

Inspection Opinions of China International Capital Corporation Limited on Qingdao Haier Co., Ltd.’s Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds and Change of Some Investment Projects Financed by Proceeds

As the sponsor of the public issuance of convertible corporate bonds in 2018 of Qingdao Haier Co., Ltd. (Hereinafter referred to as “Qingdao Haier” or the “Company”), China International Capital Corporation Limited (Hereinafter referred to as “CICC” or the “Sponsor”) conducted prudent inspection over issues such as Qingdao Haier’s using capital raised to replace self-raised funds pre-invested in investment projects financed by proceeds and change of some investment projects financed by proceeds in accordance with relevant laws and statutes and rules of standardized documents such as *Administrative Measures of Sponsor Business for Offering and Listing of Securities* (Revised in 2009), *Listing Rules for Stocks in Shanghai Stock Exchange*(Revised in 2018), *Administrative Measures for Capital Raised by Listed Companies of Shanghai Stock Exchange* (Revised in 2013), *Regulatory Directives for Listed Companies No.2---Regulatory Requirements for Management and Use of Capital Raised by Listed Companies*, and expressed the following inspection opinions:

I.Basic information of capital raised

According to *Approval on Verifying Qingdao Haier Co., Ltd. to Publicly Issuing Convertible Corporate Bonds* (Zheng Jian Xu Ke [2018] No.1912) issued by China Securities Regulatory Commission with consent from Shanghai Stock Exchange, the Company was approved to publicly issue convertible corporate bonds of total amount of RMB3.00749 billion, the face value of each piece is RMB100, totaling 30,074,900 pieces, and the issuing price is RMB100/piece with a term of six years. After deducting various issuing expenses, the net amount of capital raised is RMB2.9800248 billion. Shandong Hexin Certified Public

Accountants LLP reviewed issues on receipt of the capital raised, conducted verification and issued *Capital Verification Report* (Hexin Yan Zi. (2018) No.000090), after verification, all the abovementioned capital raised has been in place. the Company deposited the capital raised in a special account, and signed *Trilateral Deposit Regulation Agreement for Special Account of Capital Raised* with the Sponsor and the commercial bank in which the capital raised is deposited.

According to disclosure of *Instruction Manual for Raising of the Public Issuing of Convertible Corporate Bonds*, the capital raised this time has the following plans of use:

Unit: RMB10 thousand

Investment projects financed by proceeds	Total investment amount of project	Amount of capital raised to be invested
Project on Leading Consumption Upgrade and Intelligent Manufacturing Upgrade of Production Lines such as Refrigerators and Air-conditioners	188,111	151,122
Project on Practicing Big Kitchen Appliance Strategy and Capacity Layout of Whole-set Smart Kitchen Appliances	71,666	57,730
Project on “the Belt and Road” Layout and Construction of Manufacturing Base in Overseas Emerging Market	55,513	46,809
Project on Improving Innovation Capability, Construction of Advanced R&D Laboratory, COSMOPlat Industrial Internet Platform and U+ Smart Life Platform	84,045	45,088
Total	399,335	300,749

II. Information of use of capital raised to replace self-raised funds for investment projects of pre-invested capital raised

(I) Information of capital raised replaced

On 24 January 2019, the Company convened the 26th meeting of the ninth session of the board of directors and the 22nd meeting of the ninth session of the board of supervisors, and reviewed and passed *Proposal on Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds*, as of

31 December 2018, the amount of capital raised to replace the self-raised funds pre-invested in investment projects financed by proceeds was RMB996.3312 million in total, and please refer to *The Announcement on Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds of Qingdao Haier Co., Ltd.* (Announcement No.: L2019-008) disclosed by the Company on the information disclosure website designated by China Securities Regulatory Commission <http://www.cninfo.com.cn/new/index> for specific contents.

(II) Information of pre-investment in investment projects with self-raised capital

Coordinating with the progress of the raised funds transferring across borders to the corresponding projects, from 1 January 2019 to 19 April 2019, the amount of the Company's pre-investment in investment project financed by the proceeds "Project on 'the Belt and Road' Layout and Construction of Manufacturing Base in Overseas Emerging Market" with self-raised capital was totally RMB102.52 million. The specific information is as follows:

Unit : RMB10 thousand

Investment project financed by the proceeds	Sub-project of investment financed by the proceeds	Investment amount of capital raised	Amount of pre-investment of self-raised capital	Amount of replacement with the capital raised
Project on "the Belt and Road" Layout and Construction of Manufacturing Base in Overseas Emerging Market	Russia front loading washing machine manufacturing base	34,058	7,564	7,564
	Vietnam front loading washing machine manufacturing base	12,751	2,688	2,688
Total		55,513	10,252	10,252

(III) Authentication conclusions of accountants

Hexin Certified Public Accountants LLP conducted special inspection over pre-investment of the Company in investment projects financed by proceeds with self-raised capital, and issued *Authentication Report of Qingdao Haier Co., Ltd. On Pre-investment in Investment Projects Financed by Proceeds with Self-raised Funds* (Hexin Zhuan Zi. (2019) No. 000188), and conducted authentication over status of

pre-investment in investment projects financed by proceeds with self-raised funds. Accountants believe that, *Special Explanation on Pre-investment in Investment Projects Financed by Proceeds with Self-raised Funds* prepared by the management of Qingdao Haier has been prepared in accordance with *Regulatory Directives for Listed Companies No.2---Regulatory Requirements for Management and Use of Capital Raised by Listed Companies* of China Securities Regulatory Commission and *Administrative Measures for Capital Raised by Listed Companies of Shanghai Stock Exchange* of Shanghai Stock Exchange and requirements of relevant format directives, and reflects authentically the information of Qingdao Haier's pre-investment in investment projects financed by proceeds with self-raised funds in terms of all material aspects.

III. Information of change of some investment projects financed by proceeds

(I) Information of investment direction of capital raised prior to and after the change

In order to take advantage of efficiency and return of use of capital raised, after comprehensively taking into account actual conditions of investment projects financed by proceed and the Company's needs, the Company intends to use the unused capital raised of RMB660.45 million of the sub-project "Home Appliance Smart Control Components Plant Construction Project" of the original "Project on Leading Consumption Upgrade and Intelligent Manufacturing Upgrade of Production Lines such as Refrigerators and Air-conditioners" and the sub-project "Advanced Research and Development Laboratory Construction Project of Smart Home Appliance" and "Construction project on research institute of industrial intelligence" of "Project on Improving Innovation Capability, Construction of Advanced R&D Laboratory, COSMOPlat Industrial Internet Platform and U+ Smart Life Platform" (the above project hereinafter referred to as "original part of investment projects financed by proceeds") in the new project "Haier North India industrial park project (Phase I)". The information of investment direction of capital raised prior to and after the change is as follows:

Unit: RMB0'000

Unit: RMB 000

Serial No.	Name of project			Amount of capital raised to be used	
				Prior to change	After change
1	Project on Leading Consumption Upgrade and Intelligent Manufacturing Upgrade of Production Lines such as Refrigerators and Air-conditioners	1.1	Annual production of 500 thousand high-end special refrigerator project	52,420	52,420
		1.2	Upgrading of manufacturing of home air-conditioner and smart product production capacity enhancement project	37,464	37,464
		1.3	High-end central air-conditioner with annual production of 1.5 million air-conditioner project	37,314	37,314
		1.4	Project of home appliance smart control components plant construction	23,924	-
2	Project on Practicing Big Kitchen Appliance Strategy and Capacity Layout of Whole-set Smart Kitchen Appliances	2.1	Construction of smart kitchen appliance plant project	57,730	57,730
3	Project on “ the Belt and Road ” Layout and Construction of Manufacturing Base in Overseas Emerging Market	3.1	Russia front loading washing machine manufacturing base	34,058	34,058
		3.2	Vietnam front loading washing machine manufacturing base	12,751	12,751
		3.3	Haier North India industrial park project（Phase I）	-	66,045
4	Project on Improving Innovation Capability, Construction of Advanced R&D Laboratory, COSMOPlat Industrial Internet Platform and U+ Smart Life Platform	4.1	Smart home appliance advanced research and development laboratory construction project	10,621	-
		4.2	Industrial intelligence institute construction project	31,500	-
		4.3	Smart family operating system (U+) based on natural interaction and cloud brain construction project	2,967	2,967
Total				300,749	300,749

The investment project financed by proceeds after change, Haier North India Industrial Park Project (Phase I), planned to invest US\$203 million, among which the use of raised funds is RMB660.45 million, and the rest of the funds are self-raised by the Company overseas. The amount of the abovementioned capital raised whose use

to be changed accounts for a proportion of 21.96% of total amount of capital raised from the convertible corporate bonds. The aforesaid change issues do not constitute related-party transactions, nor do they constitute material asset restructuring.

(II) Information of original planned investment of projects and actual investments

1. Home appliance intellectual control components plant construction project

The project includes two sub-projects: the first is PCBA (Printed Circuit Board Assembly) computer board Tianjin plant construction project; the second is PCBA computer board Hefei plant construction project, which mainly supplies PCBA computer boards needed by products such as air-conditioner and refrigerator of plants in Tianjin and Hefei.

Total amount of the planned investment for the project is RMB304.64 million, and investment amounts of specific sub-projects are as follows:

Unit: RMB0'000

Serial No.	Name of project	Total amount of investment for the project	Amount of capital raised to be invested
1	PCBA computer board Tianjin plant construction project	6,868	5,395
2	PCBA computer board Hefei plant construction project	23,596	18,529
Total		30,464	23,924

Among them, the construction period of PCBA computer board Tianjin plant construction project is 18 months. After the project is implemented and reaches target output, annual realizable sales revenue will be RMB335.74 million, after-tax profit of normal years will be RMB20.45 million, dynamic investment recovery period (after-tax) of the project is 6.78 years, financial internal rate of return (after-tax) is 24.54%, the recovery period of investment of the project (after-tax) is 6.78 years (including construction period).

Construction period of PCBA computer board Hefei plant construction project is 18 months. After the project reaches target output, annual realizable sales revenue will be RMB1,154.36 million, after-tax net profit of normal years will be RMB66.53 million, dynamic investment recovery period (after-tax) of the project is 7.13 years, financial

internal rate of return (after-tax) is 23.08%, the recovery period of investment of the project (after-tax) is 7.13 years (including construction period).

As of 31 March 2019, original capital raised has not been used in the project.

2. Construction project on advanced R&D laboratory of intelligent home appliances

The project is construction project on advanced R&D laboratory of intelligent home appliances, and the construction site is located in Qingdao Haier industrial park etc. Upon completion of construction of the laboratory, it will focus on advance technology research and development and application and transformation of home appliances such as refrigerator, freezer and air-conditioner. Total amount of the planned investment for the project is RMB106.21 million. Advance technology laboratories such as advance cooling technology laboratory, advance air-conditioner technology laboratory, advance kitchen appliance technology laboratory, home appliance acoustic test and analysis laboratory, internet of things commonality technology laboratory, family energy system laboratory, advance comprehensive laboratory, frequency variation technology laboratory, Haier artificial intelligence laboratory and static cooling and compressor technology joint laboratory will be built in Qinghai Haier industrial park and local universities for the project.

Construction period of the project is 36 months. Because this project is a research and development project, there is no direct economic return.

As of 31 March 2019, original capital raised has not been used in the project.

3. Construction project on research institute of industrial intelligence

The project is a construction project of research and development center of Haier industrial intelligence research institute (hereinafter referred to as “Haier Intelligence Research Institute”), and the construction site is located in Sino-Germany ecological park of Yellow Island, upon completion, it will cover research directions such as cloud computation, artificial intelligence, big data, simulation engineering and robot, integrate resources of industry, scholar and research, and become the industry, scholar and research center of the country’s industrial internet and smart manufacturing. Total amount of RMB350 million is planned to be invested for the project. A research and development center building with construction area of 16,000 square meters is

planned to be purchased for the project to build industrial cloud development and research center, artificial intelligence center, big data application research center, digital simulation engineering research center, system engineering research center and robot and smart equipment research center under the intelligence research institute.

The construction period of the project is 36 months. Because the project is a research and development project, it does not have direct economic return.

As of 31 March 2019, original capital raised has not been used in the project.

(III) Specific reasons for change of original investment projects financed by proceeds

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 Company's convertible corporate bond public issuance program was launched in September 2017, the "Haier Industrial Park Project in North India" 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 9th 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.

(IV) Information of projects after the change

After the aforesaid change of some investment projects financed by proceeds of the convertible bonds, the Company intends to change investment of RMB660,45 million in original part of investment projects financed by proceeds to “Haier North India Industrial Park Project (Phase I)” (The project has been reviewed and passed by the *Proposal of Qingdao Haier Co., Ltd. on Newly Constructing India North Industrial Park Project* in the 18th meeting of the ninth session of the board of directors of the Company, please refer to the *Announcement of Qingdao Haier Co., Ltd. on Newly Constructing India North Industrial Park Project* for details, No.: L2018-046). Summary of the project is as follows

1. Name of project: Haier North India Industrial Park Project (Phase I)
2. Implementation entity: the Company's wholly-owned subsidiary Haier Appliances (India) Private Limited
3. Construction address: Great Noida industrial development zone of Uttar Pradesh
4. Investment of the project: US\$203 million is planned to be invested in the project (Phase I), of which RMB660.45 million will be invested with capital raised, and the remainder will be invested with capital raised by the Company itself.
5. Main construction contents of the project: Used to construction of the Haier North India Industrial Park Project (Phase I), the project mainly covers newly increased demands of the eastern and northern regions of India, and products are mainly planned locally and mainstream volume section, covering products such as refrigerator, washing machine and air-conditioner.
6. Estimated production capacity of the project: Phase I of the project is 2 million machines/sets, Phase II is 2.5 million machines/sets, the reserved is 1 million machines/sets.

7. Time of putting into production: Phase I of the project is estimated to put into production in October 2020, and Phase II is estimated to put into production in October 2022.

8. Benefits of the project: Internal rate of return of the Phase I of the project is about 7.2%, overall internal rate of return of the project is about 10%. After Phase I of the project is implemented and reaches target output, annual realizable sales revenue will be US\$580.7854 million, net profit will be US\$22.2741 million.

9. Necessity and feasibility analysis of the project

(1) Rapid development of macro environment in India: In recent years, India is stable politically with high speed of economic growth and low penetration rate of home appliance, foreign investment ranks No.1, and it is estimated that India will become an important economic growth polar of the world in the future;

(2). Home appliance market of India has large development potential: Home appliance market of India has low penetration rate, and users have rigid demand for refrigeration products, therefore, home appliance industry has huge development potential with compound annual growth rate about 8%, which means a rapid growth stage;

(3) Regional market and manufacturing matching: Market capacity of northern and eastern regions accounts for 45% of total market capacity of the whole India, and it is the best choice to select the location of the industrial park in the north; sales volume of Haier in northern and eastern markets accounts for a proportion of above 40%, and the layout of the industrial park in the north is favorable to improve the market competitiveness in the region;

(4) Improve brand competitiveness: Home appliance brands compete fiercely in India, Europe and America, Japan and South Africa, China and local companies are investing here, and the Company' s investment can contribute to improving the competitiveness of Haier brand in local market.

(5) Have strategic significance for construction of “The belt and road” : Construction of the industrial park in India is helpful for grasping opportunities of emerging markets along the route of “The belt and road” to realize steady development.

(V)Market prospect and risk reminder

1. Market prospect

As one of the BRIC countries, India has huge customer base with huge development potential of home appliances. the Company has realized relatively rapid growth in India in recent years, and the project is good for improving the Company's order response speed in local market, saving transportation and material costs, improving the Company's layout in business regions, and is good for the Company to further explore India market, improve market share of products, expand brand influence, enhance the Company's competitiveness in local market, and therefore further enhance the Company's overall competitiveness and profitability.

2. Risk reminder

(1) Changes of macroeconomic environment and industry policies in India, and fierce competition and price fluctuation in India market might lead to risks such as gap of order volume and rising of price of raw materials, which might cause that the project cannot reach expected return. For this, the Company will lower operating risks, avoid industry risk through upgrading product structure, improving efficiency and lowering cost to realize sustainable development.

(2) The implementation of the new investment projects financed by proceeds by the Company still needs to fulfill the approval and filing procedures of the relevant departments. If the implementation conditions such as domestic or local policy adjustments and project approvals are changed, the implementation of the project may have the risk of delay, change or termination, but it will not have a significant impact on the Company's current operations.

(VI) Information of approval and record-keeping of the project

“Haier North India Industrial Park Project (Phase I)” has obtained approvals from local environment protection authorities of India, construction permit and construction reporting and approval, etc. As of the date on which the inspection opinions were issued, the new investment project financed by proceeds needs to complete the approval and filing of the China Development and Reform Commission and commerce administrative authorities related to China's overseas investment.

IV. Relevant decision-making procedures and opinions

(I) Decision-making procedures and opinions on using capital raised to replace self-raised funds pre-invested in investment projects financed by proceeds

On April 29, 2019, the Company's 27th meeting of the ninth session of the board of directors and the 23rd meeting of the ninth session of the board of supervisors reviewed and passed the *Proposal on Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds*, which agreed the Company to use of capital raised of RMB 102.52 million to replace self-raised funds of pre-invested investment projects financed by proceeds. Independent directors of the Company expressed independent opinions of explicit consent over the above issue of replacing self-raised funds of pre-invested investment projects financed by proceeds with capital raised.

(II) Decision-making procedures and opinions relating to change of some investment projects financed by proceeds

The issue of change of some investment projects financed by proceeds has been passed by the 27th meeting of the ninth session of the board of directors and the 23rd meeting of the ninth session of the board of supervisors of the Company, and independent directors of the Company have expressed opinions of unanimous assent over the aforesaid issue, and board of supervisors of the Company has also expressed opinion of consent. The proposal should be submitted to the first bondholders meeting in 2019 of the Company and the annual general meeting of shareholders in 2018 of the Company for review.

V. Inspection opinions of sponsor

(1) Inspection opinions on use of capital raised to replace self-raised funds of pre-invested investment projects financed by proceeds

After inspection, the sponsor believes that:

1. The issue of Qingdao Haier's use of capital raised to replace self-raised funds

of pre-invested investment projects financed by proceeds has been reviewed and passed by the 27th meeting of the ninth session of the board of directors and the 23rd meeting of the ninth session of the board of supervisors of the Company, and independent directors expressed explicit opinion of consent, Shandong Hexin Certified Public Accountants LLP issued authentication report, and the Company has performed necessary approval procedures over this issue, which complies with relevant rules of *Listing Rules for Stocks Listed in Shanghai Stock Exchange (Revised in 2018)* and *Administrative Measures for Capital Raised by Listed Companies of Shanghai Stock Exchange (Revised in 2013)*.

2. The time from the replacement of capital raising of Qingdao Haier to the time of capital raised being in place has not exceeded six months, complying with relevant rules of the *Regulatory Directives for Listed Companies No.2---Regulatory Requirements for Management and Use of Capital Raised by Listed Companies*,

3. the Company's investment in investment projects financed by proceeds with self-raised funds in advance prior to capital raised being in place is for the sake of ensuring the need of normal schedule of investment projects financed by proceeds, which complies with the Company's needs of operation and development. After capital raised is in place, to replace self-raised funds of pre-invested investment projects financed by proceeds with capital raised complies with rules and regulations of laws and statutes and relevant arrangements of issuance application documents without affecting normal implementation of investment projects financed by proceeds, and there is no circumstance of changing investments of capital raised in a disguised form nor harm of interests of shareholders.

To sum up, CICC has no objection over the issue of the Company's use of capital raised to replace self-raised funds of pre-invested investment projects financed by proceeds.

(2) Inspection opinions on change of some investment projects financed by proceeds

After verification, the sponsor believes that:

1. The change of some investment projects financed by proceeds has been reviewed and approved by board of directors and board of supervisors of the Company, and independent directors have expressed explicit consent opinions, it will be submitted to the first bondholders meeting in 2019 and annual general meeting in 2018 of the Company for review

with necessary approval procedures being performed, and it complies with rules and regulations of China Securities Regulatory Commission and Shanghai Stock Exchange on use of capital raised by listed companies:

2. The sponsor will continuously pay attention to use of capital raised after the Company' s change of some investment projects financed by proceeds, and urge the Company to ensure that decision-making procedures of use of such portion of capital are lawful and valid, and firmly perform duties and obligations as the sponsor to safeguard interests of all shareholders.

To sum up, the sponsor has no objection on issues of Qingdao Haier' s change of some investment projects financed by proceeds, and the aforesaid issues shall be submitted to the first bondholders meeting in 2019 and the annual general meeting in 2018 of the Company for reviewing and passing.

(There is no formal text in this page, and it is the signing and stamp page for *Inspection Opinions of China International Capital Corporation Limited on Qingdao Haier Co., Ltd. ' s Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds and Change of Some Investment Projects Financed by Proceeds*)

Sponsor representative: _____

Sun Lei

Li Yang

China International Capital Corporation Limited

DD/MM/YY