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3 June 2026

To: the Independent Committee and
the Independent Shareholders

Dear Sirs,

POSSIBLE VOLUNTARY PUBLIC SHARE BUY-BACK OFFER OF D SHARES

INTRODUCTION

We refer to our appointment to advise the Independent Committee and the Independent Shareholders in relation to the Proposed D Share Buy-back Offer, details of which are contained in the circular of the Company to its Shareholders dated 3 June 2026 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 27 April 2026, the Board announced that subject to the obtaining of all necessary legal and regulatory approvals and/or waivers in Hong Kong (including the Hong Kong Share Buy-backs Code) and the Federal Republic of Germany and the then market situation, the Board intends to make the Proposed D Share Buy-back Offer for the acquisition of up to 81,044,512 D Shares, representing approximately 30% of the total issued D Shares. Based on the maximum price of the Indicative Price Range of EUR2.159 and the Maximum Offer Size of 81,044,512 D Shares, the maximum amount payable under the Proposed D Share Buy-back Offer is approximately EUR175.0 million, for which the Company will finance by its internal resources. After the completion of the Proposed D Share Buy-back Offer, the Buy-back D Shares will be cancelled.

Notwithstanding it being carried out in the form of a partial offer exclusively in accordance with the law of the Federal Republic of Germany, the Proposed D Share Buy-back Offer constitutes a share buy-back by general offer by the Company under Hong Kong regulations. The Proposed D Share Buy-back Offer will be carried out exclusively in accordance with the law of the Federal Republic of Germany, and will not be intended for persons resident or present in the Restricted Jurisdictions. It is required to comply with the requirements of Rule 3.4 of the Hong Kong Share Buy-backs Code and will be made subject to, among other things, approval of the H Shareholders in accordance with Rule 3 of the Hong Kong Share Buy-backs Code. The Company will seek such approvals of the relevant Shareholders at the AGM, the A Share Class Meeting, the H Share Class Meeting and the D Share Class Meeting (together, the "**Shareholders' Meetings**").

The Independent Committee has been established, comprising all the non-executive Directors (namely Mr. GONG Wei, Mr. YU Hon To, David, Mr. CHIEN Da-Chun and Mr. LI Shaohua) and all the independent non-executive Directors (namely Mr. WONG Hak Kun, Mr. LI Shipeng, Mr. WU Qi and Mr. WANG Hua), all of whom do not have any direct or indirect interest in the Proposed D Share Buy-back Offer other than (where applicable) being A or H Shareholders. Since the employee representative Director (namely Ms. SUN Danfeng) is also a member of the senior management of the Group, she is not a member of the Independent Committee. The Independent Committee would advise the Independent Shareholders on the Proposed D Share Buy-back Offer. We, Somerley, have been appointed with the approval of the Independent Committee to advise the Independent Committee and the Independent Shareholders in this regard.

During the past two years, Somerley has acted as the independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to certain connected transactions, details of which were set out in the circulars of the Company dated 7 May 2025, 27 November 2024 and 3 June 2026. The above engagements were/are limited to providing independent advisory services to the Company, for which Somerley received or will receive normal professional fees from the Company. Accordingly, we do not consider the above engagements give rise to any conflict of interest for us in acting as the Independent Financial Adviser in this case. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Company, Haier Group, their respective substantial shareholders, subsidiaries and associates, or any party acting, or presumed to be acting in concert with any of them that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Hong Kong Listing Rules and Appendix 2 to Practice Note 20 issued by the Executive to act as the Independent Financial Adviser. Apart from normal professional fees paid or payable to us in connection with this appointment, and except as disclosed above, no arrangement exists whereby we will receive any fees or benefits from the Company, Haier Group, their respective substantial shareholders, subsidiaries or associates, or any party acting, or presumed to be acting in concert with any of them.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, and have assumed that they are true, accurate and complete in all material aspects as at the date of the Circular, the Latest Practicable Date, or the Frankfurt Last Trading Day (as the case may be) and will remain so up to the time of the relevant Shareholders' Meetings. We have reviewed published information of the Company, including its annual reports for the years ended 31 December 2024 and 2025, its first quarter report for the three months ended 31 March 2026, and relevant information as set out in the Circular. We have reviewed the share price performance and trading liquidity of the Shares since the past year. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth, accuracy or completeness of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business, affairs and financial position of the Company, Haier Group, their respective substantial shareholders, subsidiaries or associates, or any party acting or presumed to be acting in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all information and representations contained or referred to in the Circular will be true, accurate and complete up to the time of the relevant Shareholders' Meetings. Shareholders will be informed as soon as possible if we become aware of any material change to such information and representations under Note 1 to Rule 9.1 of the Takeovers Code.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Proposed D Share Buy-back Offer, we have taken into account the principal factors and reasons set out below:

1. Information of the Group

The Group is principally engaged in research and development, production and sales of smart home appliances such as refrigerators/freezers, washing machines, air conditioners, water heaters, kitchen appliances, small home appliances, and smart home scenario solutions. Through organic development and acquisitions, the Company has become one of the leading providers of home appliances and smart home solutions in the world, with a global portfolio of home appliance brands including Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel and AQUA.

As set out in its 2025 annual report, the Group recorded revenue of approximately RMB286.0 billion and RMB302.3 billion in 2024 and 2025 respectively, while the profit attributable to owners of the Company amounted to approximately RMB18.7 billion and RMB19.6 billion in 2024 and 2025 respectively. As at 31 December 2025, the Group had total assets of approximately RMB295.8 billion, including cash and cash equivalents and time deposits of approximately RMB72.6 billion in aggregate, and the equity attributable to owners of the Company was approximately RMB118.7 billion.

The Company's A Shares (stock code: 600690) have been listed on the Shanghai Stock Exchange since 1993, its H Shares (stock code: 6690) have been listed on the Main Board of the Hong Kong Stock Exchange since 2020, and its D Shares (stock code: 690D) have been listed on the China Europe International Exchange AG D Share Market of the Frankfurt Stock Exchange since 2018. As at the Frankfurt Last Trading Day, the share capital of the Company totalling 9,252,780,066 (excluding treasury shares) comprise 6,129,044,425 A Shares, 2,853,587,266 H Shares and 270,148,375 D Shares, representing approximately 66.24%, 30.84% and 2.92% of the total share capital of the Company, respectively. According to the public filings, Haier Group and Silk Road Fund Co., Ltd. (絲路基金有限責任公司) ("**Silk Road**

Fund") were the two largest shareholders of D Shares, holding 57,142,857 D Shares and 54,007,663 D Shares, representing approximately 21.2% and 20.0% of the total issued D Shares (excluding treasury shares), respectively, as at the Frankfurt Last Trading Day.

The Company had a market capitalisation of approximately HK$205.0 billion, based on the respective closing prices of the A Shares, H Shares and D Shares sourced from Bloomberg as at the Frankfurt Last Trading Day, and the market capitalisation of the Company's D Shares was approximately EUR498.2 million, based on the closing price of the D Shares sourced from Bloomberg as at the Frankfurt Last Trading Day.

2. Financial information of the Group

(i) Financial information

The table below sets out a summary of the consolidated statements of profit or loss of the Group for the three years ended 31 December 2023, 2024 and 2025, as extracted and summarised from its audited consolidated financial statements prepared in accordance with IFRS Accounting Standards.

Financial performance

	For the year ended 31 December		
	2025	**2024**	**2023**
	RMB million	*RMB million (restated)*	*RMB million (restated)*
Revenue	**302,329**	**286,005**	**274,198**
Cost of sales	(223,374)	(208,098)	(200,557)
Gross profit	78,955	77,907	73,641
Gross profit margins	*26.1%*	*27.2%*	*26.9%*
Other gains, net	5,206	3,905	3,691
Selling and distribution expenses	(33,878)	(33,609)	(32,727)
Administrative expenses	(25,545)	(24,591)	(23,804)
Finance costs	(2,587)	(2,705)	(2,165)
Share of profits and losses of associates	1,328	1,816	1,575
Profit before tax	23,479	22,723	20,211
Income tax expenses	(3,316)	(3,157)	(3,123)
Profit for the year	20,163	19,566	17,088
Profit for the year attributable to owners of the Company	**19,553**	**18,731**	**16,597**
Earnings per share for the year attributable to ordinary equity holders of the Company			
— Basic *(RMB per share)*	2.12	2.02	1.79
— Diluted *(RMB per share)*	2.10	2.02	1.78
Dividend *(RMB per 10 Shares)*			
— Interim	2.692	Nil	Nil
— Final	8.867	9.6504	8.0131

The Group's revenue is mainly derived from several reportable segments, namely (i) Household Food Storage and Cooking Solutions, representing the manufacture and sale of refrigerators/freezers, (ii) Air Solutions, representing the manufacture and sale of air conditioners, (iii) Household Laundry Management Solutions, representing the manufacture and sale of washing machines and dryers, and (iv) Other businesses, mainly involving water heaters and water purifiers, distribution services, parts and components, small home appliances and logistics services. Roughly half of the Group's revenue under the year under review is generated from the PRC market, and the remainder from overseas markets, including Europe, the U.S., Australia, New Zealand and Japan.

The Group's revenue exhibited steady growth between 2023 and 2025, increasing by approximately 4.3% to approximately RMB286.0 billion in 2024 and further by approximately 5.7% to approximately RMB302.3 billion in 2025. Such growth was mainly driven by the Group's capitalisation of the home appliance trade-in policy and its user co-creation product strategy in the PRC market, the Group's continued expansion into emerging markets, including South Asia, Southeast Asia, the Middle East and Africa, as well as the enhanced integration of acquired businesses in overseas markets.

Profit for the year attributable to owners of the Company increased by approximately 12.9% to approximately RMB18.7 billion in 2024 and further increased by approximately 4.4% to approximately RMB19.6 billion in 2025. The increases were mainly driven by the revenue growth, as well as the Group's ongoing optimisation of business processes and the enhancement of operational efficiency, and the digital transformation, as evidenced by the lower ratios of selling and distribution expenses and administrative expenses of the Group to its revenue in recent years.

The Company has progressively increased its dividend payout rate in recent years to enhance the return of its Shareholders. Dividends increased from RMB8.0131 per 10 Shares in 2023 to RMB9.6504 and RMB11.559 in 2024 and 2025 respectively. The total dividend of RMB11.559 in 2025 include a final dividend of RMB8.867 (tax inclusive) per 10 Shares (the "**Proposed 2025 Final Dividend**"), which is subject to the approval of the Shareholders at the AGM. The Proposed 2025 Final Dividend, if approved, is expected to be paid on or around 21 August 2026.

As stated in the letter from the Board, in determining the Buy-back Price, the Company will also take into account whether the Buy-back D Shares will be entitled to the Proposed 2025 Final Dividend and/or any other interim dividends which may from time to time be declared by the Board in respect of the D Shares.

It should be noted that according to its 2025 annual report, the Company's dividend policy shall be determined by the Board, based on the Company's business development and performance, and subject to, among others, the Company's capital needs for normal production and operations, planned investments and other significant capital outlays. In addition, it is stated that the proportion of dividend to consolidated profit attributable to owners of the Company to be distributed shall be gradually increased in the next three years, with a ratio of not less than 58% for 2026 and not less than 60% for 2027 and 2028. As confirmed with the management of the Company, the Proposed D Share Buy-back Offer has no impact on the Company's abovementioned dividend policy.

Financial position

The table below sets out a summary of the consolidated statements of financial position of the Group as at 31 December 2024 and 2025, as extracted and summarised from its audited consolidated financial statements prepared in accordance with IFRS Accounting Standards.

	As at 31 December	
	2025	**2024**
	RMB million	*RMB million (restated)*
Assets		
Property, plant and equipment	45,708	43,703
Goodwill and other intangible assets	38,082	38,142
Interests in associates	21,757	20,932
Inventories	46,847	43,189
Trade and bills receivables	33,548	38,675
Cash and cash equivalents	46,268	54,995
Other assets	63,585	51,100
Total assets	**295,795**	**290,736**
Liabilities		
Trade and bills payables	77,415	75,886
Other payables and accruals	28,289	32,265
Interest-bearing borrowings	36,382	33,793
Other liabilities	27,732	29,990
Total liabilities	**169,818**	**171,934**
Equity attributable to shareholders of the Company	**118,698**	**111,779**
Net asset value per Share *(Note)*	RMB12.75	RMB11.99

Note: Calculated based on equity attributable to shareholders of the Company divided by the number of the Shares outstanding (excluding treasury shares) as at the end of the relevant year

As at 31 December 2025, the Group held (i) cash and cash equivalents of approximately RMB46.3 billion and (ii) time deposits of approximately RMB26.4 billion (as recorded in "financial assets measured at amortised cost"). In addition, the Group had wealth management products of approximately RMB1.5 billion (as recorded in "other financial assets").

As at 31 December 2025, the Group had interest-bearing borrowings of approximately RMB36.4 billion, most of which were unsecured banks loans and approximately RMB21.7 billion, or approximately 59.6%, were due within one year or on demand, carrying an effective interest rate of approximately 0.65% to 7.0%. The Group's gearing ratio (defined as the sum of interest-bearing borrowings and lease liabilities divided by net assets of the Group) was approximately 33.8% as at 31 December 2025.

Based on the sum of cash and cash equivalents, time deposits and wealth management products, less interest-bearing borrowings, the Group would have a net cash position of approximately RMB37.8 billion as at 31 December 2025. On this basis, we consider that the Group maintains a healthy financial and liquidity position.

As at 31 December 2025, other assets of the Group primarily included (i) property, plant and equipment of approximately RMB45.7 billion, mainly relating to the Group's production facilities, research and development centres, customer service centres for its major products, and its office premises, (ii) goodwill of approximately RMB27.3 billion, mainly representing the carrying amount of goodwill recognised in prior years arising from the acquisition of GE Appliances (completed in 2016), Candy S.p.A (completed in 2019) and Carrier's commercial refrigeration (completed in 2024), (iii) other intangible assets of approximately RMB10.8 billion, mainly representing purchased patents and licences and the rights to use various registered trademarks, and (iv) working capital items, such as inventories and trade and bills receivables. On the same date, other liabilities of the Group primarily included working capital items, such as trade and bills payables and other payables and accruals.

2026 First Quarter Report

On 27 April 2026, the Group published its unaudited first quarter report for the three months ended 31 March 2026, prepared in accordance with the China Accounting Standards for Business Enterprises. In the first three months of 2026, the Group recorded operating revenue of approximately RMB73.7 billion. During the same period, profit attributable to owners of the Company was approximately RMB4.7 billion, representing a decrease of approximately 15.2% year-on-year. The Group's performance in the first three months of 2026 was adversely affected by, among others, extreme weather events in the North American market, a significant increase in tariff costs, and pressure experienced in the PRC market as a result of weakening government subsidy-driven demand.

(ii) Prospects

As stated in the Company's 2025 annual report, China's domestic home appliance industry has shifted from a period of rapid expansion to a competitive market, and the growth is mainly driven by replacement demand and product upgrades rather than first-time purchases. In addition, All View Cloud (AVC) (a big-data integrated solutions provider focused on the smart home sector, offering data research and big-data services to companies in the industry, and the shares of which are listed on the National Equities Exchange and Quotations, according to its website; as advised by the management of the Group, AVC is an independent firm not related to the Group or Haier Group) forecasts that the overall industry growth may face pressure in 2026 due to the high base effect from previous government trade-in and subsidy policies, but structural opportunities will remain, as the policy favours high-efficiency models and accelerates product mix upgrades. Steady demand from home renovations and upgrades will also create growth for companies offering comprehensive solutions. The overseas home appliance industry is expected to experience a moderate recovery in 2026, with different growth drivers for developed and emerging markets, subject to macroeconomic conditions, changes in trade policy, product innovation, localized operations, and flexible supply chain strategies. As advised by the management of the Group, the above statements regarding the industry's environment in 2026 are generally in line with the expectations of the Group's management.

Based on our independent research, we note that AVC published its latest research on 28 April 2026, stating that China's home appliance industry faces a challenging environment, including slower demand growth at home, rising raw material costs, and a complex external landscape. This sector is expected to face pressure in the first half of 2026, but full-year performance is still likely to remain broadly stable. According to a report titled "Home Appliances Outlook 2026: What consumers Want" published on 15 October 2025 by NIQ (also known as NielsenIQ, one of the leading consumer intelligence company according to its website), it is expected that sales value growth for small domestic appliances ("**SDA**", including kitchen appliances and vacuum cleaners) and major domestic appliances ("**MDA**", including refrigerators, freezers, washing machines and air conditioners) categories are expected to grow by approximately 3% to 6% and approximately 4% to 7% respectively in China in 2026, generally higher than the expected growth in sales value for SDA and MDA categories of approximately 1% to 7% and 0.4% to 5% respectively for other parts of the world. Having regard to the above, broadly speaking, the home appliance industry in both China and overseas markets is expected to have a stable and generally positive outlook in the foreseeable future.

3. Reasons and benefits of the Proposed D Share Buy-back Offer

The Company conducts on-market repurchases of its Shares from time to time, demonstrating a recognition of the Company's value and confidence in its future prospects. These repurchases are mostly made in the A Share and H Share markets. The D Shares, first listed in 2018 on the Frankfurt Stock Exchange, constitute a relatively small portion of the Company's share capital base and have a much lower level of trading liquidity compared to the A Shares and the H Shares, rendering it more difficult for the Company to conduct on-market repurchases of D Shares. While efforts were made in early 2026 to repurchase D Shares on-market, the average daily number of D Shares repurchased were considerably smaller than those repurchased in the A Share and H Share markets.

Against this background, the Proposed D Share Buy-back Offer was announced on 27 April 2026. As stated in the letter from the Board, the Directors believe that the flexibility offered by the Proposed D Share Buy-back Offer would be beneficial to the Company and the Shareholders as a whole, particularly as the historical prices and liquidity of D Shares were lower than those of A Shares and H Shares. We note from the disclosure in Appendix to the Circular that during the 12-month period immediately preceding the Latest Practicable Date, the Company bought back a total of 88,661,898 Shares, including 84,935,300 A Shares, 2,861,000 H Shares and 865,598 D Shares. The HK$ equivalent average prices of the above repurchases were approximately HK$26.3 per A Share, HK$26.3 per H Share and HK$19.0 per D Share. As further analysed on the Shares' trading performance on each of the three stock exchanges in the section below headed "5. Analysis on historical share price performance and trading volume", the D Shares have been trading at a discount to A Shares and H Shares, leading to the above lower average repurchase prices of the D Shares. Consequently, if above discount remains the same, the Proposed D Share Buy-back Offer, which will be conducted at a price close to the then market prices of D Shares, is expected to be made at a price lower than those of the market prices of A Shares and H Shares, thereby lowering the Company's per share cost of repurchases.

Given the above, the Proposed D Share Buy-back Offer, if proceeded with, will provide (i) an exit opportunity for D Shareholders to realise at least a portion of their investment without needing to sell in the D Share market with thin liquidity, (ii) an opportunity for the Company to buy back its Shares at a lower cost, benefiting the Shareholders who decide to retain their Shares by way of an accretion in earnings per Share.

As stated in the letter from the Board, considering the thin liquidity of D Shares, the Company will prioritise using the Proposed D Share Buy-Back Offer to buy back D Shares given it is a more efficient method to acquire D Shares in a material amount as compared to on-market repurchases. It is also disclosed that the Proposed D Share Buy-Back Offer will only be made when the Directors believe that the related buy-backs will benefit the Company and the Shareholders as a whole.

4. Principal terms of the Proposed D Share Buy-back Offer

Set out below is a summary of the principal terms of the Proposed D Share Buy-back Offer. For further details of the Proposed D Share Buy-back Offer, please refer to the letter from the Board.

Buy-back D Shares

The Buy-back D Shares will be equal to the total number of all the D Shares agreed to be sold to the Company by those D Shareholders accepting the Proposed D Share Buy-back Offer, up to a maximum of 81,044,512 D Shares, representing approximately 30% of the total issued D Shares (the "**Maximum Offer Size**"). If the number of D Shares tendered for acceptances exceeds the Maximum Offer Size, the number of shares to be bought back from each accepting D Shareholder will be reduced proportionally based on the ratio of the Maximum Offer Size to the number of D Shares tendered for acceptances.

The Buy-back D Shares will be cancelled after acquisition by the Company.

Buy-back Price

The Buy-back Price shall be specified by the Company in the D Share Buy-back Offer Document, provided that it may not (i) exceed the closing price in Xetra trading on the Frankfurt Stock Exchange on the third trading day prior to the date of the public announcement (the "**Pricing Announcement**") of the actual making of the Proposed D Share Buy-back Offer by more than 5%, or (ii) fall short of it by more than 5% (excluding incidental acquisition costs) (the "**Buy-back Price Range**"), with reference to the rules of the Frankfurt Stock Exchange for buying back shares.

With reference to the highest and lowest closing prices of D Shares on the Frankfurt Stock Exchange during the six-month period immediately preceding the Previous Frankfurt Last Trading Day, the Company expects that for indicative purposes only, the Buy-back Price Range should be within the range of approximately EUR1.780 to EUR2.159 (the "**Indicative Price Range**"). In the event that there is any change in the Indicative Price Range or the final Buy-back Price is outside the Indicative Price Range as announced by the Company from time to time, the Company will make further announcement and/or comply with all necessary legal and regulatory requirements as and when necessary.

For illustrative purposes, if the Company were to announce the Proposed D Share Buy-Back Offer on the Frankfurt Last Trading Day, the Buy-back Price Range would be from approximately EUR1.763 to EUR1.949, with the high-end and low-end representing 5% above and 5% below the closing price of the D Shares on 22 May 2026.

The final Buy-back Price will be determined by the Board taking into account the then market conditions, the market prices of the A Shares, the H Shares and the D Shares, and the financial position of the Company as at the time of the Pricing Announcement of the Proposed D Share Buy-back Offer.

The Board has recommended the payment of the Proposed 2025 Final Dividend of RMB8.867 (tax inclusive) per 10 Shares for the year ended 31 December 2025, subject to the approval by the Shareholders at the AGM. If so approved, the Proposed 2025 Final Dividend is expected to be paid on or about 21 August 2026. In determining the Buy-back Price, the Company will also take into account whether the Buy-back D Shares will be entitled to the Proposed 2025 Final Dividend and/or any other interim dividends which may from time to time be declared by the Board in respect of the D Shares.

The Company expects that it will finance the Proposed D Share Buy-back Offer by its internal resources. For illustration purpose only, based on the high-end of the Indicative Price Range and the Maximum Offer Size, the maximum amount payable under the Proposed D Share Buy-back Offer is approximately EUR175.0 million. The Board intends that there shall not be any material adverse impact on the working capital or on the gearing position of the Company in the event that the Proposed D Share Buy-Back Offer is accepted in full.

Pre-Conditions for the Making of the Proposed D Share Buy-back Offer

The making of the Proposed D Share Buy-back Offer will be subject to the following Pre-Conditions:

(a) the passing of the resolution by a majority (1/2) of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the AGM;

(b) the passing of the resolution by a majority (1/2) of the votes cast on a poll by the A Shareholders who are Independent Shareholders present in person or by proxy at the A Share Class Meeting;

(c) the passing of the resolution by a majority (1/2) of the votes cast on a poll by the H Shareholders who are Independent Shareholders present in person or by proxy at the H Share Class Meeting;

(d) the passing of the resolution by a majority (1/2) of the votes cast on a poll by the D Shareholders who are Independent Shareholders (i.e. those D Shareholders not eligible to participate in the Proposed D Share Buy-back Offer) present in person or by proxy at the D Share Class Meeting;

(e) the passing of the special resolution by more than two-thirds (2/3) of the voting rights represented by the A Shareholders present at the A Share Class Meeting for the approval of the Proposed D Share Buy-back Offer, the related reduction of registered capital and other related matters;

(f) the passing of the special resolution by more than two-thirds (2/3) of the voting rights represented by the H Shareholders present at the H Share Class Meeting for the approval of the Proposed D Share Buy-back Offer, the related reduction of registered capital and other related matters;

(g) the passing of the special resolution by more than two-thirds (2/3) of the voting rights represented by the D Shareholders present at the D Share Class Meeting for the approval of the Proposed D Share Buy-back Offer, the related reduction of registered capital and other related matters;

(h) the passing of the special resolution by more than two-thirds (2/3) of the voting rights represented by the Shareholders present at the AGM for the approval of the Proposed D Share Buy-back Offer, the related reduction of registered capital and other related matters; and

(i) the obtaining of all necessary legal and regulatory approvals and/or waivers for the Proposed D Share Buy-back Offer in Hong Kong and the Federal Republic of Germany.

The Pre-Conditions set out above cannot be waived by the Company.

If the Company is unable to complete the acquisition of the Buy-back D Shares under the Proposed D Share Buy-back Offer on or before the Longstop Date, the approvals of the Shareholders as mentioned above shall lapse, whereupon the Proposed D Share Buy-back Offer will not be made.

Other Conditions for the Completion of the Proposed D Share Buy-back Offer

In addition to the Pre-Conditions, the Board may or may not impose a condition precedent for the completion of the Proposed D Share Buy-back Offer of achieving such minimum number of D Shares accepting the Proposed D Share Buy-back Offer as to be specified in the D Share Buy-back Offer Document (the "**Acceptance Condition**"), and the Company may or may not reserve the right to waive the Acceptance Condition.

Completion

The Board intends to make the Proposed D Share Buy-back Offer after all the Pre-Conditions have been fulfilled, subject to the then market conditions, market prices of the A Shares, the H Shares and the D Shares, and the financial position of the Company. The D Share Buy-back Offer Document shall set out the period within which a D Shareholder may accept the Proposed D Share Buy-back Offer (being an expected period of around four weeks), and the period (the "**Settlement Period**") within which the acquisition of the D Shares under the Proposed D Share Buy-back Offer will be settled and completed (being an expected period of around ten business days in Frankfurt am Main, Germany). The last day of the Settlement Period shall be on or before the Longstop Date.

Our comments

The Board intends that, after all the Pre-Conditions have been fulfilled and subject to the Board's final decision, it will make the Proposed D Share Buy-back Offer, which involves the possible buy-back of up to 81,044,512 D Shares, representing approximately 30% of the total issued D Shares or 0.9% of the total issued Shares.

The Pre-Conditions mainly relate to the approval by the relevant Shareholders or Independent Shareholders at the relevant Shareholders' Meetings. It is disclosed in the letter from the Board that Haier Group, which holds approximately 21% of the D Shares, has irrevocably undertaken (i) not to participate in the Proposed D Share Buy-back Offer, and (ii) to vote in favour of all the resolutions at the Shareholders' Meetings for the approval of the Proposed D Share Buy-back Offer. Following the fulfilment of the Pre-Conditions, the Board will make a final decision whether to proceed with the Proposed D Share Buy-back Offer based on then market conditions, market prices of the A Shares, the H Shares and the D Shares, and the financial position of the Company, so there is no assurance that the buy-back offer will go ahead even if all the Pre-Conditions are fulfilled. The Company may also impose the additional Acceptance Condition, requiring a minimum level of acceptance. Any such Acceptance Condition will be set out in the D Share Buy-back Offer Document, which will be published if the Proposed D Share Buy-back Offer is made.

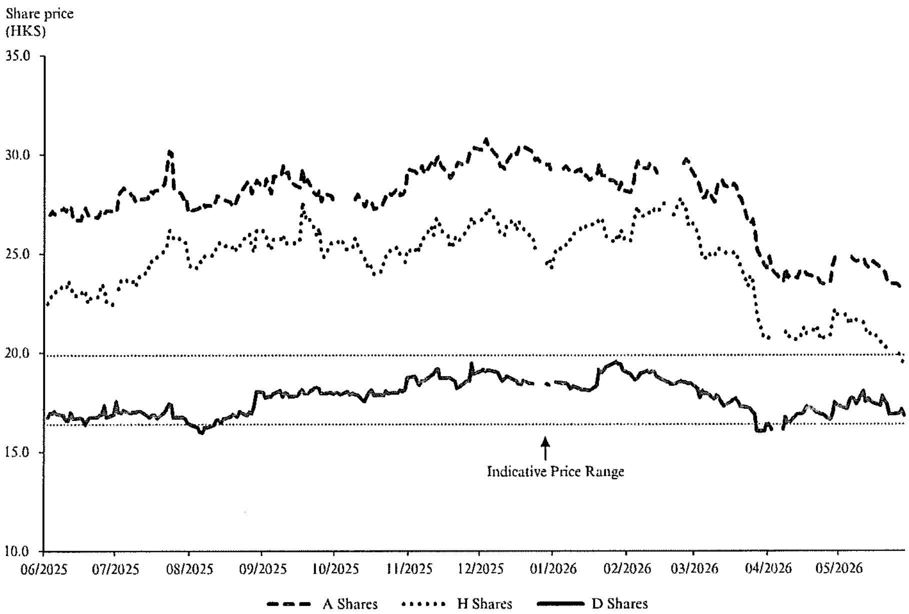
The Buy-back Price will be determined within a band of 5% over or below the closing price of the D Shares on the Frankfurt Stock Exchange on the third trading day prior to the date of the Pricing Announcement. While the Independent Shareholders will not know the actual Buy-back Price before the resolutions relating to the Proposed D Share Buy-back Offer are being considered at the Shareholders' Meetings, the above pricing mechanism ensures that the Buy-back Price will be fixed at a level close to the then market prices of the D Shares, which we consider to be reasonable.

Upon completion of the Proposed D Share Buy-back Offer, the Buy-back D Shares will be cancelled. As the number of Shares outstanding will be reduced, other things being equal, the Company's future earnings per Share should be slightly increased, creating a benefit to the Independent Shareholders who will not participate in the Proposed D Share Buy-back Offer.

5. Analysis on historical share price performance and trading volume

(i) Historical price performance of the Shares

Set out below is the movement of the closing prices of the A Shares, H Shares and D Shares during the period from 1 June 2025 to the Frankfurt Last Trading Day (the "**Review Period**"), a duration of approximately one year:



Source: Bloomberg

As shown in the table above, the share prices of D Shares have consistently traded at discounts to those of both A Shares and H Shares, averaging approximately 37.3% and 28.1% respectively during the Review Period. The prevailing trading discount of D Shares relative to the market prices of A Shares and H Shares enables the Company to conduct share buy-backs at a lower price level pursuant to the Proposed D Share Buy-back Offer. Specifically, the high-end of the Indicative Price Range is lower than the market prices of A Shares and H Shares throughout the Review Period.

(ii) Trading liquidity

Set out below are the monthly total trading volumes of the A Shares, H Shares and D Shares, and the percentages of the monthly total trading volumes of the A Shares, H Shares and D Shares compared to the public float of the A Shares, H Shares and D Shares respectively during the Review Period:

	Monthly total trading volumes of the Shares			**Percentage of the monthly total trading volumes of the Shares to public floats of the Company**		
	A Shares ('000)	*H Shares ('000)*	*D Shares ('000)*	*A Shares (%) (Note 2)*	*H Shares (%) (Note 2)*	*D Shares (%) (Note 2)*
2025						
June	618,502	377,147	1,276	17.4%	16.3%	0.6%
July	984,556	365,548	2,171	27.7%	15.8%	1.0%
August	977,035	304,501	1,684	27.5%	13.1%	0.8%
September	1,133,204	446,141	1,744	32.0%	19.3%	0.8%
October	786,691	276,458	2,742	22.2%	11.9%	1.3%
November	706,118	299,223	1,734	19.9%	12.9%	0.8%
December	692,083	288,726	1,107	19.5%	12.5%	0.5%
2026						
January	984,085	299,831	4,915	27.8%	13.0%	2.3%
February	557,179	214,306	3,152	15.7%	9.3%	1.5%
March	1,056,784	419,817	3,515	30.0%	18.2%	1.7%
April	1,170,424	404,658	2,508	33.4%	17.5%	1.2%
May (up to the Frankfurt Last Trading Day)	833,146	307,265	824	23.9%	13.3%	0.4%

Notes:

(1) Source: Bloomberg and the Company

(2) The calculation is based on the monthly total trading volumes of the A Shares, H Shares and D Shares divided by the total number of A Shares, H Shares and D Shares held by the public respectively (as defined in Rule 8.24 of the Hong Kong Listing Rules) at the end of each month or the Frankfurt Last Trading Day (where applicable)

As shown in the above table, the monthly total trading volumes of the D Shares have been much lower than those of the A Shares and H Shares. The monthly total trading volumes of the D Shares are equivalent to approximately 0.4% to 2.3% of the Shares constituting the public float of the D Shares during the Review Period, compared to approximately 15.7% to 33.4% for A Shares and approximately 9.3% to 19.3% for H Shares.

Overall, the D Shares have not been actively traded throughout the Review Period. If D Shareholders were to sell a significant number of D Shares within a short timeframe, some downward pressure on the market price may be expected. Consequently, the Proposed D Share Buy-back Offer represents an opportunity for the D Shareholders to sell, and for the Company to buy back, a significant number of D Shares at a price close to the market prices of the D Shares when the actual offer is made.

From the perspective of the Independent Shareholders who will not participate in the Proposed D Share Buy-back Offer, attention is drawn to the impact on the Company's financial information and shareholding structure, as further discussed in the sections below headed "8. Financial Impact" and "9. Effect on the shareholding structure of the Company".

6. Analysis of comparable companies

The Group is principally engaged in research and development, production and sales of smart home appliances, and the provision of smart home scenario solutions. In assessing the fairness and reasonableness of the Buy-back Price, we have conducted research on companies (i) listed on the Main Board of Hong Kong Stock Exchange or the Frankfurt the Stock Exchange; (ii) headquartered in the PRC and principally engaged in manufacturing and sale of white goods, over 50% of revenue derived from such business activities in the latest full financial year; and (iii) with a market capitalisation of at least HK$10 billion as at the Latest Practicable Date ("**Comparable Companies**"). We have identified three Comparable Companies, and consider them to be an exhaustive list based on the selection criteria as set out above. For the purpose of our analysis, we have adopted the price-to-earnings ("**P/E**") ratio and price-to-book ("**P/B**") ratio, two commonly used valuation benchmarks.

As discussed in the section above headed "4. Principal terms of the Proposed D Share Buy-back Offer", the actual Buy-back Price will not be known on the date of the Shareholders' Meetings, but will be fixed at a price within 5% of premium over, or discount to, the market price of the D Shares closer to the date of the Pricing Announcement. In analysing the Buy-back Price, we have calculated the P/E ratios and P/B ratios as represented by the Buy-back Price based on the Indicative Price Range of

EUR1.780 to EUR2.159, which in turn is based on highest and lowest closing prices of D Shares during the six-month period before the Previous Frankfurt Last Trading Day. Details of the Comparable Companies are set out as below:

Company name (stock codes)	Market capitalisation *(HK$ million)* *(A)* *(Note 1)*	TTM consolidated net profits *(HK$ million)* *(B)* *(Note 2)*	Latest consolidated net asset value *(HK$ million)* *(C)* *(Note 3)*	P/E ratio *(times)* *(A/B)*	P/B ratio *(times)* *(A/C)*
Midea Group Co., Ltd. (A Share stock code: 000333; H Share Stock code: 300)	691,600	50,827	267,154	13.6	2.6
Hisense Home Appliances Group Co., Ltd. (A Share stock code: 000921; H Share stock code: 921)	36,792	3,558	21,275	10.3	1.7
Aux Electric Co., Ltd. (Stock code: 2580)	16,962	2,570	11,452	6.6	1.5
			Mean	10.2	1.9
			Median	10.3	1.7
The Company as represented by the Indicative Price Range					
— High-end	**183,982**	**21,526**	**143,966**	**8.5**	**1.3**
— Low-end	**151,690**	**21,526**	**143,966**	**7.0**	**1.1**

Notes:

(1) (A): in respect of the Comparable Companies, being the respective market capitalisations, based on the respective closing prices of their respective A shares, H shares and/or ordinary shares (excluding treasury shares, if any) (where applicable) sourced from Bloomberg times their respective A shares, H Shares and/or ordinary shares (excluding treasury shares, if any) as at the Latest Practicable Date; In respect of the Company, being the high-end, i.e. approximately HK$19.884 per share, and low-end, i.e. approximately HK$16.394 per share, of the Indicative Price Range times the 9,252,780,066 Shares (excluding treasury Shares) as at the Frankfurt Last Trading Day

*(2) (B): being the respective consolidated reported net profits attributable to the ordinary shareholders for the trailing-twelve-months ("***TTM***"),* as extracted from the respective latest published full-year financial statements and quarterly financial statements *(where available)*

(3) (C): being the respective consolidated reported net asset value attributable to the ordinary shareholders, as extracted from the respective latest published financial statements

P/E ratio

Based on the above table, the P/E ratios of the Company as represented by the Indicative Price Range are between approximately 7.0 times and 8.5 times. This range of P/E ratios is lower than both the mean and median P/E ratios of the Comparable Companies of approximately 10.2 times and 10.3 times respectively.

When assessed purely on a P/E basis, the Indicative Price Range represents a valuation level that falls within the peers' market valuation band, and is slightly closer to the low end of the band.

P/B ratio

The P/B ratios of the Comparable Companies range from approximately 1.5 times to 2.6 times, whereas the P/B ratios of the Company as represented by the Indicative Price Range are between approximately 1.1 times and 1.3 times, which are below those of its peers. On P/B basis alone, the Indicative Price Range represents a valuation level that is lower than of those as represented by the Comparable Companies.

Based on the above, the trading multiples as represented by the Indicative Price Range are considered favourable to the Independent Shareholders, allowing the Company to buy back the D Shares at a valuation (in terms of P/E ratio and P/B ratio) generally lower than the mean and median valuation of the Comparable Companies.

7. Analysis of Precedent Buy-back Offers

The Buy-back Price will be fixed at a price within 5% of premium over, or discount to, the market price of the D Shares closer to the date of the Pricing Announcement. We consider the setting of the Buy-back Price close to the then market price of D Shares to be fair and reasonable, bearing in mind that unlike on-market repurchases which are usually on smaller scale, the maximum size of Proposed D Share Buy-back Offer represents approximately 30% of the total issued D Shares and therefore there is a need to incentivise a large number of D Shareholders to accept the offer. Nevertheless, to compare the above range of the Buy-back Price to the levels of premium or discount offered in similar transactions in Hong Kong had the buy-back been offered for H Shares in the Hong Kong equity market, we have performed an analysis of buy-back precedent transactions made by way of a general offer, excluding buy-back transactions in connection with privatisation, announced by companies listed on the Hong Kong Stock Exchange from 1 January 2024 to the day immediately prior to the Latest Practicable Date (the "**Precedent Buy-back Offers**"). We have identified a total of six Precedent Buy-back Offers, which we consider to be an exhaustive list based on the above selection criteria. We consider that a review period covering over two years is appropriate as the Precedent Buy-back Offers are considered relevant for the purpose of assessing recent market practices in relation to share buy-back offers, and to obtain sufficient number of Precedent Buy-back Offers for our analysis. While the Precedent Buy-back Offers might have been conducted under different market conditions, and the factors and considerations for each transaction affecting the premium over or discounts to the buy-back prices may vary in each case and could be different, the Precedent Buy-back Offers could still provide a valid analysis of the market trend of the transaction of same type. As such, we consider the Precedent Buy-back Offers to be relevant in assessing the Buy-back Price based on the Indicative Price Range. Set out below is a summary of the Precedent Buy-back Offers:

			Premium of offer price over the closing price/ the average closing price per share			
Date of announcement	**Company name (stock code)**	**Offer size** *(Note 1)* *(HK$ million)*	**on last full trading day** *(Note 2)*	**for the last full 5 trading days** *(Note 2)*	**for the last full 10 trading days** *(Note 2)*	**for the last full 30 trading days** *(Note 2)*
23 March 2026	Tian An Medicare Limited (stock code: 383)	77	15.8%	15.8%	18.3%	18.3%
27 March 2025	Skyworth Group Limited (stock code: 751)	1,089	15.2%	15.8%	14.9%	16.0%
6 December 2024	China National Building Material Company Limited (stock code: 3323)	3,392	15.1%	16.7%	19.8%	19.5%
23 October 2024	China Boqi Environmental (Holding) Co., Ltd. (stock code: 2377)	181	16.5%	37.3%	52.7%	66.8%
19 July 2024	Zhihu Inc. (stock code: 2390)	427	7.2%	10.0%	9.6%	14.9%
22 May 2024	Hong Kong Technology Venture Company Limited (stock code: 1137)	215	20.8%	23.0%	23.1%	33.2%
		Maximum	***20.8%***	***37.3%***	***52.7%***	***66.8%***
		Minimum	***7.2%***	***10.0%***	***9.6%***	***14.9%***
		Mean	***15.1%***	***19.8%***	***23.1%***	***28.1%***
		Median	***15.5%***	***16.3%***	***19.1%***	***18.9%***

Source: Bloomberg and website of the Hong Kong Stock Exchange

Notes:

(1) The relevant offer size is calculated based on the product of the number of the respective maximum number of ordinary shares to be bought-back and the respective offer price

(2) The relevant premiums are calculated based on the respective closing price/average closing price per ordinary share up to and including the last full trading day of the shares prior to the publication of the Rule 3.5 announcement

(3) Subject to rounding differences

As shown in the above table, premiums are usually offered by the subject companies in the Precedent Buy-back Offers, which has the effect of attracting higher levels of acceptances. In particular, the premiums of buy-back offer prices offered under the Precedent Buy-back Offers over the (average) closing share prices on the last full trading day and for the last full 5, 10 and 30 trading days range approximately from 7.2% to 66.8%, while corresponding mean and median levels of such premiums lie within a range of approximately 15.1% to 28.1%. According to the letter from the Board, the Buy-back Price may not exceed the closing price in Xetra trading on the Frankfurt Stock Exchange on the third trading day prior to the date of the Pricing Announcement by more than 5% or fall short of it by more than 5% (excluding incidental acquisition costs), which is below all the premiums offered under the Precedent Buy-back Offers.

While the lack of a sizeable premium over market prices may reduce the attractiveness of the Proposed D Share Buy-back Offer, the trading liquidity of D Shares has been low as analysed in the section above headed "5. Analysis on historical share price performance and trading volume". On this basis, those D Shareholders wishing to sell a significant number of D Shares may still find the Proposed D Share Buy-back Offer to be a good exit opportunity.

If the Proposed D Share Buy-back Offer was to be conducted in Hong Kong equity market, the level of premium required would likely be higher, based on our analysis above. Bearing in mind that the D Shares have consistently traded at a discount to those of both A Shares and H Shares during the Review Period (as further analysed in the section above headed "5. Analysis on historical share price performance and trading volume"), the Proposed D Share Buy-back Offer would allow the Company to buy back its Shares at a relatively lower cost, benefiting the Independent Shareholders. In light of the above, we consider the pricing of the Proposed D Share Buy-back Offer to be fair and reasonable so far as the Independent Shareholders are concerned.

8. Financial impact

As discussed in the earlier section, the maximum amount payable under the Proposed D Share Buy-back Offer is approximately EUR175.0 million (equivalent to approximately RMB1.4 billion), representing less than 2% of the Group's cash and cash equivalents and time deposits of approximately RMB72.6 billion in aggregate as at 31 December 2025, which we do not consider will have a significant financial impact on the Group, when compared to the Group's profit, net assets, working capital and gearing position for the year ended, or as at, 31 December 2025. Set out below are the expected financial effects of the Proposed D Share Buy-Back Offer on the Group, based on our discussions with the management of the Group.

Earnings

The Group has been profitable in recent years. In 2025, the profit attributable to owners of the Company was approximately RMB19.6 billion and the basic earnings per Share was approximately RMB2.12. On a pro forma basis, assuming that the Proposed D Share Buy-back Offer had taken place on 1 January 2025 and the Maximum Offer Size of 81,044,512 D Shares had been repurchased, the total share capital of the Company would reduce immediately after the completion of the Proposed D Share Buy-back Offer and the cancellation of the Buy-back D Shares, other things being equal and without considering any forgone interests or opportunities, the basic earnings per Share would be enhanced slightly by approximately 0.9%.

Equity attributable to owners of the Company

At as 31 December 2025, the equity attributable to owners of the Company was approximately RMB118.7 billion, or approximately RMB12.75 per Share. On a pro forma basis, assuming that the Proposed D Share Buy-back Offer had taken place on 31 December 2025 and the Maximum Offer Size of 81,044,512 D Shares had been repurchased at the maximum price of the Indicative Price Range of EUR2.159, the equity attributable to owners of the Company would decrease, mainly due to the cash settlement for the Proposed D Share Buy-back Offer of up to approximately EUR175.0 million (equivalent to approximately RMB1.4 billion) and the reduction of share capital and reserves following the cancellation of the Buy-back D Shares. The resultant net asset value per Share would decrease slightly (by approximately 0.3%). Such decrease is mainly due to the Buy-back Price, based on the Indicative Price Range, being higher than the net asset value per Share as at 31 December 2025.

Gearing and working capital requirement

As at 31 December 2025, the Group's gearing ratio was approximately 33.8%, which is not expected to change materially as a result of the Proposed D Share Buy-back Offer. As discussed in earlier section, the Group maintains a healthy and financial liquidity position, with net cash position of approximately RMB37.8 billion as at 31 December 2025.

On the above basis, we concur with the view of the management of the Group that there will not be any material adverse impact on the working capital or on the gearing position of the Company in the event that the Proposed D Share Buy-Back Offer is being accepted in full.

9. Effect on the shareholding structure of the Company

The table below illustrates the shareholding structure of the Company (i) as at the Frankfurt Last Trading Day and (ii) immediately after the completion of the Proposed D Share Buy-back Offer and the cancellation of the Buy-back D Shares, assuming that (a) there is no other change in the shareholdings of the Company before completion of the Proposed D Share Buy-back Offer and the cancellation of the Buy-back D Shares; and (b) the actual number of the Buy-back D Shares equals to its maximum offer size of 81,044,512 D Shares, as summarised from the letter from the Board:

Name of Shareholders	Class of Shares	As at the Frankfurt Last Trading Day: Number of Shares	As at the Frankfurt Last Trading Day: Approximate % of the relevant class of the share capital of the Company (Note 1)	As at the Frankfurt Last Trading Day: Approximate % in the total share capital of the Company (Note 1)	Immediately after the completion of the Proposed D Share Buy-back Offer and the cancellation of the Buy-back D Shares: Number of Shares	Immediately after the completion of the Proposed D Share Buy-back Offer and the cancellation of the Buy-back D Shares: Approximate % in the total share capital of the Company (Note 1)
Company Concert Group:						
Directors	A Share	3,426,801	0.056%	0.037%	3,426,801	0.037%
Custodian and Trustee (Note 2)	A Share	82,383,240	1.344%	0.890%	82,383,240	0.898%
Haier Group and parties acting in concert with it	A Share	2,637,339,206	43.030%	28.503%	2,637,339,206	28.755%
Sub-total of Company Concert Group:	A Share	2,723,149,247	44.430%	29.431%	2,723,149,247	29.691%
Public Shareholders	A Share	3,405,895,178	55.570%	36.809%	3,405,895,178	37.135%
Total A Shares (Note 1):	A Share	**6,129,044,425**	**100.000%**	**66.240%**	**6,129,044,425**	**66.825%**
Company Concert Group:						
Directors	H Share	3,234,650	0.113%	0.035%	3,234,650	0.035%
Custodian and Trustee (Note 2)	H Share	28,084,232	0.984%	0.304%	28,084,232	0.306%
Haier Group and parties acting in concert with it	H Share	538,560,000	18.873%	5.821%	538,560,000	5.872%
Sub-total of Company Concert Group:	H Share	*569,878,882*	*19.971%*	*6.159%*	*569,878,882*	*6.213%*
Public Shareholders	H Share	2,283,708,384	80.029%	24.681%	2,283,708,384	24.899%
Total H Shares:	H Share	**2,853,587,266**	**100.000%**	**30.840%**	**2,853,587,266**	**31.113%**
Company Concert Group:						
Haier Group and parties acting in concert with it	D Share	57,142,857	21.152%	0.618%	57,142,857	0.623%
Sub-total of Company Concert Group:	D Share	*57,142,857*	*21.152%*	*0.618%*	*57,142,857*	*0.623%*
Silk Road Fund (Note 3)	D Share	54,007,663	19.992%	0.584%	54,007,663 (Note 3)	0.589%
Public Shareholders		158,997,855	58.856%	1.718%	77,953,343	0.850%
Total D Shares:	D Share	**270,148,375**	**100.000%**	**2.920%**	**189,103,863**	**2.062%**
All Shares Total:		**9,252,780,066**	N.A.	**100.000%**	**9,171,735,554**	**100.000%**

Notes:

(1) *As at the Frankfurt Last Trading Day, the Company held 123,983,986 A Shares as treasury shares, all the voting right attached to which shall not be exercisable until they cease to be treasury shares. For the purposes of the above table, the above figures are determined on the assumption that all the treasury shares had been cancelled*

(2) *The Company has granted Award Shares under the Share Award Schemes to officers and employees of the Group (including the Directors). All the Award Shares (save for those Award Shares already vested and transferred to the grantees thereof) were held by the Custodian and Trustee, comprising 82,383,240 A Shares and 28,084,232 H Shares as at the Frankfurt Last Trading Day. Under the Share Award Schemes, the Custodian and Trustee shall not exercise the voting rights in respect of any Award Shares held by it*

(3) *As at the Frankfurt Last Trading Day and insofar as the Company is aware, Silk Road Fund is not a person acting in concert with the Company nor with Haier Group. For the purposes of this table, it is assumed that Silk Road Fund has not accepted the Proposed D Share Buy-back Offer*

(4) *Subject to rounding differences*

After completion of the Proposed D Share Buy-back Offer, the Buy-back D Shares will be cancelled. The percentage interest of all the Shareholders in the issued share capital of the Company will be proportionally increased following the cancellation of the Buy-back D Shares. Based on the above table, the shareholding of A Shares, H Shares and D shares held by the Company Concert Group would slightly increase to approximately 29.7%, 6.2% and 0.6% respectively, of the total share capital of the Company, while the holdings of other public Shareholders would slightly change to approximately 37.1%, 24.9% and 0.9% respectively, immediately after the completion of the Proposed D Share Buy-back Offer and the cancellation of the Buy-back D Shares.

DISCUSSION

The Group is principally engaged in research and development, production and sales of smart home appliances and provision of smart home scenario solutions. Shares of the Company are currently listed on the Shanghai Stock Exchange (A Shares), the Hong Kong Stock Exchange (H Shares) and the Frankfurt Stock Exchange (D Shares). In the past few years, the Company has conducted on-market repurchases of its Shares, mostly in the A Share and H Share markets. While there were repurchases of the D Shares in early 2026, the number of D Shares repurchased were relatively small, due in our opinion to the relatively illiquid state of the D Share market. The Proposed D Share Buy-back Offer, if proceeded with, provides an opportunity for the D Shareholders to sell at least a portion of their D Shares, and for the Company to buy back a substantial quantity of D Shares, which have been trading consistently at a discount to A Shares and H Shares.

Pursuant to the Proposed D Share Buy-back Offer, the Company may buy back up to approximately 30% of the total issued D Shares, representing approximately 0.9% of the total issued Shares. Approvals of the relevant resolutions at the Shareholders' Meetings will be required as the Pre-Conditions. Haier Group, which holds approximately 21% of the D Shares, has irrevocably undertaken not to participate in the Proposed D Share Buy-back Offer, and to vote for the Proposed D Share Buy-back Offer at the Shareholders' Meetings. Following the fulfilment of the Pre-Conditions, and depending on the then market conditions, market prices of the Shares and the financial position of the Company, the Board would have the flexibility to decide whether or not to proceed with the Proposed D Share Buy-back Offer, and to impose the additional Acceptance Condition if it considers appropriate.

Although the Buy-back Price will only be determined after the Shareholders' Meetings, it will be restricted to within 5% over or below the market price of the D Shares prior to the date of the Pricing Announcement. A share buy-back at a price close to the market prices of D Shares is considered beneficial in principle when compared to (i) repurchases in the A Share and H Share markets, which have market prices higher than that in the D Share market, and (ii) the Precedent Buy-back Offers, which often offer premiums of at least 10% over market prices, therefore allowing the Company to buy back its Shares at a relatively lower cost, benefiting the Shareholders who decide to retain their Shares by way of an accretion in earnings per Share. The P/E ratios and P/B ratios as represented by the Indicative Price Range compare favourably to those of the Comparable Companies. Although the lack of a significant premium may inhibit acceptance to a certain extent, the lack of marketability of D Shares may still, in our opinion, create an attractive exit opportunity, particularly for the large holders of D Shares.

Based on the high-end of the Indicative Price Range and the Maximum Offer Size, the maximum amount payable under the Proposed Share Buy-back Offer is approximately EUR175.0 million, or approximately RMB1.4 billion, which is not expected to materially impact the Group's substantial cash position. Following the cancellation of the Buy-back D Shares, the Group's net asset value per Share may decrease slightly due to the Indicative Price Range being higher than the Group's latest net asset value per Share, while the Group's earnings per Share will be slightly enhanced due to the reduced number of Shares.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider that the terms of the Proposed D Share Buy-back Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the Shareholders' Meetings to approve the Proposed D Share Buy-back Offer.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

John Wong
Director

Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over fifteen years of experience in the corporate finance industry.