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HISENSE HOME APPLIANCES GROUP CO., LTD.

海信家電集團股份有限公司

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

ANNOUNCEMENT

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

The Company wishes to inform the Shareholders and investors that each of the Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2022 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under each of the agreements from time to time after their expiration. In view of the above, on 7 November 2022, the Company entered into the Business Co-operation Framework Agreement and the Financial Services Agreement.

BUSINESS CO-OPERATION FRAMEWORK AGREEMENT

As at the date of this announcement, as Hisense Holdings (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company, Hisense Holdings and its subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Business Co-operation Framework Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

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

FINANCIAL SERVICES AGREEMENT

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

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

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

GENERAL

A circular containing, among other things, (i) further information on the Business Co-operation Framework Agreement and the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements; (ii) the letter of advice from the independent financial adviser to the independent board committee and the Shareholders; and (iii) the recommendation from the independent board committee will be despatched to the Shareholders on or before 21 December 2022 in accordance with the Hong Kong Listing Rules. In view of the transactions contemplated under the Business Co-operation Framework Agreement and the Financial Services Agreement which are to be covered in the circular, it is expected that more time may be required by the Company to prepare the circular and for the independent financial adviser to review and advise on such transactions. Therefore, it is expected that the circular will be despatched beyond 15 business days after the publication of this announcement.

BACKGROUND

References are made to:

- (i) the announcements of the Company dated 17 November 2021 and 5 September 2022 in relation to, among other things, the Existing Business Co-operation Framework Agreement and/or the Existing Financial Services Agreement; and
- (ii) the circulars of the Company dated 4 January 2022 and 12 October 2022 in relation to, among other things, the Existing Business Co-operation Framework Agreement and/or the Existing Financial Services Agreement.

The Company wishes to inform the Shareholders and investors that each of the Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2022 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under each of the agreements from time to time after their expiration. In view of the above, on 7 November 2022, the Company entered into the Business Co-operation Framework Agreement and the Financial Services Agreement.

(A) CONTINUING CONNECTED TRANSACTIONS

BUSINESS CO-OPERATION FRAMEWORK AGREEMENT

Date: 7 November 2022

Parties: The Company; and
Hisense Holdings

Term:

The Business Co-operation Framework Agreement shall commence from 1 January 2023 or the date of approval of the Business Co-operation Framework Agreement by the Independent Shareholders at the EGM (whichever is

the later) until 31 December 2023, which can be terminated before its expiration by mutual agreement of the parties.

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

Condition:

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

Subject matters:

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

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

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

The Company's internal policy regarding continuing connected transactions:

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

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

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

contracts are less favourable to the Group than those with or offered by independent third parties, it will report to the senior management who will negotiate with the connected party on the terms of the relevant orders or contracts. If, after negotiation, the connected party cannot offer terms which are no less favourable to the Group than those with or offered by independent third parties, the Group will not execute the relevant orders or contracts.

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

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

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

(1) Purchases of electrical appliances

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will purchase from Hisense Group on a non-exclusive basis electrical appliances as it may require from time to time.

Pricing:

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

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

Historical figures:

The annual cap allocated to the purchases of electrical appliances by the Group from Hisense Group for the financial year ending 31 December 2022 as specified in the Existing Business Co-operation Framework Agreement is RMB310,500,000 (exclusive of VAT). For the nine months ended 30 September 2022, the aggregate transaction amount for the purchases of electrical appliances by the Group from Hisense Group under the Existing Business Co-operation Framework Agreement amounted to approximately RMB180,820,000 (exclusive of VAT and unaudited).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the purchases of electrical appliances by the Group from Hisense Group for the financial year ending 31 December 2023 are subject to the Cap of RMB604,960,000 (exclusive of VAT).

The above Cap was determined with reference to:

(i) Similar transactions between the Group and Hisense Group in the past, that is, the estimated annualised unaudited amount of the similar transactions for the year 2022 in the amount of approximately RMB251,190,000.

The estimated annualised unaudited transaction amount for the year 2022 comprises: (a) the historical transaction amount for the nine months ended 30 September 2022 as mentioned above; and (b) the projected transaction amount from October 2022 to December 2022, having taken into account the current progress of the Group's projects, the contemplated transactions under the contracts already entered into by the Group and the development of the Group's business operations in the first three quarters of 2022 (the composition of the estimated annualised unaudited transaction amount for the year 2022, together with the above projection basis of the transaction amount for the final quarter of 2022, in relation to each type of transactions under the Business Co-operation Framework Agreement as presented in this announcement shall hereinafter be referred to as the "**Estimated Annualised Transaction Amount in 2022**").

(ii) The projected increase in the level of sales scale of the Group for the financial year ending 31 December 2023 (the "**2023 Projected Sales Increment**"):

Such increase was projected based on: (a) the Group's continual robust and vigorous marketing activities in developing key markets and focusing on emerging channels; (b) the Group's perseverance to its high-end strategy and continual optimisation of its product structure and it is expected that the sales scale of mid-to-high-end products will be further expanded; and (c) the Group's plan to further enhance the competitiveness of its sales channel and the effectiveness of its sales point and sales network, thereby bringing sales increment.

(iii) The anticipated increase in the relevant purchases of the Group in 2023:

Such anticipated increase includes: (a) the projected purchases of special air-conditioners from Hisense Group in the amount of RMB100,000,000 in 2023, based on the purchase schedule of the special air-conditioners between the Group and Hisense Group; and (b) the projected purchases of "ASKO" and "Gorenje" high-end electrical appliances from Hisense Group in the amount of RMB475,000,000 for the year 2023.

The expected purchases of "ASKO" and "Gorenje" high-end electrical appliances from Hisense Group by the Group in the amount of RMB475,000,000 for the year 2023 is based on the following: (1) the estimated annualised transaction amount of the business for 2022 of approximately RMB239,920,000: (a) the revenue of the business amounted to approximately RMB177,380,000 for the nine months ended 30 September 2022; and (b) the revenue of the business is expected to reach approximately RMB62,540,000 for the period from 1 October 2022 to 31 December 2022; and (2) the projected sales increment for the business is expected to reach 98% in 2023, which is based on the following: (a) the projected sales increment of the business in 2022 compared to 2021 is expected to reach 76%; and (b) the Group will continue to focus on expanding the scale of its mid-to-high-end product in the PRC through increased market investment, active channel development and other methods. With the Group's continued efforts to expand the scale of the business and actively develop its channel networks, the Group is confident that it will further expand the sales of these electrical appliances in the PRC market.

Reasons and benefits:

The Group forecasts, based on the orders for projects in hand, that it will need to purchase special air-conditioners from Hisense Group for the ancillary needs of the projects. The Group's purchase of special air-conditioners from Hisense Group is beneficial to the Group's business development. The Group's purchase of "ASKO" and "Gorenje" high-end electrical appliances from Hisense Group is conducive to expanding the domestic sales scale of the Company's high-end products and optimising the product structure, thereby driving the overall high-end product scale of the Company.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the

purchases of electrical appliances from Hisense Group under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will purchase from Hisense Group on a non-exclusive basis such quantities of raw materials, parts and components as it may require from time to time.

Pricing:

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

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

Historical figures:

The annual cap allocated to the purchases of raw materials, parts and components by the Group from Hisense Group for the financial year ending 31 December 2022 as specified in the Existing Business Co-operation Framework Agreement is RMB2,271,910,000 (exclusive of VAT). For the nine months ended 30 September 2022, the aggregate transaction amount for the purchases of raw materials, parts and components by the Group from Hisense Group under the Existing Business Co-operation Framework Agreement amounted to approximately RMB723,960,000 (exclusive of VAT and unaudited).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the purchases of raw materials, parts and components by the Group from Hisense Group for the financial year ending 31 December 2023 are subject to the Cap of RMB3,109,350,000 (exclusive of VAT).

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Group in the past, that is, the Estimated Annualised Transaction Amount in 2022 in the amount of approximately RMB1,353,010,000;
- (ii) the 2023 Projected Sales Increment; and
- (iii) the anticipated increase in the relevant purchases of the Group in 2023, including but not limited to:
 - (a) in view of the high ability and standard of a subsidiary of Hisense Holdings in manufacturing raw materials such as electric control boards and Wi-Fi templates, it is conducive to ensure the quality of the Group's products. The scale of purchases of raw materials, parts and components from Hisense Group in 2023 is expected to increase to the amount of approximately RMB480,780,000, having taken into account the Estimated Annualised Transaction Amount in 2022 of approximately RMB322,920,000 between the Group and Hisense Group;
 - (b) the projected purchases of certain materials by the Group from a subsidiary of Hisense Holdings,

which principally engages in domestic and import and export business in the PRC and has the purchase advantage in obtaining such materials at a lower cost, in the aggregate amount of approximately RMB783,380,000;

- (c) the Group's procurement of raw materials from Hisense Group is mainly for the Group's overseas plant to leverage on the overseas supply chain resources of Hisense Group to achieve synergy and optimise the procurement cost. The expected purchase amount in 2023 is approximately RMB776,600,000;
- (d) the Group needs to purchase a huge number of raw materials and electrical components overseas for its production and operation demands. The expected purchase amount for raw materials and components through a subsidiary of Hisense Holdings in Hong Kong in 2023 is approximately RMB803,310,000, having taken into account the Estimated Annualised Transaction Amount in 2022 of approximately RMB627,520,000 between the Group and such a subsidiary of Hisense Holdings in Hong Kong; and
- (e) given that a subsidiary of Hisense Holdings has advantages in purchasing some raw materials for injection molding business, the Group will purchase relevant raw materials from Hisense Group for injection molding business. The expected purchase amount is approximately RMB352,260,000.

Reasons and benefits:

With the gradual increase in intelligent electrical appliances, the usage of raw materials and spare parts of intelligent product also increases. Hisense Group has better ability in manufacturing these products with better quality, which helps to ensure the quality and performance of products. The Group is satisfied with the quality of the raw materials, parts and components provided by Hisense Group from the previous course of dealings. By purchasing certain raw materials from Hisense Group, it is conducive to guarantee the quality of the Group's products, reduce the procurement cost and logistics cost, and improve the efficiency of delivery and therefore enhances the competitiveness of the Group's products.

The Group's procurement of raw materials related to the injection moulding business from Hisense Group is mainly due to the in-depth cooperation between the Group and Hisense Group in injection moulding business, which has further integrated the injection moulding production capacity within the system, and improved the efficiency and effectiveness of the injection moulding business.

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

(3) *Provision of services*

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will, on a non-exclusive basis, engage Hisense Group 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.

Pricing:

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

The operation department of the relevant business sector of the Group will compare the terms of the proposed services (including pricing and other contractual terms taking into account factors such as the service quality and

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

Historical figures:

The annual cap allocated to the provision of services by Hisense Group to the Group for the financial year ending 31 December 2022 as specified in the Existing Business Co-operation Framework Agreement is RMB1,590,490,000. For the nine months ended 30 September 2022, the aggregate transaction amount for the provision of services by Hisense Group to the Group under the Existing Business Co-operation Framework Agreement amounted to approximately RMB909,990,000 (exclusive of VAT and unaudited).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the provision of services by Hisense Group to the Group for the financial year ending 31 December 2023 are subject to the Cap of RMB1,770,160,000 (exclusive of VAT).

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Group in the past, that is, the Estimated Annualised Transaction Amount in 2022 in the amount of approximately RMB1,385,510,000;
- (ii) the 2023 Projected Sales Increment; and
- (iii) the anticipated increase in the relevant purchases of the Group in 2023, including but not limited to:
 - (a) RMB379,500,000 is expected to be allocated to the provision of installation and maintenance services;
 - (b) RMB101,920,000 is expected to be allocated to the provision of technical support services;
 - (c) RMB208,870,000 is expected to be allocated to the provision of information system services;
 - (d) RMB190,000,000 is expected to be allocated to the provision of material processing services;
 - (e) RMB414,100,000 is expected to be allocated to the provision of agency services; and
 - (f) RMB168,900,000 is expected to be allocated to the provision of property services.

The above allocation is for reference only and may be subject to change.

Reasons and benefits:

The Group is satisfied with the quality of the services provided by Hisense Group from the previous course of dealings and considers that Hisense Group possesses the expertise and experience for the provision of relevant services which can enable the Group to carry out its daily operation smoothly.

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

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

(4) Supply of electrical appliances

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will supply on a non-exclusive basis electrical appliances to Hisense Group as they may require from time to time.

Pricing:

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

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

Historical figures:

The annual cap allocated to the supply of electrical appliances by the Group to Hisense Group for the financial year ending 31 December 2022 as specified in the Existing Business Co-operation Framework Agreement is RMB25,036,390,000 (exclusive of VAT). For the nine months ended 30 September 2022, the aggregate transaction amount for the supply of electrical appliances by the Group to Hisense Group under the Existing Business Co-operation Framework Agreement amounted to approximately RMB13,816,140,000 (exclusive of VAT and unaudited).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of electrical appliances by the Group to Hisense Group for the financial year ending 31 December 2023 are subject to the Cap of RMB29,309,610,000 (exclusive of VAT).

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Group in the past, that is, the Estimated Annualised Transaction Amount in 2022 in the amount of approximately RMB23,086,450,000;
- (ii) the 2023 Projected Sales Increment;
- (iii) the Group continues to develop its marketing activities, and it is expected that the export sales scale will be further expanded. In 2023, the projected year-on-year increase in export sales scale is not more than 30%; and
- (iv) with the sale of full-range products and set products becoming the market development trend through the sale plan of the Hisense full-range electrical appliance products which is integrated, managed and organised by a subsidiary of Hisense Holdings, the sales of electrical appliance products from the Group to such a subsidiary of Hisense Holdings in 2023 is expected to amount to approximately RMB1,729,490,000. Such

a subsidiary of Hisense Holdings will (a) continue to leverage the strength of its full-range sales platform to continue to expand its sales revenue; and (b) continue to develop potential customers to expand its business scale.

Reasons and benefits:

The production and supply of electrical appliances by the Group to Hisense Group can help to increase production and sales scale and enhance the market competitiveness of the Group's products. At the same time, the Group can continue to develop overseas market and enhance brand competitiveness and awareness. Developing online platform and offline set sales through Hisense Group benefits the creation of a synergistic effect, which can further increase the Group's sales scale and boost the Group's market share and income.

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

(5) *Supply of moulds*

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will supply on a non-exclusive basis moulds to Hisense Group as they may require from time to time.

Pricing:

In response to the invitations to tender from Hisense Group (which are also extended to various independent third parties) from time to time, the Group may submit such tenders or bids to supply the moulds for such products requested by Hisense Group in its/their invitation to tender. Pricing for the supply of moulds is determined by the open bidding process. The bidding price is determined on the basis of a reasonable cost plus reasonable profit margin, 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 materials, and labour cost for the production of the moulds. The profit margin of the Group in such bidding price will not be lower than the profit margin of the Group in the bidding price for supply of similar and comparable moulds to independent third parties during the same period.

Historical figures:

The annual cap allocated to the supply of moulds by the Group to Hisense Group for the financial year ending 31 December 2022 as specified in the Existing Business Co-operation Framework Agreement is RMB132,690,000 (exclusive of VAT). For the nine months ended 30 September 2022, the aggregate transaction amount for the supply of moulds by the Group to Hisense Group under the Existing Business Co-operation Framework Agreement amounted to approximately RMB60,960,000 (exclusive of VAT and unaudited).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of moulds by the Group to Hisense Group for the financial year ending 31 December 2023 are subject to the Cap of RMB142,820,000 (exclusive of VAT).

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Group in the past, that is, the Estimated Annualised Transaction Amount in 2022 of approximately RMB110,180,000; and
- (ii) the expected growth in the sales scale of the moulds of the Group in 2023, including but not limited to, the demand for the Group's moulds is expected to further increase due to the growth in the business scale and addition of new customers of Hisense Group.

Reasons and benefits:

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

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

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

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will supply to Hisense Group on a non-exclusive basis such quantities of raw materials, parts and components as they may require from time to time.

Pricing:

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

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

Historical figures:

The annual cap allocated to the supply of raw materials, parts and components by the Group to Hisense Group for the financial year ending 31 December 2022 as specified in the Existing Business Co-operation Framework Agreement is RMB1,004,380,000 (exclusive of VAT). For the nine months ended 30 September 2022, the aggregate transaction amount for the supply of raw materials, parts and components by the Group to Hisense Group under the Existing Business Co-operation Framework Agreement amounted to approximately RMB266,800,000 (exclusive of VAT and unaudited).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the supply of raw materials, parts and components by the Group to Hisense Group for the financial year ending 31 December 2023 are subject to the Cap of RMB3,059,510,000 (exclusive of VAT).

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Group in the past, that is, the Estimated Annualised Transaction Amount in 2022 in the amount of approximately RMB583,760,000;
- (ii) the 2023 Projected Sales Increment;
- (iii) it is expected that the Group will continue to purchase raw materials such as electric control boards

processed by a subsidiary of Hisense Holdings to meet the Group's production needs in 2023. Since these operations are carried out by means of material sales processing, the Group will first sell raw materials such as resistors to the subsidiary of Hisense Holdings for processing, and the amount of raw materials expected to be supplied to the subsidiary of Hisense Holdings for the production of raw materials such as electronic control boards is approximately RMB126,000,000;

- (iv) another subsidiary of Hisense Holdings is principally engaged in domestic and import and export trading business and will further expand its trading business in 2023. As the Group has advantages in sourcing certain specific materials, it is expected that the subsidiary of Hisense Holdings will purchase these materials from the Group in the amount of approximately RMB265,520,000;
- (v) the supply of raw materials, parts and components by the Group to another subsidiary of Hisense Holdings is a business incidental to the sale of electrical appliances by the Group to Hisense Group. Based on the 2023 projected overseas sales increment, having also taken into account the increase in the quota of spare parts required by overseas customers and the expected increase in the revenue from the sale of spare parts due to the implementation of the Group's smart new life strategy, the amount for exporting raw materials, parts and components for the year 2023 is estimated to be approximately RMB440,000,000; due to the uncertainty of the global economy and the fluctuation of exchange rate, Hisense Group will purchase additional raw materials, parts and components from the Group for the production by its overseas plant in 2023, with the estimated amount being approximately RMB480,000,000; and
- (vi) the Group's injection moulding and sheet metal business with Hisense Group will change from incoming material processing mode (that is, raw materials will be provided by Hisense Group to the Group for processing and the processing fee will be paid by Hisense Group to the Group) to sale material processing mode (that is, raw materials, which will be sourced by the Group from Hisense Group and third parties, will be (after being processed by the Group) provided to Hisense Group by the Group) in 2023. It is expected that the amount of raw materials supplied to Hisense Group is approximately RMB1,470,560,000.

Reasons and benefits:

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

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

Hisense Group has overseas sales channels and high quality customer resources. The supply of raw materials, parts and components of export products by the Group to Hisense Group can satisfy the business needs of the Group's export sales and expand the export sales scale of the Group. The provision of raw materials, parts and components to Hisense Group can also enhance the efficiency of the operation of the Group.

For the injection moulding and sheet metal business of the Group and Hisense Group, the change to the business mode of sale material processing will further enhance the supporting capacity of the Group's injection moulding and sheet metal business, and improve the effectiveness and efficiency of the Group.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the terms of the supply of raw materials, parts and components to Hisense Group under the Business Co-operation Framework Agreement and the related Cap are fair and reasonable and in the interests of the Company and the Shareholders

as a whole.

(7) *Provision of services by the Group*

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will, on a non-exclusive basis, provide property services, material processing services and installation services to Hisense Group.

Pricing:

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

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

Historical figures:

The annual cap allocated to the provision of services by the Group to Hisense Group for the financial year ending 31 December 2022 as specified in the Existing Business Co-operation Framework Agreement is RMB473,390,000. For the nine months ended 30 September 2022, the aggregate transaction amount for the provision of services by the Group to Hisense Group under the Existing Business Co-operation Framework Agreement amounted to approximately RMB213,760,000 (exclusive of VAT and unaudited).

Proposed Cap:

The transactions contemplated under the Business Co-operation Framework Agreement regarding the provision of services by the Group to Hisense Group for the financial year ending 31 December 2023 are subject to the Cap of RMB75,640,000 (exclusive of VAT).

The above Cap was determined with reference to:

- (i) similar transactions between the Group and Hisense Group in the past, that is, the Estimated Annualised Transaction Amount in 2022 in the amount of approximately RMB292,420,000; and
- (ii) the related business needs of Hisense Group for the year 2023.

Reasons and benefits:

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

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

(B) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

FINANCIAL SERVICES AGREEMENT

Date: 7 November 2022

Parties: The Company; and
Hisense Finance

Term:

The term of the Financial Services Agreement shall commence from 1 January 2023 or the date of approval of the Financial Services Agreement by the Independent Shareholders at the EGM (whichever is later) until 31 December 2023, which can be terminated by either party if the other party is in default and such default is not remedied within a reasonable period.

Condition:

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

Subject matters:

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

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

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

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

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

The Company's internal policy regarding continuing connected transactions:

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

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

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

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

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

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

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

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

(1) Deposit services

Pricing:

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

Historical figures:

The maximum daily closing balance of the deposits which can be placed by the Group with Hisense Finance during the term of the Existing Financial Services Agreement is RMB27,000,000,000 (inclusive of interest). For the period commencing from 1 January 2022 to 30 September 2022, the maximum daily closing balance of the deposits placed by the Group with Hisense Finance amounted to approximately RMB17,446,000,000.

Proposed Cap:

The Company currently expects that the maximum daily closing balance of the deposits placed by the Group with Hisense Finance at any time during the term of the Financial Services Agreement shall not exceed the Cap of RMB27,000,000,000 (inclusive of interest) for the year ending 31 December 2023.

The above Cap was determined with reference to:

- (i) the historical cashflow figures of the Group; and
- (ii) the level of growth in monetary funds attributable to the 2023 Projected Sales Increment. As at 30 September 2022, the balance of monetary funds held by the Group was RMB15,232,000,000 and the balance of monetary funds from wealth management was RMB7,404,000,000 (the total amount of monetary funds held by the Group and from wealth management was thus RMB22,636,000,000). Based on the 2023 Projected Sales Increment, it is anticipated that the highest daily closing cash balance held by the Group will correspondingly increase to approximately RMB27,000,000,000 (inclusive of interest) in 2023.

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

- (i) although the Group intends to continue to allocate a substantial amount of its cash for subscription of entrusted wealth management products, deposit services are still required for cash involved in the transition period between the expiry of entrusted wealth management products and the subscription of new entrusted wealth management products. The expected maximum amount of cash for subscription of entrusted wealth management products in the year 2023 is approximately RMB10,000,000,000; and
- (ii) the Group will also borrow loans from Hisense Finance if the relevant terms are more favourable than those available from other financial institutions. As the loans to be provided by Hisense Finance to the Group under the Financial Services Agreement will first be transferred by Hisense Finance to the Group in its deposit account with Hisense Finance for drawdown, the Group's funding needs in terms of loans will also affect the Group's deposit balances with Hisense Finance, as the Group would require temporary deposit of the proceeds of the loans proposed to be provided by Hisense Finance to the Group under the Financial

Services Agreement.

In view of the above, in order to satisfy the business needs, it is expected that the daily closing balance of deposit will not exceed RMB27,000,000,000 (inclusive of interest) in 2023.

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

Pricing:

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

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

Historical figures:

The maximum daily closing balance of loan and electronic bank acceptance bills which can be provided by Hisense Finance to the Group during the term of the Existing Financial Services Agreement is RMB18,000,000,000 (inclusive of interest and service fees). For the period commencing from 1 January 2022 to 30 September 2022, the maximum daily closing balance of the loans and electronic bank acceptance bills provided by Hisense Finance to the Group amounted to approximately RMB10,600,000,000.

Proposed Cap:

The Company currently expects that the maximum daily closing balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group during the term of the Financial Services Agreement shall not exceed the Cap of RMB18,000,000,000 (inclusive of interest and service fees) on any given day for the year ending 31 December 2023.

The above Cap was determined with reference to:

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

During the period from 1 January 2022 to 30 September 2022, the maximum daily closing balance of the loan and electronic bank acceptance bill provided by Hisense Finance to the Group was approximately RMB10,600,000,000, of which: (a) the maximum daily closing balance of the loan provided by Hisense Finance to the Group was RMB800,000,000; and (b) the maximum daily closing balance of the electronic bank acceptance bill provided by Hisense Finance to the Group was RMB9,800,000,000;

(ii) the expected proportion of payment via electronic bank acceptance bills for the year ending 31 December 2023; and

(iii) the plan of the Group to continue to obtain loans and electronic bank acceptance bill services from Hisense Finance instead of from other financial institutions for the year ending 31 December 2023 since the terms

for the provision of the loans and electronic bank acceptance bill services by Hisense Finance to the Group shall be no less favourable than those of other normal commercial banks and financial institutions and Hisense Finance has better knowledge of the background and financial status of the Group, which will facilitate the loan and electronic bank acceptance bill services application process by the Group.

In 2023, the Group will continue to optimise payment terms which can utilise the available capital more efficiently to obtain operational income and increase cash flow. As such, it is expected that the Group will continue to use electronic bank acceptance bills services in the future. As a result of the above, it is expected that the maximum daily closing balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group shall not exceed RMB18,000,000,000 on any given day in 2023.

(3) *Draft discount services*

Pricing:

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

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

Historical figures:

Under the Existing Financial Services Agreement, the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services shall not exceed RMB50,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2022 to 30 September 2022, the total discount interest paid by the Group to Hisense Finance for the provision of draft discount services amounted to approximately RMB2,240,000.

Proposed Cap:

The Company currently expects that the annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services during the term of the Financial Services Agreement shall not exceed the Cap of RMB50,000,000 for the year ending 31 December 2023.

The above Cap was determined with reference to:

- (i) the expected financial needs of the Group during the peak season for production for the year 2023; and
- (ii) the plan of the Group to continue to use draft discount services to be provided by Hisense Finance instead of from other financial institutions for the year ending 31 December 2023 since the terms for the provision of the draft discount services by Hisense Finance to the Group shall be no less favourable than those of other normal commercial banks and financial institutions and Hisense Finance has better knowledge of the background and financial status of the Group which will facilitate the draft discount application process by the Group.

On the basis of: (i) the expected increase in revenue and the projected capital expenditure in 2023; and (ii) the Group's plan to continue to enhance its management on its accounts receivables and inventory to expedite the capital turnover rate, it is estimated that the total discount interest payable by the Group to Hisense Finance for the provision of draft discount services will be RMB50,000,000 for the year ending 31 December 2023 taking into account the existing market interest level and the financing cycle of draft discount services.

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

Pricing:

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

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

Historical figures:

Under the Existing Financial Services Agreement, the annual amount of foreign exchange settled or sold by Hisense Finance for the Group shall not exceed US\$300,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2022 to 30 September 2022, the amount of foreign exchange settled or sold by Hisense Finance for the Group amounted to approximately US\$19,000,000.

Proposed Cap:

The Group expects that the annual amount of the settlement and sale of foreign exchange services provided by Hisense Finance to the Group shall not exceed the Cap of US\$300,000,000 for the year ending 31 December 2023.

The above Cap was determined with reference to:

- (i) the expected volume of export and the expected amount subject to settlement and sale of foreign exchange for the year ending 31 December 2023. For the full year of 2022, it is expected that foreign currency received by the Group from its export business would amount to approximately US\$114,000,000, and payments to be made by the Group in foreign currency would amount to US\$116,000,000 (the total amount of foreign currency received and paid by the Group would thus be US\$230,000,000); and
- (ii) the 2023 projected overseas sales increment is not more than 30%.

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

Pricing:

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

Historical figures:

Under the Existing Financial Services Agreement, the annual amount of the service fees payable by the Group to

Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds shall not exceed RMB3,000,000 during the term of the Existing Financial Services Agreement. For the period commencing from 1 January 2022 to 30 September 2022, the aggregate amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds amounted to approximately RMB840,000.

Proposed Cap:

The Company currently expects that the annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds during the term of the Financial Services Agreement shall not exceed the Cap of RMB3,000,000 for the year ending 31 December 2023.

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

Currently, the agency services such as settlement services for receipt and payment of funds provided by Hisense Finance to the Group is mainly transfer services and its standard service fees of RMB0.8 per transaction payable by the Group to Hisense Finance is significantly lower than the charging standard for service fees charged by normal commercial banks or similar agencies in the PRC during the same period which ranges from RMB5 to RMB200 per transaction. As the Company is unable to ensure that the service fees payable by the Group to Hisense Finance will remain to be lower than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC, and taking into account the Group's expected demand for transfer services in 2023 and the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC in 2022, it is estimated that the aggregate amount of the service fees payable by the Group to Hisense Finance for the provision of agency services will be RMB3,000,000.

Reasons for and benefits of the Financial Services Agreement:

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

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

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

Finance is able to safeguard customers' funds more effectively.

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

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

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

- (i) reviewing the audited reports of Hisense Finance of the previous two financial years to ascertain the amount of its total assets and has found that its total assets has year-on-year increase and such reports are not qualified nor disclaimed by the auditors;
- (ii) preparing 「關於在海信集團財務有限公司開展存款金融業務的風險評估報告」(the “**Risk Assessment Reports**”) which has been published by the Company on the designated website of the Shenzhen Stock Exchange (<http://www.cninfo.com.cn>) in which it was noted that Hisense Finance had complied with certain key regulatory requirements pursuant to the Measures for the Administration of Finance Companies of Enterprise Group (企業集團財務公司管理辦法) as at the relevant reporting dates and the Board noted that Hisense Finance has been maintaining a relatively higher standard for capital adequacy ratio and current ratio (the Risk Assessment Report for the year ended 31 December 2021 has been published by the Company on the designated website of the Shenzhen Stock Exchange (<http://www.cninfo.com.cn>) on 31 March 2022 and the latest Risk Assessment Report for the nine months ended 30 September 2022 is published on 7 November 2022); and
- (iii) reviewing the internal regulatory report submitted by Hisense Finance to the Company and the confirmation from Hisense Finance that there was no non-compliance events or deficiencies which resulted in suspension of business or administrative punishment.

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

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

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

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

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that (i) the transactions contemplated under the Financial Services Agreement will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (ii) the terms of the Financial Services Agreement and the related Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PLEDGING AND OTHER SECURITY

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

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

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

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

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

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

INFORMATION RELATING TO THE GROUP, HISENSE HOLDINGS AND HISENSE FINANCE

The Group

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

Hisense Holdings

Hisense Holdings was incorporated in 2001 and has a registered capital of RMB3,860,393,984. Its legal representative is Mr. 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. Hisense Holdings has no effective controller and details of its shareholders' interests are as follows:

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

2. Qingdao Xinfeng Information Technology Co., Ltd.* (青島新豐信息技術有限公司) (“**Qingdao Xinfeng**”) holds 24.36% interest in Hisense Holdings and Shanghai Haifeng Shipping Co., Ltd.* (上海海豐航運有限公司) (“**Shanghai Haifeng**”) holds 2.64% interest in Hisense Holdings. Qingdao Xinfeng and Shanghai Haifeng are parties acting in concert and collectively own 27.00% interest in Hisense Holdings, The ultimate beneficial owner of Qingdao Xinfeng and Shanghai Haifeng is Mr. Yang Shaopeng* (楊紹鵬).
3. The position incentive shareholders (崗位激勵股東) (the “**Position Incentive Shareholders**”) of Hisense Holdings hold an aggregate interest of 46.21% in Hisense Holdings. As at the date of this announcement, of this 46.21% interest in Hisense Holdings, (i) 36.25% 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.

Hisense Finance

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

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

1. Hisense Holdings holds 73.08% interest in Hisense Finance.
2. Hisense Air-conditioning holds 26.92% interest in Hisense Finance.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

(A) Business Co-operation Framework Agreement

As at the date of this announcement, as Hisense Holdings (through its indirect interest in the Company held by Hisense Air-conditioning and Hisense HK) is the controlling shareholder of the Company, Hisense Holdings and its subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Business Co-operation Framework Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

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

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

(B) Financial Services Agreement

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

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

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

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

resolution(s) at the EGM.

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

GENERAL

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

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

A circular containing, among other things, (i) further information on the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements; (ii) the letter of advice from the independent financial adviser to the independent board committee and the Shareholders; and (iii) the recommendation from the independent board committee will be despatched to the Shareholders on or before 21 December 2022 in accordance with the Hong Kong Listing Rules. In view of the transactions contemplated under the Business Co-operation Framework Agreement and the Financial Services Agreement which are to be covered in the circular, it is expected that more time may be required by the Company to prepare the circular and for the independent financial adviser to review and advise on such transactions. Therefore, it is expected that the circular will be despatched beyond 15 business days after the publication of this announcement.

DEFINITIONS

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

“A Shares”	domestic ordinary shares of the Company with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors
“Business Co-operation Framework Agreement”	the Business Co-operation Framework Agreement (業務合作框架協議) dated 7 November 2022 entered into between the Company and Hisense Holdings in relation to the sale and purchase of electrical appliances, raw materials, parts and components, supply of moulds and the provision of various services between the Group and Hisense Group
“Cap(s)”	(A) the annual caps for the transactions contemplated under the Business Co-operation Framework Agreement for the year ending 31 December 2023, being (1) RMB604,960,000 in respect of the purchases of electrical appliances by the Group from Hisense Group; (2) RMB3,109,350,000 in respect of the purchases of raw materials, parts and components by the Group from Hisense Group; (3) RMB1,770,160,000 in respect of the provision of services by Hisense Group; (4) RMB29,309,610,000 in respect of the supply of electrical

appliances by the Group to Hisense Group; (5) RMB142,820,000 in respect of the supply of moulds by the Group to Hisense Group; (6) RMB3,059,510,000 in respect of the supply of raw materials, parts and components by the Group to Hisense Group; and (7) RMB75,640,000 in respect of the provision of services by the Group to Hisense Group; and

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

“CBRC”

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

“Company”

Hisense Home Appliances Group Co., Ltd. (海信家電集團股份有限公司), a 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 2023 first extraordinary general meeting of the Company to be held for, among other things, considering and, if thought fit, approving the Business Co-operation Framework Agreement, the Financial Services Agreement, the transactions contemplated under the agreements and the Caps in relation to the agreements

“Existing Business Co-operation Framework Agreement”

the business co-operation framework agreement (業務合作框架協議) dated 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, as amended and supplemented by the supplemental agreement (業務合作框架協議之補充協議) dated 5 September 2022 entered into between the Company, Hisense Holdings, Hisense International and Hisense Visual Technology

“Existing Financial Services Agreement”

the financial services agreement (金融服務協議) dated 16 November 2021 entered into between the Company and Hisense Finance in relation to the provision of financial services by Hisense Finance to the Group

“Financial Services

the financial services agreement (金融服務協議) dated 7 November 2022

“Agreement”	entered into between the Company and Hisense Finance in relation to the provision of financial services by Hisense Finance to the Group
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each and are listed on the Stock Exchange
“Hisense Air-conditioning”	Qingdao Hisense Air-conditioning Company Limited* (青島海信空調有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Holdings, and holds approximately 37.92% of the Shares as at the date of this announcement
“Hisense Company”	Hisense Company Limited (海信集團有限公司), a company incorporated in the PRC with limited liability
“Hisense Finance”	Hisense Finance Co., Ltd* (海信集團財務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Holdings
“Hisense Group”	Hisense Holdings and its subsidiaries from time to time (for the avoidance of doubt, excluding the Group)
“Hisense HK”	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Holdings, and holds approximately 9.13% of the Shares as at the date of this announcement
“Hisense Holdings”	Hisense Group Holdings Co., Ltd. (海信集團控股股份有限公司), a company incorporated in the PRC with limited liability, which holds approximately 93.33% of Hisense Air-conditioning and wholly owns Hisense HK as at the date of this announcement
“Hisense International”	Hisense International Co., Ltd. (青島海信國際營銷股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Holdings
“Hisense Marketing Management”	Hisense Marketing Management Co., Ltd.* (海信營銷管理有限公司), a company incorporated in the PRC with limited liability and owned as to 50% by the Company
“Hisense Visual Technology”	Hisense Visual Technology Co., Ltd. (海信視像科技股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange and is a subsidiary of Hisense Holdings
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Independent Shareholders”	(i) in respect of the Business Co-operation Framework Agreement, Shareholders other than Hisense Holdings and its associates and other Shareholders which are required to abstain from voting in relation to the Business Co-operation Framework Agreement under the Hong Kong Listing Rules and/or Shenzhen Listing Rules; and (ii) in respect of the Financial Services Agreement, Shareholders other than Hisense Finance and its associates and other Shareholders which are required to abstain from voting

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

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

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

Foshan City, Guangdong, the PRC, 7 November 2022

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