

Haier Smart Home Co., Ltd. Special Review Report on Deposit and Actual Use of Raised Funds in 2019

Hexin Zhuan Zi. (2020) No.000116

To all shareholders of Haier Smart Home Co.,Ltd.:

Commissioned by your Company, we reviewed the attached *Special Report on Deposit and Actual Use of Raised Funds in 2019* (hereinafter referred to as “Special Report of Raised Funds”) of Haier Smart Home Co.,Ltd. (hereinafter referred to as “Haier Smart Home”)

I. Responsibilities of board of directors for the special report of raised funds

To prepare special report of raised funds in accordance with rules and regulations of the *Regulatory Guidelines for Listed Companies No.2-Regulatory Requirements for the Management and Use of Raised Funds by Listed Companies* issued by China Securities Regulatory Commission and the *Administrative Measures for Raised Funds by Listed Companies of Shanghai Stock Exchange (Revised in 2013)*, and ensure authenticity, accuracy and completeness of the contents without fraud representations, misleading statements or material omissions are responsibilities of the Board of Directors of Haier Smart Home.

II. Responsibilities of certified public accountants

Our responsibility is to issue review opinions over special report for raised funds of Haier Smart Home on the basis of implementing review tasks. We have performed review works in accordance with rules of *China Certified Public Accountants Standard for other Attestation Services No. 3101 - Attestation Services*

Other Than Audit or Review of Historical Financial Information. Such principles require us to comply with the code of ethics, to plan and implement review works, and to obtain reasonable assurance about whether the special report on raised funds of Haier Smart Home is free from material misstatement.

During the review process, we have implemented the review procedure that we believe necessary to obtain evidences of amount and disclosure relating to special report of raised funds. We believe that our review works provide reasonable foundation for expressing opinions.

III. Review opinions

We believe that the special report of raised funds of Haier Smart Home has been prepared in accordance with the rules and regulations of the *Regulatory Guidelines for Listed Companies No.2-Regulatory Requirements for the Management and Use of Raised Funds by Listed Companies* issued by China Securities Regulatory Commission and the *Administrative Measures for Raised Funds by Listed Companies of Shanghai Stock Exchange (Revised in 2013)*, and reflected the deposit and actual use of raised funds of Haier Smart Home authentically in all material respects.

IV. Restrictions of the report for users and purpose of use

This report is only to be used for the purpose of disclosure of annual reports of Haier Smart Home and shall not be used for other purposes. We agree to take the report as the necessary document of annual reports of Haier Smart Home, which shall be submitted and disclosed together with other documents.

Hexin Certified Public Accountants LLP

**Chinese Certified Public Accountant: Zhao Bo
(Engagement Partner)**

Chinese Certified Public Accountant: Wang Lin

Jinan, China

28 April 2020

Board of Directors of Haier Smart Home Co., Ltd.

Special Report on the Deposit and Actual Use of Raised Funds in 2019

The Board of Directors of Haier Smart Home Co., Ltd. (hereinafter referred to as “Haier Smart Home” or “the Company”) prepared a special report on the deposit and actual use of raised funds in 2019 in accordance with relevant regulations of *Regulatory Directives for Listed Companies No.2---Regulatory Requirements for Management and Use of Raised Funds by Listed Companies issued by the China Securities Regulatory Commission* (Zheng Jian Hui Gong Gao [2012] No. 44) and *Administrative Measures for Raised Funds by Listed Companies of Shanghai Stock Exchange (Revised in 2013)* issued by the Shanghai Stock Exchange.

I. Basic Information of the Raised Funds

(I) Information on actual amount and remittance of Raised Funds

As approved by the China Securities Regulatory Commission (hereinafter referred to as “CSRC”) by the document (Zheng Jian Xu Ke [2018] No. 1912), the Company has publicly issued 30,074,900 Convertible Corporate Bonds in a par value of RMB100. The total amount of raised funds in this Issuance is RMB3,007.49 million, and the balance of the raised funds is RMB2,983.58 million after deducting sponsoring and underwriting fees and other expenses relating to the Issuance. The above raised funds were fully put in place on 24 December 2018. Shandong Hexin Certified Public Accountants LLP (currently changed to "Hexin Certified Public Accountants LLP ") has verified the remittance of the raised funds and issued a *Capital Verification Report* (Hexin Yan Zi. (2018) No. 000090).

(II) Amount used and current balance of raised funds

As of 31 December 2019, the raised funds has used RMB1,676.65 million and the balance amounts of the raised funds is RMB 1,355.06 million (account balance includes the income

generated from the Company's wealth management products, interest on demand deposits, exchange gains and losses, and raised funds not yet invested).

II. Information on Deposit and Management of Raised Funds

In order to regulate the management of raised funds and protect the rights and interests of investors, the *Management Regulations of Raised Funds of Haier Smart Home Co., Ltd.* (hereinafter referred to as “*Management Regulations of Raised Funds*”) is hereby formulated by Haier Smart Home, which clearly stipulates the management and use of the Company's raised funds. The Company will manage and use such raised funds in strict accordance with the *Management Regulations of Raised Funds*.

The Company has entered into the *Trilateral Supervision Agreement on Special-account Deposits of Raised Funds* with the sponsor institution China International Capital Corporation Limited (CICC), China Construction Bank Corporation Haier Road Branch (hereinafter referred to as “CCB Haier Road Branch”) and Bank of China Limited Qingdao Sub-branch (hereinafter referred to as “BOC Qingdao Branch”), and has entered into the *Tetragonal Supervision Agreement on Special-account Deposits of Raised Funds* with the implementing entity of raised funds project, among the sponsor institution CICC, CCB Haier Road Branch, BOC Qingdao Branch, Bank of China (Hong Kong) Hochiminh City Sub-branch (hereinafter referred to as “BOC Hochiminh City Sub-branch”) and Industrial and Commercial Bank of China (Moscow) Limited (hereinafter referred to as “ICBC Moscow Sub-branch”) as well as Industrial and Commercial Bank of China, Mumbai Branch (hereinafter referred to as “ICBC Bombay Branch”). There is no significant difference between such agreement and the *Trilateral Deposit Regulation Agreement for Special Account of Raised Funds (Model)* formulated by the Shanghai Stock Exchange.

As of 31 December 2019, the deposit of Raised Funds of the Company is shown as follows:

Note: This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

Unit of amount: RMB

No.	Account-opening Unit	Bank of Deposit	Account No.	Balance as of 31 December 2019
1	Haier Smart Home Co., Ltd.	CCB Haier Road Branch	37150198551000000640	24,908,005.13
2	Haier Smart Home Co., Ltd.	BOC Qingdao Branch	244237870606	5,851,758.52
3	Haier Russia Washing Machine Co., Ltd.	ICBC Moscow Sub-branch	40702840500000010918 (US\$)	8,526,346.55
4			40702810200000010918 (RUB)	3,115,917.42
5	Hefei Haier Air Conditioning Electronics Co., Ltd.	CCB Haier Road Branch	37150198551000000669	11,783,114.18
6	Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	BOC Qingdao Branch	235138702712	4,226,274.08
7	Qingdao Haier Technology Co., Ltd.	BOC Qingdao Branch	228639313388	1,124,565.06
8	Qingdao Haier Special Refrigerating Appliance Co., Ltd.	BOC Qingdao Branch	210438496214	14,977,223.34
9	AQUA Electrical Appliances Vietnam Co., Ltd	BOC Hochiminh City Sub-branch	100000600301527(US\$)	5,759,825.57
10	Qingdao Haier Smart Kitchen Appliance Co., Ltd.	BOC Qingdao Branch	227338455528	2,682,803.35
11	Hefei Haier Air-conditioning Co., Limited	CCB Haier Road Branch	37150198551000000672	6,777,728.86

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No.	Account-opening Unit	Bank of Deposit	Account No.	Balance as of 31 December 2019
12	Laiyang Haier Smart Kitchen Appliance Co., Ltd.	CCB Haier Road Branch	37150198551000000674	7,304,220.36
13	Zhengzhou Haier Air-conditioning Co., Ltd.	CCB Haier Road Branch	37150198551000000670	1,917,970.30
14	Haier Appliances (India) Private Limited	ICBC Bombay Branch	0166000100000164728 (Rupee)	4,287,521,401.83
			0166000100000169238 (US\$)	16,420,921.20
Subtotal of raised funds account balance (converted to RMB)				716,038,702.85
The amount of idle raised funds for cash management				639,018,078.00
Total unused raised funds balance				1,355,056,780.85

III. Information on Actual Use of Raised Funds in 2019

Please refer to the “Comparative Table on Use of Raised Funds” for details on actual use of raised funds for the year.

Comparative Table on Use of Raised Funds

(Unit of amount: RMB'0'000)

Total Raised Funds				298,358		Total Raised Funds Invested during the Year					167,665	
Total Raised Funds for Changing Purposes				66,045		Total Raised Funds Invested Cumulatively					167,665	
Proportion of Total Raised Funds for Changing Purposes				22.14%								
Committed Investment Project	Repurposed Project, including partially repurposed project (if any)	Total Committed Investment Amount	Total Adjusted Investment Amount	Committed Investment Amount by the End of the Period (1)	Investment Amount during the Year	Cumulative Investment Amount by the End of the Period (2)	Difference between Cumulative Investment Amount by the End of the Period and the Committed Investment Amount (3) = (2) - (1)	Investment Progress by the End of the Period (%) (4) = (2)/(1)	Date when Project Reaches the Scheduled Availability	Benefits Realized during the Year	Whether the expected benefits have been achieved or not [Note 1]	Whether the feasibility of the project has changed significantly
Annual production of 500 thousand high-end special refrigerator	No	52,420	52,420	52,420	43,929	43,929	8,491.27	84	June 2019	2,499	[Note 2]	No

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project												
Air-conditioner production base smart manufacturing upgrading project of Haier (Zhengzhou) innovation industrial park	No	7,800	7,800	7,800	2,687	2,687	5,113	34	December 2020	NA	NA	No
Air-conditioner smart manufacturing upgrading project of Haier Jiaozhou innovation industrial park	No	8,800	8,800	8,800	3,414.26	3,414.26	5,386	39	December 2020	NA	NA	No
Newly increased 2 million sets of energy-saving environment protection air-conditioner project of Hefei Haier	No	20,864	20,864	20,864	12,334	12,334	8,530	59	December 2018	2,901	Yes	No

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Air-conditioner Co., Ltd.												
Annual production of 1.5 million air-conditioner project of High-end central air-conditioning	No	37,314	37,314	37,314	14,277	14,277	23,037	38	December 2018	1,798	No	No
PCBA computer board Tianjin Plant construction project	Yes	5,395	-	-	-	-	-	/	December 2019	NA	NA	No
PCBA computer board Hefei plant construction project	Yes	18,529	-	-	-	-	-	/	December 2020	NA	NA	No
Haier kitchen appliance new plant project	No	30,110	30,110	30,110	19,936	19,936	10,174	66	June 2018	9,691	Yes	No

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Haier kitchen appliance Laiyang new plant project	No	27,620	27,620	27,620	20,409	20,409	7,211	74	August 2019	--1,652	[Note 3]	No
Russia Front Loading Washing Machine Manufacturing Base Project	No	34,058	34,058	34,058	28,872	28,872	5,186	85	December 2019	-1,052	[Note 4]	No
Vietnam Front Loading Washing Machine Production Center Project	No	12,751	12,751	12,751	9,013	9,013	3,738	71	July 2019	187	Yes	No
Haier North India Industrial Park Project (Phase I)	No	-	66,045	66,045	12,598	12,598	53,447	19	October 2020	NA	NA	No
Advanced research and development laboratory construction project of smart home appliance	Yes	10,621	-	-	-	-	-	/	December 2020	NA	NA	No

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Industrial smart research institute construction project	Yes	31,500	-	-		-		/	December 2020	NA	NA	No
Smart home operating system (U+) project based on natural interaction and cloud brain construction project	No	2,967	2,967	2,967	196	196	2,771	7	June 2021	NA	NA	No
Total		300,749	300,749	300,749	167,665	167,665	133,084	—	—		—	—
Reasons for failing to reach planed schedule or expected return (by specific investment project financed by proceeds)					High-end central air-conditioning project with an annual output of 1.5 million air conditioners: The overall orders were finished in 2019, but the actual orders number of high-end products with strong profitability was different from the anticipated plan, which affected the annual income. In the future, it is planned to improve the overall project by optimizing the product structure Profitability.							
Illustrations for material changes of feasibility of project					N/A							
Initial investment and replacement of investment projects with raised funds					On 24 January 2019, the <i>Proposal on Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds</i> was considered and approved at the 26th Meeting of the Ninth Session of the Board of Directors and the 22nd Meeting of the Ninth Session of the Supervisory Committee, pursuant to which as of 31 December 2018, the amount pre-invested in fund-raising investment project with raised funds that the Company intended to replace was RMB996,331,200 in total.							

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	<p>On 29 April 2019, the <i>Proposal on Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds</i> was considered and approved at the 27th Meeting of the Ninth Session of the Board of Directors and the 23rd Meeting of the Ninth Session of the Supervisory Committee, pursuant to which from 1 January 2019 to 18 October 2019, the amount pre-invested in fund-raising investment project (Overseas emerging markets' manufacturing base construction projects which layout the "One Belt, One Road") with self-raised funds that the Company intended to replace was RMB102.52 million in total.</p> <p>On 30 October 2019, the Company held the Third Meeting of the Tenth Session of the Board of Directors and the Third Meeting of the Tenth Session of the Board of Supervisors, on these meetings the <i>Proposal on Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds</i> was considered and approved. From 30 April 2019 to 18 October 2019, the self-raised funds of the Haier Northern India Industrial Park Project (Phase 1), which had been invested with raised funds, totaled RMB 63.51 million.</p>
Information of temporarily supplementing working capital with idle raised funds	<p>On 29 August 2019, the Company held the Third Meeting of the Tenth Session of the Board of Directors and the Third Meeting of the Tenth Session of the Board of Supervisors, on these meetings the <i>Proposal on Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds of Haier Smart Home Co., Ltd.</i> was considered and approved. The Company decided to use the raised funds of no more than RMB 35 million to temporarily supplement the working capital, and the time limit shall not exceed 12 months from the date of the board of directors' approval.</p>
Utilisation of idle raised funds for cash management by investing in financial products	<p>On 24 January 2019, the <i>Proposal on Utilisation of Idle Raised Funds for Cash Management of Haier Smart Home Co., Ltd.</i> has been considered and approved at the 26th Meeting of Ninth Session of Board of Directors convened by the Company. It is agreed that the Company shall, without affecting the normal implementation of the raised funds investment projects, use the idle raised funds for cash management up to RMB1.5 billion.</p> <p>As of 31 December 2019, the Company's idle raised funds for cash management amounted to RMB 639.02 million.</p>

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Utilisation of excess raised funds for permanent replenishment of working capital or repayment of bank loans	N/A
Amount of balance of raised funds and the reasons for its formation	N/A
Information of other uses of raised funds	N/A

[Note 1]: “Realized return of this year” represents the net profit from the investment projects financed by proceeds realized for the current period, the measurement and method of calculation is the same as that of the committed return.

[Note 2]:The Company disclosed in the *Feasibility Analysis Report on the Use of Raised Funds of Qingdao Haier's Public Issuance of Convertible Corporate Bonds (Amendment)* that the annual profit of the high-end special refrigerator project with an annual output of 500,000 units will be RMB 60.7433 million in the first year after completing the construction period, the project reached its intended usable state in June 2019, which is less than one fiscal year.

[Note 3]:The Company disclosed in the *Feasibility Analysis Report on the Use of Raised Funds of Qingdao Haier's Public Issuance of Convertible Corporate Bonds (Amendment)* that the Haier Kitchen Appliance Laiyang New Factory Project can achieve a net profit of RMB 69,966,600 in the first year after the completion of the construction period, the project reached its intended usable state in August 2019, which is less than one fiscal year.

[Note 4]:The Company disclosed in the *Feasibility Analysis Report on the Use of Raised Funds of Qingdao Haier's Public Issuance of Convertible Corporate Bonds (Amendment)* that the annual net profit of Russian Manufacturing Base Project of Roller Washing Machines will be RMB 48.2134 million in the first year after completing the construction period, the project reached its intended usable state in December 2019, which is less than one

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fiscal year.

IV. Change of the Implementation Location of Part of the Raised Funds Investment Project

In order to give full play to the efficiency and return of raised funds, and considering the actual situation of investment projects financed by the raised funds and the needs of the Company, some raised funds with an amount of RMB 660.45 million, which were originally intended to be but not yet used in the sub-project “Construction Project on the Home Appliances Intelligent Control Module Factory” under “Project on Leading Consumption Upgrade and Intelligent Manufacturing Upgrade of Production Lines such as Refrigerators and Air-conditioners”, as well as the sub-projects “Construction Project on Advanced R&D Laboratory of Intelligent Home Appliances” and “Construction Project on Research Institute of Industrial Intelligence” under “Project on Improving Innovation Capability, Construction of Advanced R&D Laboratory, COSMOPlat Industrial Internet Platform and U+ Smart Life Platform” (the above projects are collectively referred to as “original investment projects financed by proceeds”), were used in the new project “Haier North India Industrial Park Project (Phase I)”.

1. Reasons for the change

According to the Company's market plan, India has important strategic significance for the Company's global layout. As one of the BRIC countries, India's economy is in a stage of rapid growth, low penetration rate of household appliances, and a huge user base, whose industrial development potential is huge. In recent years, the Company's business in India has achieved rapid growth with the income of 2016-2018 increased by 26%, 40% and 41%, respectively. Based on the current capacity, there will be a capacity gap in the Company in India by 2020. When the public issuance program of the Company's convertible corporate bonds was launched in September 2017, the “Haier North India Industrial Park Project” was still in the process of demonstration and did not fully meet the reporting conditions of the investment projects financed by proceeds, thus the project was not included in the investment projects financed by proceeds. On 30 August 2018, the 18th Meeting of the Ninth Session of the Board of Directors of the Company

considered and approved the *Proposal on Newly Constructing Industrial Park Project in North India of Qingdao Haier Co., Ltd.*, and the Company intended to implement the new “Haier North India Industrial Park Project” to further increase production capacity output, order response speed, save transportation and material costs, and strengthen the Company's local market competitiveness.

Now considering that the demand for funds in India’s project is more urgent, and the construction period of the original part of investment projects financed by proceeds is relatively long whose need can be meet by using the self-owned/self-raised funds, the Company intends to use the proceeds of RMB660.45 million which were planned to be used in original part of investment projects financed by proceeds for the “Haier North India Industrial Park Project (Phase I)” to better match the capital demand cycle of the Company's various projects and improve the efficiency of capital use and optimize the Company's overall business development needs.

V. Issues in Usage and Disclosure of Raised Funds

There was no untimely, untrue, inaccurate or incomplete disclosure of relevant information disclosed by the Company, and there was no major illegal storage, usage, management and disclosure of raised funds.

The Board of Directors of Haier Smart Home Co., Ltd.

28 April 2020