check, compare and confirm the service fees are not less favourable than the fees of similar services of independent third parties (with the pricing information supplied by the operation department) and the head of the finance department will approve the terms of the relevant orders or contracts.

### **Historical figures:**

The annual cap allocated to the provision of services by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or its subsidiaries for the financial year ending 31 December 2021 as specified in the Existing Business Co-operation Framework Agreement is RMB39,490,000. For the nine months ended 30 September 2021, the aggregate transaction amount for the provision of services contemplated under the Business Co-operation Framework Agreement by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries amounted to approximately RMB17,160,000 (unaudited) (of which RMB12,090,000 was for the provision of relevant services by the Group to Hisense Holdings and/or its subsidiaries, RMB2,060,000 was for the provision of relevant services by the Group to Hisense International and/or its subsidiaries and RMB3,010,000 was for the provision of relevant services by the Group to Hisense Visual Technology and/or its subsidiaries).

### **Proposed Cap:**

The transactions contemplated under the Business Co-operation Framework Agreement regarding the provision of services by the Group to Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries for the financial year ending 31 December 2022 are subject to the Cap of RMB473,390,000, of which:

- (i) RMB15,910,000 will be allocated to the provision of property services, material processing services and installation services by the Group to Hisense Holdings and/or its subsidiaries;
- (ii) RMB3,980,000 will be allocated to the provision of property services by the Group to Hisense International and/or its subsidiaries;
- (iii) RMB3,990,000 will be allocated to the provision of property services by the Group to Hisense Marketing Management; and
- (iv) RMB449,510,000 will be allocated to the provision of property services, material processing services and installation services by the Group to Hisense Visual Technology and/or its subsidiaries.

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries in the past, that is, the Estimated Annualised Transaction Amount in 2021 in the amount of approximately RMB22,300,000;
- (ii) related business needs of Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries for the year 2022; and
- (iii) expected growth in the businesses of the Group in 2022: (a) property services in the sum of approximately RMB17,180,000 to be provided by the Group; (b) material processing services in the sum of approximately RMB445,910,000; and (c) installation services in the sum of approximately RMB3,000,000 to be provided by the Group.

#### **Reasons and benefits:**

The provision of services for property and material processing services to Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries can improve the utilisation rate of the Group's resources and increase the Group's revenue. Provision of installation services to Hisense Holdings, Hisense Visual Technology and/or their respective subsidiaries is incidental to the Group's business of supply of electrical appliances to these companies, which facilitates the development of the Group's business of sale of electrical appliances and increases the Group's revenue.

The Group intends to enhance the supporting capabilities of its injection moulding and sheet metal business, integrate the injection moulding and sheet metal production capacity and talents within the system, expand and strengthen the external business and enhance efficiency and effectiveness of the operation of the Group. The provision of injection moulding and sheet metal business services to Hisense Visual Technology can help the Company enlarge its business scale and increase its 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 Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

### **FINANCIAL SERVICES AGREEMENT**

**Date:** 16 November 2021

**Parties:** The Company; and  
Hisense Finance

#### **Term:**

The term of the Financial Services Agreement shall commence from 1 January 2022 or the date of approval of the Financial Services Agreement by the Independent Shareholders at the EGM (whichever is later) until 31 December 2022, which can be terminated by either party if the other party is in default and such default is not remedied within a reasonable period.

#### **Condition:**

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

#### **Subject matters:**

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

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

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

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

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

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

The Company has established the CT Management Policy to ensure that connected transactions will be conducted in a fair, equal and public manner, on normal commercial terms and not prejudicial to the interests of the Company and its independent Shareholders.

According to the CT Management Policy, before entering into a definitive transaction, the Company will compare the price of similar transactions with or quotations obtained from independent third parties. Commencement of the transaction with the connected party/parties is subject to the Company's assurance that the price of such continuing connected transaction, according to the principles of fairness and reasonableness, is no less favourable to the Group than those offered by independent third parties in order to ensure fairness of the price of the continuing connected transaction as well as the interests of the Company and the independent Shareholders as a whole.

Following the requirements under the CT Management Policy, the finance department of the Group will compare the interest rates on deposits and loans and the service fee for electronic bank acceptance bills offered by Hisense Finance to the Group to those offered by commercial banks in the PRC prior to the execution of the relevant transactions. For deposit services, the designated finance staff of the Group will review and compare the interest rates offered by Hisense Finance with the major commercial banks based on the nature and tenure of such deposits (e.g. the time deposits will be reviewed quarterly, the demand deposits will be reviewed monthly and the interest rates for loans will be reviewed regularly). For the purpose of ensuring the sufficiency of independent bank transactions that are subject to review, the finance staff will review the interest rates on deposits offered by the five major commercial banks in the PRC, namely, China Construction Bank, Industrial and Commercial Bank of China, Bank of China, Bank of Communications and Agricultural Bank of China (the "**Five Major PRC Commercial Banks**"). The Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain their quotations of the interest rates on deposits. For electronic bank acceptance bill services, the Group's finance staff will conduct a monthly review on the service fees charged by external commercial banks, and the Company would randomly select three banks out of the Five Major PRC Commercial Banks to obtain quotations of service fees for issuing electronic bank acceptance bills to ensure that the service fees charged by Hisense Finance are not higher than those charged by commercial banks.

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

The finance department and securities department of the Company are responsible for the collection and summarisation of all information in relation to the continuing connected transactions from the finance department (including but not limited to the control list for the continuing connected transactions, and transaction notes and contracts) and will prepare a summary report regarding the conduct of the continuing connected transactions periodically and make timely report to the senior management regarding the operating status of the continuing connected transactions of Group. The scope of the review conducted by the finance department and the securities department is the same so that the same information can be reviewed by personnel of different departments whose duties are segregated from each other. In addition, the Company conducts annual review on the execution of the continuing connected transactions of the Group.

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

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

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

### ***(1) Deposit services***

#### **Pricing:**

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

## **Historical figures:**

The maximum daily closing balance of the deposits which can be placed by the Group with Hisense Finance during the term of the Existing Financial Services Agreement is RMB18,500,000,000 (inclusive of interest). For the period commencing from 1 January 2021 to 30 September 2021, the maximum daily closing balance of the deposits placed by the Group with Hisense Finance amounted to approximately RMB16,600,000,000.

## **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 RMB27,000,000,000 (inclusive of interest) for the year ending 31 December 2022.

The above Cap was determined with reference to:

- (i) the historical cashflow figures of the Group; and
- (ii) the level of growth in monetary funds attributable to the 2022 Projected Sales Increment. As at 30 September 2021, the balance of monetary funds held by the Group was RMB16,000,000,000, and the balance of monetary funds from wealth management was RMB4,800,000,000 (the total amount of monetary funds held by the Group and from wealth management was thus RMB20,800,000,000). Based on the 2022 Projected Sales Increment, it is anticipated that the highest daily closing cash balance held by the Group will correspondingly increase by 30% to approximately RMB27,000,000,000 (inclusive of interest) in 2022.

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

- (i) although the Group intends to continue to allocate a substantial amount of its cash for subscription of entrusted wealth management products, deposit services are still required for cash involved in the transition period between the expiry of entrusted wealth management products and the subscription of new entrusted wealth management products. The expected amount of cash for subscription of entrusted wealth management products in the year 2022 is approximately RMB10,000,000,000; and
- (ii) the Group will also borrow loans from Hisense Finance if the relevant terms are more favourable than those available from other financial institutions. As the loans to be provided by Hisense Finance to the Group under the Financial Services Agreement will first be transferred by Hisense Finance to the Group in its deposit account with Hisense Finance for drawdown, the Group's funding needs in terms of loans will also affect the Group's deposit balances with Hisense Finance, as the Group would require temporary deposit of the proceeds of the loans proposed to be provided by Hisense Finance to the Group under the Financial Services Agreement.

In view of the above, in order to satisfy the business needs, it is expected that the daily closing balance of deposit will not exceed RMB27,000,000,000 (inclusive of interest) in 2022.

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

### **Pricing:**

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

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

### **Historical figures:**

The maximum daily closing balance of loan and electronic bank acceptance bills which can be provided by Hisense Finance to the Group during the term of the Existing Financial Services Agreement is RMB11,500,000,000 (inclusive of interest and service fees). For the period commencing from 1 January 2021 to 30 September 2021, the maximum daily closing balance of the loans and electronic bank acceptance bills provided by Hisense Finance to the Group amounted to approximately RMB11,300,000,000.

### **Proposed Cap:**

The Company currently expects that the maximum daily closing balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group during the term of the Financial Services Agreement shall not exceed the Cap of RMB18,000,000,000 (inclusive of interest and service fees) on any given day for the year ending 31 December 2022.

The above Cap was determined with reference to:

(i) similar transactions between the Group and Hisense Finance:

During the period from 1 January 2021 to 30 September 2021, the maximum daily closing balance of the loan and electronic bank acceptance bill provided by Hisense Finance to the Group was approximately RMB11,300,000,000, of which: (a) the maximum daily closing balance of the loan provided by Hisense Finance to the Group was RMB500,000,000; and (b) the maximum daily closing balance of the electronic bank acceptance bill provided by Hisense Finance to the Group was RMB10,800,000,000;

(ii) the expected proportion of payment via electronic bank acceptance bills; and

(iii) the plan of the Group to continue to obtain more loans and electronic bank acceptance bill services from Hisense Finance instead of from other financial institutions for the year ending 31 December 2022 since the terms for the provision of the loans and electronic bank acceptance bill services by Hisense Finance to the Group shall be no less favourable than those of other normal commercial banks and financial institutions and Hisense Finance has better knowledge of the background and financial status of the Group, which will facilitate the loan and electronic bank acceptance bill services application process by the Group.

In 2022, the Group will continue to optimise payment terms, increase payment via electronic bank acceptance bills, reduce payments via cash and endorsement of bills receivable. On one hand, the Group can utilise the available capital more efficiently to obtain operational income and increase cash flow. On the other hand, the Group can reduce costs derived from endorsement of bills receivable. As such, it is expected that the Group will continue to use electronic bank acceptance bills services in the future. It is expected that payment via electronic bank acceptance bills will account to approximately 45% of the payment methods of the Group and that the amount of payment for purchases will increase by 25%. Based on the above, it is expected that the maximum daily closing balance of electronic bank acceptance bills will not exceed RMB15,900,000,000 (inclusive of interest and service fees) in order to meet the business needs of the Group.

Furthermore, it is expected that the electronic bank acceptance bill provided by Hisense Finance to Sanden Holdings Corporation will be RMB500,000,000 in 2022 and a loan amount of RMB1,500,000,000 is allocated to cater to the future capital needs.

As a result of the above, it is expected that the maximum daily closing balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group shall not exceed RMB18,000,000,000 on any given day in 2022.

### ***(3) Draft discount services***

#### **Pricing:**

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

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

### **Historical figures:**

Under the Existing Financial Services Agreement, the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services shall not exceed RMB50,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2021 to 30 September 2021, the total discount interest paid by the Group to Hisense Finance for the provision of draft discount services amounted to approximately RMB2,980,000.

### **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 2022.

The above Cap was determined with reference to:

- (i) the expected financial needs of the Group during the peak season for production for the year 2022; and
- (ii) the plan of the Group to continue to use more draft discount services to be provided by Hisense Finance instead of from other financial institutions for the year ending 31 December 2022 since the terms for the provision of the draft discount services by Hisense Finance to the Group shall be no less favourable than those of other normal commercial banks and financial institutions and Hisense Finance has better knowledge of the background and financial status of the Group which will facilitate the draft discount application process by the Group.

On the basis of: (i) the expected increase in revenue and the projected capital expenditure in 2022; and (ii) the Group's plan to continue to enhance its management on its accounts receivables and inventory to expedite the capital turnover rate, it is estimated that the Group's annual sum of money for procurement of draft discount services from Hisense Finance will be RMB2,500,000,000 in 2022 and the total discount interest payable by the Group to Hisense Finance for the provision of draft discount services will be RMB50,000,000 for the year ending 31 December 2022 taking into account the existing market interest level and the financing cycle of draft discount services.

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

##### **Pricing:**

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

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

##### **Historical figures:**

Under the Existing Financial Services Agreement, the annual amount of foreign exchange settled or sold by Hisense Finance for the Group shall not exceed US\$300,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2021 to 30 September 2021, the amount of foreign exchange settled or sold by Hisense Finance for the Group amounted to approximately US\$42,000,000.

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

The Group expects that the annual amount of the settlement and sale of foreign exchange services provided by Hisense Finance to the Group shall not exceed the Cap of US\$300,000,000 for the year ending 31 December 2022.

The above Cap was determined with reference to:

- (i) the expected volume of export and the expected amount subject to settlement and sale of foreign exchange for the year ending 31 December 2022. For the full year of 2021, it is expected that foreign currency received by the Group from its export business would amount to approximately US\$99,000,000, and payments to be made by the Group in foreign currency would amount to US\$120,000,000 (the total amount of foreign currency received and paid by the Group would thus be US\$219,000,000); and
- (ii) the 2022 Projected Overseas Sales Increment is 40%.

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

### **Pricing:**

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

### **Historical figures:**

Under the Existing Financial Services Agreement, the annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds shall not exceed RMB3,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2021 to 30 September 2021, the aggregate amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds amounted to approximately RMB851,400.

### **Proposed Cap:**

The Company currently expects that the annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds during the term of the Financial Services Agreement shall not exceed the Cap of RMB3,000,000 for the year ending 31 December 2022.

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

Currently, the agency services such as settlement services for receipt and payment of funds provided by Hisense Finance to the Group is mainly transfer services and its standard service fees of RMB0.8 per transaction payable by the Group to Hisense Finance is significantly lower than the charging standard for service fees charged by normal commercial banks or similar agencies in the PRC during the same period which ranges from RMB5 to RMB200 per transaction. As the Company is unable to ensure that the service fees payable by the Group to Hisense Finance will remain to be lower than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC, and taking into account the Group's expected demand for transfer services in 2022 and the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC in 2021, it is estimated that the aggregate amount of the service fees payable by the Group to Hisense Finance for the provision of agency services will be RMB3,000,000.

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

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

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

- (i) having reviewed the historical sample deposit rates offered by Hisense Finance and other major commercial banks (including the Five Major PRC Commercial Banks), the Board noted that the interest rates offered by Hisense Finance are not less favourable than those offered by major commercial banks for the deposit with the same type and tenure. Moreover, Hisense Finance may offer to the Group tailor-made beneficial loan mix that can specifically cater for the Group's funding needs which may not be readily available from other commercial banks;
- (ii) the Group is expected to benefit from Hisense Finance's better understanding of the operations of the Group which should allow more suitable, expedient and efficient service provision than those offered by PRC commercial banks; and
- (iii) Hisense Finance is regulated by the CBRC and engages in the provision of financial services in compliance with the regulations and operation requirements issued by the relevant regulatory authorities. Its primary customers are companies within Hisense Holdings. In general, as the risks exposed to Hisense Finance are lesser than those exposed to the financial institutions with a broad and unrestricted customer base, Hisense Finance is able to safeguard customers' funds more effectively.

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

Despite the Company considers that the risk associated with placing deposits with Hisense Finance is minimal, the Group is still facing a risk that the Group may not be able to withdraw all of its deposits from Hisense Finance due to operational problems of Hisense Finance. However, the Company is of the view that such risk can be managed and monitored. On one hand, Hisense Finance will strictly adhere to the risk management guidelines to financial institutions issued by the CBRC and the asset-liability ratio, liquidity ratio and other regulatory indicators of Hisense Finance are in compliance with the relevant requirements of the Measures for the Administration of Finance Companies of Enterprise Group (企業集團財務公司管理辦法) issued by the CBRC. On the other hand, the Company has devised a risk management plan to prevent, timely control and resolve the risk involved in the Group's deposit arrangement with Hisense Finance and ensure safety of its capital. To enhance risk assessment and management, during the period when cash is deposited with Hisense Finance, the Company will review the latest available financial reports of Hisense Finance, obtain and review the indicator data submitted by Hisense Finance to CBRC on a quarterly basis, assess the operational and financial risks of Hisense Finance, and regularly issue risk assessment reports to the Directors for their consideration and adoption of necessary measures to prevent the risks identified and ensure the safety and liquidity of the Company's capital and to publish announcement timely. As the Company has been reviewing financial reports of Hisense Finance, arranging simulation stress test every year, formulating liquidity stress test report, assessing the operational and financial risks of Hisense Finance and regularly issuing risk assessment reports to the Directors during the period when cash is deposited with Hisense Finance pursuant to the Existing Financial Services Agreement and taking into consideration the information from the aforesaid review and comparing with the risk portfolio of other independent financial service providers, the Board considers that the risk profile of Hisense Finance, as a financial services provider to the Group, is not greater than that of the independent commercial banks in the PRC.

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

- (i) reviewing the audited reports of Hisense Finance of the previous two financial years to ascertain the amount of its total assets and has found that its total assets has year-on-year increase and such reports are not qualified nor disclaimed by the auditors;
- (ii) preparing 「關於在海信集團財務有限公司開展存款金融業務的風險評估報告」(the “**Risk Assessment Reports**”) which has been published by the Company on the designated website of the Shenzhen Stock Exchange (<http://www.cninfo.com.cn>) in which it was noted that Hisense Finance had complied with certain key regulatory requirements pursuant to the Measures for the

Administration of Finance Companies of Enterprise Group (企業集團財務公司管理辦法) as at the relevant reporting dates and the Board noted that Hisense Finance has been maintaining a relatively higher standard for capital adequacy ratio and current ratio (the Risk Assessment Report for the year ended 31 December 2020 has been published by the Company on the designated website of the Shenzhen Stock Exchange (<http://www.cninfo.com.cn>) on 31 March 2021 and the latest Risk Assessment Report for the nine months ended 30 September 2021 will be published on 17 November 2021); and

- (iii) reviewing the internal regulatory report submitted by Hisense Finance to the Company and the confirmation from Hisense Finance that there was no non-compliance events or deficiencies which resulted in suspension of business or administrative punishment.

Having considered the above findings and the fact that Hisense Finance provides financial services primarily to Hisense Holdings and its subsidiaries which Hisense Finance shall have better understanding on their financial positions and such focus of client base enables Hisense Finance to be subject to lower default risk as compared to those commercial banks which serve voluminous clients, the Directors are of the view that even with the full utilisation of the relevant Caps, the Company will not be subject to undue default risk by Hisense Finance in light of its relatively sound financial positions and historical compliance with relevant regulatory requirements.

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

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

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

In light of the above, the Directors (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 (i) the transactions contemplated under the Financial Services Agreement will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (ii) the terms of the Financial Services Agreement and the related Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **PLEDGING AND OTHER SECURITY**

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

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

As at the date of this announcement, the Group's loan from Hisense Finance are all credit loans and therefore no guarantee, security or pledge in respect of loan services was provided by the Group to Hisense Finance. In the future, if the Group is required to obtain loan from Hisense Finance exceeding the credit limit, Hisense Finance may require the Group to provide guarantee, security or pledge in relation to the provision of loan services. In such circumstance, the Group will use bank acceptance bills as security and such security or pledge will be on similar terms with the pledge in respect of the electronic bank acceptance bill services mentioned above.

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

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

The use of deposit services allows the Group to receive interests for its deposits kept in Hisense Finance at a rate that is no less favourable than the interest rates for deposits offered by other commercial banks in the PRC for similar deposits. However, the annual interest income only accounts for a small portion of its profits, assets and liabilities. Therefore, the Company expects that its use of deposit services under the Financial Services Agreement will not have any material impact towards the profit, assets and liabilities of the Company.

## **INFORMATION RELATING TO THE GROUP, HISENSE HOLDINGS, HISENSE INTERNATIONAL, HISENSE MARKETING MANAGEMENT, HISENSE HK, HISENSE VISUAL TECHNOLOGY AND HISENSE FINANCE**

### *The Group*

The Group is principally engaged in research and development, manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines, kitchen appliances, etc and automotive air-conditioner compressor and integrated thermal management system.

### *Hisense Holdings*

Hisense Holdings was incorporated in 2001 and has a registered capital of RMB3,860,393,984. Its legal representative is Mr. Jia Shao Qian and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone, Qingdao City. Its scope of business includes: import and export of technology; import and export of goods; real estate development and operation; medical services; catering services; investment activities with own funds; asset management services for investment with own funds; research and development of household appliances; manufacture of household appliances; sale of household appliances; installation services for household appliances; repair of daily-use appliances; manufacture of refrigeration and air-conditioning equipment; sale of refrigeration and air-conditioning equipment; manufacture of communication equipment; sale of communication equipment; manufacture of network equipment; sale of network equipment; research and development of artificial intelligence industry application systematic integration services; information system integration services; manufacture of special purpose equipment; research and development of automotive parts and components; manufacture of automotive parts and accessories; manufacture of intelligent vehicle equipment; sales of intelligent vehicle equipment; manufacture of internet of things equipment; sales of internet of things equipment; software development; education and consultancy services; convention and exhibition services; leisure and tourism activities; property management; non-residential property leasing; residential leasing; machinery and equipment leasing; car leasing; catering management; car park services.

Hisense Holdings has no effective controller and details of its shareholders' interests are as follows:

1. Hisense Company holds 26.79% interest in Hisense Holdings. The ultimate beneficial owner of Hisense Company is the State-owned Assets Supervision and Administration Commission of the Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會).

2. Qingdao Xinfeng Information Technology Co., Ltd.\* (青島新豐信息技術有限公司) (“**Qingdao Xinfeng**”) holds 24.36% interest in Hisense Holdings and Shanghai Haifeng Shipping Co., Ltd.\* (上海海豐航運有限公司) (“**Shanghai Haifeng**”) holds 2.64% interest in Hisense Holdings. Qingdao Xinfeng and Shanghai Haifeng are parties acting in concert and collectively own 27.00% interest in Hisense Holdings, The ultimate beneficial owner of Qingdao Xinfeng and Shanghai Haifeng is Mr. Yang Shaopeng\* (楊紹鵬).
3. The position incentive shareholders (崗位激勵股東) (the “**Position Incentive Shareholders**”) of Hisense Holdings hold an aggregate interest of 46.21% in Hisense Holdings. As at the date of this announcement, of this 46.21% interest in Hisense Holdings, (i) 36.82% is owned by the Position Incentive Shareholders of Hisense Holdings who hold interests in Hisense Holdings directly; (ii) 6.33% is owned by Qingdao Yuanli Information Consulting Co., Ltd.\* (青島員利信息諮詢股份有限公司) (“**Qingdao Yuanli**”) and partnerships (合夥企業) (the “**Partnerships**”); and (iii) 3.06% is owned by Qingdao Hengxin Chuangshi Electronic Technology Co., Ltd.\* (青島恒信創勢電子技術有限公司) (“**Qingdao Hengxin**”). Qingdao Yuanli, Qingdao Hengxin and the Partnerships are companies holding interests in Hisense Holdings on behalf of other Position Incentive Shareholders of Hisense Holdings whose interests in Hisense Holdings are held indirectly.

The Position Incentive Shareholders of Hisense Holdings are the core staff of Hisense Holdings under its incentive plan who hold interests in Hisense Holdings directly or indirectly. They are, including but not limited to, the directors, senior management staff, core management staff and key staff of Hisense Holdings. The Position Incentive Shareholders of Hisense Holdings who hold interests in Hisense Holdings directly do not overlap with those who hold interests in Hisense Holdings indirectly through Qingdao Yuanli, Qingdao Hengxin and the Partnerships. Moreover, there is no acting in concert arrangement among the Position Incentive Shareholders of Hisense Holdings and no single Position Incentive Shareholder of Hisense Holdings holds more than 7% interest in Hisense Holdings.

Qingdao Yuanli was incorporated on 22 June 2010. Qingdao Hengxin was incorporated on 14 December 2012. The Partnerships consist of nine partnerships which were established from 2016 to 2020. Qingdao Yuanli, Qingdao Hengxin and the Partnerships act as interests holding vehicles for the relevant Position Incentive Shareholders of Hisense Holdings and they do not have any operations.

#### *Hisense International*

Hisense International was incorporated in 2008 and has a registered capital of RMB30,000,000. Its legal representative is Mr. Jia Shao Qian and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone, Qingdao City. Its main businesses includes: import and export of goods; import and export of technology; marketing strategies planning; sales of Category II medical devices; sales of intelligent home consumer equipment; sales of optical communication equipment; information system integration services; sales of information security equipment; sales of network equipment; development of rail transportation operation management system; sales of special equipment, key systems and components for rail transportation.

The controlling shareholder of Hisense International is Hisense Holdings and details of its shareholders' interests are as follows:

1. Qingdao Hisense Import & Export Co., Ltd.\*(青島海信進出口有限公司) holds 36.47% interest in Hisense International, and is a wholly-owned subsidiary of Hisense Holdings. It was established on 16 September 1998 and it principally engages in operating and conducting commodities and technology import and export business, operating sino-foreign joint ventures, cooperative production business and “three to one supplement business”.
2. The Company holds 12.67% interest in Hisense International.
3. Hisense Visual Technology holds 12.67% interest in Hisense International.
4. The Position Incentive Shareholders of Hisense International hold an aggregate interest of 38.19% in Hisense International. As at the date of this announcement, of this 38.19% interest in Hisense International, (i) 37.5% is owned by the Position Incentive Shareholders of Hisense International who hold interests in Hisense International directly; (ii) 0.44% is owned by Qingdao Yuanli; and (iii) 0.26% is owned by Qingdao Henghai Weijie Electronic Technology Co., Ltd.\* (青島恒海偉杰電子技術有限公司) (“**Qingdao Henghai**”). Qingdao Yuanli and Qingdao Henghai are companies holding interests in Hisense International on behalf of other Position Incentive Shareholders of Hisense International whose interests in Hisense International are held indirectly.

The Position Incentive Shareholders of Hisense International are the core staff of Hisense International under its incentive plan who hold interests in Hisense International directly and indirectly. They are, including but not limited to, directors, senior management staff, core management staff and key staff of Hisense International. The Position Incentive Shareholders of Hisense International who hold interests in Hisense International directly do not overlap with those who hold interests in Hisense International indirectly through Qingdao Yuanli and Qingdao Henghai. Moreover, there is no acting in concert arrangement among the Position Incentive Shareholders of Hisense International. Qingdao Henghai was established on 19 December 2018.

Qingdao Henghai acts as an interests holding vehicle for the relevant Position Incentive Shareholders of Hisense International and it does not have any operations. Please refer to the above for the information of Qingdao Yuanli.

### *Hisense Marketing Management*

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

The controlling shareholder of Hisense Marketing Management is Hisense Holdings. The Company and Hisense Visual Technology each holds 50% interests in Hisense Marketing Management.

## *Hisense HK*

Hisense HK was established on 22 February 1994. Its registered address is Room 3101-05, Singga Commercial Centre, 148 Connaught Road West, Sai Wan, Hong Kong. Its registered capital is HK\$1 million. Its scope of business mainly includes international trading. Hisense HK is a wholly-owned subsidiary of Hisense Holdings.

## *Hisense Visual Technology*

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

Hisense Visual Technology is a company listed on the Shanghai Stock Exchange, and its controlling shareholder is Hisense Holdings, which holds 29.99% of its interest.

## *Hisense Finance*

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

The controlling shareholder of Hisense Finance is Hisense Holdings and its shareholders' interests are as follows:

1. Hisense Holdings holds 73.08% interest in Hisense Finance.

2. Hisense Air-conditioning holds 26.92% interest in Hisense Finance.

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

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

As at the date of this announcement, (i) Hisense Holdings (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; (ii) each of Hisense International, Hisense HK and Hisense Visual Technology is a subsidiary of Hisense Holdings; and (iii) Hisense Marketing Management is an associate of Hisense Visual Technology as Hisense Visual Technology holds more than 30% interest in Hisense Marketing Management. As such, Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense HK, Hisense Visual Technology and their respective subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Business Co-operation Framework Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Business Co-operation Framework Agreement exceed 5% on an annual basis and the annual consideration exceeds HK\$10,000,000, the Business Co-operation Framework Agreement, the transactions contemplated under it and the related Caps are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In view of the interests of Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense HK and Hisense Visual Technology in the Business Co-operation Framework Agreement, Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense HK, Hisense Visual Technology and their respective associates will abstain from voting in relation to the resolution(s) to approve the Business Co-operation Framework Agreement, the transactions contemplated under it and the relevant Caps at the EGM. As such, Hisense Air-conditioning, which held 516,758,670 Shares (representing approximately 37.92% of the issued share capital of the Company) and Hisense HK, which held 124,452,000 Shares (representing approximately 9.13% of the issued share capital of the Company) as at the date of this announcement, will abstain from voting in relation to the relevant resolution(s) at the EGM. Each of Hisense Air-conditioning and Hisense HK controls or is entitled to exercise control over the voting right in respect of their Shares.

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

As at the date of this announcement, as (i) Hisense Holdings (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company; and (ii) Hisense Finance is a subsidiary of Hisense Holdings, Hisense Finance is a connected person of the Company under the Hong Kong Listing Rules. As such, the transactions contemplated under the Financial Services Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

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

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

In view of the interests of Hisense Finance in the Financial Services Agreement, Hisense Finance and its associates will abstain from voting in relation to the resolution(s) to approve the Financial Services Agreement, the transactions contemplated under it and the relevant Caps at the EGM. As such, Hisense Air-conditioning, which held 516,758,670 Shares (representing approximately 37.92% of the issued share capital of the Company) and Hisense HK, which held 124,452,000 Shares (representing approximately 9.13% of the issued share capital of the Company) as at the date of this announcement, will abstain from voting in relation to the relevant resolution(s) at the EGM.

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

## **GENERAL**

Mr. Dai Hui Zhong, Mr. Jia Shao Qian, Mr. Lin Lan and Mr. Fei Li Cheng, being Directors and directors of Hisense Holdings and/or its subsidiaries, have abstained from voting on the relevant board resolution(s) for approving the Business Co-operation Framework Agreement and the Financial Services Agreement and the transactions contemplated under the agreements in view of their interest therein as aforementioned.

An independent financial adviser will be appointed to advise the independent board committee of the Company and the Shareholders regarding the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements. An independent board committee of the Company will also be formed to advise the Shareholders on whether or not the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements are in the interests of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

A circular containing, *inter alia*, (i) further information on the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements; (ii) the letter of advice from the independent financial adviser to the independent board committee and the Shareholders; and (iii) the recommendation from the independent board committee will be despatched to the Shareholders on or before 4 January 2022 in accordance with the Hong Kong Listing Rules. In view of the transactions contemplated under the Business Co-operation Framework Agreement and the Financial Services Agreement 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 out below:

“A Shares”	domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors

“Business Co-operation  
Framework Agreement”

the Business Co-operation Framework Agreement (業務合作框架協議) dated 16 November 2021 entered into between the Company, Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense HK and Hisense Visual Technology in relation to the sale and purchase of electrical appliances, raw materials, parts and components, supply of moulds and the provision of various services

“Cap(s)”

(A) the annual caps for the transactions contemplated under the Business Co-operation Framework Agreement for the year ending 31 December 2022, being (1) RMB310,500,000 in respect of the purchases of electrical appliances by the Group from Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement; (2) RMB2,081,460,000 in respect of the purchases of raw materials, parts and components by the Group from Hisense Holdings, Hisense International, Hisense HK, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement; (3) RMB1,494,200,000 in respect of the provision of services by Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group under the Business Co-operation Framework Agreement; (4) RMB25,036,390,000 in respect of the supply of electrical appliances by the Group to Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement; (5) RMB129,190,000 in respect of the supply of moulds by the Group to Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement; (6) RMB930,750,000 in respect of the supply of raw materials, parts and components by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement; and (7) RMB473,390,000 in respect of the provision of services by the Group to Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries under the Business Co-operation Framework Agreement; and

(B) the annual caps for the transactions contemplated under the Financial Services Agreement during the term of the Financial Services Agreement, being (1) RMB27,000,000,000 (inclusive of interest) in respect of the maximum daily closing balance of the deposits placed by the Group with Hisense Finance under the Financial Services Agreement; (2) RMB18,000,000,000 (inclusive of interest and service fees) in respect of the maximum daily closing balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group under the Financial Services Agreement; (3) RMB50,000,000 in respect of the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services under the Financial Services Agreement; (4) US\$300,000,000 in respect of the annual amount of foreign currency settled or sold by Hisense Finance for the Group under the Financial Services Agreement; and (5) RMB3,000,000 in respect of the maximum annual amount of service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds under the Financial Services Agreement

“CBRC”

中國銀行業監管管理委員會 (China Banking Regulatory Commission)

“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 2022 first extraordinary general meeting of the Company to be held for, among other things, considering and, if thought fit, approving the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements

“Existing Business Co-operation Framework Agreement”	the business co-operation framework agreement (業務合作框架協議) dated 30 October 2020 entered into between the Company, Hisense Company, Hisense Holdings, Hisense International, Hisense Marketing Management and Hisense Visual Technology in relation to the sale and purchase of electrical appliances, raw materials, parts and components, supply of moulds, and the provision of various services
“Existing Financial Services Agreement”	the financial services agreement (金融服務協議) dated 30 October 2020 entered into between the Company and Hisense Finance in relation to the provision of financial services by Hisense Finance to the Group
“Financial Services Agreement”	the financial service agreement (金融服務協議) dated 16 November 2021 entered into between the Company and Hisense Finance in relation to the provision of financial services by Hisense Finance to the Group
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange
“Hisense Air-conditioning”	Qingdao Hisense Air-conditioning Company Limited* (青島海信空調有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Holdings, and holds approximately 37.92% of the Shares as at the date of this announcement
“Hisense Company”	Hisense Company Limited (海信集團有限公司), a company incorporated in the PRC with limited liability
“Hisense Finance”	Hisense Finance Co., Ltd* (海信集團財務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Holdings
“Hisense HK”	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Holdings, and holds approximately 9.13% of the Shares as at the date of this announcement

“Hisense Holdings”	Hisense Group Holdings Co., Ltd. (海信集團控股股份有限公司), a company incorporated in the PRC with limited liability, which holds approximately 93.33% of Hisense Air-conditioning and wholly owns Hisense HK as at the date of this announcement
“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 Holdings
“Hisense Marketing Management”	Hisense Marketing Management Co., Ltd.* (海信營銷管理有限公司), a company incorporated in the PRC with limited liability and owned as to 50% by the Company
“Hisense Visual Technology”	Hisense Visual Technology Co., Ltd. (海信視像科技股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange and is a subsidiary of Hisense Holdings
“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 Shareholders”	(i) in respect of the Business Co-operation Framework Agreement, Shareholders other than Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense HK, Hisense Visual Technology and their respective associates and other Shareholders which are required to abstain from voting in relation to the Business Co-operation Framework Agreement under the Shenzhen Listing Rules; and (ii) in respect of the Financial Services Agreement, Shareholders other than Hisense Finance and its associates and other Shareholders which are required to abstain from voting in relation to the Financial Services Agreement under the Shenzhen Listing Rules
“independent third parties”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“Mixed Ownership Reform”	the “Implementation Plan of the Mixed Ownership Reform of Hisense Company” (《海信集團深化混合所有制改革實施方案》), which was completed on 30 December 2020 and details of which were disclosed in the overseas regulatory and inside information announcements of the Company dated 28 May 2020, 23 October 2020 and 30 December 2020 and the circular of the Company dated 28 December 2020

“PRC”	the People’s Republic of China
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Listing Rules”	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (深圳証券交易所上市規則)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

By order of the Board  
**Hisense Home Appliances Group Co., Ltd.**  
**Dai Hui Zhong**  
*Chairman*

Foshan City, Guangdong, the PRC, 17 November 2021

*As at the date of this announcement, the Company’s executive directors are Mr. Dai Hui Zhong, Mr. Lin Lan, Mr. Jia Shao Qian, Mr. Fei Li Cheng and Mr. Xia Zhang Zhua; and the Company’s independent non-executive directors are Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit.*