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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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# **Hisense 海信家電**

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

### **海信家電集團股份有限公司**

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

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

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



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

A letter from the Board is set out on pages 6 to 27 of this circular. A letter from the Independent Board Committee is set out on page 28 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 50 of this circular.

A notice of the EGM to be held on Thursday, 27 October 2022 at 3:00 p.m. at the conference room of Hisense Building, No.17 Donghai West Road, Qingdao City, Shandong Province, the PRC, a proxy form for use at the EGM and a reply slip have been despatched by the Company on Monday, 5 September 2022 and are also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hxjd.hisense.cn>). Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed on it and return it to the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting (as the case may be) should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

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## CONTENTS

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|  | <i>Page</i> |
|--|-------------|
| <b>DEFINITIONS</b> .....                                   | 1           |
| <b>LETTER FROM THE BOARD</b> .....                         | 6           |
| <b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....   | 28          |
| <b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> ..... | 29          |
| <b>APPENDIX – GENERAL INFORMATION</b> .....                | I-1         |

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## DEFINITIONS

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

|   |  |
|---|--|
| “A Shares”                                  | domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange   |
| “associate(s)”                              | has the meaning ascribed to it under the Hong Kong Listing Rules   |
| “Board”                                     | the board of Directors   |
| “Business Co-operation Framework Agreement” | the Business Co-operation Framework Agreement (業務合作框架協議) dated 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 |
| “Company”                                   | 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 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 second extraordinary general meeting of the Company to be held at the conference room of Hisense Building, No. 17 Donghai West Road, Qingdao City, Shandong Province, the PRC, on Thursday, 27 October 2022 at 3:00 p.m. to consider and, if thought fit, approve the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps      |
| “Group”                                     | the Company and its subsidiaries   |

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## DEFINITIONS

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|--------------------------------|---|
| “H Shares”                     | overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange   |
| “Hisense Air-conditioning”     | Qingdao Hisense Air-conditioning Company Limited* (青島海信空調有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Holdings, and holds approximately 37.92% of the Shares as at the Latest Practicable Date |
| “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 Latest Practicable Date                           |
| “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 Latest Practicable Date          |
| “Hisense International”        | Hisense International Co., Ltd. (青島海信國際營銷股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Holdings   |
| “Hisense Kitchen & Bathroom”   | Hisense (Guangdong) Kitchen & Bathroom System* (海信(廣東)廚衛系統股份有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company  |
| “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 is 50% owned 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                                  |
| “HK\$”                         | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC  |
| “Hong Kong Listing Rules”      | the Rules Governing the Listing of Securities on the Stock Exchange   |

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## DEFINITIONS

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|---------------------------------|--|
| “Independent Board Committee”   | an independent board committee of the Company comprising all the independent non-executive Directors (namely Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit)  |
| “Independent Financial Adviser” | Caitong International Capital Co., Limited, a corporation licensed to carry Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps |
| “Independent Shareholders”      | in respect of the Supplemental Agreement, Shareholders other than Hisense Holdings, Hisense International, Hisense Visual Technology and their respective associates and other Shareholders which are required to abstain from voting in relation to the Supplemental Agreement under the Hong Kong Listing Rules and/or the Shenzhen Listing Rules  |
| “independent third parties”     | a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates  |
| “Latest Practicable Date”       | 7 October 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular   |
| “PRC”                           | the People’s Republic of China   |

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## DEFINITIONS

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|--------------------------|---|
| “Revised Cap(s)”         | the annual caps under the Business Co-operation Framework Agreement for the year ending 31 December 2022 for (i) 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, that is RMB2,271,910,000; (ii) the provision of services by Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense Visual Technology and/or their respective subsidiaries to the Group, that is RMB1,590,490,000; (iii) the supply of moulds by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries, that is RMB132,690,000; and (iv) the supply of raw materials, parts and components by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries, that is RMB1,004,380,000, as proposed to be revised pursuant to the Supplemental Agreement |
| “RMB”                    | Renminbi, the lawful currency of the PRC  |
| “SFO”                    | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)  |
| “Share(s)”               | share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares  |
| “Shareholder(s)”         | holder(s) of the Shares   |
| “Shenzhen Listing Rules” | the Rules Governing the Listing of Shares on Shenzhen Stock Exchange (深圳證券交易所上市規則)  |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited   |
| “Supplemental Agreement” | the supplemental agreement to the Business Co-operation Framework Agreement (業務合作框架協議之補充協議) entered into between the Company, Hisense Holdings, Hisense International and Hisense Visual Technology dated 5 September 2022 in relation to the revision of the annual caps in respect of (i) the purchases of raw materials, parts and components; (ii) the provision of services; (iii) the supply of moulds; and (iv) the supply of raw materials, parts and components for the year ending 31 December 2022 under the Business Co-operation Framework Agreement   |

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## DEFINITIONS

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“VAT” value-added tax

“%” per cent

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

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

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## LETTER FROM THE BOARD

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# Hisense 海信家電

## HISENSE HOME APPLIANCES GROUP CO., LTD.

### 海信家電集團股份有限公司

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

*Executive Directors:*

Mr. Dai Hui Zhong  
Mr. Lin Lan  
Mr. Jia Shao Qian  
Mr. Fei Li Cheng  
Mr. Xia Zhang Zhua  
Ms. Gao Yu Ling

*Registered office:*

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

*Independent non-executive Directors:*

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

*Principal place of business in Hong Kong:*

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

12 October 2022

*To the Shareholders*

Dear Sir or Madam,

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

#### BACKGROUND

Reference is made to the announcement of the Company dated 17 November 2021 and the circular of the Company dated 4 January 2022 in respect of, among other things, the Business Co-operation Framework Agreement. The Business Co-operation Framework Agreement, the continuing connected transactions contemplated under it and the relevant annual caps were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 19 January 2022.

The purpose of this circular is to:

- (a) provide you with further information on the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps;

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## LETTER FROM THE BOARD

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- (b) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps; and
- (c) set out the recommendation from the Independent Board Committee in relation to the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps.

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

**Date:** 5 September 2022

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

**Condition:**

The Supplemental Agreement shall become effective from the date of approval of the Supplemental Agreement by the Independent Shareholders at the EGM until 31 December 2022.

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

**Subject matter:**

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will, among other things, (i) 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; (ii) on a non-exclusive basis, engage (a) 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; (b) 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; (c) Hisense Marketing Management for the provision of agency services as the Group may require from time to time; and (d) 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; (iii) 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; and (iv) 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.

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## LETTER FROM THE BOARD

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Pursuant to the Supplemental Agreement, the Company, Hisense Holdings, Hisense International and Hisense Visual Technology have conditionally agreed to (i) revise the annual caps in relation to (a) the purchases of raw materials, parts and components by the Group from Hisense International, Hisense Visual Technology and/or their respective subsidiaries; (b) the provision of maintenance, agency and technical support services by Hisense International and/or its subsidiaries; (c) the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries, and (d) the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries; and (ii) govern the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement).

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

#### **Historical figures:**

The annual cap allocated to 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 year ending 31 December 2022 as specified in the Business Co-operation Framework Agreement is RMB2,081,460,000 (exclusive of VAT). The following table sets out the breakdown of the aggregate transaction amount for 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 six months ended 30 June 2022 (unaudited) and the eight months ended 31 August 2022 (unaudited):

|  | <b>Six months<br/>ended 30 June<br/>2022</b><br><i>RMB<br/>(exclusive of VAT)</i> | <b>Eight months<br/>ended 31 August<br/>2022</b><br><i>RMB<br/>(exclusive of VAT)</i> |
|--|---|---|
| Hisense Holdings and/or its subsidiaries             | 200,237,959   | 284,018,970   |
| Hisense International and/or<br>its subsidiaries     | 492,395   | 12,526,439  |
| Hisense HK   | 277,983,813   | 311,694,507   |
| Hisense Visual Technology and/or<br>its subsidiaries | 29,441,157  | 48,017,087  |
| <b>Total:</b>  | <b><u>508,155,324</u></b>   | <b><u>656,257,003</u></b>   |

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## LETTER FROM THE BOARD

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### Proposed Revised Cap and basis of revision:

The following table sets out the breakdown of the annual cap in relation to 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 year ending 31 December 2022 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

|  | Original annual<br>cap before<br>revision<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) | Proposed annual<br>cap after revision<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) | Changes<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) |
|--|--|--|--|
| Hisense Holdings and/or its<br>subsidiaries          | 756,530,000  | 756,530,000<br>(Remains<br>unchanged)  | Not applicable                                       |
| Hisense International and/or its<br>subsidiaries     | 35,350,000   | 200,800,000  | 165,450,000  |
| Hisense HK   | 1,200,000,000  | 1,200,000,000<br>(Remains<br>unchanged)  | Not applicable                                       |
| Hisense Visual Technology<br>and/or its subsidiaries | 89,580,000   | 114,580,000  | 25,000,000   |
| <b>Total:</b>  | <b><u>2,081,460,000</u></b>  | <b><u>2,271,910,000</u></b>  | <b><u>190,450,000</u></b>                            |

The proposed Revised Cap was determined with reference to:

- (i) the anticipated increase in the demand of raw materials from Hisense International and/or its subsidiaries for the commencement of the mass production of household appliances such as kitchen appliances in June 2022 and refrigerators in August 2022 by the Group's Mexico plant, and based on the production and procurement plan of the Mexico plant, the expected purchase amount in the fourth quarter of 2022 is approximately RMB165,450,000; and
- (ii) due to the commencement of in-depth cooperation between the Group and Hisense Visual Technology and/or its subsidiaries following the capital contribution by Hisense Visual Technology to Hisense Kitchen & Bathroom in April 2022, the expected purchase amount of raw materials, parts and components by Hisense Kitchen & Bathroom from Hisense Visual Technology and/or its subsidiaries would be approximately RMB25,000,000 for the year ending 31 December 2022, taking into account the actual usage as recognised in the cost of sales by Hisense Kitchen & Bathroom from 1

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## LETTER FROM THE BOARD

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May 2022 to 31 August 2022, amounting to approximately RMB11,000,000, and the procurement plan of Hisense Kitchen & Bathroom from 1 September 2022 to 31 December 2022, amounting to RMB14,000,000.

### **Pricing:**

Under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement), pricing for the purchases of raw materials, parts and components is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar 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.

### **Reasons for the proposed Revised Cap:**

The Group's Mexico plant has commenced mass production of household appliances such as kitchen appliances in June 2022 and refrigerators in August 2022. The Group's procurement of raw materials for the relevant products from Hisense International and/or its subsidiaries is mainly to leverage on the trade platform of Hisense International and/or its subsidiaries to achieve synergy and optimise the procurement cost. Based on the production plan and the procurement plan of the Mexico plant of the Group for the year ending 31 December 2022 and the estimated purchase amount by the Group from Hisense International and/or its subsidiaries, it is expected that the purchase of raw materials, parts and components from Hisense International and/or its subsidiaries will exceed the original annual cap before revision for the year ending 31 December 2022.

The Group's procurement of raw materials from Hisense Visual Technology and/or its subsidiaries is mainly due to the in-depth cooperation between the Group and Hisense Visual Technology and/or its subsidiaries commenced in the first half of 2022 following the capital contribution by Hisense Visual Technology to Hisense Kitchen & Bathroom in April 2022, which has further integrated the injection moulding and sheet metal production capacity within the system, and improved the efficiency and effectiveness of the injection moulding and sheet metal business. The change to the proposed annual cap for Hisense Visual Technology and/or its subsidiaries, being RMB25,000,000, represents the expected purchase amount of raw materials, parts and components by Hisense Kitchen & Bathroom from Hisense Visual Technology and/or

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## LETTER FROM THE BOARD

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its subsidiaries. Based on the actual usage as recognised in the cost of sales by Hisense Kitchen & Bathroom from 1 May 2022 to 31 August 2022 and the procurement plan of Hisense Kitchen & Bathroom from 1 September 2022 to 31 December 2022, it is expected that the purchase of raw materials, parts and components by the Group from Hisense Visual Technology and/or its subsidiaries will increase and exceed the original annual cap before revision for the year ending 31 December 2022.

It is therefore expected that the volume and transaction amounts of the purchases of raw materials, parts and components by the Group from Hisense International, Hisense Visual Technology and/or their respective subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase. The Supplemental Agreement has revised the annual cap for the transaction of the purchases of raw materials, parts and components by the Group for the year ending 31 December 2022 under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement).

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## LETTER FROM THE BOARD

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### (2) *Provision of services*

#### **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 year ending 31 December 2022 as specified in the Business Co-operation Framework Agreement is RMB1,494,200,000 (exclusive of VAT). The following table sets out the breakdown of the aggregate transaction amount for 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 six months ended 30 June 2022 (unaudited) and the eight months ended 31 August 2022 (unaudited):

| Types of services provided to the Group           | Six months ended 30 June 2022   | Eight months ended 31 August 2022  |   |
|---|---|--|---|
|   | RMB<br>(exclusive of VAT)   | RMB<br>(exclusive of VAT)  |   |
|   |   |  |   |
| Hisense Holdings and/or its subsidiaries          | Equipment inspection services<br>Material processing services<br>Installation and maintenance services<br>Property services (including property management and property leasing)<br>Information system services<br>Distribution, leasing, design, agency, training, employee health management and technical support services | 596,899<br>76,119,113<br>92,430,695<br>19,583,302<br>48,117,470<br>165,507,721 | 717,842<br>94,064,941<br>152,288,313<br>27,523,565<br>64,683,486<br>247,913,234 |
| Hisense International and/or its subsidiaries     | Maintenance<br>Technical support services<br>Agency services  | 4,776,135<br>762,708<br>1,332,257  | 11,151,194<br>2,462,724<br>1,757,261  |
| Hisense Marketing Management                      | Agency services   | 106,680,096  | 150,346,232   |
| Hisense Visual Technology and/or its subsidiaries | Property services (including property management and property leasing)<br>Technical support services  | 17,982,727<br>774,262  | 22,349,672<br>5,684,339   |
| <b>Total:</b>                                     |   | <b>534,663,385</b>   | <b>780,942,803</b>  |

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## LETTER FROM THE BOARD

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### **Proposed Revised Cap and basis of revision:**

The following table sets out the breakdown of the annual cap in relation 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 year ending 31 December 2022 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

| Types of services provided to the Group  | Original annual cap before revision | Proposed annual cap after revision | Changes                  |
|--|-------------------------------------|------------------------------------|--------------------------|
|  | RMB (exclusive of VAT)              | RMB (exclusive of VAT)             | RMB (exclusive of VAT)   |
| Hisense Holdings and/or its subsidiaries   |                                     |                                    |                          |
| Equipment inspection services  | 30,000,000                          | 30,000,000<br>(Remains unchanged)  | Not applicable           |
| Material processing services   | 184,990,000                         | 184,990,000<br>(Remains unchanged) | Not applicable           |
| Installation and maintenance services  | 284,870,000                         | 284,870,000<br>(Remains unchanged) | Not applicable           |
| Property services (including property management and property leasing)                                     | 82,980,000                          | 82,980,000<br>(Remains unchanged)  | Not applicable           |
| Information system services  | 204,770,000                         | 204,770,000<br>(Remains unchanged) | Not applicable           |
| Distribution, leasing, design, agency, training, employee health management and technical support services | 346,650,000                         | 346,650,000<br>(Remains unchanged) | Not applicable           |
| Hisense International and/or its subsidiaries  |                                     |                                    |                          |
| Maintenance  | 14,910,000                          | 79,424,300                         | 64,514,300               |
| Technical support services   | 5,000,000                           | 26,665,250                         | 21,665,250               |
| Agency services  | 2,320,000                           | 12,430,450                         | 10,110,450               |
| Hisense Marketing Management   |                                     |                                    |                          |
| Agency services  | 282,880,000                         | 282,880,000<br>(Remains unchanged) | Not applicable           |
| Hisense Visual Technology and/or its subsidiaries  |                                     |                                    |                          |
| Property services (including property management and property leasing)                                     | 44,980,000                          | 44,980,000<br>(Remains unchanged)  | Not applicable           |
| Technical support services   | 9,850,000                           | 9,850,000<br>(Remains unchanged)   | Not applicable           |
| <b>Total:</b>  | <b><u>1,494,200,000</u></b>         | <b><u>1,590,490,000</u></b>        | <b><u>96,290,000</u></b> |

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## LETTER FROM THE BOARD

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The proposed Revised Cap was determined with reference to:

- (i) the expected increase in the demand of the provision of services by Hisense International and/or its subsidiaries because of the increasing emphasis on the quality of the Group's overseas products under the Group's work priorities in 2022, and the active promotion of the smart new life strategy and enhancement of the competitiveness by the Group in overseas market by means of providing more quality services such as agency, technical support and maintenance services to further refine the quality of the overseas products of the Group; and
- (ii) the increasing demand for the agency, technical support and maintenance services for the Group's products in overseas markets, taking into account the weighting to the operating revenue from overseas markets, which increased from approximately 30.3% for the year ended 31 December 2020 to approximately 34.3% for the year ended 31 December 2021, and further increased to approximately 37.4% for the six months ended 30 June 2022.

### **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.

### **Reasons for the proposed Revised Cap:**

One of the Group's work priorities in 2022 is to actively promote the smart new life strategy and continue to upgrade the home appliance smart terminal. The Group needs Hisense International and/or its subsidiaries to provide more quality services such as agency, technical support and maintenance services to further refine the quality of the Group's overseas products, promote new breakthroughs in the Group's overseas business development and enhance competitiveness in overseas markets. Based on the actual sales of overseas products of the Group for the six months ended 30 June 2022, the actual sales volume of the overseas products of the Group for the two years ended 31 December 2021 under the refinement plan of overseas products, and the anticipated participation rate and the estimated demand of the provision of agency, technical

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## LETTER FROM THE BOARD

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support and maintenance services provided by Hisense International and/or its subsidiaries for the year ending 31 December 2022, the expected service fees for such services required by the Group from Hisense International and/or its subsidiaries would be approximately RMB118,520,000 for the year ending 31 December 2022, which is expected to exceed the original annual cap before revision.

It is therefore expected that the transaction amounts of the provision of services by Hisense International and/or its subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase. The Supplemental Agreement has revised the annual cap for the transaction of the provision of services for the year ending 31 December 2022 under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement).

**(3) Supply of moulds**

**Historical figures:**

The annual cap allocated to the supply of moulds by the Group to Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the year ending 31 December 2022 as specified in the Business Co-operation Framework Agreement is RMB129,190,000 (exclusive of VAT). The following table sets out the breakdown of the aggregate transaction amount for the supply of moulds by the Group to Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the six months ended 30 June 2022 (unaudited) and the eight months ended 31 August 2022 (unaudited):

|  | <b>Six months<br/>ended 30 June<br/>2022</b><br><i>RMB</i><br>( <i>exclusive of VAT</i> ) | <b>Eight months<br/>ended 31 August<br/>2022</b><br><i>RMB</i><br>( <i>exclusive of VAT</i> ) |
|--|---|---|
| Hisense International and/or its<br>subsidiaries     | 15,635,761  | 20,213,447  |
| Hisense Visual Technology and/or its<br>subsidiaries | 24,745,474  | 30,053,242  |
| <b>Total:</b>  | <b><u>40,381,235</u></b>  | <b><u>50,266,689</u></b>  |

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## LETTER FROM THE BOARD

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### Proposed Revised Cap and basis of revision:

The Group also expects to supply moulds to Hisense Holdings and/or its subsidiaries for the year ending 31 December 2022. The following table sets out the breakdown of the annual cap in relation to the supply of moulds by the Group to Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries for the year ending 31 December 2022 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

|  | Original annual<br>cap before<br>revision<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) | Proposed annual<br>cap after revision<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) | Changes<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) |
|--|--|--|--|
| Hisense Holdings and/or<br>its subsidiaries          | Not applicable   | 3,500,000  | 3,500,000  |
| Hisense International and/or<br>its subsidiaries     | 52,000,000   | 52,000,000<br>(Remains<br>unchanged)   | Not applicable                                       |
| Hisense Visual Technology<br>and/or its subsidiaries | 77,190,000   | 77,190,000<br>(Remains<br>unchanged)   | Not applicable                                       |
| <b>Total:</b>  | <b>129,190,000</b>   | <b>132,690,000</b>   | <b>3,500,000</b>                                     |

The proposed Revised Cap was determined with reference to (i) the expected amount of purchases by Hisense Holdings and/or its subsidiaries for their operation for the second half of 2022 as notified by Hisense Holdings, being approximately RMB3,500,000, after the consultation and negotiation between the Group and Hisense Holdings and/or its subsidiaries; and (ii) a letter of intent from a subsidiary of Hisense Holdings, pursuant to which its expected purchase amount of moulds from the Group for the fourth quarter in 2022 amounted to approximately RMB3,500,000.

### Pricing:

Under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement), pricing for the supply of mould is determined by the open bidding process. The bidding price is determined on the basis of a reasonable cost plus reasonable profit margin, with the maximum mark-up rate of 150%. For determining reasonable costs, the Company will take into account fixed cost (e.g. depreciation of machinery), cost of raw material, and labour cost for the production of the moulds. The profit margin of the Group in such bidding price will not be lower than the profit margin of the Group in the bidding price for supply of similar and comparable moulds to independent third parties during the same period.

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## LETTER FROM THE BOARD

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### Reasons for the proposed Revised Cap:

The manufacture and sale of moulds have become important parts of the business of the Group, and the sale of moulds by the Group to Hisense Holdings and/or its subsidiaries can facilitate the expansion of the sales scale of the Group and increase the sales revenue of the Group. After the consultation and negotiation between the Group and Hisense Holdings and/or its subsidiaries, the Group will supply moulds to Hisense Holdings and/or its subsidiaries in the second half of 2022.

Therefore, as a result of the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries, the volume and transaction amounts of the supply of moulds by the Group, as contemplated under the Business Co-operation Framework Agreement, will increase. The Supplemental Agreement has revised the annual cap for the transaction of the supply of moulds for the year ending 31 December 2022 under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) and will govern the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries for the year ending 31 December 2022.

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

##### 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 year ending 31 December 2022 as specified in the Business Co-operation Framework Agreement is RMB930,750,000 (exclusive of VAT). The following table sets out the breakdown of 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 for the six months ended 30 June 2022 (unaudited) and the eight months ended 31 August 2022 (unaudited):

|  | Six months<br>ended 30 June<br>2022<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) | Eight months<br>ended 31 August<br>2022<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) |
|--|--|--|
| Hisense Holdings and/or its subsidiaries             | 104,166,664  | 139,580,325  |
| Hisense International and/or its<br>subsidiaries     | 69,504,016   | 92,251,658   |
| Hisense Visual Technology and/or its<br>subsidiaries | 0  | 507,259  |
| <b>Total:</b>  | <b><u>173,670,680</u></b>  | <b><u>232,339,242</u></b>  |

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## LETTER FROM THE BOARD

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### Proposed Revised Cap and basis of revision:

The following table sets out the breakdown of the annual cap in relation 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 year ending 31 December 2022 before and after the revision of the annual cap pursuant to the Supplemental Agreement:

|  | Original annual<br>cap before<br>revision<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) | Proposed annual<br>cap after revision<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) | Changes<br><i>RMB</i><br>( <i>exclusive of VAT</i> ) |
|--|--|--|--|
| Hisense Holdings and/or its<br>subsidiaries          | 706,650,000  | 706,650,000<br>(Remains<br>unchanged)  | Not applicable                                       |
| Hisense International and/or its<br>subsidiaries     | 220,000,000  | 293,630,000  | 73,630,000   |
| Hisense Visual Technology<br>and/or its subsidiaries | 4,100,000  | 4,100,000<br>(Remains<br>unchanged)  | Not applicable                                       |
| <b>Total:</b>  | <b><u>930,750,000</u></b>  | <b><u>1,004,380,000</u></b>  | <b><u>73,630,000</u></b>                             |

The proposed Revised Cap was determined with reference to:

- (i) the expected increase in the demand of raw materials, parts and components by Hisense International and/or its subsidiaries required for the expected increase in the demand of the provision of agency, technical support and maintenance services by Hisense International and/or its subsidiaries as set out in the paragraph headed “(2) Provision of services” in this circular; and
- (ii) the expected purchase amount of raw materials, parts and components by Hisense International and/or its subsidiaries, being approximately RMB293,630,000 for the year ending 31 December 2022, taking into account the estimated demand for the provision of agency, technical support and maintenance services by Hisense International and/or its subsidiaries for the year ending 31 December 2022, as set out in the paragraph headed “(2) Provision of services” in this circular and the estimated procurement plan of raw materials, parts and components by Hisense International and/or its subsidiaries for the year ending 31 December 2022.

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## LETTER FROM THE BOARD

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### **Pricing:**

Under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement), 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.

### **Reasons for the proposed Revised Cap:**

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. As a result of the Group's smart new life strategy, the transaction amounts of the provision of technical support, maintenance and agency services by Hisense International and/or its subsidiaries will increase, and the demand of raw materials, parts and components by Hisense International and/or its subsidiaries is expected to increase accordingly. Based on the estimated demand of the provision of technical support, maintenance and agency services by Hisense International and/or its subsidiaries for the year ending 31 December 2022 and the estimated procurement plan of raw materials, parts and components by Hisense International and/or its subsidiaries for the year ending 31 December 2022, the expected purchase amount of raw materials, parts and components by Hisense International and/or its subsidiaries for the year ending 31 December 2022 would be approximately RMB293,630,000, which is expected to exceed the original annual cap before revision.

It is therefore expected that the volume and transaction amounts of the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries, as contemplated under the Business Co-operation Framework Agreement, will increase. The Supplemental Agreement has revised the annual cap for the transaction of the supply of raw materials, parts and components by the Group for the year ending 31 December 2022 under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement).

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## LETTER FROM THE BOARD

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In light of the above, the Directors (including the independent non-executive Directors) are of the view that the proposed Revised Caps in respect of (i) the purchases of raw materials, parts and components; (ii) the provision of services; (iii) the supply of moulds; and (iv) the supply of raw materials, parts and components under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

The Company has established connected transaction management policy (關連交易管理办法) (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

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## LETTER FROM THE BOARD

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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 (as amended and supplemented by the Supplemental Agreement) and the new transaction agreements contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement).

### **INFORMATION RELATING TO THE GROUP, HISENSE HOLDINGS, HISENSE INTERNATIONAL AND HISENSE VISUAL TECHNOLOGY**

#### **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. Lin Lan 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.

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## LETTER FROM THE BOARD

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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 Latest Practicable Date, of this 46.21% interest in Hisense Holdings, (i) 36.25% is owned by the Position Incentive Shareholders of Hisense Holdings who hold interests in Hisense Holdings directly; (ii) 6.89% 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.

Qingdao Hengxin was incorporated on 14 December 2012. The Partnerships consist of thirteen partnerships which were established from 2016 to 2021. 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.

Qingdao Yuanli was incorporated on 22 June 2010. As an interests holding vehicle for the relevant Position Incentive Shareholders of Hisense Holdings, Qingdao Yuanli is not engaged in any operating activities.

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## LETTER FROM THE BOARD

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### 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 Intelligent & Precise Electronics Co., Ltd.\* (青島智動精工電子有限公司) holds 36.47% interest in Hisense International, and is a wholly-owned subsidiary of Hisense Holdings. It was established on 17 January 2014 and it principally engages in communication, electronics and household electrical products research and development, manufacturing, sales, services; communication terminal products manufacturing; professional PCB board and SMT materials for chip processing, information consulting services; tool tooling, automation equipment design, sales and services; import and export of goods, technology import and export businesses.
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 Latest Practicable Date, of this 38.19% interest in Hisense International, (i) 37.71% is owned by the Position Incentive Shareholders of Hisense International who hold interests in Hisense International directly; (ii) 0.19% is owned by Qingdao Yuanli; and (iii) 0.29% is owned by Qingdao Henghai One Investment Center (Limited Partnership)\* (青島恒海一號投資中心 (有限合夥) (“**Qingdao Henghai**”). Qingdao Yuanli and Qingdao Henghai are respectively a company and a partnership 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

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## LETTER FROM THE BOARD

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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 29 December 2021.

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 Visual Technology

Hisense Visual Technology was established in 1997. It is mainly engaged in the research and development, production and sales of display products, as well as cloud platform services. Hisense Visual Technology is a company listed on the Shanghai Stock Exchange, and its controlling shareholder is Hisense Holdings, which holds 30.002% of its interest. Hisense Holdings has no effective controller and details of its shareholders' interests are as follows:

1. Hisense Group Limited\* (海信集團有限公司) (“**Hisense Group**”) holds 26.79% interest in Hisense Holdings. The ultimate beneficial owner of Hisense Group 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 holds 24.36% interest in Hisense Holdings and 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 of Hisense Holdings hold an aggregate interest of 46.21% in Hisense Holdings. As at the Latest Practicable Date, of this 46.21% interest in Hisense Holdings, (i) 36.25% is owned by the Position Incentive Shareholders of Hisense Holdings who hold interests in Hisense Holdings directly; (ii) 6.89% is owned by Qingdao Yuanli and the Partnerships; and (iii) 3.06% is owned by 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. Please refer to the above for the information of Qingdao Yuanli, Qingdao Hengxin and the Partnerships.

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## LETTER FROM THE BOARD

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### IMPLICATIONS UNDER THE HONG KONG LISTING RULES

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

As at the Latest Practicable Date, (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) each of Hisense International and Hisense Visual Technology is a subsidiary of Hisense Holdings. As such, Hisense Holdings, Hisense International, 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 (as amended and supplemented by the Supplemental Agreement) will continue to constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

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

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

### GENERAL

Mr. Dai Hui Zhong, Mr. Lin Lan, Mr. Jia Shao Qian, Mr. Fei Li Cheng and Ms. Gao Yu Ling, being Directors and directors of Hisense Holdings, Hisense International, Hisense Visual Technology and/or their respective subsidiaries, have abstained from voting on the relevant board resolution(s) for approving the Supplemental Agreement and the continuing connected transactions contemplated under it in view of their interest therein as aforementioned.

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## LETTER FROM THE BOARD

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### EGM

The EGM will be held at the conference room of Hisense Building, No. 17 Donghai West Road, Qingdao City, Shandong Province, the PRC, on Thursday, 27 October 2022 at 3:00 p.m., at which a resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps by poll.

A notice of the EGM, a proxy form for use at the EGM and a reply slip have been despatched by the Company on Monday, 5 September 2022 and are also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hxjd.hisense.cn>). Whether or not you intend to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed on it and return it to the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting (as the case may be) should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to the registered office of the Company at No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province, the PRC (Postal code: 528303) by personal delivery, post or fax during hours between 8:30 a.m. and 11:00 a.m., 1:30 p.m. and 4:30 p.m. on every business day on or before Thursday, 20 October 2022. Failure to complete or return the reply slip will not preclude eligible Shareholders from attending the EGM should they so wish.

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

In order to determine the holders of Shares who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 21 October 2022 to Thursday, 27 October 2022 (both days inclusive). In order to qualify for attending the EGM, all transfer documents of H Shares together with the relevant share certificates must have been lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 20 October 2022 for registration.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

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

### ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser in relation to the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps which are respectively set out on page 28 and pages 29 to 50 of this circular. Additional information is also set out in the appendix to this circular for your information.

Yours faithfully,

By order of the Board

**Hisense Home Appliances Group Co., Ltd.**

**Dai Hui Zhong**

*Chairman*

**Hisense** 海信家電

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

**海信家電集團股份有限公司**

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

12 October 2022

To the Shareholders

Dear Sir or Madam,

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

We refer to the circular issued by the Company to the Shareholders dated 12 October 2022 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the terms of the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps as to the fairness and reasonableness of the same. Caitong International Capital Co., Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

**RECOMMENDATION**

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out on pages 6 to 27 and pages 29 to 50 of the Circular respectively. Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we concur with the views of the Independent Financial Adviser and consider that the terms of the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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

Yours faithfully,

For and on behalf of the Independent Board Committee

**Ma Jin Quan    Zhong Geng Shen    Cheung Sai Kit**

*Independent non-executive Directors*

**Hisense Home Appliances Group Co., Ltd.**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Caitong International Capital Co., Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 4811, 48th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

12 October 2022

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

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

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the proposed Revised Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 12 October 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 5 September 2022, the Company entered into the Supplemental Agreement with Hisense Holdings, Hisense International and Hisense Visual Technology in relation to (i) revise the annual caps for the transactions of (a) the purchases of raw materials, parts and components; (b) the provision of services; (c) the supply of moulds; and (d) the supply of raw materials, parts and components for the year ending 31 December 2022 under the Business Co-operation Frame Agreement; and (ii) govern the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries for the year ending 31 December 2022.

As at the Latest Practicable Date, (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) each of Hisense International and Hisense Visual Technology is a subsidiary of Hisense Holdings. As such, Hisense Holdings, Hisense International, Hisense Visual Technology and their respective subsidiaries (the “**Relevant Connected Persons**”) are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Business Co-operation

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Framework Agreement (as amended and supplemented by the Supplemental Agreement) will continue to constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

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

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors (namely Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit), who have no direct or indirect interest in the Business Co-operation Framework Agreement, the Supplemental Agreement and the respective transactions contemplated thereunder, has been established to advise the Independent Shareholders as to (i) whether the entering into the Supplemental Agreement and the revision of the relevant annual caps contemplated thereunder (the “**Revision**”) are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Supplemental Agreement and the Revised Caps are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to be proposed at the EGM. We, Caitong International Capital Co., Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

In the past two years preceding the Latest Practicable Date, we have been engaged as the independent financial adviser to the then independent board committee and the independent Shareholders of the Company regarding the continuing connected transactions contemplated under the Business Co-operation Framework Agreement and the financial services agreement, details of which were set out in the circular of the Company dated 4 January 2022. The professional fees in connection with such engagement have been fully settled. Given our independent role and normal professional fees received from the Company under such engagement, we consider it would not affect our independence to form our opinion in this letter. Save for the above, we have not provided any other services to the Company in the past two years.

As at the Latest Practicable Date, we were not aware of any relationships or interests among us and the Company, Hisense Holdings, Hisense International, Hisense Visual Technology or their respective substantial shareholders or associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Hong Kong Listing Rules to act as the Independent Financial Adviser. Accordingly, we are considered eligible to give independent advice on the Supplemental Agreement, the Revision and the proposed Revised Caps. Apart from the normal professional fees payable to us in connection

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company, Hisense Holdings, Hisense International, Hisense Visual Technology or their respective substantial shareholders or associates.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, (i) the Business Co-operation Framework Agreement; (ii) the Supplemental Agreement; (iii) the announcements of the Company dated 17 November 2021 and 5 September 2022 in relation to, among others, the Business Co-operation Framework Agreement and the Supplemental Agreement; (iv) the announcement of the Company dated 19 April 2022 in relation to the investment to Hisense Kitchen & Bathroom, a subsidiary of the Company, by Hisense Visual Technology; (v) the circular of the Company dated 4 January 2022 (the “**Previous Circular**”); (vi) the annual reports of the Company for the years ended 31 December 2020 and 2021 (the “**2020 Annual Report**” and “**2021 Annual Report**”, respectively); (vii) the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”); and (viii) the Circular.

In addition, we have relied on the information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group (the “**Management**”). We have also relied on the information, facts and representations contained or referred to in the Circular and have assumed that the information, facts and representations provided, and the opinions expressed to us are true, accurate and complete in all material respects at the time they were made and will remain true, accurate and complete in all material respects up to the Latest Practicable Date. Independent Shareholders will be notified of material changes of such information provided and our opinion, if any, as soon as possible after the Latest Practicable Date and up to the date of the EGM. We have also assumed that all statements of beliefs and opinions made by the Directors in the Circular were reasonably made after due enquiry and the expectations and intentions made by the Company and/or the Directors and/or the Management will be met or carried out as the case may be. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group, Hisense Holdings, Hisense International and/or Hisense Visual Technology in their respective existing state, nor have we carried out any independent verification of the information provided by the Company and/or the Directors and/or the Management.

The Directors jointly and severally accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company, Hisense Holdings, Hisense International and/or Hisense Visual Technology. The Directors having made all reasonable enquires, confirm that to the best of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Supplemental Agreement, the Revision and the proposed Revised Caps. Except for its inclusion in the Circular, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Supplemental Agreement, the Revision and the proposed Revised Caps, we have considered the following principal factors and reasons:

#### 1. Background of the Supplemental Agreement

##### *(a) Information on the Group*

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

According to the announcement of the Company dated 19 April 2022, the Company, Hisense Visual Technology and Qingdao Yuanli Information Consulting Co., Ltd. (青島員利信息諮詢股份有限公司) entered into the capital increase agreement in relation to the capital increase of an aggregate of RMB20,170,000 new registered capital in Hisense Kitchen & Bathroom, a non-wholly owned subsidiary of the Company, by way of equipment injection contributed by Hisense Visual Technology. The Company considers that such capital increase by way of equipment injection is beneficial to, among others, the integration of injection molding and sheet metal business within the system and enhance the scale of business of the injection molding and sheet metal supporting business.

##### *(b) Information on the parties to the Supplemental Agreement*

###### *(1) Hisense Holdings*

Hisense Holdings was incorporated in 2001 and has a registered capital of RMB3,860,393,984. Its scope of business includes, among others, import and export of technology; import and export of goods; medical services; 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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network equipment; sale of network equipment; research and development of artificial intelligence industry application systematic integration services; information system integration services; manufacture of internet of things equipment; sales of internet of things equipment; software development; education and consultancy services; property management; non-residential property leasing; residential leasing; machinery and equipment leasing.

(2) *Hisense International*

Hisense International was incorporated in 2008 and is a subsidiary of Hisense Holdings. Its principal businesses includes, among others, import and export of goods and technology; marketing strategies planning; sales of intelligent home consumer equipment.

(3) *Hisense Visual Technology*

Hisense Visual Technology was established in 1997 and it is listed on the Shanghai Stock Exchange with Hisense Holdings as its controlling shareholder. It is mainly engaged in the research and development, production and sales of display products, as well as cloud platform services.

For further details on the parties to the Supplemental Agreement, please refer to the section headed “Information relating to the Group, Hisense Holdings, Hisense International and Hisense Visual Technology” in the Letter from the Board.

(c) *Information on the Business Co-operation Framework Agreement*

On 16 November 2021, the Company entered into, among others, the Business Co-operation Framework Agreement with Hisense Holdings, Hisense International, Hisense Marketing Management, Hisense HK and Hisense Visual Technology. The transactions contemplated under the Business Co-operation Framework Agreement are in connection with (1) purchases of electrical appliances; (2) purchases of raw materials, parts and components; (3) provision of services; (4) supply of electrical appliances; (5) supply of moulds; (6) supply of raw materials, parts and components; and (7) provision of services by the Group.

As stated in the Letter from the Board, pursuant to the terms of the Business Co-operation Framework Agreement, the Group will, among others, (i) purchase from the Relevant Connected Persons on a non-exclusive basis such quantities of raw materials, parts and components as it may require from time to time; (ii) on a non-exclusive basis, engage (a) 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; (b) 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; (c) Hisense Marketing Management and/or its subsidiaries for the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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provision of agency services as the Group may require from time to time; and (d) 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; (iii) 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; and (iv) supply to the Relevant Connected Persons on a non-exclusive basis such quantities of raw materials, parts and components as they may require from time to time.

### *Pricing*

Under the Business Co-operation Framework Agreement, (i) pricing for the purchases of raw materials, parts and components; (ii) the fees payable by the Group for receiving the services from the Relevant Connected Persons; and (iii) pricing for the supply of raw materials, parts and components are determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price 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, services or supply (including pricing and other contractual terms taking into account factors such as the product/service quality and stability in supply of the product/service) to those of the similar transactions with independent third parties or prices offered by/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 prices/fees are not less favourable than the price offered to the Group by independent third parties or 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.

In relation to the supply of moulds, under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement), pricing for the supply of moulds, pricing is determined by the open bidding process. The bidding price is determined on the basis of a reasonable cost plus reasonable profit margin, with the maximum mark-up rate of 150%. According to the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement), pricing for the supply of moulds shall be determined by the open bidding process, which is a transparent pricing mechanism and open for any bidders who are independent third parties, and the bidding price by the Group 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. Given that there has been no supply of moulds

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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from the Group to Hisense Holding and/or its subsidiaries for the eight months ended 31 August 2022, we have obtained and reviewed the sales breakdown and the relevant mark-up rates over the actual costs for the supply of moulds to Hisense International and/or its subsidiaries and it is noted that mark-up rates were all below 150%. Please also refer to the section headed “4. Relevant internal control measures” below.

For the reasonableness and fairness of the pricing of (i) purchase of raw materials, parts and components; (ii) provision of services; and (iii) supply of moulds, it is noted that the pricing shall be consistent with similar transactions under the Business Co-operation Framework Agreement. We have obtained and reviewed the CT Management Policy and have obtained and reviewed, on a random basis, five samples of transaction records for the eight months ended 31 August 2022 involving each of proposed Revised Caps and compared each against the transaction records with or quotations obtained from independent third parties in order to assess the reasonableness and fairness of the transaction pricing terms, save for the supply of moulds to Hisense Holdings and/or its subsidiaries as there has been no such historical transactions for the eight months ended 31 August 2022, in which case samples of transaction records for the supply of moulds to Hisense International and/or its subsidiaries have been obtained and reviewed. Based on our review of the samples, the terms of the definitive contract(s) to be entered into between the relevant contracting parties were consistent with those of the Business Co-operation Framework Agreement, and no less favourable than terms available from/to independent third parties. Please also refer to the section headed “4. Relevant internal control measures” below. Based on the above and having considered that:

- (i) pricing for the purchases of raw materials, parts and components; and the fees payable by the Group for receiving the services from the Relevant Connected Persons shall be determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar transactions from at least three independent third parties; and
- (ii) pricing for the supply of moulds shall be determined by the open bidding process, which is a transparent pricing mechanism, and the bidding price by the Group is determined on the basis of a reasonable cost plus reasonable profit margin;

We are of the view that the pricing of (i) purchase of raw materials, parts and components; (ii) provision of services; and (iii) supply of moulds under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement) shall be fair and reasonable so far as the Independent Shareholders are concerned.

For further details on the Business Co-operation Framework Agreement, please refer to the Previous Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Principal terms of the Supplemental Agreement

Pursuant to the Supplemental Agreement, the Company, Hisense Holdings, Hisense International and Hisense Visual Technology have conditionally agreed to (i) revise the annual caps in relation to (a) the purchases of raw materials, parts and components by the Group from Hisense International, Hisense Visual Technology and/or their respective subsidiaries; (b) the provision of maintenance, agency and technical support services by Hisense International and/or its subsidiaries; (c) the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries, and (d) the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries; and (ii) govern the supply of moulds by the Group to Hisense Holdings and/or its subsidiaries under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement).

Save for the Revision of the Revised Caps, all other terms of the Business Co-operation Framework Agreement shall remain unchanged and continue to be in full force and effect. For further details on the terms of the Supplemental Agreement, please refer to the section headed “Supplemental Agreement to Business Co-operation Framework Agreement” in the Letter from the Board.

### 3. Proposed Revised Caps and reasons for the Revised Caps

#### (a) Purchases of raw materials, parts and components

##### *Proposed Revised Caps*

Set out below (i) the original annual caps as specified in the Business Co-operation Framework Agreement (“**Original Annual Cap(s)**”); and (ii) the proposed Revised Caps in relation to purchases of raw materials, parts and components by the Group for the year ending 31 December 2022.

|   | For the year ending 31 December 2022    |  |                      |
|---|---|--|----------------------|
|   | Original<br>Annual<br>Caps<br>(RMB'000) | Proposed<br>Revised<br>Caps<br>(RMB'000) | Changes<br>(RMB'000) |
| Hisense Holdings and/or its subsidiaries          | 756,530                                 | 756,530                                  | -                    |
| Hisense International and/or its subsidiaries     | 35,350                                  | 200,800                                  | 165,450              |
| Hisense HK  | 1,200,000                               | 1,200,000                                | -                    |
| Hisense Visual Technology and/or its subsidiaries | 89,580                                  | 114,580                                  | 25,000               |
| <b>Total</b>                                      | <b>2,081,460</b>                        | <b>2,271,910</b>                         | <b>190,450</b>       |

As depicted in the table above, the proposed Revised Cap of RMB2,271,910,000 (exclusive of VAT) for the purchases of raw materials, parts and components by the Group represents an increase of RMB190,450,000 as

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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compared to the Original Annual Cap and such increase relates to the increase in annual caps for the purchases of raw materials, parts and components from Hisense International, Hisense Visual Technology and/or their respective subsidiaries.

As stated in the Letter from the Board, the above proposed Revised Cap was determined with reference to (i) the anticipated increase in the demand of raw materials from Hisense International and/or its subsidiaries for the production of household appliances by the Group's Mexico plant in the fourth quarter of 2022; and (ii) the anticipated increase in the demand of raw materials from Hisense Visual Technology and/or its subsidiaries due to the increased injection moulding and sheet metal production capacity of the Group.

### *Reasons for the proposed Revised Caps*

According to the Letter from the Board, the Group's Mexico plant has commenced mass production of household appliances such as refrigerators. The Group's procurement of raw materials for the relevant products from Hisense International and/or its subsidiaries is mainly to leverage on the trade platform of Hisense International and/or its subsidiaries to achieve synergy and optimise the procurement cost. The Group's procurement of raw materials from Hisense Visual Technology and/or its subsidiaries is mainly due to the in-depth cooperation between the Group and Hisense Visual Technology and/or its subsidiaries commenced in the first half of 2022, which has further integrated the injection moulding and sheet metal production capacity within the system, and improved the efficiency and effectiveness of the injection moulding and sheet metal business.

As discussed in the section headed "1. Background of the Supplemental Agreement – (a) Information on the Group" above, it is noted from the announcement of the Company dated 19 April 2022 that Hisense Visual Technology subscribed for an aggregate of RMB20,170,000 new registered capital in Hisense Kitchen & Bathroom by way of equipment injection. The Company considers that such capital increase by way of equipment injection is beneficial to, among others, the integration of injection molding and sheet metal business within the system and enhance the scale of business of the injection molding and sheet metal supporting business. According to the National Enterprise Credit Information Publicity System and as confirmed by the Management, such capital contribution has been completed in April 2022.

### *Historical figures*

Set out below the Original Annual Caps and the proposed Revised Caps for the year ending 31 December 2022 and the historical transaction amounts for the eight months ended 31 August 2022 in relation to purchases of raw materials, parts and components by the Group from Hisense International, Hisense Visual Technology and/or their respective subsidiaries.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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|  | For the<br>eight<br>months<br>ended 31<br>August 2022 |  | For the year ending<br>31 December 2022 | Original<br>Annual<br>Caps<br>(RMB'000) | Proposed<br>Revised Cap<br>(RMB'000) | Historical<br>transaction<br>amount<br>(RMB'000)<br>(unaudited) |
|--|---|--|---|---|--------------------------------------|---|
| Hisense International and/or<br>its subsidiaries     |   |  | 35,350                                  | 200,800                                 | 12,526                               |   |
| Hisense Visual Technology<br>and/or its subsidiaries |   |  | 89,580                                  | 114,580                                 | 48,017                               |   |

It is noted that the utilisation of the Original Annual Caps for the purchases of raw materials, parts and components by the Group from Hisense International and/or its subsidiaries and Hisense Visual Technology and/or its subsidiaries for the eight months ended 31 August 2022 represented approximately 35% and 54% of the Original Annual Caps for the year ending 31 December 2022 respectively.

As stated in the Previous Circular, the Original Annual Cap for the purchases of raw materials, parts and components by the Group from Hisense International and/or its subsidiaries is mainly for the Group's overseas plant. As advised by the Management, such purchases relate to the Group's manufacturing plant in Mexico (the "Mexico Plant") and the Mexico Plant commenced mass production of household appliances such as kitchen appliances in June 2022 and refrigerators in August 2022. It is noted that as at 31 August 2022, the mass production of household appliances and refrigerators in the Mexico Plant has commenced for less than three months and one month respectively, but the utilisation rate of the Original Annual Cap for the purchases of raw materials, parts and components by the Group from Hisense International and/or its subsidiaries as at 31 August 2022 was approximately 35% and therefore it is expected that the relevant transaction amount would exceed the Original Annual Cap in the second half of 2022. We have obtained and reviewed the production plan and the procurement plan of the Mexico Plant for the year ending 31 December 2022 and the estimated purchase amount from Hisense International and/or its subsidiaries. It is noted that the expected purchases of raw materials, parts and components from Hisense International and/or its subsidiaries would exceed the Original Annual Cap for the year ending 31 December 2022 according to the production plan and the procurement plan.

In assessing the fairness and reasonableness of the proposed Revised Caps for the purchases of raw materials, parts and components by the Group from Hisense International, Hisense Visual Technology and/or their respective subsidiaries, we have considered, among others, the following factors and reasons:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (1) Hisense International and/or its subsidiaries

We have obtained and reviewed the production and procurement plan of the Mexico Plant and the estimated purchase amount of raw materials, parts and components by the Group from Hisense International and/or its subsidiaries for the year ending 31 December 2022. We understood that the procurement plan was based on the production plan and the desired inventory level in view of the uncertainties on potential disruption on the logistics services under COVID-19 pandemic. We have also obtained and reviewed the production breakdown of the Mexico Plant and the actual usage of raw materials, parts and components purchased from Hisense International and/or its subsidiaries for the eight months ended 31 August 2022. The procurement plan was determined with reference to the actual usage rate of raw materials, parts and components for the eight months ended 31 August 2022 and the maximum production volume of the Mexico Plant. We have obtained and reviewed the calculation of the maximum production volume for the four months ending 31 December 2022 which has taken into account factors including but not limited to the production lines, the expected number of working days and working hours and the expected types of household appliances under the production plan. Based on the above, the expected purchases of raw materials, parts and components by the Group from Hisense International and/or its subsidiaries would be approximately RMB200,800,000 for the year ending 31 December 2022.

### (2) Hisense Visual Technology and/or its subsidiaries

As advised by the Management, the Group and Hisense Visual Technology and/or its subsidiaries have commenced in-depth cooperation following to its capital contribution to Hisense Kitchen & Bathroom in April 2022 and it is therefore expected the purchases of raw materials, parts and components by the Group from Hisense Visual Technology would increase and exceed the Original Annual Cap for the year ending 31 December 2022 and the proposed increase to the relevant Original Annual Cap, amounting to RMB25,000,000, represent the expected purchases of raw materials, parts and components by Hisense Kitchen & Bathroom from Hisense Visual Technology for the year ending 31 December 2022 following such capital contribution.

To ascertain the expected purchases of raw materials, parts and components by Hisense Kitchen & Bathroom from Hisense Visual Technology for the year ending 31 December 2022 following such capital contribution, we have obtained and reviewed the actual usage as recognised in the cost of sales by Hisense Kitchen & Bathroom from 1 May 2022 to 31 August 2022, amounting to approximately RMB11,000,000, and the procurement plan of Hisense Kitchen & Bathroom from 1 September 2022 to 31 December 2022, amounting to RMB14,000,000. To ascertain the expected purchases from 1 September 2022 to 31 December 2022, it is noted that the actual monthly usage as recognised in the cost of sales increased from approximately RMB2,800,000 in May 2022 to approximately RMB3,500,000 in August 2022 and the expected purchases of raw materials, parts and components by Hisense Kitchen & Bathroom from Hisense

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Visual Technology and/or its subsidiaries from 1 September 2022 to 31 December 2022 are based on RMB3,500,000 per month which is similar to the actual monthly usage in August 2022. Therefore, the expected purchases of raw materials, parts and components by Hisense Kitchen & Bathroom from Hisense Visual Technology for the year ending 31 December 2022, which shall be the aggregate of the actual usage as recognised in the cost of sales for the four months ended August 2022 of approximately RMB11,000,000, and the expected procurement for the four months ending 31 December 2022 of RMB14,000,000, would be approximately RMB25,000,000, representing the proposed increase of the Revised Cap against the Original Annual Cap in relation to the purchases of raw materials, parts and components by the Group from Hisense Visual Technology and/or its subsidiaries.

Having considered the aforementioned, we concur with the Directors and are of the view that the Revision in relation to the purchases of raw materials, parts and components by the Group are in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole and the proposed Revised Cap in relation to the purchases of raw materials, parts and components by the Group are fair and reasonable.

**(b) Provision of services**

*Proposed Revised Caps*

Set out below are (i) the Original Annual Caps; and (ii) the proposed Revised Caps in relation to the provision of maintenance, agency and technical support services to the Group for the year ending 31 December 2022.

|  | <b>For the year ending 31 December 2022</b>       |  |                              |
|--|---|--|------------------------------|
|  | <b>Original<br/>Annual<br/>Caps<br/>(RMB'000)</b> | <b>Proposed<br/>Revised<br/>Caps<br/>(RMB'000)</b> | <b>Changes<br/>(RMB'000)</b> |
| Hisense Holdings and/or its subsidiaries             | 1,134,260   | 1,134,260  | -                            |
| Hisense International and/or its subsidiaries        | 22,230  | 118,520  | 96,290                       |
| Hisense Marketing Management and/or its subsidiaries | 282,880   | 282,880  | -                            |
| Hisense Visual Technology and/or its subsidiaries    | 54,830  | 54,830   | -                            |
| <b>Total</b>   | <b>1,494,200</b>                                  | <b>1,590,490</b>                                   | <b>96,290</b>                |

As depicted in the table above, the proposed Revised Cap of RMB1,590,490,000 (exclusive of VAT) for the provision of services to the Group represents an increase of RMB96,290,000 as compared to the Original Annual Cap and such increase relates to the increase in annual cap for the provision of services by Hisense International and/or its subsidiaries.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, the above proposed Revised Cap is determined with reference to (i) the expected increase in the demand of the provision of services by Hisense International and/or its subsidiaries because of the increasing emphasis on the quality of the Group's overseas products under the Group's work priorities in 2022; and (ii) based on the sales of the Group's overseas products in different regions of the world, the corresponding increasing demand for the agency, technical support and maintenance services for the Group's products in the relevant regions.

### *Reasons for the proposed Revised Caps*

As stated in the Letter from the Board, one of the Group's work priorities in 2022 is to actively promote the smart new life strategy and continue to upgrade the home appliance smart terminal. The Group needs Hisense International and/or its subsidiaries to provide more quality services such as agency, technical support and maintenance services to further refine the quality of the Group's overseas products, promote new breakthroughs in the Group's overseas business development and enhance competitiveness in overseas markets.

As stated in the 2021 Annual Report, the Company will actively promote the strategy of smart new life, give full play to the home appliance category and Hisense Group's leading edge of intelligent technology, continue to upgrade the home appliance smart terminal, improve the intelligent scene and ecological construction, realize the seamless connection from smart home to smart community and smart city, create a simple and loving quality of life, and build a perfect picture of smart new life. Also, in 2022, the Company will continuously adhere to the strategic thought of "doing longer and better" and focus on key tasks, including but not limited to improving the quality management standards of the whole process and reducing quality loss and strengthening independent brand strategy, continuing to focus on sports marketing, and promoting healthy growth in overseas market.

Furthermore, as disclosed in the 2022 Interim Report, during the six months ended 30 June 2022, the Company carried forward its synchronised efforts in achieving a unified global platform, unified research and development, unified standards and unified market launch, and has established research and development centres in the United States, Japan and Europe to gather global wisdom and provide high-quality products to consumers worldwide with the most stringent product standards. In addition, by focusing on the source of product quality, the Group has strengthened the supervision and management of product development and quality, systematically improved the quality of products and continuously offered high quality products and services.

According to the 2022 Interim Report, the operating revenue from overseas market of the Group has increased from approximately RMB10.6 billion for the six months ended 30 June 2021 to RMB14.3 billion for the six months ended 30 June 2022, representing an increase of approximately 34.6%. Besides, according to the 2021 Annual Report and the 2022 Interim Report, the operating revenue

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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from overseas market of the Group has been growing in terms of its weighting to the total operating revenue, increased from approximately 30.3% for the year ended 31 December 2020 to approximately 34.3% for the year ended 31 December 2021, and further increased to approximately 37.4% for the six months ended 30 June 2022. Therefore, we concur with the Directors that it is fair and reasonable for the Group to further promote its overseas business and the Group requiring more quality services such as agency, technical support and maintenance services to further refine the quality of the Group's overseas products, promote new breakthroughs in the Group's overseas business development and enhance competitiveness in overseas markets is in line with the business strategies of the Group.

### *Historical figures*

Set out below the Original Annual Cap and the proposed Revised Cap for the year ending 31 December 2022 and the historical transaction amount for the eight months ended 31 August 2022 in relation to the provision of services by Hisense International and/or its subsidiaries to the Group.

|  | <b>For the<br/>eight<br/>months<br/>ended 31<br/>December 2022</b> | <b>For the year ending<br/>31 December 2022</b> | <b>August 2022<br/>Historical<br/>transaction<br/>amount<br/>(RMB'000)</b> | <b>For the<br/>eight<br/>months<br/>ended 31<br/>August 2022<br/>Historical<br/>transaction<br/>amount<br/>(RMB'000)<br/>(unaudited)</b> |
|--|--|---|--|--|
| Hisense International and/or<br>its subsidiaries |  | 22,230  | 118,520  | 15,371   |

It is noted that the utilisation of the Original Annual Cap for the provision of services by Hisense International and/or its subsidiaries to the Group for the eight months ended 31 August 2022 represented approximately 69% of the Original Annual Cap for the year ending 31 December 2022.

As discussed with the Management, the Group actively promotes the smart new life strategy and enhance competitiveness in overseas market by means of providing more quality services such as agency, technical support and maintenance services to further refine the quality of the overseas products of the Group. Hence, the Group needs Hisense International and/or its subsidiaries to provide more quality services such as agency, technical support and maintenance services to further refine the quality of the Group's overseas products, promote new breakthroughs in the Group's overseas business development and enhance competitiveness in overseas markets.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the 2022 Interim Report, the operating revenue from overseas market of the Group has increased from approximately RMB10.6 billion for the six months ended 30 June 2021 to RMB14.3 billion for the six months ended 30 June 2022, representing an increase of approximately 34.6%. Besides, according to the 2021 Annual Report and 2022 Interim Report, the operating revenue from overseas market of the Group has been growing in terms of its weighting to the total operating revenue, increased from approximately 30.3% for the year ended 31 December 2020 to approximately 34.3% for the year ended 31 December 2021, and further increased to approximately 37.4% for the six months ended 30 June 2022. Besides, as stated in the 2021 Annual Report, the Company will continuously adhere to the strategic thought of “doing longer and better” and focus on key tasks, including but not limited to improving the quality management standards of the whole process and reducing quality loss and strengthening independent brand strategy, continuing to focus on sports marketing, and promoting healthy growth in overseas market.

Therefore, we concur with the Directors that enhancing agency, technical support and maintenance services to further refine the quality of the overseas products of the Group is in line with the ongoing international expansion strategy of the Group.

In assessing the fairness and reasonableness of the proposed Revised Cap in relation to the provision of services by Hisense International and/or its subsidiaries to the Group, we have obtained and reviewed the actual sales of overseas products of the Group for the six months ended 30 June 2022, the actual sales volume of the overseas products of the Group for the two years ended 31 December 2021 under the refinement plan, the anticipated participation rate and the estimated demand of the provision of services by Hisense International and/or its subsidiaries for the year ending 31 December 2022, and noted that the expected service fee required for such services would be approximately RMB118,520,000 for the year ending 31 December 2022.

We have obtained and reviewed the services refinement plan of overseas products for the year ending 31 December 2022 and samples of historical transaction records of similar services for the eight months ended 31 August 2022. We noted the historical service fees per unit of products are in line with the estimated service fees per unit of products as in the refinement plan and the proposed increase in the relevant Original Annual Cap represents the estimated amount of provision of services of RMB96,290,000 under the refinement plan.

Having considered the aforementioned, we concur with the Directors and are of the view that the Revision in relation to the provision of services to the Group are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the proposed Revised Cap in relation to the provision of services to the Group are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (c) Supply of moulds

#### *Proposed Revised Caps*

Set out below are (i) the Original Annual Caps; and (ii) the proposed Revised Caps the supply of moulds by the Group for the year ending 31 December 2022.

|  | For the year ending 31 December 2022 |                  |                      |
|--|--------------------------------------|------------------|----------------------|
|  | Original                             | Proposed         |                      |
|  | Annual                               | Revised          |                      |
|  | Cap before<br>revision<br>(RMB'000)  | Cap<br>(RMB'000) | Changes<br>(RMB'000) |
| Hisense Holdings and/or its subsidiaries             | –                                    | 3,500            | 3,500                |
| Hisense International and/or its subsidiaries        | 52,000                               | 52,000           | –                    |
| Hisense Visual Technology and/or its<br>Subsidiaries | 77,190                               | 77,190           | –                    |
| <b>Total</b>   | <b>129,190</b>                       | <b>132,690</b>   | <b>3,500</b>         |

As depicted in the table above, the proposed Revised Cap of RMB132,690,000 (exclusive of VAT) for the supply of moulds by the Group represents an increase of RMB3,500,000 as compared to the Original Annual Cap and such increase relates to the increase in annual cap for the supply of moulds by the Group to Hisense International and/or its subsidiaries.

As stated in the Letter from the Board, the proposed Revised Cap is determined with reference to the expected amount of purchases by Hisense Holdings and/or its subsidiaries, being approximately RMB3,500,000, after the consultation and negotiation between the Group and Hisense Holdings and/or its subsidiaries.

#### *Reasons for the proposed Revised Caps*

As stated in the Letter from the Board, the manufacture and sale of moulds have become important parts of the business of the Group, and the sale of moulds by the Group to Hisense Holdings and/or its subsidiaries can facilitate the expansion of the sales scale of the Group and increase the sales revenue of the Group. After the consultation and negotiation between the Group and Hisense Holdings and/or its subsidiaries, the Group will supply moulds to Hisense Holdings and/or its subsidiaries in the second half of 2022.

As discussed with the Management, the Company has been notified by Hisense Holdings that Hisense Holdings and/or its subsidiaries shall require procurement of moulds for its operation for the second half of 2022. In assessing the fairness and reasonableness of the proposed Revised Cap in relation to the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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supply of moulds by the Group to Hisense Holdings and/or its subsidiaries, we have obtained and reviewed the procurement plan of moulds by Hisense Holdings and noted that the estimated transaction amount would be approximately RMB3,500,000 for the year ending 31 December 2022. We have also obtained and reviewed the letter of intent from a subsidiary of Hisense Holdings pursuant to which its expected purchase amount of moulds from the Group for the fourth quarter in 2022 amounted to approximately RMB3,500,000. Furthermore, according to the 2020 Annual Report and 2021 Annual Report, we noted that the Group has supplied moulds to Hisense Holdings and/or its subsidiaries in 2020 and the historical transaction amount for the years ended 31 December 2020 and 2021 in relation to supply of moulds by the Group to Hisense Holdings and/or its subsidiaries were approximately RMB39.3 million and nil, respectively.

Having considered the aforementioned, we concur with the Directors and are of the view that the Revision in relation to the supply of moulds by the Group are in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole and the proposed Revised Cap in relation to the supply of moulds by the Group are fair and reasonable.

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

*Proposed Revised Caps*

Set out below are (i) the Original Annual Caps; and (ii) the proposed Revised Caps in relation to the supply of raw materials, parts and components by the Group for the year ending 31 December 2022.

|  | For the year ending 31 December 2022    |  |                      |
|--|---|--|----------------------|
|  | Original<br>Annual<br>Caps<br>(RMB'000) | Proposed<br>Revised<br>Caps<br>(RMB'000) | Changes<br>(RMB'000) |
| Hisense Holdings and/or its subsidiaries             | 706,650                                 | 706,650                                  | -                    |
| Hisense International and/or its subsidiaries        | 220,000                                 | 293,630                                  | 73,630               |
| Hisense Visual Technology and/or its<br>Subsidiaries | 4,100                                   | 4,100                                    | -                    |
| <b>Total</b>   | <b>930,750</b>                          | <b>1,004,380</b>                         | <b>73,630</b>        |

As depicted in the table above, the proposed Revised Cap of RMB1,004,380,000 (exclusive of VAT) for the supply of raw materials, parts and components by the Group represents an increase of RMB73,630,000 as compared to the Original Annual Cap and such increase relates to the increase in annual cap for the supply to Hisense International and/or its subsidiaries.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, the proposed Revised Cap is determined with reference to (i) the expected increase in the demand of raw materials, parts and components by Hisense International and/or its subsidiaries because of the expected increase in the demand of the provision of services by Hisense International and/or its subsidiaries; (ii) based on the demand for the agency, technical support and maintenance services for the Group's products in different regions of the world, the corresponding increasing demand of raw materials, parts and components by Hisense International and/or its subsidiaries for the Group's products in the relevant regions.

### *Reasons for the proposed Revised Caps*

As stated in the Letter from the Board, 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. As a result of the Group's smart new life strategy, the transaction amounts of the provision of technical support, maintenance and agency services by Hisense International and/or its subsidiaries will increase, and the demand of raw materials, parts and components by Hisense International and/or its subsidiaries is expected to increase accordingly.

For further details on the proposed Revised Cap for the provision of service by Hisense International and/or its subsidiaries to the Group for the year ending 31 December 2022, please refer to the paragraph headed "(b) Provision of services" in this section above. As advised by the Management, the provision of technical support, maintenance and agency services by Hisense International and/or its subsidiaries would require certain raw materials, parts and components by the Group. Therefore, in view of the expected increase in demands for the technical support, maintenance and agency services from Hisense International and/or its subsidiaries by the Group, it is expected that the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries shall increase as well. Therefore, we are of the view that increasing the annual cap for such supply would be fair and reasonable.

### *Historical figures*

Set out below the Original Annual Cap and the proposed Revised Cap for the year ending 31 December 2022 and the historical transaction amount for the eight months ended 31 August 2022 in relation to the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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|  | For the<br>eight<br>months<br>ended 31<br>December 2022 | For the year ending<br>31 December 2022 | August 2022   | For the<br>eight<br>months<br>ended 31<br>August 2022 |
|--|---|---|---|---|
|  | Original<br>Annual Cap<br>(RMB'000)                     | Proposed<br>Revised Cap<br>(RMB'000)    | Historical<br>transaction<br>amount<br>(RMB'000)<br>(unaudited) |   |
| Hisense International and/or<br>its subsidiaries | 220,000   | 293,630                                 | 92,252  |   |

It is noted that the utilisation of the Original Annual Cap for the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries for the eight months ended 31 August 2022 represented approximately 42% of the Original Annual Cap for the year ending 31 December 2022.

In assessing the fairness and reasonableness of the proposed Revised Cap in relation to the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries, we have obtained and reviewed the estimated demand of the provision of services by Hisense International and/or its subsidiaries for the year ending 31 December 2022 and the estimated procurement plan of raw materials, parts and components by Hisense International and/or its subsidiaries for the year ending 31 December 2022. We have also obtained and reviewed the list of raw materials, parts and components involved in the services refinement plan and samples of historical transaction records involving such raw materials, parts and components for the eight months ended 31 August 2022, and noted that the expected transaction amount would be approximately RMB293,630,000 for the year ending 31 December 2022. Please also refer to the paragraph headed “3. Proposed Revised Caps and reasons for the Revised Caps – (b) Provision of services” above.

Having considered the aforementioned, we concur with the Directors and are of the view that the Revision in relation to the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the proposed Revised Cap in relation to the supply of raw materials, parts and components by the Group to Hisense International and/or its subsidiaries are fair and reasonable.

#### 4. Relevant internal control measures

As stated above, save for the Revision of the Revised Caps, all other terms of the Business Co-operation Framework Agreement shall remain unchanged and continue to be in full force and effect. For the pricing of the relevant transactions under the Business

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement), please refer to the paragraph headed “1. Background of the Supplemental Agreement – (c) Information on the Business Co-operation Framework Agreement – Pricing” above.

Besides, as stated in the Circular, the Company has established 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 the Independent Shareholders. For details of the CT Management Policy, please refer to the paragraph headed “The Company’s internal policy regarding continuing connected transactions” in the Letter from the Board.

We have obtained and reviewed the CT Management Policy and have obtained and reviewed, on a random basis, five samples of transaction records for the eight months ended 31 August 2022 involving each of proposed Revised Caps and compared each against the transaction records with or quotations obtained from independent third parties in order to assess the reasonableness and fairness of the transaction pricing terms, save for the supply of moulds to Hisense Holdings and/or its subsidiaries as there has been no such historical transactions for the eight months ended 31 August 2022, in which case samples of transaction records for the supply of moulds to Hisense International and/or its subsidiaries have been obtained and reviewed. Based on our review of the samples, the terms of the definitive contract(s) to be entered into between the relevant contracting parties were consistent with those of the Business Co-operation Framework Agreement, and no less favourable than terms available from/to independent third parties. In view of (i) the aforementioned sampling covers all transaction categories and contracting parties for the eight months ended 31 August 2022 (save for the supply of moulds to Hisense Holdings and/or its subsidiaries as there has been no such historical transactions, in which case samples of transaction records for the supply of moulds to Hisense International and/or its subsidiaries have been obtained and reviewed); (ii) the adoption of the CT Management Policy by the Company; and (iii) the annual review requirements for continuing connected transactions by the independent non-executive Directors and auditors pursuant to the Hong Kong Listing Rules and such confirmation given in the 2020 Annual Report and the 2021 Annual Report (as further discussed in the paragraph headed “5. Hong Kong Listing Rules requirements” below), we consider the samples are sufficient and representative for the basis of our opinion.

As stated in the Previous Circular, there were similar transactions contemplated under the then effective business co-operation framework agreement. We also note from the 2021 Annual Report that the independent non-executive Directors of the eleventh session of the Board have reviewed the continuing connected transactions of the Group for the year ended 31 December 2021, and confirmed that these transactions were conducted in the ordinary and usual course of business of the Company in accordance with the relevant agreements governing them and on normal commercial terms or better which were fair and reasonable and in the interests of the Shareholders as a whole. The auditor of the Company has also confirmed that nothing has come to its attention that causes it to believe that (i) the relevant continuing connected transactions of the Group have not been approved by the Board; (ii) the transactions involving the provision of goods or services by the Group were not, in all material respects, carried out in accordance with the pricing policies of the Company; (iii)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) the aggregate amount of each of the disclosed continuing connected transactions has exceeded the maximum aggregate annual caps disclosed in the previous announcements made by the Company in respect of each of the disclosed continuing connected transactions.

Based on the above review and on the basis that:

- (i) pricing for the purchases of raw materials, parts and components; (ii) the fees payable by the Group for receiving the services from the Relevant Connected Persons; and (iii) the pricing for the supply of raw materials, parts and components shall be determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar transactions from at least three independent third parties;
- (ii) pricing for the supply of moulds shall be determined by the open bidding process, which is a transparent pricing mechanism, and the bidding price by the Group is determined on the basis of a reasonable cost plus reasonable profit margin;
- (iii) the non-exclusive nature of the Business Co-operation Framework Agreement provides the Group with the flexibility but not commitment or obligation on the purchases/ supplies of products/services from/to the contracting parties and/or their respective subsidiaries; and
- (iv) the CT Management Policy shall continue to govern the transactions under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement),

we concur with the view of the Directors that the entering into the Supplemental Agreement and the Revision are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### 5. Hong Kong Listing Rules requirements

Having reviewed the 2020 Annual Report and 2021 Annual Report regarding the confirmations by the independent non-executive Directors and the auditor of the Company in relation to the continuing connected transactions of the Group during the two years ended 31 December 2021, we noted that the independent non-executive Directors were of the view that such continuing connected transactions were conducted in the ordinary and usual course of business of the Group and were conducted on normal commercial terms or better which were fair and reasonable and in the interests of the Shareholders as a whole. We also noted that the auditor of the Company further confirmed that, among others, nothing has come to its attention that causes it to believe that (a) such continuing connected transactions have not been approved by the Board; (b) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (c) the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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disclosed continuing connected transactions have exceeded the annual caps as set by the Company with respect to the aggregate amount of each of the continuing connected transactions.

In light of the annual review requirements for the continuing connected transactions pursuant to Rules 14A.55 and 14A.56 of the Hong Kong Listing Rules, in particular, (i) the restriction of the value of the continuing connected transactions by way of the annual caps; and (ii) the ongoing review by the independent non-executive Directors and auditor of the Company on the terms of the continuing connected transactions and the annual caps not being exceeded, coupled with the CT Management Policy, we are of the view that appropriate internal control measures have been put in place to govern the conduct of the continuing connected transactions (including Revised Caps and the transactions contemplated under the Business Co-operation Framework Agreement (as amended and supplemented by the Supplemental Agreement)) and to safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons above, we are of the opinion that (i) the entering into the Supplemental Agreement and the Revision are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Supplemental Agreement and the proposed Revised Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Supplemental Agreement, the Revision and the proposed Revised Caps.

Yours faithfully,  
For and on behalf of  
**Caitong International Capital Co., Limited**  
**Wilson Lo**  
*Managing Director*

*Mr. Wilson Lo has been a responsible officer registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in the provision of independent financial advisory services for various transactions across different categories involving companies listed in Hong Kong.*

\* For identification purposes only

# In case of any discrepancies between the Chinese translation and English text of this letter, the English text shall prevail.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

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

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

#### *Long position in the Shares*

| Name of Director/<br>Supervisor | Nature of<br>interest | Number of<br>A Shares | Number of<br>of issued A<br>Shares | Approximate<br>percentage<br>of total<br>issued<br>(%) | Approximate<br>percentage<br>of<br>share<br>capital of<br>the<br>Company<br>(%) |
|---------------------------------|-----------------------|-----------------------|------------------------------------|--|---|
| Mr. Jia Shao Qian               | Beneficial owner      | 404,360               | 404,360                            | 0.045  | 0.030   |

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

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

#### **Other interests**

As at the Latest Practicable Date:

- (a) none of the Directors or supervisors of the Company had any interest, direct or indirect, in any asset which have been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (c) Mr. Dai Hui Zhong, Mr. Lin Lan, Mr. Jia Shao Qian, Mr. Fei Li Cheng and Ms. Gao Yu Ling are Directors and directors of Hisense Holdings and/or its subsidiaries. Hisense Holdings was deemed to have an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. SERVICE AGREEMENTS**

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

### **4. COMPETING BUSINESS**

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

### **5. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up).

**6. EXPERT**

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

| <b>Name</b>                                | <b>Qualifications</b>  |
|--|--|
| Caitong International Capital Co., Limited | a corporation licensed to carry Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement, the continuing connected transactions contemplated under it and the Revised Caps |

As at the Latest Practicable Date, Caitong International Capital Co., Limited:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any interest, direct or indirect, in any assets which have been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they are included.

**7. GENERAL**

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

**8. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hxjd.hisense.cn>) from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Independent Board Committee dated 12 October 2022;
- (b) the letter from the Independent Financial Adviser dated 12 October 2022;

- (c) the resolutions passed by the eleventh session of the Board on 5 September 2022;
- (d) the Business Co-operation Framework Agreement;
- (e) the Supplemental Agreement;
- (f) the consent letter issued by Caitong International Capital Co., Limited referred to in the paragraph headed “6. Expert” in this appendix; and
- (g) this circular.