

Administrative Measures of Hedging Business of Bulk Materials of Qingdao Haier Co., Ltd.

CHAPTER 1 GENERAL PROVISIONS

Article 1 For the purpose of regulating the hedging business of bulk materials of Qingdao Haier Co., Ltd. (hereinafter referred to as the “Company”), enhancing the management of the hedging business of bulk materials, ensuring the security of the Company’s assets, and safeguarding the benefit of investors, these Measures are formulated in accordance with the relevant requirements of laws, regulations and regulatory documents such as the *Company Law of the People’s Republic of China* (hereinafter referred to as the “Company Law”), the *Securities Law of the People’s Republic of China* (hereinafter referred to as the “Securities Law”), the *Listing Rules of Shanghai Stock Exchange* (hereinafter referred to as the “Listing Rules”), and the *Administrative Measures for Issuance of Securities by Listed Companies*, and in the combination of the actual conditions of the Company.

Article 2 These Measures are applicable to each of the relevant department and staff of the Company and the wholly-owned subsidiaries of the Company (hereinafter referred to as the “Subsidiaries”). At the same time, the subsidiaries may formulate complementary measures in a accordance with these Measures.

Article 3 The “hedging business of bulk materials” (hereinafter referred to as the “hedging business”) stated in these Measures represents the conducting of transaction of futures and options in the financial market in the combination of the actual condition of procurement and production of the Company so as to lock the purchase cost of raw materials, which in turn lock the price of raw materials by purchasing/selling the contracts of futures and the contracts of options, and hence avoiding the risk of fluctuation on the price of spot trading, and ensuring the stable growth of the production and operation of the Company.

The conducting of the hedging business by the Company shall strictly comply with the principle of hedging, and it shall be operated steadily without speculation.

Article 4 The total annual hedging and the amount of funds of the Company for each year shall be reported to the Meeting of General Manager, the Board of Directors of the Company or

the General Meeting for approval, the hedging business shall be conducted within the total annual hedging and the amount of funds approved by the Meeting of General Manager, the Board of Directors of the Company or the General Meeting.

Article 5 The conducting of the hedging business of the subsidiaries must be approved by the Company in writing, the transaction account of hedging shall be generally managed by the related departments, and the transaction of hedging shall be generally operated by the related departments. There is no hedging of internal transactions between the company and subsidiaries or between the subsidiaries.

CHAPTER 2 ORGANIZATIONAL BODIES AND THEIR RESPONSIBILITIES

Article 6 The Board of Directors of the Company authorized the management of the Company to organize the leading group of the hedging business (hereinafter referred to as the “leading group”). The main responsibilities of the leading group include:

- (I) to formulate the scopes, work standards and policies of the hedging business;
- (II) to consider and approve the annual plan and annual report of the hedging business and report to the related authorities of the Company;
- (III) to supervise and manage the hedging business;
- (IV) to approve the trading hedging plan the within the scope of authorization;
- (V) to consider each specific rules and regulations, work standards and policies of the hedging business;
- (VI) emergency handling of trading risks;
- (VII) to exercise other rights authorized by the Board of Directors.

Article 7 There is a working group of hedging business under the leading group (hereinafter referred to as the “working group”), which consists of group leader, trader, analyst, accountant, fund transfer officer, risk controller and other related posts. The personnel of each position shall be effectively separated, and the duties shall not be crossed or overridden to ensure mutual supervision and control. The main responsibilities of the working group include:

- (I) to prepare annual work hedging plan;
- (II) to formulate and adjust the hedging plans, the trading plan and the fund plan

requirements, and report to the leading group for consideration and approval;

(III) to organize the performance of specific transaction of hedging;

(IV) to submit report of hedging in writing and to prepare annual report periodically.

CHAPTER 3 AUTHORISATION

Article 8 The company implements level-by-level authorization management for hedging operations. The Board of Directors authorizes the leading group to be responsible for determining the hedging business within the limits of these Measures and conducted in accordance with these Measures, as well as addressing the risk of the hedging business; the leading group authorizes the group leader of the working group to implement the hedging plan; the group leader of the working group issues transaction order, and if the group leader fails to issue transaction order in a timely manner, the leading group will designate a member of the leading group to issue transaction order, which then will be confirmed by the group leader of the working group. All the issuance of order must be recorded in writing.

The issuance of order, the transferring of funds and the confirmation of settlement bill must be operated by the designated authorizing personnel signed by the Company. If the above-mentioned authorizing personnel were changed, new operator would perform its duties after obtaining the same authorization in writing.

Article 9 If the authorized personnel were changed, the authorizing personnel should revoke the original authorization immediately, and the change should be informed by the working group to parties related to such business. The authorized person shall no longer enjoy all the rights authorized from the time of notification.

Article 10 The leading group authorized by the Company shall examine and approve the annual plan approved by the Meeting of General Manager, the Board of Directors or the General Meeting. After exceeding the total annual amount approved by the Meeting of General Manager, the Board of Directors or the General Meeting, the hedging transaction shall be examined and approved by the related authorities in advance.

CHAPTER 4 PROGRESS OF BUSINESS

Article 11 Formulation of the hedging plan

(I) The working group formulates the hedging plan, including annual plan, quarterly plan and random plan formulated in accordance with the change of market conditions, according to comprehensive factors such as the annual and quarterly operation objectives of the Company, production, sales, product inventory, cost, raw materials supply and demand, market risk and market trend;

(II) The hedging plan should specify the price and volume of the hedging, the designated relationship between futures and spots, the funds needed, the cycle of operation, the risk of hedging and its countermeasures.

Article 12 Consideration and approval of the hedging plan

(I) The working group is responsible for formulating the hedging plan and report to the leading group for consideration and approval;

(II) Members of the leading group shall give a reply within five working days after receiving the application of hedging plan.

Article 13 Execution of hedging plan

(I) The working group must carry out hedging business in strict accordance with the approved hedging plan. If it is necessary to adjust the approved plan, the adjusted plan shall not be executed before being re-approved through the approval procedure;

(II) Pursuant to the hedging plan, the working group shall exchange market information, study and judge the market and discuss trading strategies before the opening of each trading day, and formulate the daily trading plan. The daily trading plan shall include the analysis of the market on that day, the futures trading contract to be traded and the options trading contract, price and quantity, which shall be executed with the approval of the head of the working group;

(III) If the approved hedging plan cannot be implemented due to changes in market conditions, the working group shall report to the leading group in a timely manner, so as to assess whether the hedging plan shall be adjusted.

Article 14 Management of hedging account

(I) The management of hedging account shall include the management of trading account for hedging (hereinafter referred to as the "trading account") and special fund account for hedging

(hereinafter referred to as the "special fund account");

(II) The working group shall be responsible for the establishment, cancellation and daily transaction management of the trading account; and the Finance Department shall be responsible for the establishment of the special fund account, the transfer of accounts, the settlement of accounts and the management of bills;

(III) The trading account for hedging shall be only used for the approved hedging business, and there shall be no activities unrelated to the hedging business such as lending and guaranteeing;

(IV) The special fund account and trading account shall be used only for the receipt and payment of funds occurring in the course of transaction and delivery, and no cash withdrawal is allowed;

(V) The Finance Department shall be responsible for the supervision and management of funds in the trading account and special fund account for hedging.

Article 15 Procedures for the opening of futures and options accounts and the execution of brokerage contracts

(I) The working group shall select futures brokerage companies with good credit and business strength and companies providing options pricing services, and recommend them to the leading group as alternative brokerage companies for futures and options trading of the Company;

(II) The leading group shall select and determine the futures brokerage company and the company offering option pricing services to cooperate with;

(III) The legal representative of the Company or such person authorized in writing by the legal representative shall execute a brokerage contract on behalf of the Company with such futures brokerage company and such company providing option pricing services, and open an account.

Article 16 Fund management

(I) Hedging funds shall only be transferred between trading accounts and special funds accounts for hedging;

(II) The Finance Department shall be responsible for examining the feasibility and safety of funds in the hedging business plan, monitoring the dynamics of funds in the accounts, and making good capital budget and cash flow management for the hedging business;

(III) The Finance Department shall transfer the funds required for hedging into the special fund account and trading account in a timely manner according to the approved hedging plan.

Article 17 Transaction management

(I) The working group shall carry on transactions at appropriate time according to the approved hedging plan;

1. The working group shall formulate the daily trading plan according to the approved hedging plan before the opening of each trading day, and submit it to the head of the working group for approval;

2. If the market quotation exceeds the expectation of the daily trading plan, the head of the working group may issue intraday trading instructions according to the approved hedging plan;

3. The risk controller shall check whether the daily trading plan or the intraday trading instructions conform to the approved hedging plan, and report the non-compliance (if any) to the leading group immediately;

4. The traders shall conduct transactions according to approved daily trading plans or trading orders, including but not limited to: contracts, trading directions, prices, quantities and open positions;

5. After each option transaction is concluded, the traders shall print the transaction confirmation provided by the counterparty of the option transaction within 2 trading days in a timely manner, and pass it to the risk controller for review. In addition, the traders shall examine whether the conformation conforms to the daily trading plan and the hedging plan, and report the non-compliance (if any) to the leading group immediately.

6. After the futures transaction is concluded, the traders shall fill in the detailed transaction form, including the contract, quantity and direction. The risk controller shall verify it and examine whether it conforms to the daily trading plan, the trading order and the hedging plan, and report the non-compliance (if any) to the leading group immediately.

(II) The total trading position shall not be greater than the upper limit determined by the hedging plan, in which the margin of futures trading shall not exceed two-thirds of the equity of the trading account;

(III) When the margin exceeds the stipulations of the preceding paragraph due to market changes or adjustments in margin ratio, the working group shall report it to the leading group in a timely manner, and apply to the company for additional margin within the authorization scope of the leading group, or decide whether to apply for warehouse receipt pledge to offset the margin

and report it to the [Chief Financial Officer].

CHAPTER 5 RISK MANAGEMENT

Article 18 The [Audit Risk Department] shall evaluate and supervise the implementation of risk control policies and internal control related to hedging business through daily and special supervision and annual internal control evaluation, and identify and report relevant internal control defects and major risks in a timely manner.

Article 19 The Company shall plan and arrange the use of margins and liquidity reserves reasonably to ensure the normal operation of hedging business, and the working group shall reasonably choose the hedging month to avoid market liquidity risk.

Article 20 The Company shall establish a risk measurement system to monitor the changes in capital risks. The capital risk measurement system shall include the following elements: the amount of the occupied margin (including currency funds and warehouse pledge funds), the average position price, the floating profit and loss, the amount of available margin (including currency funds and warehouse pledge funds) and the amount of margin required for the proposed position, as well as the additional amount of margin (if any) to cope with adverse market changes. The calculation period includes days, weeks and months. The relevant reports shall be provided to the Finance Department and other related department.

Article 21 The Company shall establish the following internal risk reporting system and risk treatment procedures:

(I) Internal risk reporting system:

1. When the market price fluctuates greatly or abnormally, the traders shall report such to the head of the working group immediately, and the head of the working group shall report such to the leading group at the same time. When it is impossible to contact the head of the working group at the first time, the traders shall report such directly to the leading group;

2. The risk controller shall report the following circumstances (if any) to the leading group immediately:

- (1) Personnel involved in hedging business violate risk management policies and procedures;
- (2) The credit status of the brokerage company does not satisfy the Company's requirements;

- (3) The Company's specific hedging plan does not conform to the relevant provisions;
- (4) The trading behaviors of traders do not conform to the hedging plan;
- (5) The risk situation of the Company's hedging position affects the normal hedging process;
- (6) The relevant legal risks arise or will arise in the Company's hedging business;
- (7) The risk of hedging business increases significantly in the event of major changes in national policies and markets;
- (8) The Company's delivery capacity is significantly influenced by weather and other force majeure factors.

(II) Risk treatment procedures:

1. The leading group shall, at the first time, call relevant departments and personnel to analyze and discuss the risk situation and take relevant countermeasures. If it is beyond the authorization authority of the leading group, it shall be reported to the related authorities of the Company immediately;
2. The working group and other relevant departments shall implement the Company's risk management decisions as soon as possible.

Article 22 Processing procedures for wrong bills

(I) In case of any wrong bill due to the fault of the brokerage company, the traders shall notify the brokerage company which shall take corresponding measures to deal with such wrong bill in a timely manner, and then recovers the direct loss from the brokerage company;

(II) In case of any wrong bill due to the fault of the traders of the Company, it shall be reported to the head of the working group at the first time, who shall report such to the members of the leading group. The head of the working group shall instruct the traders to take corresponding actions to eliminate or minimize the losses suffered by the Company.

CHAPTER 6 ARCHIVE MANAGEMENT

Article 23 The archives of the original transaction data, settlement data, account opening documents, authorization documents, various internal reports, issuance documents and approval documents of the Company for hedging shall be kept by the archivist for at least seven years.

CHAPTER 7 ADDENDUM

Article 24 These Measures and any amendments thereto are formulated by the Board of Directors, with effect from the date of approval at the general meeting of the Company.

Qingdao Haier Co., Ltd.

April 2019