



16 May 2025

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**MAJOR TRANSACTION, DISCLOSEABLE TRANSACTION AND  
CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and Other Financial Services contemplated under the Financial Service Framework Agreement and the proposed annual caps, details of which are set out in the letter from the Board (“**Letter from the Board**”) of the circular of the Company dated 16 May 2025 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 25 April 2025, Haier Finance Company, a subsidiary of Haier Group, entered into the Financial Services Framework Agreement with the Company, pursuant to which Haier Finance Company agreed to provide the Group with financial services subject to the terms and conditions set out therein for a term from the date on which the conditions precedent under the Financial Services Framework Agreement are fulfilled (i.e. 6 June 2025, being the date of the AGM, if the Financial Services Framework Agreement is approved by Independent Shareholders) to 31 December 2027.

As at the Latest Practicable Date, Haier Group holds, through its subsidiaries, approximately 45.33% of the voting rights of the Company. Accordingly, Haier Group is a controlling shareholder of the Company, and thus Haier Finance Company, being a subsidiary of Haier Group, is a connected person of the Company. As such, the entering into of the Financial Service Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.



Pursuant to the Listing Rules, (i) as the applicable percentage ratio of the highest annual cap for the transaction in relation to the Deposit Services is higher than 25%, the transaction in relation to the Deposit Services constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and (ii) as the applicable percentage ratio of the annual cap for Other Financial Services is higher than 5% but less than 25%, the transaction in relation to Other Financial Services constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Furthermore, the transactions in relation to the Deposit Services and Other Financial Services constitute continuing connected transactions of the Company under Chapter 14A of the Listing rules and are subject to reporting, announcement, circular (including independent financial advice) and Shareholders' approval requirement under Chapters 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Fang Qiaoling, Mr. Chung Wai Man and Ms. Ng Sin Kiu, has been formed to advise the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transaction and the adoption of the proposed annual caps. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders on the same regards.

We are not associated with the Company, Haier Finance Company, Haier Group or their respective core connected persons or associates. In the past two years prior to this appointment, saved for our engagement as the independent financial adviser to the independent board committee and independent shareholders of Haier Smart Home Co., Ltd. (stock code: 6690.HK), a company controlled by the Haier Group, in respect of the Continuing Connected Transactions as disclosed and defined in the circular of Haier Smart Home dated 6 June 2023 and 7 May 2025 respectively, there was no engagement between the Group, Haier Group or their core connected persons and us. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group. Accordingly, we are independent from the Company pursuant to Rule 13.84 of the Listing Rules and are considered eligible to give independent advice on the Deposit Services and Other Financial Services under the Financial Service Framework Agreement and the proposed annual caps.

In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company, which we have assumed to be true, accurate and complete in all material aspects. We have reviewed the information of the Company, among other things, (i) the annual report of the Company for the year ended 31 December 2024 (the **"2024 Annual Report"**); (ii) the announcement of the Company dated 25 April 2025 in relation to, among others, the Deposit Services and Other Financial Services contemplated under the Financial Service Framework Agreement and the proposed annual caps (the **"Announcement"**); and (iii) other information contained in the Circular. We also have sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us were not misleading in any material aspects. We consider that the information we have received is sufficient for us to reach our opinion and give our advice and recommendations set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Company, Haier Finance Company, Haier Group or any of their respective 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 representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true up to the time of the AGM, and Shareholders will be informed of any material change as soon as possible.



## PRINCIPAL FACTORS AND REASONS CONSIDERED

### 1. Information of the parties

#### 1.1. Information of the Group

The Company is a joint stock company established in the PRC with limited liability on 16 March 2017 and the H Shares of which are listed on the Stock Exchange. The principal business activities of the Group are provision of insurance agency services, IT services and consulting services.

Set out below is the summary of the financial information of the Group for the years ended 31 December 2023 and 2024 as extracted from the 2024 Annual Report:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2024</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Revenue		
– Insurance agency business	187,693	155,748
– IT services	16,961	15,782
– Consulting services	1,173	2,481
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	205,827	174,011
Gross profit	78,828	74,513
Profit for the year	46,225	38,993

For the years ended 31 December 2023 and 2024, the Group recorded revenue of approximately RMB174.0 million and RMB205.8 million, respectively, representing an increase of approximately 18.3%. As disclosed in the 2024 Annual Report, the increase in revenue was mainly attributable to the increase in revenue generated from the insurance agency business, as a result of (i) the further optimisation of the Corporate Insurance Interactive Service Platform of the Group, which launched more diversified offerings of property insurance products resulting in the increase in revenue; and (ii) the addition of new strategic channel partners, which brought more incremental business in Henan and Jilin regions as well as business expansion in the existing cooperative channels and increased distribution of accident and automobile insurance products. Revenue generated from IT services increased by 7.6% from approximately RMB15.8 million for the year ended 31 December 2023 to approximately RMB17.0 million for the year ended 31 December 2024 mainly because the Group obtained more IT projects as the market continued to recognise our digital capabilities.



The Group's gross profit for the year ended 31 December 2023 and 2024 amounted to approximately RMB74.5 million and RMB78.8 million respectively, representing an increase of approximately 5.8%. Such increase was primarily due to the increase in gross profit from insurance agency business. Gross margin was approximately 42.8% and 38.3% for the year ended 31 December 2023 and 2024, respectively. As disclosed in the 2024 Annual Report, the decrease in overall gross margin of the Group was mainly due to the decrease in gross profit margin of the insurance agency business from 41.1% in 2023 to 36.8% in 2024, as a result of (i) the increase in proportion of commission income contributed by the distribution of accident insurance products and automobile insurance products, both with comparatively lower gross profit margins; and (ii) a decrease in the commission income of the life and health insurance products with higher gross profit margin due to the continued decline in consumer demand for certain life and health insurance products as a result of the overall economic uncertainty.

The Group recorded profit for the year ended 31 December 2023 and 2024 of approximately RMB39.0 million and RMB46.2 million, respectively, representing an increase of approximately 18.5%. Such increase was mainly due to (i) the increase in revenue and gross profit as mentioned above; (ii) the decrease in general and administrative expenses as a result of the decrease in listing expenses recognised; and (iii) the decrease in selling and marketing costs due to the decrease in staff costs. The net profit margin remained stable at 22.4% for the both year ended 31 December 2023 and 2024.

Set out below is the summary of the financial position of the Group as at 31 December 2023 and 2024 as extracted from the 2024 Annual Report:

	<b>As at 31 December</b>	
	<b>2024</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Accounts and bills receivables	41,965	30,806
Time deposits	398,920	132,277
Restricted cash	15,108	11,753
Cash and cash equivalents	169,721	203,638
Other assets	9,679	11,478
<b>Total assets</b>	<b>635,393</b>	<b>389,952</b>
Accounts and other payables	26,896	17,689
Other liabilities	10,125	9,044
<b>Total liabilities</b>	<b>37,021</b>	<b>26,733</b>
<b>Net assets</b>	<b>598,372</b>	<b>363,219</b>



As at 31 December 2024, the Group's total assets amounted to approximately RMB635.4 million, mainly comprised of (i) time deposits of approximately RMB398.9 million, (ii) cash and cash equivalents of approximately RMB169.7 million, (iii) accounts and bills receivables of approximately RMB42.0 million; and (iv) restricted cash of approximately RMB15.1 million.

As at 31 December 2024, the Group's total liabilities amounted of approximately RMB37.0 million, all of which were current liabilities and mainly comprised of (i) accounts and other payables of approximately RMB26.9 million; (ii) current taxation payables of approximately RMB4.7 million, and (iii) accrued expenses of approximately RMB4.3 million.

The Group's net assets has increased from approximately RMB363.2 million as at 31 December 2023 to approximately RMB598.4 million as at 31 December 2024, which was mainly due to the increase in capital reserve as a result of the listing of the Shares on 6 August 2024.

### ***1.2. Information of Haier Finance Company***

Haier Finance Company is a non-bank financial institution established in the PRC in 2002 and holds a finance licence (金融許可證) granted by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), the predecessor of the National Financial Regulatory Administration (國家金融監督管理總局). Haier Finance Company, as an enterprise group finance company, can provide deposit and other services to Haier Group and its associates including the Group, subject to the supervision of the financial regulatory authorities. The ultimate beneficial owner of Haier Finance Company is Haier Group, whose principal business is investment holding. We have obtained the business license of Haier Finance Company issued by the China Banking and Insurance Regulatory Commission and noted that Haier Finance Company is authorised to provide the Deposit Services and Other Financial Services as set out in the Financial Services Framework Agreement.

We have also obtained and reviewed the financial information of Haier Finance Company for the year ended 31 December 2022, 2023 and 2024, as well as the relevant key financial ratios of Haier Finance Company as and the corresponding requirements set by the authorities at 31 December 2022, 2023 and 2024 respectively. From our review, we noted that Haier Finance Company complied with the key financial ratio requirements as at 31 December 2022, 2023 and 2024, respectively.

## **2. Reasons for and benefits of the Deposit Services and Other Financial Services**

As stated in the Letter from the Board of the Circular, the reasons for and the benefits to the Group in using the financial services of Haier Finance Company, include but are not limited to:

- (i) Haier Finance Company is a non-banking financial institute among the first batch of companies being approved to carry out all kinds of domestic and foreign currencies businesses, and the first enterprise group finance company to carry out the pilot program of centralised management of foreign exchange funds for current account items. It is the first finance group in China to pass the ISO27001 certification of the International Information Security Management System and the third-level certification of national standard protection;



- (ii) as a non-banking financial institution specialising in providing financial services to enterprise group member entities, Haier Finance Company is regulated by the PBOC and the NFRA and is required to provide financial services in accordance with and in compliance of the rules and operational requirements of these regulatory authorities including capital risk guidelines and requisite capital adequacy ratios;
- (iii) the Group's deposits placed in Haier Finance Company can save financial costs and improve capital efficiency. The interest rate for the Deposit Services and the Loan Services will be no less favourable than those offered by the PBOC and major other domestic commercial banks in the PRC for similar type of services. The fee or commission for the fee-based or commission-based financial service provided by Haier Finance Company will not be higher than those charged by other domestic commercial banks or financial institutions. At the same time, Haier Finance Company exempts account management fees, online banking opening fees, inquiry letter fees, deposit certificates, internal settlement fees, etc., which can effectively save financial costs for the Group;
- (iv) by leveraging the unique cross-bank aggregation function of the finance company, Haier Finance Company can shorten the Group's capital transfer and turnover time in several bank channels and improve the efficiency of capital operations. Meanwhile, Haier Finance Company has continuously upgraded its digitisation system and established a professional team to provide more considerate services with higher quality;
- (v) as an intra-group service provider of Haier Group, its integral position within the corporate structure allows for streamlined communication, reduced transaction costs, and enhanced operational efficiency; and
- (vi) the Group has placed deposits with Haier Finance Company and established a good relationship with Haier Finance Company over years. Haier Finance Company is familiar with the Group's operations, capital structure and working capital management, which may enable Haier Finance Company to render more expedient, efficient and flexible deposit services to the Group than other commercial banks and independent financial institutions in the PRC and also accurately predict and quickly meet the Group's needs for financial services.

The Group is independent from its Shareholders (including Haier Group) in financial aspects, while the above fund pools management services to be provided by Haier Finance Company represent the internal fund management of the Group only. Based on the Group's previous experience in business dealings with Haier Finance Company, the Directors believe that Haier Finance Company is capable of effectively satisfying the Group's demands for financial services and can provide customised financial service solutions for the Group according to its strategic plan, which is in the interests of the Group and the Shareholders as a whole.



Given the transactions to be contemplated under the Financial Services Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (excluding the independent non-executive Directors) are of the view that the terms of the Financial Services Framework Agreement and the proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Based on the above and the fact that (i) the Group is not restricted under the Financial Services Framework Agreement to procure similar deposit services from other financial services providers; (ii) interest rate for the deposits placed with Haier Finance Company by the Group shall be no less favourable than those offered by the PBOC and major other domestic commercial banks in the PRC to the Group for similar type of deposit services; and (iii) the risk profile of Haier Finance Company is not greater than that of other commercial banks in the PRC as mentioned above, we concur with the Directors' view that the Deposit Services under the Financial Services Framework Agreement was in the interests of the Group and the Shareholders as a whole.

### **3. The Financial Services Framework Agreement**

The following sets forth the principal terms of the Deposit Services and Other Financial Services under Financial Services Framework Agreement. For detailed terms of the Financial Services Framework Agreement, please refer to the section headed "*7. Major Transaction, Discloseable Transaction and Continuing Connected Transactions in relation to the Financial Services Framework Agreement*" in the Letter from the Board.

**Date:** 25 April 2025

**Parties:** the Group (as service recipient); and  
Haier Finance Company (as service provider)

**Term:** From the date on which the conditions precedent under the Financial Services Framework Agreement are fulfilled (i.e. 6 June 2025, being the date of the AGM, if the Financial Services Framework Agreement is approved by Independent Shareholders) to 31 December 2027.

Subject to the compliance with the relevant requirements under Chapter 14A of the Listing Rules (if applicable), the Group has an option, in its entire discretion, to renew the Financial Services Framework Agreement upon its expiry (subject to adjustment of fees where necessary) for another term of three years.

**Condition precedent:** The Financial Services Framework Agreement is conditional upon (i) the approval by Independent Shareholders at the AGM; and (ii) other relevant requirements stipulated by the Listing Rules or imposed by the Stock Exchange.



**Nature of services:**

Haier Finance Company shall provide the following financial services to the Group:

- (1) Deposit Services;
- (2) Loan Services;
- (3) Other Financial Services, which include the following:
  - (i) spot foreign exchange trading services and hedging financial derivatives business, international settlement, trade financing and non-financing guarantee services, etc.;
  - (ii) financial consulting and consulting agency services;
  - (iii) cross-border foreign exchange fund and cross-border RMB fund services;
  - (iv) credit verification and entrusted loan services;
  - (v) issuance, acceptance and discounting of bills;
  - (vi) collection and automatic clearing management of paper commercial bills and electronic commercial bills;
  - (vii) internal transfer and settlement service of the Group and the corresponding settlement;
  - (viii) underwriting of corporate bonds of the Group;
  - (ix) services in relation to collection and payment of funds;
  - (x) consumer credit and buyer credit for the Group's products/services;
  - (xi) other services approved by the NFRA.





**Pricing Policy:**

In terms of the Deposit Services, pursuant to the Financial Services Framework Agreement, in respect of RMB deposits, Haier Finance Company will provide deposit services to the Group by referencing to the benchmark deposit interest rate announced by the PBOC for the same period from time to time and in accordance with regulatory requirements, at an interest rate which is more favourable than the highest interest rate for the same type of deposits as announced by Industrial and Commercial Bank of China, Agricultural Bank of China, China Construction Bank, Bank of China and all the listed national joint stock banks in the PRC (the “**Comparable Banks**”). Deposits for foreign currencies are implemented in accordance with market principles, and the interest rate of similar deposits is no less favourable than the highest interest rate of commercial banks available to the Group.

Before placing RMB deposits with Haier Finance Company, the Group will compare the interest rate provided by Haier Finance Company with those announced by the Comparable Banks. Before placing foreign currency deposits with Haier Finance Company, the Group will compare the interest rate and/or exchange rate provided by Haier Finance Company with those provided by three major banks or financial institutions with which the Group has established business relationships in each quarter.

In terms of Other Financial Services, the fees charged by Haier Finance Company will be determined based on corresponding market prices with reference to the charge standard published by the PBOC on its official website from time to time. If there is no such benchmark rate published by the PBOC for that kind of financial services, the fee will be determined with reference to, amongst other factors, the rates charged by other major financial institutions/commercial banks for the same types of services and their conditions. The terms and conditions should not be less favourable than those terms and conditions offered by independent financial institutions/commercial banks in the PRC to the Group. Before using other financial services provided by Haier Finance Company, the Group will compare the fees charged by Haier Finance Company with those charged by three major commercial banks or financial institutions with which the Group has established business relationships. Haier Finance Company will leverage its collective resource advantages to obtain the lowest service fees and the best-quality services from external financial institutions and will not charge any additional intermediary fees except those charged by external banks. In addition, Haier Finance Company agrees to waive all the service fees that would otherwise be charged to the Group, including but not limited to, account management fees, online banking activation fees, inquiry fees, deposit certificate fees, credit certificate fees, internal settlement fees, and all other service-related charges.

**Set-off:**

In respect of the Deposit Services and in the event that Haier Finance Company misuses or defaults on the deposits placed by the Group with Haier Finance Company, or in any other circumstances which renders Haier Finance Company to be unable to return such deposits (including accrued interests) to the Group, the Group is entitled to appropriate such deposits to set off against the outstanding loans (including accrued interests) extended by Haier Finance Company to the Group. Specifically, the Group may send a letter to Haier Finance Company to assert that the relevant deposits are due immediately, and Haier Finance Company shall then immediately repay the relevant deposits (including accrued interests) to the Group. The Group may also appropriate such deposits to set off against the outstanding loans (including accrued interests) extended by Haier Finance Company to the Group, which enables Haier Finance Company to immediately repay the relevant deposits (including accrued interests) to the Group. If the Group's deposit with Haier Finance Company is more than the loans extended by Haier Finance Company, the Group may offset part of the deposit with Haier Finance Company against the total loans extended by Haier Finance Company. As to the remaining deposits, the Group is entitled to request Haier Finance Company to repay the deposits through negotiation, arbitration and/or litigation. However, in the event that the Group fails to repay its loans extended by Haier Finance Company to the Group on time, Haier Finance Company will not be entitled to set off the outstanding loans owed by the Group to Haier Finance Company against the deposits (including accrued interests) placed by the Group with Haier Finance Company, except as otherwise provided by the laws and regulations of the PRC.

**Undertaking:**

- Haier Finance Company will ensure the safe and stable operation of the fund management information system, which has passed the third-level certification of national standard protection and has reached the national security standard for commercial banks. Haier Finance Company will protect the safety of the funds of the Group and control the assets and liabilities risks;



- Haier Finance Company shall at all times monitor its credit risks. If (a) Haier Finance Company breaches or may breach the laws, regulations, or the terms of the Financial Services Framework Agreement, or (b) on the occurrence of any other circumstances that may raise serious concern regarding the safety of deposits placed by the Group, Haier Finance Company shall, within three days of becoming aware of such a situation, give written notice to the Group, and to take measures to prevent or mitigate any potential loss. Upon receiving such notice, members of the Group have the right to withdraw their deposits (including any accrued interest) immediately. If the deposits (including accrued interest) cannot be withdrawn, the Group may set off its loans provided by Haier Finance Company against its deposits (including accrued interest), unless otherwise as provided in the relevant PRC laws and regulations;
- Haier Finance Company shall as far as practicable and on a best effort basis provide such assistance as necessary to the Group so as to allow the Group to comply with its internal control procedures and the requirements under the Listing Rules, including but not limited to providing financial and other data and/or documents within a reasonable timeframe, giving written or verbal explanations to queries raised by the Group and issue explanatory notes for certain facts or circumstances;
- Haier Finance Company will provide the Group with the annual statutory audit reports issued by an independent auditor to enable the management of the Group to have a comprehensive knowledge about the financial situation of Haier Finance Company;
- Haier Finance Company will appoint an independent accounting firm in accordance with the Financial Services Framework Agreement to review the completeness and impartiality of its internal control, risk management and operation system, assess the completeness and effectiveness of its internal control measures, and provide an evaluation report on the effectiveness of implementation of the internal control measures to the Group on an annual basis;
- Haier Finance Company will provide the Group with copies of all compliance reports submitted to the NFRA within three business days, ensuring that the Group is informed of the compliance status of Haier Finance Company;



- Haier Finance Company undertakes to strictly comply the risk monitoring indicators for finance companies as stipulated by the NFRA in its operations. Key risk monitoring indicators include the capital adequacy ratio and liquidity ratio. Based on the management accounts quarterly provided by Haier Finance Company, the Group will monitor the compliance with key risk monitoring indicators of Haier Finance Company on a quarterly basis;
- Haier Finance Company will provide the Group with copies of the external reports on its credit rating when they are available, and notify the Group immediately when there are changes in credit rating, ensuring that the Group will be informed of the credit rating status of Haier Finance Company; and
- Upon the completion of the preparation of Haier Finance Company's quarterly financial statements, they will be provided to the Group in a timely manner.

**Termination:**

- Haier Finance Company shall not unilaterally terminate the Financial Services Framework Agreement unless there is a material breach of any terms of the Financial Services Framework Agreement by the Group. Under such circumstances, Haier Finance Company may terminate transactions with the defaulting members of the Group under the relevant agreement by providing written notice to the defaulting company at least six months in advance. Transactions between Haier Finance Company and other members of the Group shall remain unaffected and continue to be valid.
- The Group shall be entitled to terminate the Financial Services Framework Agreement by providing Haier Finance Company not less than one month's written notice upon:
  - (i) the occurrence of any of the following which exposes or potentially exposes the Group to significant risks or losses: (a) breaches or potential breaches of PRC laws and regulations by Haier Finance Company; (b) Haier Finance Company encounters or may encounter any significant operational issues or payment difficulties; and
  - (ii) the performance of the Financial Services Framework Agreement by the Group would result in or may result in its violation of laws and regulations (including Listing Rules).



In order to ensure that the interest rates of the deposits placed by the Group with Haier Finance Company are on normal commercial terms and no less favourable to the Group, before placing deposits with Haier Finance Company, the Group compare the interest rate and/or exchange rate provided by Haier Finance Company with those provided by three major banks or financial institutions with which the Group has established business relationships in each quarter.

For our due diligence purpose, we have obtained and reviewed the fixed deposit agreement entered into between the Group and Haier Finance Company in respect of the only deposit placed by the Group with Haier Finance Company since the listing of the H Shares on the Stock Exchange (i.e. 6 August 2024) up to the end of 2024. From our review, we noted that the interest rate offered by Haier Finance Company to the Group in relation to the fixed deposit was no less favorable than those offered by three major commercial banks in the PRC for similar type of deposit.

In addition, as advised by the management of the Company, the Group sought to monitor and manage its members in depositing cash resources among major banks and/or financial institutions in the PRC as a measure to manage credit risk exposure as well as to enhance overall deposit interest yield in accordance with its treasury management strategy. We have obtained and reviewed the Group's bank deposit schedule and noted that the Group has placed deposits with not less than ten other commercial banks/financial institutions in the PRC as the date of the Announcement.

Furthermore, there is a set-off clause where if (a) Haier Finance breaches or may breach the laws, regulations, or the terms of the Financial Services Framework Agreement, or (b) on the occurrence of any other circumstances that may raise serious concern regarding the safety of deposits placed by the Group, Haier Finance shall, within three days of becoming aware of such a situation, give written notice to the Group, and to take measures to prevent or mitigate any potential loss. Upon receiving such notice, members of the Group have the right to withdraw their deposits (including any accrued interest) immediately. If the deposits (including accrued interest) cannot be withdrawn, the Group may set off its loans provided by Haier Finance against its deposits (including accrued interest), unless otherwise as provided in the relevant PRC laws and regulations.

Notwithstanding that the possible amount of outstanding loans extended by Haier Finance Company to the Group might be less than the possible amount of deposits placed by the Group with Haier Finance Company, taking into consideration the key financial ratios of Haier Finance Company, which is subject to the supervision of the financial regulatory authorities, and the additional undertaking of Haier Finance Company as set out above, we are of the view that such off-set arrangement could provide additional level of protection to the Group in recovering any potential amount due from Haier Finance Company, and is in the interests of the Company and the Shareholders as whole.



There were no historical transaction amounts between the Group and Haier Finance Company with respect to Other Financial Services for each of the three years ended 31 December 2024. As stipulated in the Financial Services Framework Agreement, the fees charged by Haier Finance Company in respect of Other Financial Services will be determined based on corresponding market prices with reference to the charge standard published by the PBOC on its official website from time to time. If there is no such benchmark rate published by the PBOC for that kind of financial services, the fee will be determined with reference to, amongst other factors, the rates charged by other major financial institutions/commercial banks for the same types of services and their conditions. The terms and conditions should not be less favourable than those terms and conditions offered by independent financial institutions/commercial banks in the PRC to the Group.

Based on the above, in particular that the (i) interest rates offered and fees charged by Haier Finance Company to the Group will be no less favourable than those offered to the Group by other commercial banks/financial institutions, which ensure the Deposit Services and Other Financial Services will be conducted on normal commercial terms or better; and (ii) the Deposit Services and Other Financial Services contemplated under the Financial Services Framework Agreement are conducted on a non-exclusive basis, we are of the view that the principal terms (including the pricing policies) of the Deposit Services and Other Financial Services contemplated under the Financial Services Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and Shareholders as a whole.

#### **4. Proposed annual caps**

##### ***Historical transaction amounts***

The maximum daily outstanding balance of deposits placed by the Group with Haier Finance Company for the years ended 31 December 2022 and 2023 were approximately RMB197.1 million and RMB83.0 million, respectively. The maximum daily outstanding balance of deposits placed by the Group with Haier Finance Company for the year ended 31 December 2024 was RMB20 million, being the amount of time deposit made by the Group with Haier Finance Company as disclosed in the announcement of the Company dated 13 November 2024. The corresponding interest income received by the Group from Haier Finance Company for each of the three years ended 31 December 2024 were approximately RMB0.2 million, RMB0.1 million and RMB43,000, respectively.

There were no historical transaction amounts between the Group and Haier Finance Company with respect to Other Financial services for each of the three years ended 31 December 2024.



### *Proposed annual caps*

The transaction annual caps for Deposit Services and Other Financial Services under the Financial Services Framework Agreement shall not exceed the following caps:

*RMB'000*

	<b>For the year ending 31 December</b>		
	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Deposit Services</b>			
Maximum daily outstanding balance of deposits (including interests accrued thereon) placed by the Group with Haier Finance Company	309,000	309,000	309,000
<b>Other Financial Services</b>			
Maximum daily trading balance of foreign exchange derivative products	50,000	50,000	50,000
Service fee	60	60	60

As set out in the Letter from the Board, when determining the above proposed annual caps in relation to the Deposit Services and Other Financial Services, the Directors have taken into consideration the following factors:

#### *In terms of Deposit Services:*

- (i) the historical transaction amounts, after taking into account the maximum daily outstanding balance of deposits with Haier Finance Company of RMB197.1 million for the year ended 31 December 2022;
- (ii) the cash and cash equivalents of RMB169.7 million and time deposits of RMB398.9 million of the Group as at 31 December 2024, as well as the growth of the Group's sales revenue and operating profits of 38.7% and 24.8%, respectively, from 2022 to 2024;
- (iii) the estimated cash amounts as well as daily cash inflows of the Group available for deposit at Haier Finance Company. As part of the finance management measures, the Company will set the maximum daily outstanding balance amount for the Group's deposits placed at Haier Finance Company every year so as to allow sufficient financial allocation flexibility for the Group; and



- (iv) as at the Latest Practicable Date, the Group had placed deposits with around 10 different financial institutions (including Haier Finance Company) in the PRC and Hong Kong. Furthermore, the Deposit Services will be obtained by the Group on a voluntary and non-exclusive basis. There is no restriction under the Financial Services Framework Agreement on the Group's ability to obtain deposit services from other banks or financial institutions, and the Group is at its sole discretion to make its selection according to the relevant interest rates and quality of services being delivered by other banks or financial institutions. The Group has been diversifying the banks or financial institutions for cash deposits for the purpose of risk management of its capital and the proposed annual caps can provide more flexibility to the Group's cash management and allocation, such as maximising the interest income earned from deposit.

*In terms of Other Financial Services:*

- (i) the Group's expected need for Other Financial Services based on its operation and development plans; and
- (ii) the anticipated increase in the Group's demand for global financial services. To minimize the exposure of the Group towards foreign exchange risks and based on actual business needs, the Group proposes to set the maximum daily trading balance of foreign exchange derivative products purchased from Haier Finance Company. Considering the Group's planning on international business and that the Group may expand its global business portfolio and growth profile through acquisitions of appropriate overseas targets, the Group is expected to have demand for global financial services, especially the foreign exchange derivative products, to satisfy its hedging needs increases.

*Deposit Services*

As set out in the section headed "1.1 Information of the Group" above, as at 31 December 2024, time deposits, restricted cash and cash and cash equivalent of the Group amounted to approximately RMB398.9 million, RMB15.1 million and RMB169.7 million, respectively. The aggregate amount of which accounted for over 90% of the total assets of the Group as at 31 December 2024, and is substantially higher than the proposed maximum daily outstanding balance of deposits placed with Haier Finance Company for the three years ending 31 December 2027 of RMB309 million.

Furthermore, the Shares were listed on the Stock Exchange on 6 August 2024. As disclosed in the 2024 Annual Report, the net proceeds from the listing amounted to approximately HK\$198.9 million, none of which were utilised as at 31 December 2024. The Company expects to utilise these net proceeds for the purposes as set out in the prospectus of the Company dated 29 July 2024, and will deposit the unutilized net proceeds into interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions.





While the Company maintains deposits with Haier Finance Company mostly in the form of demand deposits, time deposit and agreement deposit, the management of the Company considers that it is reasonable to determine the proposed annual caps with reference to the overall bank balance of the Group to cater any unexpected fluctuations in bank balance, in particular, in the event of loans drawdown from Haier Finance Company given the loans may be subsequently deposited with Haier Finance Company. As disclosed in the letter from the Board of the Circular, the maximum daily outstanding balance of loans (including interests accrued thereon) granted by Haier Finance Company to the Group amounted to approximately RMB104 million for the three years ending 31 December 2027. As advised by the management of the Company, the credit amount available from Haier Finance Company to the Group is expected to increase based on the business development and financial arrangement of the Group.

We have discussed with the management of the Company and were given to understand that interest rate is a crucial factor that the Group considers when deciding whether to place deposits with a bank or other financial institutions. As set out in the section headed “5. *Internal control measures*” below, the Company will compare interest rates announced or offered by other major commercial banks or financial institutions with those offered by Haier Finance Company, and only deposit with Haier Finance Company if the interest rate offered by Haier Finance Company is not lower than those offered by other major commercial banks or financial institutions. Furthermore, as advised by the management of Company, for risk management and business relationship management, the Group would not place all available funds with one single bank or financial institution, including Haier Finance Company. Based on the Group’s bank deposit schedule as at the date of the Announcement provided by the Group, the Group has placed deposits with not less than ten other commercial banks/financial institutions in the PRC.

#### Other Financial Services

The proposed annual caps in respect of Other Financial Services amounted to RMB50 million for maximum daily trading balance of foreign exchange derivative products and RMB0.06 million for service fee. We have discussed with the management of the Company and noted that the anticipated demand for foreign exchange derivative products arises from the Group’s strategy for geographical expansion. Despite most operating results of the Group are currently derived from the PRC, as set out in 2024 Annual Report, it is the Group’s strategy to expand its ecosphere by establishing links with more companies to provide more product solutions for insurance users, and to carry out selective investments and acquisitions in insurance intermediary and fintech industry to further accelerate the development of our business and strengthen our competitiveness. As advised by the management of the Company, after the listing of the Shares in August 2024, some of the cash and cash equivalents of the Group were denominated in Hong Kong dollar. Taking into account the Group’s expansion strategies, it is anticipated that the Group’s exposure to foreign exchange risk will increase, and hence certain currency hedging products might be used. As set out in the section headed “1.1 *Information of the Group*” above, the Group’s revenue amounted to approximately RMB205.8 million for the year ended 31 December 2024, representing an increase of approximately 18.3% from the previous year. The proposed maximum daily trading balance of foreign exchange derivative products of RMB50 million accounted for less than 30% of the revenue of the Group.



Having considered above, and the fact that the proposed annual caps for the Deposit Services and Other Financial Services provide the Group an option, but not an obligation, for the Group to deposit its funds with and procure other financial services from Haier Finance Company, providing flexibility to the Group when sourcing financial service providers with favorable interest rates and fees, we are of the view that the proposed annual caps for the Deposit Services and Other Financial Services are fair and reasonable so far as the Independent Shareholders are concerned.

## **5. Internal control measures**

To safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted, among other, the following guidelines and principles in monitoring the financial services connected transactions between the Group and Haier Finance Company, including the Deposit Services and Other Financial Services. Details of the internal control measures adopted by the Company are set out in the section headed “*Internal Control Measures*” in the letter from the Board of the Circular.

- the finance department of the Company will obtain quarterly (i) deposit interest rates announced by the Comparable Banks; and/or (ii) the interest rates offered by three major commercial banks or financial institutions with which the Group has established business relationships, and compare those with the interest rate offered by Haier Finance Company. If the interest rate offered by Haier Group is not the highest for similar deposits, the Group will negotiate with Haier Finance Company to adjust the proposed interest rate in compliance with the abovementioned pricing principles;
- the finance department of the Company will monitor the daily deposit level to ensure that the daily deposit amount does not exceed the caps;
- the finance department of the Company is responsible for supervising and ensuring the effective implementation of internal control procedures for the connected transactions. It will conduct a compliance inspection quarterly, and report to the audit committee of the Company; and
- the Group will review the transactions with Haier Finance Company, summarise the experiences and supplement any inadequacies on an annual basis.

In light of the above internal control measures adopted by the Company and given that we have reviewed (i) the only deposit placed by the Group with Haier Finance Company since the listing of the H Shares on the Stock Exchange up to the end of 2024 and the interest rate offered by Haier Finance Company to the Group in relation to the fixed deposit was no less favorable than those offered by three major commercial banks in the PRC for similar type of deposit; and (ii) the Group’s bank deposit schedule that the Group have placed deposits with not less than ten other commercial banks/financial institutions in the PRC as the date of the Announcement, showing that the Group has its treasury management strategy to manage credit risk exposure and to enhance overall deposit interest yield, we are of the view that the Company’s internal control measures are sufficient to safeguard the interests of the Shareholders.



In addition, pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Deposit Services and Other Financial Services contemplated under the Financial Services Framework Agreement are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Non-exempt Continuing Connected Transaction every year and confirm in the annual report that the transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions:
  - (i) have not been approved by the Board;
  - (ii) were not, in all material respects, in accordance with the pricing policies of the Group;
  - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing them; and
  - (iv) have exceeded the relevant annual caps;
- (c) the Company must allow, and ensure that the counterparties to the Non-exempt Continuing Connected Transaction allow, the Company's auditors sufficient access to their records for the purpose of the reporting on such transactions; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required. The Stock Exchange may require the Company to re-comply with the announcement and Shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements attached to the Non-exempt Continuing Connected Transaction, in particular, (i) the comparison of the interest rate offered/fees charged by Haier Finance Company to those announced by the Comparable Banks and/or those offered by three major commercial banks or financial institutions; (ii) the restriction of the transaction value by way of annual caps; and (iii) the ongoing review by the independent non-executive Directors and auditors of the Company of the Non-exempt Continuing Connected Transaction and the proposed annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Deposit Services and Other Financial Services pursuant to the Financial Services Framework Agreement and assist in safeguarding the interests of the Company and the independent Shareholders as a whole.



## OPINION AND RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that the entering into of the Financial Services Framework Agreement, including the Deposit Services and Other Financial Services contemplated thereunder and the proposed annual caps for the Deposit Services and Other Financial Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Deposit Services and Other Financial Services contemplated under the Financial Services Framework Agreement, and the proposed annual caps for the Deposit Services to be proposed at the AGM.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**

**Calvin Leung**  
*Director*

*Mr. Calvin Leung 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 under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 20 years of experience in the corporate finance industry.*