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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 2023 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 28 November 2023 (after trading hours), 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 finance company 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 a transaction under Chapter 14 of the Hong Kong Listing Rules. Although an applicable percentage ratio for the provision of such deposit services exceeds 100%, this transaction 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 100%, 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 Independent Shareholders; and (iii) the recommendation from the independent board committee will be despatched to the Shareholders on or before 10 January 2024 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 announcement of the Company dated 7 November 2022 in relation to, among other things, the Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement; and
- (ii) the circular of the Company dated 20 December 2022 in relation to, among other things, the Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement.

The Company wishes to inform the Shareholders and investors of the Company that each of the Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement will expire on 31 December 2023 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under each of the Existing Business Co-operation Framework Agreement and the Existing Financial Services Agreement from time to time after their expiration. In view of the above, on 28 November 2023 (after trading hours), 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: 28 November 2023

Parties: The Company; and
Hisense Holdings

Term:

The Business Co-operation Framework Agreement shall commence from 1 January 2024 or the date of approval of the Business Co-operation Framework Agreement by the Independent Shareholders at the EGM (whichever is

later) until 31 December 2026, 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 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, 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 Business Co-operation Framework Agreement has a longer term (i.e. from 1 January 2024 or the date of approval of the Business Co-operation Framework Agreement by the Independent Shareholders at the EGM (whichever is later) to 31 December 2026) than the Existing Business Co-operation Framework Agreement (i.e. from 9 January 2023 (being the date of approval of the Existing Business Co-operation Framework Agreement by the Independent Shareholders at the EGM) to 31 December 2023) and has been simplified as compared to the Existing Business Co-operation Framework Agreement to the extent that the transaction categories are consolidated into two major transaction categories, namely, the purchase of products and the supply of products. The proposed annual caps are accordingly consolidated into two sub-caps for each of the major transaction categories. Such simplification is for the sole purpose of increasing flexibility and ease of management of the Caps for the transactions contemplated under the Business Co-operation Framework Agreement.

The Company's internal policy regarding 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.

Transactions:

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

(1) Purchases of products

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, raw materials, parts and components, and engage Hisense Group for the provision of services as the Group may require from time to time:

- (i) Such electrical appliances including but not limited to, dryers, dishwashers, and air-conditioners for the engineering projects;
- (ii) such raw materials, parts and components including but not limited to, electric control boards, Wi-Fi modules; and
- (iii) such services including but not limited to, installation and maintenance services, technical support services, information system services and material processing services.

Pricing:

Pricing for the purchases of products (including the abovementioned electrical appliances, raw materials, parts and components, and services) 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 table below summarises the aggregate annual cap for each of the three years ending 31 December 2023 (exclusive of VAT) and the aggregate transaction amounts involved for each of the two years ended 31 December 2022 and the nine months ended 30 September 2023 (exclusive of VAT):

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Aggregate annual cap (RMB)	2,352,280,000	4,172,900,000	5,484,470,000
	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the nine months ended 30 September 2023 (unaudited)
Aggregate historical transaction amount (RMB)	1,729,947,300	2,516,267,100	2,796,235,700

Proposed Caps:

The table below summarises the proposed cap of the purchase of products by the Group from Hisense Group for each of the three years ending 31 December 2026 (exclusive of VAT):

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Annual cap (RMB)	5,526,320,000	6,921,750,000	8,495,960,000

The above proposed caps were 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 2023 in the amount of approximately RMB 3,728,310,000.

The estimated annualised unaudited transaction amount for the year comprises: (a) the historical transaction amount for the nine months ended 30 September 2023 as mentioned above; and (b) the projected transaction amount from October 2023 to December 2023, 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 2023 (the composition of the estimated annualised unaudited transaction amount for the year 2023, together with the above projection basis of the transaction amount for the final quarter of 2023, 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 2023**").

- (ii) the projected increase in the level of sales scale of the Group for each of the three years ending 31 December 2026 (the "**Projected Sales Increment**").

The Projected Sales Increment was projected based on: (a) the Group's leverage of the opportunity of

Hisense becoming the official sponsor of the 2024 UEFA EURO to continue its efforts in sports marketing and it is expected that the sales scale will be further expanded; (b) the Group's continual robust and vigorous marketing activities in developing key markets and expanding professional channels for overseas own brand; (c) 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 (d) the Group's plan to further optimise channel strategy, strengthen terminal retail capacity and enhance the services quality, thereby bringing sales increment.

(iii) based on (i) and (ii) above, the estimated purchases of the Group:

- the estimated purchases of electrical appliances by the Group from Hisense Group for each of the three years ending 31 December 2026 amount to approximately RMB660,620,000, RMB971,870,000 and RMB1,401,620,000, respectively, based on (a) the projected purchases of special air-conditioners from Hisense Group in the amount of RMB325,000,000, RMB488,320,000 and RMB732,570,000 respectively, 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 RMB335,620,000, RMB483,540,000 and RMB669,050,000 respectively. The Group intends to further expand the sales of these high-end electrical appliances in the PRC market.
- the estimated purchases of raw materials, parts and components by the Group from Hisense Group for each of the three years ending 31 December 2026 amount to approximately RMB2,769,140,000, RMB3,569,470,000 and RMB4,427,950,000 respectively, based on the following assumptions:
 - a) the Group needs to purchase a substantial quantity of raw materials and electrical components for its production and operation demands. The estimated amounts of purchases for raw materials and components from certain overseas subsidiaries of Hisense Holdings amount to approximately RMB850,340,000, RMB1,150,420,000 and RMB1,489,330,000 for the each of three years ending 31 December 2026, respectively, having taken into account the Estimated Annualised Transaction Amount in 2023 of approximately RMB690,390,000 between the Group and Hisense Group; and
 - b) in view of the high production capacity and standard of certain PRC subsidiaries of Hisense Holdings in manufacturing raw materials and components such as electric control boards and Wi-Fi templates, and having advantages in purchasing some raw materials, it is conducive to procure raw materials and components from such PRC subsidiaries of Hisense Holdings to ensure the quality of the Group's products and optimise procurement costs. The estimated amounts of purchases of raw materials, parts and components from certain PRC subsidiaries of Hisense Group amount to approximately RMB1,918,800,000, RMB2,419,040,000 and RMB2,938,620,000 for each of the three years ending 31 December 2026, respectively, having taken into account the Estimated Annualised Transaction Amount in 2023 of approximately RMB1,313,170,000 between the Group and Hisense Group;
- the estimated purchases of services by the Group from Hisense Group for each of the three years ending 31 December 2026 amount to approximately RMB2,096,550,000, RMB2,380,420,000 and RMB 2,666,390,000, respectively, based on the estimated purchases of Hisense Group's services including 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.

The above estimated amounts of purchases are for reference only and may be subject to change.

Reasons and benefits:

The Group's purchase of electrical appliances from Hisense Group is conducive to expanding the domestic sales scale, optimising the product structure and enhancing the efficiency of the Group's daily management, thereby

driving the overall product scale and business development of the Company.

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 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 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 products (including the abovementioned electrical appliances, raw materials, parts and components, and services) from Hisense Group under the Business Co-operation Framework Agreement and the related Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) Supply of products

Pursuant to the terms of the Business Co-operation Framework Agreement, the Group will supply, on a non-exclusive basis, moulds and electrical appliances, raw materials, parts and components and provide services to Hisense Group as it may require from time to time:

- (i) such moulds and electrical appliances including but not limited to freezers, refrigerators, washing machines, residential air-conditioners;
- (ii) such raw materials, parts and components including but limited to raw materials for producing electric control boards (such as resistors), and raw materials, parts and components for the production of refrigerators, washing machines, residential air-conditioners, central air-conditioners and kitchen appliances; and
- (iii) such services including but not limited to property services, material processing services and installation services.

Pricing:

Pricing for the supply of products (save for the moulds) 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 products (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.

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 table below summarises the aggregate annual cap for each of the three years ending 31 December 2023 (exclusive of VAT) and the aggregate historical transaction amounts involved for each of the two years ended 31 December 2022 and the nine months ended 30 September 2023 (exclusive of VAT):

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Aggregate annual cap (RMB)	20,188,610,000	26,646,850,000	32,587,580,000
	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the nine months ended 30 September 2023 (unaudited)
Aggregate historical transaction amount (RMB)	17,872,397,800	17,993,095,200	16,514,960,000

Proposed Caps:

The table below summarises the proposed cap of the supply of products by the Group to Hisense Group for each of the three years ending 31 December 2026 (exclusive of VAT):

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Annual cap (RMB)	30,852,220,000	40,334,050,000	47,652,240,000

The above proposed caps were determined with reference to:

- (i) similar transactions between the Group and Hisense Group in the past, that is, the Estimated Annualised Transaction Amount in 2023, in the amount of approximately RMB21,850,290,000;
- (ii) the Projected Sales Increment;
- (iii) based on (i) and (ii) above, the estimated sales and supply by the Group:
 - the estimated sales of electrical appliances from the Group to Hisense Group amount to approximately RMB28,390,550,000, RMB37,416,420,000 and RMB44,192,080,000 for each of the three years ending 31 December 2026, respectively, based on the assumption that with the sale of full-range products and set products becoming the market development trend through the sale plan of the Hisense full-range electrical appliance products which is integrated, managed and organised by Hisense Group, Hisense Group will continue to leverage the strength of its full-range sales platform to continue to expand its sales revenue and develop potential customers to expand its business scale.
 - the estimated sales of moulds from the Group to Hisense Group amount to approximately RMB97,750,000, RMB130,000,000 and RMB172,900,000 for each of the three years ending 31 December 2026, respectively, based on the assumption that the demand for the Group's moulds may further increase due to the growth in the business scale and addition of new customers of Hisense Group.
 - the estimated sales of raw materials, parts and components from the Group to Hisense Group amount to approximately RMB1,792,000,000, RMB2,029,570,000 and RMB2,284,620,000 for each of the three years ending 31 December 2026, respectively, based on the following assumptions:
 - a) the estimated sales of raw materials from the Group to certain PRC subsidiaries of Hisense

Holdings amount to approximately RMB1,498,750,000, RMB1,684,030,000 and RMB1,886,110,000 for each of the three years ending 31 December 2026, respectively, based on the procurement plan for the production and operation from Hisense Group; and

- b) the estimated sales of raw materials, parts and components from the Group to certain overseas and PRC subsidiaries of Hisense Holdings is a business incidental to the sale of electrical appliances by the Group to Hisense Group. The estimated sales of such raw materials, parts and components to Hisense Group amount to approximately RMB293,250,000, RMB345,540,000 and RMB398,510,000 for each of the three years ending 31 December 2026, respectively;
- the estimated provision of services by the Group to Hisense Group for each of the three years ending 31 December 2026 amount to approximately RMB86,920,000, RMB112,990,000 and RMB146,890,000, respectively, based on the estimated provision of property services, material processing services and installation services by the Group to Hisense Group.

The above estimated amounts of sales and supply are for reference only and may be subject to change.

Reasons and benefits:

The supply of products 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 synergetic effect, which can further increase the Group's sales scale and boost the Group's market share and income.

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.

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 Hisense Group, 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 supply of products (including the abovementioned moulds and electrical appliances, raw materials, parts and components, and services) to Hisense Group under the Business Co-operation Framework Agreement and the related Caps 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: 28 November 2023

Parties: The Company; and
Hisense Finance

Term:

The term of the Financial Services Agreement shall commence from 1 January 2024 or the date of approval of the Financial Services Agreement by the Independent Shareholders at the EGM (whichever is later) until 31 December 2026, 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 finance company acceptance bill services (貸款及電子財務公司承兌匯票服務);
- (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 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 finance company 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 finance company acceptance bill services, the Group’s finance staff will conduct a monthly review on the service fees charged by external commercial banks for issuing electronic bank acceptance bills, 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 finance company 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 finance company 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 finance company acceptance bill service so that the relevant annual caps are not exceeded and the risks involved are under control.

Transactions:

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 table below summarises the maximum daily closing balance for each of the three years ending 31 December 2023 and the historical maximum daily closing balance for each of the two years ended 31 December 2022 and the nine months ended 30 September 2023 (inclusive of interest):

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Maximum daily closing balance (RMB)	18,500,000,000	27,000,000,000	27,000,000,000
	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the nine months ended 30 September 2023 (unaudited)
Historical maximum daily closing balance (RMB)	17,018,000,000	17,478,000,000	15,900,000,000

Proposed Caps:

The table below summarises the proposed maximum daily closing balance for each of the three years ending 31 December 2026 (inclusive of interest):

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Maximum daily closing balance (RMB)	27,000,000,000	27,000,000,000	27,000,000,000

The above proposed caps were determined with reference to:

- (i) the historical cashflow figures of the Group; and
- (ii) the Group's performance growth for the year 2023 and the Group's business development plan for the three years ending 31 December 2026.

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

(2) *Loan and electronic finance company 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 finance company 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 for issuing electronic bank acceptance bills, 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 on the service fees charged by external commercial banks for issuing electronic bank acceptance bills is conducted to ensure that the service fees charged by Hisense Finance are not higher than those charged by commercial banks.

Historical figures:

The table below summarises the maximum daily closing balance for each of the three years ending 31 December 2023 and the historical maximum daily closing balance for each of the two years ended 31 December 2022 and the nine months ended 30 September 2023 (inclusive of interest and service fees):

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Maximum daily closing balance (RMB)	11,500,000,000	18,000,000,000	18,000,000,000
	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the nine months ended 30 September 2023 (unaudited)
Historical maximum daily closing balance (RMB)	10,515,000,000	10,741,000,000	6,551,000,000

Proposed Caps:

The table below summarises the proposed maximum daily closing balance for each of the three years ending 31 December 2026 (inclusive of interest and service fees):

	For the year ended 31 December 2024	For the year ended 31 December 2025	For the year ended 31 December 2026
Maximum daily closing balance (RMB)	5,000,000,000	5,400,000,000	5,900,000,000

The above proposed caps were determined with reference to:

- (i) the Measures for the Administration of Enterprise Group Finance Companies as amended by the China Banking and Insurance Regulatory Commission have been formally implemented with effect from 13 November 2022;

- (ii) in accordance with the new regulations, the maximum daily closing balance of electronic finance company acceptance bills provided by Hisense Finance to the Group shall not exceed RMB3,000,000,000 per year (inclusive of interest and service fees) for the three years ending 31 December 2026;
- (iii) based on the Group's business development plan, it is expected that a loan amount of RMB2,000,000,000, RMB2,400,000,000 and RMB2,900,000,000 will be allocated for each of the three years ending 31 December 2026, respectively, to cater to the financing needs of the Group; and
- (iv) the terms for the provision of the loans and electronic finance company 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 finance company acceptance bill services application process by the Group.

(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:

The table below summarises the annual discount interest for each of the three years ending 31 December 2023 and the historical total discount interest for each of the two years ended 31 December 2022 and the nine months ended 30 September 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Annual discount interest (RMB)	50,000,000	50,000,000	50,000,000
	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the nine months ended 30 September 2023 (unaudited)
Historical total discount interest (RMB)	4,118,200	2,240,700	520,200

Proposed Caps:

The table below summarises the proposed annual discount interest for each of the three years ending 31 December 2026:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Annual discount interest (RMB)	50,000,000	50,000,000	50,000,000

The above proposed caps were determined with reference to:

- (i) the expected financial needs of the Group during the peak season for production for the three years ending 31 December 2026; and
- (ii) 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 for the three years ending 31 December 2026; 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 per year for the three years ending 31 December 2026 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:

The table below summarises the annual amount for each of the three years ending 31 December 2023 and the historical amount for each of the two years ended 31 December 2022 and the nine months ended 30 September 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Annual amount (US\$)	300,000,000	300,000,000	300,000,000
	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the nine months ended 30 September 2023 (unaudited)
Historical amount (US\$)	54,378,600	25,306,800	9,000,000

Proposed Caps:

The table below summarises the proposed annual amount for each of the three years ending 31 December 2026:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Annual amount (US\$)	300,000,000	300,000,000	300,000,000

The above proposed caps were determined with reference to:

- (i) For the full year of 2023, it is estimated that foreign currency received by the Group from its export business and payments to be made by the Group in foreign currency would amount to approximately US\$200,000,000; and
 - (ii) the projected trend of overseas sales growth for the three years ending 31 December 2026.
- (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:

The table below summarises the annual amount for each of the three years ending 31 December 2023 and the historical aggregate amount for each of the two years ended 31 December 2022 and the nine months ended 30 September 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Annual amount (RMB)	3,000,000	3,000,000	3,000,000
	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the nine months ended 30 September 2023 (unaudited)
Historical aggregate amount (RMB)	1,132,200	1,100,000	850,000

Proposed Caps:

The table below summarises the proposed annual amount for each of the three years ending 31 December 2026:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Annual amount (RMB)	3,000,000	3,000,000	3,000,000

The above proposed caps were 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 RMB2 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 for the three years ending 31 December 2026 and the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC in 2023, 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 NFRA 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.

Based on 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 NFRA 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 NFRA. 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 NFRA 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 2022 has been published by the Company on the designated website of the Shenzhen Stock Exchange (<http://www.cninfo.com.cn>) on 30 March 2023 and the latest Risk Assessment Report for the nine months ended 30 September 2023 is published on 28 November 2023); 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 finance company 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 finance company 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 finance company 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 finance company 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 finance company 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 finance company acceptance bill services or loan services which will involve pledging or charging of any assets other than electronic f acceptance bills or if the maximum balance of the electronic finance company 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 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. Jia Shao Qian and its registered address is at 218 Qian Wan Gang Road, Qingdao Economic and Technological Development Zone, Qingdao City. Its scope of business includes: import and export of technology; import and export of goods; real estate development and operation; medical services; catering services; investment activities with own funds; asset management services for investment with own funds; research and development of household appliances; manufacture of household appliances; sale of household appliances; installation services for household appliances; repair of daily-use appliances; manufacture of refrigeration and air-conditioning equipment; sale of refrigeration and air-conditioning equipment; manufacture of communication equipment; sale of communication equipment; manufacture of network equipment; sale of network equipment; research and development of artificial intelligence industry application systematic integration services; information system integration services; manufacture of special purpose equipment; research and development of automotive parts and components; manufacture of automotive parts and accessories; manufacture of intelligent vehicle equipment; sales of intelligent vehicle equipment; manufacture of internet of things equipment; sales of internet of things equipment; software development; education and consultancy services; convention and exhibition services; leisure and tourism activities; property management; non-residential property leasing; residential leasing; machinery and equipment leasing; car leasing; catering management; car park services.

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

1. Hisense Company holds 26.79% interest in Hisense Holdings. The ultimate beneficial owner of Hisense Company is the State-owned Assets Supervision and Administration Commission of the Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會).
2. Qingdao Xinfeng Information Technology Co., Ltd.* (青島新豐信息技術有限公司) (“**Qingdao Xinfeng**”) holds 24.36% interest in Hisense Holdings and Shanghai Haifeng Shipping Co., Ltd.* (上海海豐航運有限公司) (“**Shanghai Haifeng**”) holds 2.64% interest in Hisense Holdings. Qingdao Xinfeng and Shanghai Haifeng are parties acting in concert and collectively own 27.00% interest in Hisense Holdings. The ultimate beneficial owner of Qingdao Xinfeng and Shanghai Haifeng is Mr. Yang Shaopeng* (楊紹鵬).

3. The position incentive shareholders (崗位激勵股東) (the “**Position Incentive Shareholders**”) of Hisense Holdings hold an aggregate interest of 46.21% in Hisense Holdings. As at the date of this announcement, of this 46.21% interest in Hisense Holdings, (i) 27.92% is owned by the Position Incentive Shareholders of Hisense Holdings who hold interests in Hisense Holdings directly; (ii) 15.23% 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 17 partnerships which were established from 2016 to 2022. 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 NFRA and is regulated by the NFRA 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 37.23% of the issued share capital of the Company) and Hisense HK, which held 124,452,000 Shares (representing approximately 8.97% 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 finance company 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 a transaction under Chapter 14 of the Hong Kong Listing Rules. Although an applicable percentage ratio for the provision of such deposit services exceeds 100%, this transaction 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 100%, 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 37.23% of the issued share capital of the Company) and Hisense HK, which held 124,452,000 Shares (representing approximately 8.97% of the issued share capital of the Company) as at the date of this announcement, will abstain from voting in relation to the relevant resolution(s) at the EGM.

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

GENERAL

Mr. Dai Hui Zhong, Mr. Jia Shao Qian, Mr. Yu Zhi Tao, Mr. Hu Jian Yong, and Ms. Gao Yu Ling, being the 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 has been appointed to advise the independent board committee of the Company and the Independent 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, comprising all the independent non-executive Directors (namely, Mr. Zhong Geng Shen, Mr. Cheung Sai Kit and Mr. Li Zhi Gang), to advise the Independent 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 Independent Shareholders; and (iii) the recommendation from the independent board committee will be despatched to the Shareholders on or before 10 January 2024 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 28 November 2023 entered into between the Company and Hisense Holdings in relation to the supply and purchase of products and services
“Cap(s)”	(A) the annual caps for the transactions contemplated under the Business Co-operation Framework Agreement for each of the three years ending 31 December 2026, being (1) RMB5,526,320,000, RMB6,921,750,000 and RMB8,495,960,000, respectively, in respect of the purchases of products by the Group from Hisense Group; and (2) RMB30,852,220,000, RMB40,334,050,000 and RMB47,652,240,000, respectively, in respect of the supply of products 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 for each of the three years ending 31 December 2026, being (1) RMB27,000,000,000, RMB27,000,000,000 and RMB27,000,000,000 (inclusive of interest), respectively, in respect of the maximum daily closing balance of the deposits placed by the Group with Hisense Finance; (2) RMB5,000,000,000, RMB5,400,000,000 and

RMB5,900,000,000 (inclusive of interest and service fees), respectively, in respect of the maximum daily closing balance of loan and electronic finance company acceptance bills provided by Hisense Finance for the Group; (3) RMB50,000,000, RMB50,000,000 and RMB50,000,000, respectively, 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, US\$300,000,000 and US\$300,000,000, respectively, in respect of the annual amount of foreign currency settled or sold by Hisense Finance for the Group; and (5) RMB3,000,000, RMB3,000,000 and RMB3,000,000, respectively 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

“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 2024 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 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 products, raw materials, parts and components; and the provision of various services between the Group and Hisense Group
“Existing Financial Services Agreement”	the financial services agreement (金融服務協議) dated 7 November 2022 entered into between the Company and Hisense Finance in relation to the provision of financial services by Hisense Finance to the Group
“Financial Services Agreement”	the financial services agreement (金融服務協議) dated 28 November 2023 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 37.23% 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 8.97% 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
“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 in relation to the Financial Services Agreement under the Hong Kong Listing Rules and/or Shenzhen Listing Rules
“independent third parties”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“NFRA”	National Financial Regulatory Administration (國家金融監督管理總局)
“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 (深圳證券交易所上市規則)
“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, 28 November 2023

As at the date of this announcement, the Company’s executive directors are Mr. Dai Hui Zhong, Mr. Jia Shao Qian, Mr. Yu Zhi Tao, Mr. Hu Jian Yong, Mr. Xia Zhang Zhua and Ms. Gao Yu Ling; and the Company’s independent non-executive directors are Mr. Zhong Geng Shen, Mr. Cheung Sai Kit and Mr. Li Zhi Gang.