

Stock Code: 600690	Stock Name: Haier Smart Home	No.: L2019-078
Convertible Bond Code: 110049	Convertible Bond Name: Haier Convertible Bonds	
Converted Stock Code: 190049	Converted Stock Name: Haier Converted Stocks	

Haier Smart Home Co., Ltd.

Announcement on Capital Increase by Haier Group Corporation to Its Subsidiaries and Related Party Transaction

The Board of Directors of the Company and all members of the Board warrant that there are no false representations, misleading statements and material omissions in this announcement, and are severally and jointly responsible for the authenticity, accuracy and completeness of the content herein.

Important notice:

● **Transaction details:** In order to solve the issues of defective land and real estate of Hefei Haier Air-conditioning Co., Ltd. (hereinafter referred to as "Hefei Haier Air-conditioning"), Hefei Haier Plastics Co., Ltd. (hereinafter referred to as "Hefei Haier Plastics"), Wuhan Haier Freezer Co., Ltd. (hereinafter referred to as "Wuhan Haier Freezer") and Wuhan Haier Electric Appliance Co., Ltd. (hereinafter referred to as "Wuhan Haier Air-conditioning"), subsidiaries of Haier Smart Home Co., Ltd. (hereinafter referred to as "Haier Smart Home", the "Listed Company", and the "Company"), and earnestly implement the relevant commitments issued by Haier Group Corporation (hereinafter referred to as "Haier Group") and Haier Smart Home on solving the defective property rights, Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer and Wuhan Haier Air-conditioning intend to specifically increase the registered capital of Haier Group to purchase the relevant lands Haier Group holds in Hefei and Wuhan (hereinafter referred to as the "Transaction"). Upon completion of the Transaction, Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer and Wuhan Haier Air-conditioning will remain as the partially owned subsidiaries of Haier Smart Home.

● **The Transaction constitutes a related party transaction:** Haier Group is the de facto controller of Haier Smart Home. In accordance with the relevant provisions of the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* (revised in April 2019) (hereinafter referred to as the "*Listing Rules*"), Haier Group is a related party of Haier Smart Home, and thus the Transaction constitutes a related party transaction.

● **Deliberation procedure:** The related party transaction has been deliberated and approved by Haier Smart Home at the Fifth Meeting of the Tenth Board of Directors held on November

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

21, 2019, and relevant directors have refrained from voting. The Transaction does not need to be submitted to the Shareholders' General Meeting of Haier Smart Home for deliberation.

● **Impact of the Transaction:** The Transaction is conducive to solving the defective land and property rights of Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer and Wuhan Haier Air-conditioning, in order to legalize the land and real estate of four subsidiaries of Haier Smart Home. The Transaction complies with the strategic development goals of Haier Smart Home. It is conducive to promoting the sustainable development of Haier Smart Home and in conformity with the long-term interests of all shareholders of Haier Smart Home.

● **Special note:** As at the date of disclosure of the Announcement, the appraisal report on related assets of Wuhan Haier Air-conditioning still needs to be confirmed and filed by the authorized state-owned assets supervision and management department. The capital increase of Wuhan Haier Air-conditioning still needs to be approved by the Shareholders' General Meeting of Wuhan Haier Air-conditioning and the authorized state-owned assets supervision and management department (if necessary). It is also necessary to further communicate with relevant shareholders and state-owned assets supervision and management departments on whether other shareholders of Wuhan Haier Air-conditioning such as Wuhan State-Owned Asset Management Co., Ltd., Wuhan Construction Investment Co., Ltd., and Wuhan Urban Collective Cooperation Industrial Center will participate in the capital increase at the same time. In order to improve the transaction efficiency, the Board of Directors of Haier Smart Home authorizes the Chairman of Haier Smart Home to continue to consult with relevant parties and sign relevant legal documents on the capital increase of Wuhan Haier Air-conditioning, and authorizes the Chairman of the Company to sign relevant legal documents related to the Transaction such as the *Capital Increase Agreement*, and at the same time authorizes relevant personnel to specifically handle the relevant matters of the Transaction.

I. Overview of the Related Party Transaction

i. Overview of transaction scheme

In order to solve the issues of defective land and real estate of subsidiaries of the Company including Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer and Wuhan Haier Air-conditioning, and earnestly implement the relevant commitments historically issued by Haier Group and Haier Smart Home on solving the defective property rights, Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer and Wuhan Haier Air-conditioning intend to specifically increase the registered capital of Haier Group to purchase the relevant land Haier Group holds in Hefei and Wuhan. Upon

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

completion of the Transaction, Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer and Wuhan Haier Air-conditioning will remain as the partially owned subsidiaries of Haier Smart Home.

The specific transaction scheme is as follows:

1. On November 21, 2019, Haier Group, Haier Smart Home and Hefei Haier Air-conditioning sign the *Capital Increase Agreement*. Haier Group intends to split the H.J.K.G.Y (2008) Di No. 090 land use right held by it corresponding to the 60,158.97 square meters (90.24mu) of Hefei Haier Air-conditioning's plant and 23,217.60 square meters (34.83mu) of open space to increase the capital of Hefei Haier Air-conditioning. According to the historical commitment of Haier Group and relevant asset evaluation report, and in the light of friendly consultation, the total amount of capital increase is RMB12,229,500, of which RMB94,600 is recorded in the registered capital of Hefei Haier Air-conditioning, and RMB12,134,900 is recorded in the capital reserve of Hefei Haier Air-conditioning. According to the historical commitment of Haier Group, RMB1,804,800 capital is increased by the 90.24mu of land in Hefei (i.e., RMB20,000/mu according to the historical commitment), and relevant taxes and fees of capital injected into Hefei Haier Air-conditioning are actually borne by Hefei Haier Air-conditioning.

2. On November 21, 2019, Haier Group, Haier Smart Home, Qingdao Haier Information Plastic & Rubber Manufacture Co., Ltd. (hereinafter referred to as "Information Plastic & Rubber") and Hefei Haier Plastics sign the *Capital Increase Agreement*. Haier Group intends to split the H.J.K.G.Y (2008) Di No. 090 land use right held by it corresponding to the 65,977.10 square meters (98.96mu) of plant of Hefei Haier Plastics to increase the capital of Hefei Haier Plastics. According to the relevant asset evaluation report and in the light of friendly consultation, the total amount of capital increase is RMB29,689,700, of which RMB7,366,100 is recorded in the registered capital of Hefei Haier Plastics, and RMB22,323,600 is recorded in the capital reserve of Hefei Haier Plastics.

3. On November 21, 2019, Haier Group, Haier Smart Home, Qingdao Haier Special Freezer Co., Ltd. (hereinafter referred to as "Special Freezer") and Wuhan Haier Freezer sign the *Capital Increase Agreement*. Haier Group intends to split the W.K.G.Y (2015) No. 48 land use right held by it corresponding to the 57,779.45 square meters (86.66mu) of plant of Wuhan Haier Freezer to increase the capital of Wuhan Haier Freezer. According to the relevant asset evaluation report and in the light of friendly consultation, the total amount of capital increase is RMB41,774,500, of which RMB7,130,200 is recorded in the registered capital of Wuhan Haier Freezer, and RMB34,644,300 is recorded in the capital reserve of Wuhan Haier Freezer.

4. On November 21, 2019, upon deliberation and approval by the Fifth Meeting of the Tenth Board of Directors of Haier Smart Home, Haier Group intends to split the W.K.G.Y(2015) No. 48 land use right held by it corresponding to the 68,115.72 square meters (102.17mu) of plant of Wuhan Haier Air-conditioning to increase the capital of Wuhan Haier

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

Air-conditioning. According to the historical commitment of Haier Group, RMB1,532,600 capital is increased by the 102.17mu of land in Wuhan intended for capital increase of Wuhan Haier Air-conditioning by Haier Group (i.e., RMB15,000/mu according to the historical commitment), and relevant taxes and fees involved in the capital increase of Wuhan Haier Air-conditioning priced according to the 102.17mu of Wuhan land are actually borne by Wuhan Haier Air-conditioning. As at the date of disclosure of the Announcement, the appraisal report on related assets of Wuhan Haier Air-conditioning still needs to be confirmed and filed by the authorized state-owned assets supervision and management department. The capital increase of Wuhan Haier Air-conditioning still needs to be approved by the Shareholders' General Meeting of Wuhan Haier Air-conditioning and the authorized state-owned assets supervision and management department (if necessary). It is also necessary to further communicate with relevant shareholders and state-owned assets supervision and management departments on whether other shareholders of Wuhan Haier Air-conditioning such as Wuhan State-Owned Asset Management Co., Ltd., Wuhan Construction Investment Co., Ltd., and Wuhan Urban Collective Cooperation Industrial Center will participate in the capital increase at the same time. In order to improve the transaction efficiency, the Board of Directors of the Company authorizes the Chairman of the Company to continue to execute the follow-up matters of the capital increase of Wuhan Haier Air-conditioning, including but not limited to the consultation with relevant parties and the signing of relevant legal documents. The authorization shall be valid till the date when the capital increase by Haier Group to Wuhan Haier Air-conditioning, as well as the procedures of land and property change are completed.

To ensure the orderly implementation of the above-mentioned transactions, the Board of Directors of the Company authorizes the Chairman of the Company to sign relevant legal documents related to the above-mentioned transactions, such as the aforementioned *Capital Increase Agreement*, and authorize relevant personnel to handle matters related to the aforementioned transaction.

ii. The Transaction constitutes a related party transaction

Haier Group is the de facto controller of Haier Smart Home. In accordance with the provisions of the *Listing Rules*, Haier Group is a related party of Haier Smart Home, and thus the Transaction constitutes a related party transaction.

In accordance with the *Guidelines for the Implementation of Related Party Transactions of Listed Companies of the Shanghai Stock Exchange* (No. 5 (2011) of the Shanghai Stock Exchange) (hereinafter referred to as the "*Guidelines for the Implementation of Related Party Transactions*"), the related party transaction does not constitute a material related party transaction specified in the *Guidelines for the Implementation of Related Party Transactions*.

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

The total amount of non-routine related party transactions between the Company and Haier Group within the 12 months prior to the date of disclosure of this Announcement that have not been reviewed by the Shareholders Meeting of the Company and this related party transaction accounted for less than 5% of the latest audited net assets of the Company. In accordance with the *Listing Rules*, the *Guidelines for the Implementation of Related Party Transactions* and the *Articles of Association* of Haier Smart Home, the Transaction is not required for submission to the Shareholders Meeting of the Company for review.

Haier Smart Home reviewed and approved this related party transaction at the Fifth Meeting of the Tenth Board of Directors convened on November 21, 2019. The related directors abstained from voting.

iii. The Transaction does not constitute a material asset restructuring

The book value of the underlying assets or the transaction amount (whichever is higher) of the Transaction accounts for less than 50% of the total assets and net assets of Haier Smart Home audited in the last accounting year, not meeting the standards for material asset restructuring as stipulated in the *Measures for the Administration of Material Asset Restructuring of Listed Companies*. Therefore, the Transaction does not constitute a material asset restructuring.

II. Information on the Related Party

The related party of the Transaction is Haier Group. Its details are as follows:

i. Profile

Name of the company	Haier Group Corporation
Unified social credit code	91370200163562681G
Domicile	Haier Road, Qingdao Hi-tech Industrial Park (inside Haier Industrial Park)
Company type	Haier Group Corporation is registered as a joint-stock company. According to the statement issued by the State-owned Assets Management Office of Qingdao, Haier Group Corporation is identified as an enterprise of collective ownership
Legal representative	Zhang Ruimin
Registered capital	RMB311.18 million

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

Business scope	Home appliances, electronic products, communication equipment, computers and accessories, general machinery, kitchen utensils, industrial robot manufacturing; wholesale and retail of domestic commerce (except for commodities banned, monopolized and controlled by the government); import and export (see the certificate for foreign trade enterprise for details); economic and technical consultation; R&D and transfer of technological achievements; leasing of self-owned property. (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.)
Date of incorporation	March 24, 1980
Business term	From March 24, 1980 to a non-fixed-term

ii. Business development in the last three years

Haier Group is mainly engaged in the investment holding business and the business operation has been normal in the last three years.

iii. Description of other relationships with the Listed Company in terms of ownership, business, assets, creditor's rights and debts, and personnel

As at the date of disclosure of the Announcement, Haier Group and the persons acting in concert of Haier Group have held a total of 2,633,702,000 shares of Haier Smart Home (A shares + D shares), accounting for 41.36% of the Listed Company's total share capital.

There are routine related party transactions between Haier Smart Home and Haier Group approved by the Shareholders' General Meeting. As at June 30, 2019, Haier Smart Home's accounts receivable to Haier Group totaled RMB6,693,200, and Haier Smart Home's dividend payable to Haier Group totaled RMB376,486,400.

Liang Haishan, current Chairman of the Board of Haier Smart Home, is serving as the Vice Chairman of the Board of Haier Group; Tan Lixia, current Vice Chairman of the Board of Haier Smart Home, is serving as the Executive Vice-president of Haier Group; Wang Peihua, current Chairman of the Board of Supervisors of Haier Smart Home, is serving as the Director of the Organization Department of Haier Group; Ming Guoqing, current Supervisor of Haier Smart Home, is serving as the Chairman of the Labor Union of Haier Group.

Except for the above information and other information disclosed, there is no relationship between Haier Group and Haier Smart Home in terms of ownership, business, assets, creditor's rights and debts, and personnel.

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

iv. Financial status

According to the standard unqualified auditors' report issued by the Qingdao Shibe Branch of Hexin Certified Public Accountants LLP (H.X.SH.Z [2019] No. 020145), as at December 31, 2018, total assets of Haier Group recorded RMB282,215,677,300, owner's equity totaled RMB77,545,858,700, its operating income in 2018 totaled RMB208,092,932,700, and net profit totaled RMB11,417,701,700.

III. Basic Information of the Companies with Increased Capital and Transaction Subject Matter

i. Hefei Haier Air-conditioning

1. Basic information

Name of the company	Hefei Haier Air-conditioning Co., Ltd.
Unified social credit code	91340100719952395W
Domicile	Haier Industrial Park, Hefei Economic and Technological Development Zone, Anhui Province
Company type	Limited liability company (limited liability company wholly invested or controlled by natural person)
Legal representative	Wang Youning
Registered capital	RMB12 million
Business scope	Manufacturing and sales of air conditioners, home appliances and refrigeration equipment; plant leasing; proprietary and agency import/export of commodities and technologies (except for commodities and technologies under the limited operation or prohibited from import and export by the government). (Projects subject to approval according to law may be put into operation after approval by relevant departments)
Date of incorporation	June 2, 2000
Business term	From June 2, 2000 to June 1, 2080

2. Equity structure and control relationship

As at the date of disclosure of the Announcement, the equity structure of Hefei Haier

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

Air-conditioning is as follows:

Shareholder	Amount of capital contribution (RMB10,000)	Capital contribution ratio
Haier Smart Home	1,200.00	100.00%
Total	1,200.00	100.00%

3. Equity change in the last 12 months

As at the date of disclosure of the Announcement, there have been no changes in the equity of Hefei Haier Air-conditioning in the last 12 months.

4. Ownership

As at the date of disclosure of the Announcement, the equity ownership of Hefei Haier Air-conditioning is clear. There is no collateral, pledge or other restricted transfer, and the company is not involved in any lawsuit, arbitration, or judicial measures such as attachment and freezing. There are no other issues impeding the transfer of ownership.

5. Main businesses

Hefei Haier Air-conditioning is mainly engaged in the manufacturing and sales of air conditioners, home appliances and refrigeration equipment. It has set up 8 advanced internal and external assembly lines for three product categories including split wall-mounted air conditioners, split floor-mounted air conditioners and overseas window air conditioners, covering more than 300 models including Dizun and Elegant series.

The flexible production line of Hefei Haier Air-conditioning is characterized by "high reliability, wide range, high flexibility and fast pace". Hefei Haier Air-conditioning has become one of the professional air conditioner manufacturing bases in China with high technical level, complete specification types and large production scale.

6. Abandonment of pre-emptive rights of other shareholders

Haier Smart Home has waived its preemption right of the newly increased capital of Hefei Haier Air-conditioning.

7. Major financial indicators

Unit: RMB10,000

Item	December 31, 2018/ 2018	June 30, 2019/ January to June 2019
------	----------------------------	--

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

Total assets	135,742.94	168,281.67
Total liabilities	76,036.94	102,684.20
Owners' Equities	59,706.00	65,597.47
Operating income	361,518.89	241,099.10
Net profit	15,892.71	5,891.47

Note 1: Relevant financial data of 2018 have been audited by the Qingdao Shibe Branch of Hexin Certified Public Accountants LLP, and a standard unqualified auditors' report (H.X.SH.Z [2019] No. 020032) has been issued.

Note 2: Relevant financial data of 2019 have not yet been audited

ii. Hefei Haier Plastics

1. Basic information

Name of the company	Hefei Haier Plastics Co., Ltd.
Unified social credit code	91340111719944555Q
Domicile	Haier Industrial Park, Hefei Economic and Technological Development Zone, Anhui Province
Company type	Other limited liability company
Legal representative	Zhai Xueying
Registered capital	RMB34 million
Business scope	Production and sales of plastic parts, mold for plastic and molding equipment, sales of plastic raw materials, and production and sales of hard ware products. (Projects subject to approval according to law may be put into operation after approval by relevant departments)
Date of incorporation	May 26, 2000
Business term	From May 26, 2000 to September 30, 2080

2. Equity structure and control relationship

As at the date of disclosure of the Announcement, the equity structure of Hefei Haier Plastics is as follows:

Shareholder	Amount of capital	Capital contribution ratio
-------------	-------------------	----------------------------

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

	contribution (RMB10,000)	
Haier Smart Home	3,200.00	94.12%
Information Plastic & Rubber	200.00	5.88%
Total	3,400.00	100.00%

3. Equity change in the last 12 months

As at the date of disclosure of the Announcement, there have been no changes in the equity of Hefei Haier Plastics in the last 12 months.

4. Ownership

As at the date of disclosure of the Announcement, the equity ownership of Hefei Haier Plastics is clear. There is no collateral, pledge or other restricted transfer, and the company is not involved in any lawsuit, arbitration, or judicial measures such as attachment and freezing. There are no other issues impeding the transfer of ownership.

5. Main businesses

Main business of Hefei Haier Plastics includes the production and sales of plastic parts, mold for plastic and molding equipment. It mainly provides injection molding products and metal plate products for companies under Haier's washing machine segment such as Hefei Haier Washing Machinery Co., Ltd. and Hefei Haier Cylinder Washing Machinery Co., Ltd. Among them, injection-molding products mainly include internal cylinder, external barrel, barrel bottom, gimbal, upper lid and base platform, and metal plate products mainly include tank, tablet, shield, angle plate and other finished products.

6. Abandonment of pre-emptive rights of other shareholders

Haier Smart Home and its wholly owned subsidiary Information Plastic & Rubber have waived their preemption right of the newly increased capital of Hefei Haier Air-conditioning.

7. Major financial indicators

Unit: RMB10,000

Item	December 31, 2018/ 2018	June 30, 2019/ January to June 2019
Total assets	19,603.58	18,973.55
Total liabilities	10,674.38	10,016.84
Owners' Equities	8,929.20	8,956.71
Operating income	46,064.82	20,884.85

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

Item	December 31, 2018/ 2018	June 30, 2019/ January to June 2019
Net profit	-116.13	27.51

Note 1: Relevant data of 2018 have been audited by the Qingdao Shibe Branch of Hexin Certified Public Accountants LLP, and a standard unqualified auditors' report (H.X.SH.Z. [2019] No. 020027) has been issued.

Note 2: Relevant data of 2019 have not yet been audited

iii. Wuhan Haier Freezer

1. Basic information

Name of the company	Wuhan Haier Freezer Co., Ltd.
Unified social credit code	914201007646306271
Domicile	Haier Park, High-tech Industrial Park, Wuhan Economic and Technological Development Zone
Company type	Other limited liability company
Legal representative	Li Weijie
Registered capital	RMB49.8 million
Business scope	The R&D, production, and sales of fluorine-free freezers and other refrigeration products
Date of incorporation	August 20, 2004
Business term	From August 20, 2004, to August 20, 2054

2. Equity structure and control relationship

As at the date of disclosure of the Announcement, the equity structure of Wuhan Haier Freezer is as follows:

Shareholder	Amount of capital contribution (RMB10,000)	Capital contribution ratio
Haier Smart Home	4,731.00	95.00%

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

Haier Special Freezer	249.00	5.00%
Total	4,980.00	100.00%

3. Equity change in the last 12 months

As at the date of disclosure of the Announcement, there have been no changes in the equity of Wuhan Haier Freezer in the last 12 months.

4. Ownership

As at the date of disclosure of the Announcement, the equity ownership of Wuhan Haier Freezer is clear. There is no collateral, pledge or other restricted transfer, and the company is not involved in any lawsuit, arbitration, or judicial measures such as attachment and freezing. There are no other issues impeding the transfer of ownership.

5. Main businesses

The main businesses of Wuhan Haier Freezer include the R&D, production, and sales of fluorine-free freezers and other refrigeration products. Currently, Wuhan Haier Freezer has formed an annual production capacity of 0.85 million freezers. Based on its geographical advantages, located in Central China, it focuses on meeting the demands of users in Central China, Southern China, and Southwest China and distributes its products to the national market.

At present, the main products of Wuhan Haier Freezer include a series of products such as the dual temperature freezer BC/BD, freezers with the large freezing and small frozen storage, household horizontal freezers, and horizontal large freezers 9H. Wuhan Haier Freezer is committed to providing high-quality, green, and environmental freezers for users. Meanwhile, Wuhan Haier Freezer has developed and manufactured a series of products of economy dual temperature freezers, which meet mass-market consumers' demands for freezers with their characteristics of low costs but high energy conservation.

6. Abandonment of pre-emptive rights of other shareholders

Both Hair Smart Hom and its controlled subsidiary, Haier Special Freezer, have abandoned their pre-emptive rights for the newly-added registered capital of Wuhan Haier Freezer.

7. Major financial indicators

Unit: RMB10,000

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

Item	December 31, 2018/ 2018	June 30, 2019/ January to June 2019
Total assets	37,081.29	39,243.17
Total liabilities	13,555.67	15,155.28
Owners' Equities	23,525.62	24,087.89
Operating income	55,667.97	32,536.44
Net profit	1,932.30	562.27

Note 1: Relevant data of 2018 have been audited by the Qingdao Shibe Branch of Hexin Certified Public Accountants LLP, and a standard unqualified auditors' report (H.X.SH.Z. [2019] No. 020001) has been issued.

Note 2: Relevant data of 2019 have not yet been audited

iv. Wuhan Haier Air-conditioning

1. Basic information

Name of the company	Wuhan Haier Electronics Co., Ltd.
Unified social credit code	91420100177721700H
Domicile	Haier Park, High-tech Industrial Park, Wuhan Economic and Technological Development Zone
Company type	Joint-stock limited company (unlisted)
Legal representative	Wang Youning
Registered capital	RMB61.5 million
Business scope	The manufacture, maintenance, and sales of air-conditioners, freezers, refrigerators, and other refrigeration products and equipment.
Date of incorporation	August 28, 1990
Business term	From August 28, 1990, to a non-fixed-term

2. Equity structure and control relationship

As at the date of disclosure of the Announcement, the equity structure of Wuhan Haier

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

Air-conditioning is as follows:

Shareholder	Shares held (10K)	Shareholding percentage (%)
Haier Smart Home	3,690.00	60.00%
Wuhan State-Owned Asset Management Co., Ltd.	1,660.00	26.99%
Wuhan Construction Investment Co., Ltd.	500.00	8.13%
Wuhan Urban Collective Cooperation Industrial Center	105.00	1.71%
Individual	195.00	3.17%
Total	6,150.00	100.00%

3. Equity change in the last 12 months

As at the date of disclosure of the Announcement, there have been no changes in the equity of Wuhan Haier Air-conditioning in the last 12 months.

4. Ownership

As at the date of disclosure of the Announcement, the equity ownership of Wuhan Haier Air-conditioning is clear. There is no collateral, pledge or other restricted transfer, and the company is not involved in any lawsuit, arbitration, or judicial measures such as attachment and freezing. There are no other issues impeding the transfer of ownership.

5. Main businesses

The main businesses of Wuhan Haier Air-conditioning include the manufacture and sales of household air-conditioners. Based on its advanced modern flexible production lines, Wuhan Haier Air-conditioning's main products include more than 400 efficient, energy-saving, healthy, and environmental household air-conditioners, especially comfortable, efficient, low-carbon, and environmental fluorine-free variable frequency air-conditioner, air-conditioners eliminating formaldehyde, and self-cleaning air-conditioners. Wuhan Air-conditioner is committed to continuously meeting the personalized needs of domestic and overseas users and providing users with comfortable and efficient indoor air solutions.

Currently, its main products include: Medium-and-high end split wall-mounted air-conditioners and cabinets such as B serial energy-efficient wall-mounted air-conditioners, Y serial comfortable wall-mounted air-conditioners, D serial self-cleaning frequency conversion air-conditioners, Casarte U serial Yunding wall-mounted air-conditioners, Casarte V serial Tianxi wall-mounted air-conditioners, W serial Commander, Jianai X serial, and

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

Dizun IV cabinets.

6. Abandonment of pre-emptive rights of other shareholders

As at the disclosing date of this Announcement, Wuhan Haier Air-conditioning is a joint-stock limited company, therefore, pre-emptive rights are not involved.

7. Major financial indicators

Unit: RMB10,000

Item	December 31, 2018/ 2018	June 30, 2019/ January to June 2019
Total assets	243,124.77	255,593.17
Total liabilities	180,512.54	189,981.38
Owner's equity attributable to the parent company	61,985.76	64,788.40
Operating income	408,372.08	208,229.54
Net profit attributable to the parent company	6,215.58	4,802.64

Note: The above-mentioned financial data of 2018 have been audited by the Qingdao Branch of Hexin Certified Public Accountants LLP, and a standard unqualified auditors' report (H.X.SH.Z. [2019] No. 020445) has been issued.

v. Subject matters of the transaction: Relevant lands in Hefei and Wuhan

1. Subject matters of the transaction

Haier Group plans to: (1) increase the capital of Hefei Haier Air-conditioning with the H.J.K.G.Y (2008) Di No.090 Land Use Right held by it corresponding to 90.24mu lands and 34.83mu open space in the plant of Hefei Haier Air-conditioning after the split; (2) increase the capital of Hefei Haier Plastics with the H.J.K.G.Y (2008) Di No.090 Land Use Right held by it corresponding to 98.96mu lands in the plant of Hefei Haier Plastics after the split; (3) increase the capital of Wuhan Haier Freezer with the W.K.G.Y. (2015) No.48 Land Use Right held by it corresponding to 86.66mu lands in the plant of Wuhan Haier Freezer after the split; (4) increase the capital of Wuhan Haier Air-conditioning with the W.K.G.Y. (2015) No.48 Land Use Right held by it corresponding to 102.17mu lands in the plant of Wuhan Haier Air-conditioning after the split.

2. Description of ownership

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

As at the disclosing date of this Announcement, the land ownership of relevant lands in Hefei and Wuhan held by Haier Group was clear and there was no collateral and pledge, or other restrictions on transfer, not involving litigation and arbitration, or judicial measures such as attachment and freezing, or other cases hindering the transfer of ownership.

3. Operations of relevant assets

Unit: Square meter, RMB10,000

Owner of the right	Property ownership certificate	Location of land parcel	Purpose	Category of land use right	End date of land use right	Area of land use right to be split	Land use	Acquirer	The book value as at 2019-6-30 (Note 1)	The appraised value as at 2019-6-30
Haier Group Corporation	H.J.K.G.Y (2008) Di No.090	Fanhua Dadao North	Industry	Transfer	2050.3.3	60,158.97	Plant of Hefei Haier Air-conditioning	Hefei Haier Air-conditioning	110.95	2,707.15
						23,217.60	Open space	Hefei Haier Air-conditioning	42.82	1,042.47
						65,977.10	Plant of Hefei Haier Plastics	Hefei Haier Plastics	121.68	2,968.97
Haier Group Corporation	W.K.G.Y. (2015) No.48	23MB land parcel in Wuhan Economic and Technological Development Zone	Industry	Transfer	2052.1.1	68,115.72	Plant of Wuhan Haier Air-conditioning	Wuhan Haier Air-conditioning	135.74	4,924.77 (Note 2)
						57,779.45	Plant of Wuhan Haier Freezer	Wuhan Haier Freezer	115.14	4,177.45

Note1: The book value of the land split was apportioned according to the proportion of the area of land after the split in the total area of land under the land certificate.

Note 2: The Wuhan land appraisal report on Haier Group planning to increase the capital of Wuhan Haier Air-conditioning with 102.17mu lands is still subject to the confirmation by competent state-owned asset supervision and administration departments through filing.

IV. Pricing Policy and Basis of This Related Party Transaction

i. Hefei Haier Air-conditioning

1. Overview and conclusion of the appraisal

According to the L.Z.X.P.B.Z. (2019) No.0151 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd. (hereinafter referred to as “Shandong Zhengyuanhexin Assets Appraisal Co., Ltd.”), a company with relevant business

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

qualifications of securities and futures, with June 30, 2019, as the appraisal base date, the appraisal of all shareholders' equities of Hefei Haier Air-conditioning was conducted with the income approach and the asset-based approach and the appraisal result of the income approach was finally chosen as the appraisal conclusion. Therefore, the appraisal value of all shareholders' equities of Hefei Haier Air-conditioning was RMB1,551,094,000.

According to the appraisal based on the income approach, as at June 30, 2019, the appraisal value of all shareholders' equities of Hefei Haier Air-conditioning was 1,551,094,000, up by RMB895,119,300 compared with RMB655,974,700 of the book value of all shareholders' equities of Hefei Haier Air-conditioning, with a value-added rate of 136.46%.

According to the appraisal based on the asset-based approach, as at June 30, 2019, the appraisal value of all shareholders' equities of Hefei Haier Air-conditioning was RMB771,007,400, up by RMB115,032,700, with a value-added rate of 17.54%.

2. Description of appraisal approaches

In accordance with the relevant laws, regulations, the code of asset appraisal, and asset appraisal principles, on the premise of the continuous operation of the company, the continuous use of assets, and open markets, the appraisal was conducted with the income approach and the asset-based approach according to the actual conditions of the appraisal object, relevant market trading information, and the current market price standards and by reference to the historical cost records of the assets.

Based on the investigation into the financial status and the analysis of the operating status of Hefei Haier Air-conditioning, combining the object, appraisal purpose, and applicable value standards of the asset appraisal, through comparative analysis, the appraisal institution believed the appraisal conclusion of the income approach could more comprehensively and reasonably reflect the intrinsic value of Hefei Haier Air-conditioning. Therefore, the appraisal result of the income approach was used as the final appraisal conclusion of the appraisal.

3. Transaction pricing

According to the L.Z.X.P.B.Z. (2019) No.0151 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., as at June 30, 2019, the value of all shareholders' equities of Hefei Haier Air-conditioning was RMB1,551,094,000. According to the above-mentioned appraisal report and in the light of friendly consultation among all parties, the pricing of all shareholders' equities of Hefei Haier Air-conditioning was RMB1,551,094,000. Therefore, the capital increase price of Haier Group for Hefei Haier Air-conditioning was confirmed as RMB129.26/amount of contribution every RMB1.

ii. Hefei Haier Plastics

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

1. Overview and conclusion of the appraisal

According to the L.Z.X.P.B.Z. (2019) No.0151 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., with June 30, 2019, as the appraisal base date, the appraisal of all shareholders' equities of Hefei Haier Plastics was conducted with the asset-based approach and the income approach and the appraisal result of the asset-based approach was finally chosen as the appraisal conclusion. Therefore, the appraisal value of all shareholders' equities of Hefei Haier Plastics was RMB137,039,100.

According to the appraisal based on the asset-based approach, as at June 30, 2019, the appraisal value of all shareholders' equities of Hefei Haier Plastics was RMB137,039,100, up by RMB47,472,000 compared with RMB89,567,100 of the book value of all shareholders' equities of Hefei Haier Plastics, with a value-added rate of 53.00%.

According to the appraisal based on the income approach, as at June 30, 2019, the appraisal value of all shareholders' equities of Hefei Haier Plastics was RMB137,943,400, up by RMB48,376,300, with a value-added rate of 54.01%.

2. Description of appraisal approaches

In accordance with the relevant laws, regulations, the code of asset appraisal, and asset appraisal principles, on the premise of the continuous operation of the company, the continuous use of assets, and open markets, the appraisal was conducted with the asset-based approach and the income approach according to the actual conditions of the appraisal object, relevant market trading information, and the current market price standards and by reference to the historical cost records of the assets.

According to the business strategy of Hefei Haier Plastics and the layout of product models of the Product Business Development, Hefei Haier Plastics began to supply accessories to high-end washing machine products of Hefei Haier Washing Machine Co., Ltd. and its income was expected to substantially increase. However, as at the appraisal reporting date, its income did not significantly increase, therefore, the realizability of the future income is uncertain. Therefore, the appraisal institution believed the appraisal conclusion of the asset-based approach could more comprehensively, reasonably and relevantly reflect the appraisal purpose and thus chose the appraisal result of the asset-based approach as the final appraisal conclusion.

3. Transaction pricing

According to the L.Z.X.P.B.Z. (2019) No.0152 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., as at June 30, 2019, the value of all shareholders' equities of Hefei Haier Plastics was RMB137,039,100. According to the above-mentioned

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

appraisal report and in the light of friendly consultation among all parties, the pricing of all shareholders' equities of Hefei Haier Plastics was RMB137,039,100. Therefore, the capital increase price of Haier Group for Hefei Haier Plastics was confirmed as RMB4.03/amount of contribution every RMB1.

iii. Wuhan Haier Freezer

1. Overview and conclusion of the appraisal

According to the L.Z.X.P.B.Z. (2019) No.0153 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., with June 30, 2019, as the appraisal base date, the appraisal of all shareholders' equities of Wuhan Haier Freezer was conducted with the income approach and the asset-based approach and the appraisal result of the income approach was finally chosen as the appraisal conclusion. Therefore, the appraisal value of all shareholders' equities of Wuhan Haier Freezer was RMB291,769,400.

According to the appraisal based on the income approach, as at June 30, 2019, the appraisal value of all shareholders' equities of Wuhan Haier Freezer was RMB291,769,400, up by RMB50,890,500 compared with RMB240,878,900 of the book value of all shareholders' equities of Wuhan Haier Freezer, with a value-added rate of 21.13%.

According to the appraisal based on the asset-based approach, as at June 30, 2019, the appraisal value of all shareholders' equities of Wuhan Haier Freezer was RMB262,340,900, up by RMB21,462,000, with a value-added rate of 8.91%.

2. Description of appraisal approaches

In accordance with the relevant laws, regulations, the code of asset appraisal, and asset appraisal principles, on the premise of the continuous operation of the company, the continuous use of assets, and open markets, the appraisal was conducted with the income approach and the asset-based approach according to the actual conditions of the appraisal object, relevant market trading information, and the current market price standards and by reference to the historical cost records of the assets.

Based on the investigation into the financial status and the analysis of the operating status of Wuhan Haier Freezer, combining the object, appraisal purpose, and applicable value standards of the asset appraisal, through comparative analysis, the appraisal institution believed the appraisal conclusion of the income approach could more comprehensively and reasonably reflect the intrinsic value of Wuhan Haier Freezer. Therefore, the appraisal result of the income approach was used as the final appraisal conclusion of the appraisal.

3. Transaction pricing

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

According to the L.Z.X.P.B.Z. (2019) No.0153 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., as at June 30, 2019, the value of all shareholders' equities of Wuhan Haier Freezer was RMB291,769,400. According to the above-mentioned appraisal report and in the light of friendly consultation among all parties, the pricing of all shareholders' equities of Wuhan Haier Freezer was RMB291,769,400. Therefore, the capital increase price of Haier Group for Wuhan Haier Freezer was confirmed as RMB5.86/amount of contribution every RMB1.

iv. Wuhan Haier Air-conditioning

1. Overview and conclusion of the estimation

With June 30, 2019, as the base date, Shandong Zhengyuanhexin Assets Appraisal Co., Ltd. estimated all shareholders' equities of Wuhan Haier Air-conditioning based on the asset-based approach and the income approach and finally chose the result of the income approach as the estimation conclusion. Therefore, the estimated value of all shareholders' equities of Wuhan Haier Air-conditioning was RMB680,727,900.

According to the appraisal based on the asset-based approach, as at June 30, 2019, the estimated value of all shareholders' equities of Wuhan Haier Air-conditioning was RMB659,760,000, up by RMB11,876,000 compared with RMB647,884,000 of the book value of the owner's equity attributable to the parent company in the consolidated report of Wuhan Haier Air-conditioning, with a value-added rate of 1.83%.

According to the appraisal based on the income approach, as at June 30, 2019, the estimated value of all shareholders' equities of Wuhan Haier Air-conditioning was RMB680,727,900, up by RMB32,843,900, with a value-added rate of 5.07%.

2. Description of estimation approaches

In accordance with the relevant laws, regulations, the code of asset appraisal, and asset appraisal principles, on the premise of the continuous operation of the company, the continuous use of assets, and open markets, the estimation was conducted by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd. with the income approach and the asset-based approach according to the actual conditions of the appraisal object, relevant market trading information, and the current market price standards and by reference to the historical cost records of the assets.

Based on the investigation into the financial status and the analysis of the operating status of Wuhan Haier Air-conditioning, combining the object, appraisal purpose, and applicable value standards of the asset appraisal, through comparative analysis, the appraisal institution believed the result of the income approach could more comprehensively and reasonably

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

reflect the intrinsic value of Wuhan Haier Air-conditioning. Therefore, the result of the income approach was used as the estimation conclusion of the estimation.

3. Transaction pricing

As at June 30, 2019, the estimated value of all shareholders' equities of Wuhan Haier Air-conditioning was RMB680,727,900. The value of all shareholders' equities of Wuhan Haier Air-conditioning will be priced according to the Asset Appraisal Report confirmed and filed by competent state-owned asset supervision and administration departments.

v. Relevant lands in Hefei

1. Lands to be used by Haier Group for a capital increase of Hefei Haier Air-conditioning

(1) Overview and conclusion of the appraisal

According to the L.Z.X.P.B.Z. (2019) No.0151-1 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., with June 30, 2019, as the appraisal base date, the relevant lands to be used by Haier Group for a capital increase of Hefei Haier Air-conditioning were measured and calculated based on the land datum value method and the cost approaching method respectively and the average value of the two kinds of calculation results was used as the final appraisal conclusion of the appraisal object. Therefore, the appraisal value of 90.24mu lands in Hefei to be used by Haier Group for a capital increase of Hefei Haier Air-conditioning was RMB2,7071,500 and the appraisal value of 34.83mu open space in Hefei to be used for a capital increase of Hefei Haier Air-conditioning was RMB10,424,700.

(2) Description of appraisal approaches

According to the relevant provisions of the *Standards of Practice for Asset Appraisal -- Real Estate* and the *Regulations for Valuation on Urban Land*, the current appraisal approaches of state-owned land use rights include the market comparison approach, the income capitalization approach, the cost approaching method, the land datum value method, the residue method (hypothetical development method), and other appraisal approaches.

The urban area of Hefei had a complete correction system for the benchmark land price and the appraisal object was within the scope of the benchmark land price in the urban area and the appraisal base date was close to the time of base date defined by the benchmark land price, based on which the calculation result according to the land datum value method could objectively reflect the land price level of the appraisal object; the relatively objective annual production value and all kinds of tax information related to land expropriation could be

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

obtained in the area where the appraisal object was located and the calculation result based on the cost approaching method was relatively reasonable as well, therefore, the appraisal institution determined to use the average value of the two kinds of calculation results as the final appraisal conclusion of the appraisal object.

(3) Transaction pricing

According to the historical commitments of Haier Group, the unit price for the transaction of the 90.24mu lands in Hefei to be used by Haier Group for a capital increase of Hefei Haier Air-conditioning was RMB20,000/mu. Therefore, the transaction price was RMB1,804,800. The relevant taxes involving the 90.24mu lands in Hefei for a capital increase of Hefei Haier Air-conditioning shall be actually borne by Hefei Haier Air-conditioning.

According to the L.Z.X.P.B.Z. (2019) No.0151-1 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., as at June 30, 2019, the appraisal value of the 34.83mu open space in Hefei held by Haier Group was RMB10,424,700, approximately RMB299,300/mu. According to the above-mentioned appraisal report and in the light of friendly consultation, the transaction price of the 34.83mu open space in Hefei to be used by Haier Group for a capital increase of Hefei Haier Air-conditioning was RMB10,424,700.

To sum up, according to the historical commitments and the relevant asset appraisal report, and in the light of friendly consultation among all parties, the total amount of the 90.24mu lands and 34.83mu open space in Hefei held by Haier Group for a capital increase of Hefei Haier Air-conditioning was RMB12,229,500.

2. Lands to be used by Haier Group for a capital increase of Hefei Haier Plastics

(1) Overview and conclusion of the appraisal

According to the L.Z.X.P.B.Z. (2019) No.0152-1 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., with June 30, 2019, as the appraisal base date, the relevant lands to be used by Haier Group for a capital increase of Hefei Haier Plastics were measured and calculated based on the land datum value method and the cost approaching method respectively and the average value of the two kinds of calculation results was used as the final appraisal conclusion of the appraisal object. Therefore, the appraisal value of 98.96mu lands in Hefei to be used by Haier Group for a capital increase of Hefei Haier Plastics was RMB29,689,700.

(2) Description of appraisal approaches

According to the relevant provisions of the *Standards of Practice for Asset Appraisal -- Real Estate* and the *Regulations for Valuation on Urban Land*, the current appraisal approaches of

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

state-owned land use rights include the market comparison approach, the income capitalization approach, the cost approaching method, the land datum value method, the residue method (hypothetical development method), and other appraisal approaches.

The urban area of Hefei had a complete correction system for the benchmark land price and the appraisal object was within the scope of the benchmark land price in the urban area and the appraisal base date was close to the time of base date defined by the benchmark land price, based on which the calculation result according to the land datum value method could objectively reflect the land price level of the appraisal object; the relatively objective annual production value and all kinds of tax information related to land expropriation could be obtained in the area where the appraisal object was located and the calculation result based on the cost approaching method was relatively reasonable as well, therefore, the appraisal institution determined to use the average value of the two kinds of calculation results as the final appraisal conclusion of the appraisal object.

(3) Transaction pricing

According to the L.Z.X.P.B.Z. (2019) No.0152-1 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., as at June 30, 2019, the appraisal value of the 98.96mu lands in Hefei held by Haier Group was RMB29,689,700, approximately RMB300,000/mu. According to the above-mentioned appraisal report and in the light of friendly consultation, the transaction price of the 98.96mu lands in Hefei to be used by Haier Group for a capital increase of Hefei Haier Plastics was RMB29,689,700.

vi. Relevant lands in Wuhan

1. Lands to be used by Haier Group for a capital increase of Wuhan Haier Freezer

(1) Overview and conclusion of the appraisal

According to the L.Z.X.P.B.Z. (2019) No.0153-1 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., with June 30, 2019, as the appraisal base date, the relevant lands to be used by Haier Group for a capital increase of Wuhan Haier Freezer were measured and calculated based on the land datum value method and the cost approaching method respectively and the average value of the two kinds of calculation results was used as the final appraisal conclusion of the appraisal object. Therefore, the appraisal value of 86.66mu lands in Wuhan to be used by Haier Group for a capital increase of Wuhan Haier Freezer was RMB41,774,500.

(2) Description of appraisal approaches

According to the relevant provisions of the *Standards of Practice for Asset Appraisal -- Real*

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

Estate and the Regulations for Valuation on Urban Land, the current appraisal approaches of state-owned land use rights include the market comparison approach, the income capitalization approach, the cost approaching method, the land datum value method, the residue method (hypothetical development method), and other appraisal approaches.

The appraisal object was located at the industrial IV land covered by the benchmark land price in the urban area of Wuhan and the benchmark land price of Wuhan was within the effective period, in which all land use conditions could be analyzed and the result calculated according to the land datum value method could objectively reflect the land price level of the appraisal object; the People's Government of Hubei Province has formulated clear compensation standards for land acquisition and there were many cases related to land acquisition in the area where the appraisal object was located in recent years and those cases were comparable to the appraisal object. In addition, all data such as the land acquisition fee, land development fee, profit margin, and land value-added income could be easily obtained in the market and the calculation result based on the cost approaching method was relatively reasonable as well, therefore, the appraisal institution determined to use the average value of the two kinds of calculation results as the final appraisal conclusion of the appraisal object.

(3) Transaction pricing

According to the L.Z.X.P.B.Z. (2019) No.0153-1 Asset Appraisal Report issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd., as at June 30, 2019, the appraisal value of the 86.66mu lands in Wuhan held by Haier Group was RMB41,774,500, approximately RMB482,000/mu. According to the above-mentioned appraisal report and in the light of friendly consultation, the transaction price of the 86.66mu lands in Wuhan to be used by Haier Group for a capital increase of Wuhan Haier Freezer was RMB41,774,500.

2. Lands to be used by Haier Group for a capital increase of Wuhan Haier Air-conditioning

(1) Overview and conclusion of the estimation

With June 30, 2019, as the appraisal base date, the relevant lands to be used by Haier Group for a capital increase of Wuhan Haier Air-conditioning were measured and calculated based on the land datum value method and the cost approaching method respectively and the average value of the two kinds of calculation results was used as the appraisal conclusion of the appraisal object. Therefore, the appraisal value of 102.17mu lands in Wuhan to be used by Haier Group for a capital increase of Wuhan Haier Air-conditioning was RMB49,247,700.

(2) Description of estimation approaches

According to the relevant provisions of the *Standards of Practice for Asset Appraisal -- Real*

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

Estate and the Regulations for Valuation on Urban Land, the current appraisal approaches of state-owned land use rights include the market comparison approach, the income capitalization approach, the cost approaching method, the land datum value method, the residue method (hypothetical development method), and other appraisal approaches.

The appraisal object was located at the industrial IV land covered by the benchmark land price in the urban area of Wuhan and the benchmark land price of Wuhan was within the effective period, in which all land use conditions could be analyzed and the result calculated according to the land datum value method could objectively reflect the land price level of the appraisal object; the People's Government of Hubei Province has formulated clear compensation standards for land acquisition and there were many cases related to land acquisition in the area where the appraisal object was located in recent years and those cases were comparable to the appraisal object. In addition, all data such as the land acquisition fee, land development fee, profit margin, and land value-added income could be easily obtained in the market and the calculation result based on the cost approaching method was relatively reasonable as well, therefore, the appraisal institution determined to use the average value of the two kinds of calculation results as the final appraisal conclusion of the appraisal object.

(3) Transaction pricing

As at the disclosing date of this Announcement, the relevant asset appraisal report of Wuhan Haier Air-conditioning is still subject to the confirmation by competent state-owned asset supervision and administration departments through filing.

According to the historical commitments of Haier Group, the unit price for the transaction of the 102.17mu lands in Wuhan to be used by Haier Group for a capital increase of Wuhan Haier Air-conditioning was RMB15,000/mu. Therefore, the transaction price was RMB1,532,600. The relevant taxes involving the 102.17mu lands in Wuhan for a capital increase of Wuhan Haier Air-conditioning shall be actually borne by Wuhan Haier Air-conditioning.

V. Relevant Agreements of the Transaction

i. The Main Contents of the *Agreement on the Capital Increase of Hefei Haier Air-conditioning Co., Ltd.*

1. Contractual subjects

Haier Group, Haier Smart Home, and Hefei Haier Air-conditioning.

2. The capital increase

According to the *Asset Appraisal Report on the Market Value of the State-owned Land Use*

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

Rights of the Lands in Fanhua Dadao North Involving the Increase of the Registered Capital of Hefei Haier Air-conditioning Co., Ltd. by Haier Group Corporation (L.Z.X.P.B.Z. (2019) No.0151-1) issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd. on September 25, 2019, with June 30, 2019, as the base date, as at June 30, 2019, the appraisal base date, the total appraisal value of the two industrial lands totaling 83,376.57 square meters held by Haier Group in its H.J.K.G.Y (2008) Di No.090 Land Use Right for a capital increase of Hefei Haier Air-conditioning after the split of the land use right was RMB37,496,200. Specifically, the appraisal value of the land parcel with an area of 23,217.6 square meters was RMB10,424,700 and the appraisal value of the land parcel with an area of 60,158.97 square meters was RMB27,071,500.

According to the *Contract for Land Use Right Leasing* signed by Haier Group and Hefei Haier Air-conditioning on January 1, 2007, the *Statements and Commitments Regarding Leasing the Land Use Right of Hefei Haier Air-conditioning Co., Ltd.* issued by Haier Group on January 1, 2007, and the *Supplementary Statements and Commitments Regarding Leasing the Land Use Right of Hefei Haier Air-conditioning Co., Ltd.* issued by Haier Group on February 6, 2007, for the land parcel with an area of 60,158.97 square meters (approximately 90.24mu) in the land use right for the capital increase, Haier Group shall transfer it to Hefei Haier Air-conditioning at a price of RMB20,000/mu. All parties agree the differences between the appraisal value and transfer price of the land shall be included in capital reserve of Hefei Haier Air-conditioning.

Based on the asset appraisal report and relevant commitments of Haier Group, through consultation by all parties, the total amount of the capital increase by Haier Group is RMB12,229,471.50. Specifically, RMB94,613.00 is included in the registered capital of Hefei Haier Air-conditioning while RMB12,134,858.50 is included in the capital reserve of Hefei Haier Air-conditioning. After the capital increase is completed, Haier Group will hold 0.78% (equivalent to the registered capital of RMB94,613.00) of the equity of Hefei Haier Air-conditioning. After the capital increase is completed, the equity structure of Hefei Haier Air-conditioning will be as follows:

No.	Name of shareholder	Contribution amount (Unit: RMB)	Capital contribution ratio (%)
1	Haier Smart Home Co., Ltd.	12,000,000.00	99.22
2	Haier Group Corporation	94,613.00	0.78
Total		12,094,613.00	100.00

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

In this capital increase, all existing shareholders agree to abandon their pre-emptive rights for this capital increase.

3. Delivery of the capital increase

(1) Preconditions for the delivery of the capital increase

All parties shall perform their obligations of the delivery of the capital increase under this Agreement on the premise that they have met all the following conditions (or have provided the relevant documentary evidence) or have obtained the written waivers of other parties:

- 1) This Agreement has been signed by all parties and has come into force;
 - 2) All parties have obtained the complete authorization and approval required for the capital increase and the signing of this Agreement, including but not limited to the required approval of shareholders' (general) meetings, the board of directors, or their internal competent authorities.
 - 3) Haier Group has completed the split of the land use right for the capital increase held by it and has obtained the relevant ownership certificate and the land use right has met the conditions for the capital contribution to Hefei Haier Air-conditioning.
 - 4) There is no law or legal document signed by any party with third parties binding on it that has come into force by then, prohibiting or restricting the process of the capital increase.
 - 5) There is neither command given by any government agency to restrict, prohibit or prevent the validity of the capital increase with other means nor any legal action that may prohibit, restrict, lead to major modification or invalidate the capital increase.
 - 6) All statements and guarantees provided by all parties in this Agreement are authentic, accurate, complete, and have no material adverse changes from the signing date of this Agreement to the delivery date;
 - 7) All parties have performed every agreement, commitment, and obligation that they shall perform or follow upon delivery or prior to delivery required in this Agreement and the relevant documents.
- (2) All parties agree to exert all efforts to meet the agreed preconditions for this Agreement. To meet the preconditions, all parties can sign further legal documents including but not limited to supplementary agreements. Those legal documents constitute an integral part of this Agreement and have the same effect as this Agreement.
- (3) The day when all parties agree that all preconditions for the delivery date of the capital increase have been met or the day when immunity is given in writing by relevant parties

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

(hereinafter referred to as the "delivery date"). On the delivery date, if any party fails to perform the delivery obligations of the capital increase agreed in this Agreement, it will constitute a breach of contract. Other parties have the right to require the defaulting party to continue to perform or require to suspend or terminate the delivery. Other parties shall not constitute a breach of contract due to those requirements and have the right to require the defaulting party to compensate for the loss.

(4) Hefei Haier Air-conditioning shall complete the changing procedures of industrial and commercial registration for this capital increase within a reasonable time after the delivery date and Haier Group shall complete the procedures for transferring the registration of the land use right for a capital increase to Hefei Haier Air-conditioning within a reasonable time after the delivery date. If any party fails to complete the above-mentioned within a reasonable time due to excessive delay and causes losses to other parties, it shall assume the corresponding liability for breach of contract.

4. Effective conditions for this Agreement

This Agreement shall be established and come into force on the date when all parties affix their common seals.

5. Effective date

November 21, 2019.

6. Taxes and fees

According to the relevant commitments of Haier Group, all parties agree that the relevant taxes arising from the transfer of the land parcel with an area of 60,158.97 square meters in the land use right for the capital increase to Hefei Haier Air-conditioning by the party of the capital increase according to the agreements in this Agreement shall be actually borne by Hefei Haier Air-conditioning, which means upon the payment of the relevant taxes by Haier Group, Hefei Haier Air-conditioning shall pay the taxes to Haier Group according to the actual payment of taxes of Haier Group.

Unless otherwise agreed in this Agreement, all taxes arising from the performance of this Agreement shall be independently borne and paid by each party. Each party may withhold corresponding taxes when making payments according to applicable legal requirements (if applicable).

7. Liability for breach of contract

Should any party directly or indirectly violates any clause of this Agreement and constitutes a breach of contract, the party not defaults (hereinafter referred to as the "non-defaulting party")

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

has the right to require the party defaults (hereinafter referred to as the "defaulting party") to correct its breach of contract and take adequate, effective, and timely measures to remove default outcomes with a written notice and give a grace period of 15 working day to the defaulting party at the same time. If the defaulting party still fails to perform this Agreement or fails to remedy the breach of contract in a way to the satisfaction of the non-defaulting party, this Agreement is terminated on the date when the non-defaulting party sends the written notice on terminating this Agreement to the defaulting party. The defaulting party shall compensate the non-defaulting party for all losses arising from the breach of contract of the defaulting party, including the direct economic loss and any predictable indirect loss and extra fees, including but not limited to counsel fee, litigation expense, financial expense, and travel expense.

ii. The Main Contents of the *Agreement on the Capital Increase of Hefei Haier Plastics Co., Limited*

1. Contractual subjects

Haier Group, Haier Smart Home, Information Plastic & Rubber and Hefei Haier Plastics

2. The capital increase

According to the *Asset Appraisal Report on the Market Value of the State-owned Land Use Rights of the Lands in Fanhua Dadao North Involving the Increase of the Registered Capital of Hefei Haier Plastics Co., Limited by Haier Group Corporation* (L.Z.X.P.B.Z. (2019) No.0152-1) issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd. on September 25, 2019, with June 30, 2019, as the base date, as at June 30, 2019, the appraisal base date, the total appraisal value of the one industrial lands totaling 65,977.1 square meters held by Haier Group in its H.J.K.G.Y (2008) Di No.090 Land Use Right for a capital increase of Hefei Haier Plastics after the split of the land use right was RMB29,689,700.

Based on the above appraisal results, through consultation by all parties, the total amount of the capital increase by Haier Group is RMB29,689,695.00. Specifically, RMB7,366,142.61 is included in the registered capital of Hefei Haier Plastics while RMB22,323,552.39 is included in the capital reserve of Hefei Haier Plastics. After the capital increase is completed, Haier Group will hold 17.81% (equivalent to the registered capital of RMB7,366,142.61) of the equity of Hefei Haier Plastics. After the capital increase is completed, the equity structure of Hefei Haier Plastics will be as follows:

No.	Name of shareholder	Contribution amount (Unit: RMB)	Capital contribution ratio (%)
-----	---------------------	------------------------------------	-----------------------------------

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

1	Haier Smart Home Co., Ltd.	32,000,000.00	77.36
2	Haier Group Corporation	7,366,142.61	17.81
3	Qingdao Haier Information Plastic & Rubber Manufacture Co., Ltd.	2,000,000.00	4.83
Total		41,366,142.61	100.00

In this capital increase, all existing shareholders agree to abandon their pre-emptive rights for this capital increase.

3. Delivery of the capital increase

(1) Preconditions for the delivery of the capital increase

All parties shall perform their obligations of the delivery of the capital increase under this Agreement on the premise that they have met all the following conditions (and have provided the relevant documentary evidence) or have obtained the written waivers of other parties on the delivery date:

- 1) This Agreement has been signed by all parties and has come into force;
- 2) All parties have obtained the complete authorization and approval required for the capital increase and the signing of this Agreement, including but not limited to the required approval of shareholders' (general) meetings, the board of directors, or their internal competent authorities;
- 3) Haier Group has completed the split of the land use right for the capital increase held by it and has obtained the relevant ownership certificate and the land use right has met the conditions for the capital contribution to Hefei Haier Plastics;
- 4) There is no applicable law or legal document signed by any party with third parties binding on it that has come into force by then, prohibiting or restricting the process of the capital increase;
- 5) There is neither command given by any relevant government agency to restrict, prohibit or prevent the validity of the capital increase with other means nor any legal action that may prohibit, restrict, lead to major modification or invalidate the capital increase;
- 6) All statements and guarantees provided by all parties in this Agreement are authentic,

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

accurate, complete, and have no material adverse changes from the signing date of this Agreement to the delivery date;

7) All parties have performed every agreement, commitment, and obligation that they shall perform or follow upon delivery or prior to delivery required in this Agreement and the relevant documents.

(2) All parties agree to exert all efforts to meet the agreed preconditions for this Agreement. To meet the preconditions, all parties can sign further legal documents including but not limited to supplementary agreements. Those legal documents constitute an integral part of this Agreement and have the same legal effect as this Agreement.

(3) The day when all parties agree that all preconditions for the delivery date of the capital increase have been met or the day when immunity is given in writing by relevant parties (hereinafter referred to as the "delivery date"). On the delivery date, if any party fails to perform the delivery obligations of the capital increase agreed in this Agreement, it will constitute a breach of contract. Other parties have the right to require the defaulting party to continue to perform or require to suspend or terminate the delivery. Other parties shall not constitute a breach of contract due to those requirements and have the right to require the defaulting party to compensate for the loss.

(4) Hefei Haier Plastics shall complete the changing procedures of industrial and commercial registration for this capital increase within a reasonable time after the delivery date and Haier Group shall complete the procedures for transferring the registration of the land use right for a capital increase to Hefei Haier Plastics within a reasonable time after the delivery date. If any party fails to complete the above-mentioned within a reasonable time due to excessive delay and causes losses to other parties, it shall assume the corresponding liability for breach of contract.

4. Effective conditions for this Agreement

This Agreement shall be established and come into force on the date when all parties affix their common seals.

5. Effective date

November 21, 2019.

6. Taxes and fees

Unless otherwise agreed in this Agreement, all taxes arising from the performance of this Agreement shall be independently borne and paid by each party. Each party may withhold corresponding taxes when making payments according to applicable legal requirements (if

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

applicable).

7. Liability for breach of contract

Should any party directly or indirectly violates any clause of this Agreement and constitutes a breach of contract, the party not defaults (hereinafter referred to as the "non-defaulting party") has the right to require the party defaults (hereinafter referred to as the "defaulting party") to correct its breach of contract and take adequate, effective, and timely measures to remove default outcomes with a written notice and give a grace period of 15 working day to the defaulting party at the same time. If the defaulting party still fails to properly perform this Agreement or fails to remedy the breach of contract in a way to the satisfaction of the non-defaulting party after the expiration of the grace period, this Agreement is terminated on the date when the non-defaulting party sends the written notice on terminating this Agreement to the defaulting party. The defaulting party shall compensate the non-defaulting party for all losses arising from the breach of contract of the defaulting party, including the direct economic loss and any predictable indirect loss and extra fees, including but not limited to counsel fee, litigation expense, financial expense, and travel expense.

iii. The Main Contents of the *Agreement on the Capital Increase of Wuhan Haier Freezer Co., Ltd.*

1. Contractual subjects

Haier Group, Haier Smart Home, Haier Special Freezer and Wuhan Haier Freezer

2. The capital increase

According to the *Asset Appraisal Report on the Market Value of the Land Use Rights of the Lands in Wuhan Economic and Technological Development Zone Involving the Increase of the Registered Capital of Wuhan Haier Freezer Co., Ltd. by Haier Group Corporation* (L.Z.X.P.B.Z. (2019) No.0153-1) issued by Shandong Zhengyuanhexin Assets Appraisal Co., Ltd. on September 25, 2019, with June 30, 2019, as the base date, as at June 30, 2019, the appraisal base date, the total appraisal value of the one industrial lands totaling 57,779.45 square meters held by Haier Group in its W.K.G.Y. (2015) No.48 Land Use Right for a capital increase of Wuhan Haier Freezer after the split of the land use right was RMB41,774,500.

Based on the above appraisal results, through consultation by all parties, the total amount of the capital increase by Haier Group is RMB41,774,542.35. Specifically, RMB7,130,193.26 is included in the registered capital of Wuhan Haier Freezer while RMB34,644,349.09 is included in the capital reserve of Wuhan Haier Freezer. After the capital increase is completed, Haier Group will hold 12.52% (equivalent to the registered capital of

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

RMB7,130,193.26) of the equity of Wuhan Haier Freezer. After the capital increase is completed, the equity structure of Wuhan Haier Freezer will be as follows:

No.	Name of shareholder	Contribution amount (Unit: RMB)	Capital contribution ratio (%)
1	Haier Smart Home Co., Ltd.	47,310,000.00	83.10
2	Haier Group Corporation	7,130,193.26	12.52
3	Qingdao Haier Special Freezer Co., Ltd.	2,490,000.00	4.37
Total		56,930,193.26	100.00

In this capital increase, the existing shareholders agree to abandon their pre-emptive rights for this capital increase.

3. Delivery of the capital increase

(1) Preconditions for the delivery of the capital increase

All parties shall perform their obligations of the delivery of the capital increase under this Agreement on the premise that they have met all the following conditions (and have provided the relevant documentary evidence) or have obtained the written waivers of other parties on the delivery date:

- 1) This Agreement has been signed by all parties and has come into force;
- 2) All parties have obtained the complete authorization and approval required for the capital increase and the signing of this Agreement, including but not limited to the required approval of shareholders' (general) meetings, the board of directors, or their internal competent authorities;
- 3) Haier Group has completed the split of the land use right for the capital increase held by it and has obtained the relevant ownership certificate and the land use right has met the conditions for the capital contribution to Wuhan Haier Freezer;
- 4) There is no applicable law or legal document signed by any party with third parties binding on it that has come into force by then, prohibiting or restricting the process of the capital increase;

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

5) There is neither command given by any relevant government agency to restrict, prohibit or prevent the validity of the capital increase with other means nor any legal action that may prohibit, restrict, lead to major modification or invalidate the capital increase;

6) All statements and guarantees provided all parties in this Agreement are authentic, accurate, complete, and have no material adverse changes from the signing date of this Agreement to the delivery date;

7) All parties have performed every agreement, commitment, and obligation that they shall perform or follow upon delivery or prior to delivery required in this Agreement and the relevant documents.

(2) All parties agree to exert all efforts to meet the agreed preconditions for this Agreement. To meet the preconditions, all parties can sign further legal documents including but not limited to supplementary agreements. Those legal documents constitute an integral part of this Agreement and have the same legal effect as this Agreement.

(3) The day when all parties agree that all preconditions for the delivery date of the capital increase have been met or the day when immunity is given in writing by relevant parties (hereinafter referred to as the "delivery date"). On the delivery date, if any party fails to perform the delivery obligations of the capital increase agreed in this Agreement, it will constitute a breach of contract. Other parties have the right to require the defaulting party to continue to perform or require to suspend or terminate the delivery. Other parties shall not constitute a breach of contract due to those requirements and have the right to require the defaulting party to compensate for the loss.

(4) Wuhan Haier Freezer shall complete the changing procedures of industrial and commercial registration within a reasonable time after the delivery date and Haier Group shall complete the procedures for transferring the registration of the land use right for a capital increase to Wuhan Haier Freezer within a reasonable time after the delivery date. If any party fails to complete the above-mentioned within a reasonable time due to excessive delay and cause losses to other parties, it shall assume the corresponding liability for breach of contract.

4. Effective conditions for this Agreement

This Agreement shall be established and come into force on the date when all parties affix their common seals.

5. Effective date

November 21, 2019.

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

6. Taxes and fees

Unless otherwise agreed in this Agreement, all taxes arising from the performance of this Agreement shall be independently borne and paid by each party. Each party may withhold corresponding taxes when making payments according to applicable legal requirements (if applicable).

7. Liability for breach of contract.

Should any party directly or indirectly violates any clause of this Agreement and constitutes a breach of contract, the party not defaults (hereinafter referred to as the "non-defaulting party") have the right to require the party defaults (hereinafter referred to as the "defaulting party") to correct its breach of contract and take adequate, effective, and timely measures to remove default outcomes with a written notice and give a grace period of 15 working day to the defaulting party at the same time. If the defaulting party still fails to perform this Agreement or fails to remedy the breach of contract in a way to the satisfaction of the non-defaulting party, this Agreement is terminated on the date when the non-defaulting party sends the written notice on terminating this Agreement to the defaulting party. The defaulting party shall compensate the non-defaulting party for all losses arising from the breach of contract of the defaulting party, including the direct economic loss and any predictable indirect loss and extra fees, including but not limited to counsel fee, litigation expense, financial expense, and travel expense.

iv. Transaction progress and relevant arrangements regarding Wuhan Haier Air-conditioning

As at the date of disclosure of the Announcement, the appraisal report on related assets of Wuhan Haier Air-conditioning still needs to be confirmed and filed by the authorized state-owned assets supervision and management department. The capital increase of Wuhan Haier Air-conditioning still needs to be approved by the Shareholders' General Meeting of Wuhan Haier Air-conditioning and the authorized state-owned assets supervision and management department (if necessary). It is also necessary to further communicate with relevant shareholders and authorized state-owned assets supervision and management departments on whether other shareholders of Wuhan Haier Air-conditioning such as Wuhan State-Owned Asset Management Co., Ltd., Wuhan Construction Investment Co., Ltd., and Wuhan Urban Collective Cooperation Industrial Center will participate in the capital increase at the same time.

● In order to improve the transaction efficiency, upon deliberation and approval by the Fifth Meeting of the Tenth Board of Directors of Haier Smart Home, the Board of Directors of Haier Smart Home authorizes the Chairman of Haier Smart Home to continue to consult with

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

relevant parties and sign relevant legal documents on the capital increase of Wuhan Haier Air-conditioning, and authorizes the Chairman of the Company to sign relevant legal documents related to the Transaction such as the *Capital Increase Agreement*, and at the same time authorizes relevant personnel to specifically handle the relevant matters of the Transaction.

VI. The Background and Purpose of The Transaction and the Impact on the Listed Company

i. The background and purpose of the Transaction

1. The Transaction is helpful to solve the issues of defective land and real estate of subsidiaries

Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer, and Wuhan Haier Air-conditioning are subsidiaries of Haier Smart Home. Owing to problems left over by history, some plants of them are built at the relevant lands held by Haier Group in Hefei and Wuhan and the corresponding land and house property ownership certificates could not be processed before processing the split of the land use rights.

In the Transaction, to solve the defects in lands and house property ownership of the above-mentioned four subsidiaries, Haier Group plans to use the relevant lands held by it for the capital increase of Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer, and Wuhan Haier Air-conditioning respectively after splitting the relevant lands in Hefei and Wuhan and then Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer, and Wuhan Haier Air-conditioning will process real estate ownership certificates to completely solve the defects in lands and house property ownership of the above-mentioned four subsidiaries.

2. The Transaction is a practical measure taken by Haier Group and Haier Smart Home to strictly fulfill the relevant commitments

Owing to problems left over by history, there are slight defects in some house properties of a few subsidiaries of the listed company. As the approval procedures for solving the problems are relatively complicated and the handling and coordination of relevant matters are very time-consuming, Haier Group and Haier Smart Home have been actively promoting the relevant matters and promised to make all reasonable commercial efforts, take all reasonable and practicable measures to overcome obstacles, and solve the relevant defects as soon as

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

possible to realize the legal compliance of the listed company and relevant subsidiaries in lands and house properties.

Haier Group and Haier Smart Home have attached great importance to the relevant commitments and strictly followed and actively fulfilled them. The Transaction is a practical measure taken by Haier Group and Haier Smart Home to strictly fulfill the relevant commitments, which has completely solved the defects in property rights of the relevant subsidiaries.

3. The Transaction is helpful to improve the future profitability of subsidiaries

The Transaction is helpful to promote the legal ownership of the lands required for Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer, and Wuhan Haier Air-conditioning to improve their production and operation and provides an important guarantee for the continuous and stable development of their subsequent businesses.

In addition, since the layout of Hefei Haier Industrial Park is relatively compact, with the gradual expansion of the manufacturing and sales business scale of air-conditioners of Hefei Haier Air-conditioning, it will be difficult for the existing plants and freighting and transportation space to meet its development planning and needs in the future. The Transaction increases the capital of Hefei Haier Air-conditioning with the open space held by Haier Group, which helps improve the bottleneck of space resources for the development of Hefei Haier Air-conditioning, complies with the strategic planning for the manufacture of air-conditioners of Hefei Haier Air-conditioning, and can further improve the profitability of Hefei Haier Air-conditioning and Haier Smart Home in the future.

ii. The impact of the Transaction on the listed company

In the Transaction, it is intended to inject relevant land use rights held by Haier Group to subsidiaries of Haier Smart Home, which is conducive to solving the defective land and property rights of Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer and Wuhan Haier Air-conditioning, in order to legalize the land and real estate of four subsidiaries of Haier Smart Home.

Upon completion of the Transaction, Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer and Wuhan Haier Air-conditioning will remain as the partially-owned subsidiaries of Haier Smart Home.

The Transaction complies with the strategic development goals of Haier Smart Home. It is conducive to promoting the sustainable development of Haier Smart Home and in conformity with the long-term interests of all shareholders of Haier Smart Home.

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

VII. Review Procedures for This Related Party Transaction

In accordance with the *Listing Rules*, the *Guidelines for the Implementation of Related Party Transactions* and the *Articles of Association* of Haier Smart Home, Haier Smart Home went through the corresponding decision-making and approval procedures for the Transaction.

The independent directors of Haier Smart Home approved this related party transaction in advance, and agreed on the submission of this related party transaction to the Board of Directors of Haier Smart Home for review. Opinions of independent directors of Haier Smart Home on this related party transaction: The Transaction is conducive to solving the defective land and property rights of Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer and Wuhan Haier Air-conditioning, in order to legalize the land and real estate of four subsidiaries of Haier Smart Home. The Transaction complies with the strategic development goals of Haier Smart Home. It is conducive to promoting the sustainable development of Haier Smart Home and in conformity with the long-term interests of all shareholders of Haier Smart Home. The appraisal agency for the Transaction possesses securities and futures industry qualifications, with the professional competence and independence to conduct appraisal. The appraisal methods, important appraisal assumptions, important appraisal parameters and appraisal conclusions in the Transaction are reasonable. In the Transaction, Haier Group priced 90.24mu of Hefei land and 102.17mu of Wuhan land that are intended to increase the capital of Hefei Haier Air-conditioning and Wuhan Haier Air-conditioning based on the historical commitment issued by Haier Group. The relevant taxes and fees are respectively actually borne by Hefei Haier Air-conditioning and Wuhan Haier Air-conditioning based on the commitment. The overall transaction conditions are helpful to Haier Smart Home; the remaining underlying assets for capital increase and the capital-invested subsidiaries were all priced based on the appraisal results of the asset appraisal agency with securities and futures industry qualifications. The appraisal report on related assets of Wuhan Haier Air-conditioning still needs to be confirmed by the authorized state-owned assets supervision and management department. The pricing of this related transaction is fair and reasonable. The equity of the Company and shareholders is not damaged.

Haier Smart Home reviewed and approved this related party transaction at the Fifth Meeting of the Tenth Board of Directors convened on November 21, 2019. The related directors abstained from voting. This related party transaction is not required for submission to the Shareholders Meeting of Haier Smart Home for review.

VIII. Related Party Transactions in the Past 12 Months

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

In the past 12 months prior to the disclosure date of this Announcement, the non-routine related party transactions occurred between the Company and Haier Group are as follows:

No.	Description of related party transaction	Amount of related party transaction (RMB10,000)
1	Qingdao Haier Smart Home Appliances Co., Ltd., a subsidiary of the Company's subsidiary Haier Electronics Group Co., Ltd., acquired 6.49% equity in Qingdao Haier Washing Machine Co., Ltd. from the related party.	8,373.11
2	The Company's subsidiary, Haier Kaos IOT Ecological Technology Co., Ltd. (hereinafter referred to as "Kaos") acquired 95% equity in Qingdao Haier Energy & Power Co., Ltd., 95.57% equity in Hefei Haier Energy & Power Co., Ltd., 97.57% equity in Qingdao Economic and Technological Development District Haier Energy & Power Co., Ltd., and 80% equity in Dalian Haier Energy & Power Co., Ltd. from the related party Haier Group Co., Ltd.; Qingdao Haizhi Huiying Equity Investment Management Co., Ltd. increased the capital of Kaos by RMB342,206,865 in cash through the private equity fund established by fundraising.	71,774.73
3	The Company's subsidiary Kaos acquired 5% equity in Qingdao Haier Energy & Power Co., Ltd. from the related party Haier Group Technology R&D Center. Qingdao Mannike Intelligent Equipment Co., Ltd., a wholly-owned subsidiary of Kaos, acquired 50% equity in Qingdao Haier Robot Co., Ltd. from the related party Qingdao Haier Special Plastics R&D Co., Ltd. Haier Digital Technology (Qingdao) Co., Ltd., a wholly-owned subsidiary of Kaos, acquired 60.01% equity in Qingdao Penghai Software Co., Ltd. from the related party Haier Group.	6,777.23
4	Qingdao Haier Smart Home Appliances Co., Ltd., a subsidiary of the Company's subsidiary Haier Electronics Group Co., Ltd., acquired 100% equity in Qingdao Gooday Health Industry Development Co., Ltd. from the related party Qingdao Gooday IOT Co., Ltd.	3,400.00
5	The Qingdao Haier Household Appliance Technology and Equipment Research Institute, a subsidiary of the Company,	1,060.37

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

	transferred the use right of approximately 15.75mu of idle state-owned land for industrial purpose in the Haier Industrial Park in Laoshan District, Qingdao to the related party Haier Group.	
6	DalianEnergy , a subsidiary of the the Company's subsidiary Kaos, acquired a real estate for commercial use located in 5 Quannan Road, Export Processing Zone, Dalian Bonded Area, from the related party Qingdao Haier Investment & Development Co., Ltd.	818.69
7	Dalian Haier Refrigerator Co., Ltd., a subsidiary of the the Company, acquired a real estate with a land parcel area of 43,939.60 square meters and a construction space of 28,233.90 square meters located in 12 Xunluo Road, Export Processing Zone, Dalian Bonded Area, from the related party Qingdao Haier Investment & Development Co., Ltd.	7,135.90
Total		99,340.04

The total amount of non-routine related party transactions between the Company and Haier Group within the 12 months prior to the date of disclosure of this Announcement that have not been reviewed by the Shareholders Meeting of the Company and this related party transaction accounted for less than 5% of the latest audited net assets of the Company. In accordance with the *Listing Rules*, the *Guidelines for the Implementation of Related Party Transactions* and the *Articles of Association* of Haier Smart Home, the Transaction is not required for submission to the Shareholders Meeting of the Company for review.

IX. Opinions of the Independent Financial Adviser on This Related Party Transaction

Huatai United Securities Co., Ltd., an independent financial adviser engaged by the Listed Company, held that:

This related party transaction of Haier Smart Home complied with laws, regulations and normative documents such as the *Company Law*, the *Securities Law*, the *Listing Rules*, and the *Guidelines for the Implementation of Related Party Transactions*, and relevant regulations of the *Articles of Association* of Haier Smart Home and the *Fair Decision-making Policies for Related Party Transactions of Haier Smart Home Co., Ltd.* The Company went through the corresponding review and disclosure procedures in accordance with the above regulations. The decision-making procedures were compliant, and the information disclosure was standardized.

In the Transaction, Haier Group priced 90.24mu of Hefei land and 102.17mu of Wuhan land

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

that are intended to increase the capital of Hefei Haier Air-conditioning and Wuhan Haier Air-conditioning based on the historical commitment issued by Haier Group. The relevant taxes and fees are respectively actually borne by Hefei Haier Air-conditioning and Wuhan Haier Air-conditioning based on the commitment. The overall transaction conditions are helpful to Haier Smart Home; the remaining underlying assets for capital increase and the capital-invested subsidiaries were all priced based on the appraisal results of the asset appraisal agency with securities and futures industry qualifications. The appraisal report on related assets of Wuhan Haier Air-conditioning still needs to be confirmed by the authorized state-owned assets supervision and management department. The pricing of this related transaction is fair and reasonable, which is in conformity with the interests of Haier Smart Home and its shareholders.

The Transaction is conducive to promoting the sustainable development of Haier Smart Home and in conformity with the long-term development strategy of Haier Smart Home and long-term interests of all shareholders of Haier Smart Home.

X. Documents for Reference

1. Resolutions of the Fifth Meeting of the Tenth Board of Directors of the Company;
2. Independent Opinions of Independent Directors on This Related Party Transaction;
3. Advance Approval Opinions of Independent Directors on This Related Party Transaction;
4. Written Review Opinions of the Audit Committee of the Board of Directors on This Related Party Transaction;
5. Financial statements or audit reports related to Hefei Haier Air-conditioning, Hefei Haier Plastics, Wuhan Haier Freezer, and Wuhan Haier Air-conditioning;
6. Asset Appraisal Report on Hefei Haier Air-conditioning, Hefei Haier Plastics, and Wuhan Haier Freezer, and Asset Appraisal Report on Hefei related land and Wuhan related land;
7. The Independent Financial Advisor's Report on This Related Party Transaction issued by Huatai United Securities Co., Ltd.

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

November 21, 2019

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