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Haier Smart Home Co., Ltd.*

海爾智家股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 6690

**CONNECTED TRANSACTION
ACQUISITION OF EQUITY INTEREST IN
THE TARGET COMPANY**

References are made to the announcements of the Company dated 29 October 2021 and 28 April 2022 in relation to entering into of the Equity Transfer Agreements between the Company and Haier Group and its subsidiaries (the “**Announced Transactions**”).

The Board is pleased to announce that on 29 August 2022, in order to complement the self-manufacturing capability of refrigerator doors of Special Refrigerator Co., Ltd., reduce the Company’s routine connected transactions and enhance its level of corporate governance, Special Refrigerator Co., Ltd., a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreements with Haier Group, Haier COSMO and Tooling Development Co., Ltd. respectively (the “**Transferors**”), pursuant to which Special Refrigerator Co., Ltd. agreed to acquire and the Transferors agreed to sell 100% of the equity interest in Special Plastic Co., Ltd.

During the past twelve months, in addition to the Announced Transactions, the Company has entered into two equity transfer agreements with Haier Group to acquire 17.81% equity interest in Hefei Haier Plastics Co., Ltd. and 0.78% equity interest in Hefei Haier Air-conditioning Co., Limited, respectively (the “**Previous Transactions**”).

As at the date of this announcement, Haier Group holds, directly and indirectly, approximately 34% of the voting rights in the Company, therefore, Haier Group is the controlling Shareholder of the Company and hence Haier Group and its subsidiaries, Haier COSMO and Tooling Development Co., Ltd., are connected persons of the Company. Accordingly, the Announced Transactions, the Previous Transactions and the transactions contemplated under the Equity Transfer Agreements constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to the Hong Kong Listing Rules, the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) for the Previous Transactions on a combined basis is less than 0.1%, therefore they were fully exempt from the requirements of reporting, announcement, circular and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. As the Announced Transactions, the Previous Transactions and the transactions contemplated under the Equity Transfer Agreements are conducted within 12 months and are related to each other, such transactions are required to be aggregated. As the highest applicable percentage ratios (as defined in the Hong Kong Listing Rules) for the transactions contemplated under the Equity Transfer Agreements, both on a standalone basis and together with the Announced Transactions and the Previous Transactions on an aggregated basis are higher than 0.1% but less than 5%, such transactions are subject to the requirements of reporting, annual review and announcement but are exempt from requirements of independent financial advisor's opinions and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

1. INTRODUCTION

The Board of the Company is pleased to announce that on 29 August 2022, Special Refrigerator Co., Ltd., a subsidiary of the Company, entered into the Equity Transfer Agreements with the Transferors, pursuant to which Special Refrigerator Co., Ltd. agreed to acquire and the Transferors agreed to sell 100% of the equity interest in Special Plastic Co., Ltd.

2. THE EQUITY TRANSFER AGREEMENTS

The principal terms of the Equity Transfer Agreements are summarised as follows:

Date	29 August 2022
Parties	<p>(1) Special Refrigerator Co., Ltd. (a subsidiary of the Company, as the transferee);</p> <p>(2) Haier Group (as a transferor);</p> <p>(3) Haier COSMO (a subsidiary of Haier Group, as a transferor); and</p> <p>(4) Tooling Development Co., Ltd. (a subsidiary of Haier Group, as a transferor)</p>
Equity in the Target Company	100% equity interest in Special Plastic Co., Ltd., including 30.23% owned by Haier Group, 65.58% owned by Haier COSMO and 4.19% owned by Tooling Development Co., Ltd.

Consideration	<p>Special Refrigerator Co., Ltd. shall pay a consideration of RMB152 million for the transfer of the equity interest, among which the consideration to be paid by Special Refrigerator Co., Ltd. for 30.23% of the equity interest held by Haier Group shall be RMB45,953,500, the consideration to be paid for 65.58% of the equity interest held by Haier COSMO shall be RMB99,683,700, and the consideration to be paid for 4.19% of the equity interest held by Tooling Development Co., Ltd. shall be RMB6,362,800.</p> <p>The consideration of the Transaction is based on the appraised value set out in the valuation report prepared by Orient Asset Appraisal by adopting the market approach as at the valuation benchmark date of 30 June 2022 and is determined after arm's length negotiation between Special Refrigerator Co., Ltd. and the Transferors.</p> <p>According to the Asset Valuation Report (Dong Zhou Ping Bao Zi [2022] No. 1404) issued by Orient Asset Appraisal, the total shareholders' equity interest of Special Plastic Co., Ltd. using the market approach amounted to RMB152 million with 30 June 2022 as the valuation benchmark date.</p> <p>The price of the Transaction is determined after negotiation between both parties based on the appraised value, which is fair and reasonable.</p>
Payment method	Special Refrigerator Co., Ltd. shall pay the Transferors the consideration for the equity transfer in cash.
Payment term	Special Refrigerator Co., Ltd. shall pay the Transferors the consideration for the equity transfer in full within 30 days from the Closing Date.

Closing arrangement	Special Refrigerator Co., Ltd. and the Transferors shall jointly procure the Target Company to apply to the industry and commerce registration authority to complete the change in industry and commerce registration for the Equity Transfer within 30 days after the Equity Transfer Agreements become effective.
Conditions of the Transaction	<p>Pursuant to the Equity Transfer Agreements, the conditions precedent of the Transaction primarily include:</p> <ol style="list-style-type: none"> (1) the Equity Transfer shall be considered and approved by the internal authorised decision-making departments of the Transferors and the transferee; (2) the Equity Transfer shall be considered and approved by the internal authorised department of the Target Company; (3) representations and warranties from both parties remain true, accurate and complete; (4) there is no occurrence of events that would cause a material and adverse change in the Target Company and the Target Equity from the date of execution of the Equity Transfer Agreements to the Closing Date.
Effective date of the agreement	The Equity Transfer Agreements become effective on the date on which both parties sign the agreements, and the Equity Transfer is considered and approved by the internal authorised decision-making departments of both parties.

3. INFORMATION ABOUT THE TARGET COMPANY

Special Plastic Co., Ltd. is a company incorporated in April 1999 in the PRC with limited liability. It has advanced automatic glue application technology for glass door, automatic FPA door frame production lines, door production and manufacturing technology for intelligent door with large screen, door for Internet-of-Things refrigerator and high-end refrigerators, including multi-door refrigerators and 6-door refrigerators. Special Plastic Co., Ltd. primarily produces doors for electric refrigerators above 450L, with its product type covering 33 series and 211 models, including side-by-side door, T-shaped door, French door, multi-door, etc. Special Plastic Co., Ltd. is directly owned as to 30.23% by Haier Group, and indirectly owned as to 65.58% and 4.19%, respectively, through its subsidiaries Haier COSMO and Tooling Development Co., Ltd. by Haier Group.

The audited total assets, net assets, operating revenue, profit before tax and profit after tax of Special Plastic Co., Ltd. for the two financial years ended 31 December 2020 and 31 December 2021 are as follows:

	<i>(RMB)</i>	
	Year ended/as at 31 December 2020	Year ended/as at 31 December 2021
Total assets	405,064,178.66	250,668,484.44
Net assets	145,014,134.38	136,670,436.19
Operating revenue	685,352,096.30	753,473,339.41
Profit before tax	33,304,192.34	14,856,278.91
Profit after tax	20,789,732.46	10,367,061.02

As at 30 June 2022, the unaudited consolidated statement of total assets of Special Plastic Co., Ltd. amounted to RMB252,991,343.33 and net assets amounted to RMB133,224,783.81. From January to June 2022, the operating revenue of Special Plastic Co., Ltd. amounted to RMB310,031,218.00 and net profit amounted to RMB5,884,702.54. The above figures have not been audited.

According to the information available to the Directors, the comprehensive costs for the shareholding of 30.23%, 65.58% and 4.19% in Special Plastic Co., Ltd. of Haier Group, Haier COSMO and Tooling Development Co., Ltd. were RMB26 million, RMB79.4027 million and RMB3.6 million respectively.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENTS

(1) Complement the Company's self-manufacturing capability of refrigerator doors

Special Plastic Co., Ltd. was established in 1999, equipped with advanced automatic glue application technology for glass door, automatic FPA door frame production lines, door production and manufacturing technology for intelligent door with large screen, door for Internet-of-Things refrigerator and high-end refrigerators, including multi-door refrigerators and 6-door refrigerators. Special Plastic Co., Ltd. primarily produces doors for electric refrigerators above 450L, with its product type covering 33 series and 211 models, including side-by-side door, T-shaped door, French door, multi-door, etc.

Existing resources within Haier Group may be integrated by Special Refrigerator Co., Ltd. through its acquisition of Special Plastic Co., Ltd., which helps complement its self-manufacturing capability of refrigerator doors, thereby better aligning with its production and quality process requirements and realizing the improvement of the operation efficiency.

(2) Increase the net profit of the Company, reduce routine connected transactions and enhance its level of corporate governance

Upon completion of the Transaction, Special Plastic Co., Ltd. will become a wholly-owned subsidiary of the Company and Haier Group, Haier COSMO and Tooling Development Co., Ltd. will no longer have any shareholding in Special Plastic Co., Ltd..

The net profit of Special Plastic Co., Ltd. was RMB10,367,100 in 2021. The Transaction will be conducive to increasing the net profit of the Company.

The operating revenue of Special Plastic Co., Ltd. was RMB754 million in 2021 and its revenue was mainly derived from supplying refrigerator doors to the Company. Upon completion of the Transaction, this will help the Company reduce routine connected transactions and enhance its level of corporate governance.

The consideration for acquisition of 100% equity interest in Special Plastic Co., Ltd. by Special Refrigerator Co., Ltd. amounted to RMB152 million and the difference between the consideration and the net assets of the Special Plastic Co., Ltd. will be dealt with by corresponding adjustment to the net assets of Special Refrigerator Co., Ltd. at the closing of transaction.

The Transaction is in line with the Company's development strategy and has no adverse impact on the Company's ability to continue as a going concern, profit or loss and asset position.

The Directors (including the independent non-executive Directors) believe the transactions contemplated under the Equity Transfer Agreements are on normal commercial terms and the terms set out in such agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole, but are not in the ordinary or usual course of business of the Group due to the nature of such transactions.

5. IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, Haier Group holds, directly and indirectly, approximately 34% of the voting rights in the Company, therefore, Haier Group is the controlling Shareholder of the Company and hence Haier Group and its subsidiaries, Haier COSMO and Tooling Development Co., Ltd., are connected persons of the Company. Accordingly, the Announced Transactions, the Previous Transactions and the transactions contemplated under the Equity Transfer Agreements constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to the Hong Kong Listing Rules, the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) for the Previous Transactions on a combined basis is less than 0.1%, therefore they were fully exempt from the requirements of reporting, announcement, circular and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. As the Announced Transactions, the Previous Transactions and the transactions contemplated under the Equity Transfer Agreements are conducted within 12 months and are related to each other, such transactions are required to be aggregated. As the highest applicable percentage ratios (as defined in the Hong Kong Listing Rules) for the transactions contemplated under the Equity Transfer Agreements, both on a standalone basis and together with the Announced Transactions and the Previous Transactions on an aggregated basis are higher than 0.1% but less than 5%, such transactions are subject to the requirements of reporting, annual review and announcement but are exempt from requirements of independent financial advisor's opinions and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. As Mr. LI Huagang, Ms. SHAO Xinzhi and Mr. GONG Wei, the Directors of the Company, hold positions or hold relevant interests in Haier Group, and therefore they have abstained from voting on the resolution of the Board for approving the Equity Transfer Agreements and the transactions contemplated thereunder. Save as disclosed above, other Directors do not have any material interests in the transactions and they were not required to abstain from voting on the resolution of the Board for considering and approving the Equity Transfer Agreements and the transactions contemplated thereunder.

6. GENERAL INFORMATION

Information of the Company

The Company is a joint stock company incorporated in the PRC with limited liability, whose A Shares are listed on the Shanghai Stock Exchange, whose D Shares are listed on the Frankfurt Stock Exchange and whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange. The Company is the leading provider of home appliances and smart home solutions in the world. The Company's main businesses include the R&D, production and sales of smart home appliances such as refrigerators/freezers, washing machines, air conditioners, water heaters, kitchen appliances, small home appliances, and smart home scenario solutions. It creates whole scenario smart life experience with its rich product, brand and solution package to meet the needs of users for a better life.

Information of Special Refrigerator Co., Ltd.

Special Refrigerator Co., Ltd., a company incorporated under the laws of the PRC, was established in 1999 and is a wholly-owned subsidiary of the Company, and its principal business includes production of special fluorine-free refrigerators and the after-sale services, import and export of goods and technology.

Information of Haier Group

Haier Group, a company incorporated under the laws of the PRC, was established in 1984 and is the controlling Shareholder of the Company, and its scope of operation is: technology development, technology consultancy, technology transfer, technology services, including industrial internet, etc.; data processing; engaged in digital technology, intelligent technology, software technology; research and development, sales and after-sales services of robots and automation equipment products; logistics information services; the research and development and sales of intelligent household equipment and solution system software technology (方案系統軟件技術); the production of household appliances, electronic products, communication equipment, electronic computers and accessories, general machinery, kitchen appliances and robots for industrial purpose; domestic commercial (excluding national restricted, licensed and controlled commodities) wholesale and retail; export and import business (refer to foreign enterprise confirmation certificate for details); economic technology consultancy; and research, development and transfer of technological achievements; lease of self-owned properties. Haier Group is an urban collective ownership enterprise. According to the Regulations on Urban Collective Ownership Enterprises of the People's Republic of China promulgated by the State Council, which was revised in February 2016, all property under the urban collective ownership belongs to the working people collectively and the worker representative organization is its governing body.

Information of Haier COSMO

Haier COSMO, a company incorporated under the laws of the PRC, was established in 1988 and is a subsidiary of Haier Group, and its principal business is investment holding.

Information of Tooling Development Co., Ltd.

Tooling Development Co., Ltd., a company incorporated under the laws of the PRC, was established in 1996 and is a subsidiary of Haier Group, and its principal business includes the research, development and sales of tools for home appliances, plastics, hardware, accessories, etc.

7. DEFINITION

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“A Share(s)”	the ordinary share(s) issued by the Company and subscribed for in RMB, which are listed on the Shanghai Stock Exchange
“Announced Transactions”	the transactions in relation to the acquisition of 10% equity interest in Haier (Dalian) Refrigerator Co., Ltd.* (大連海爾電冰箱有限公司), 3.94% equity interest in Qingdao Haier Special Freezer Co., Ltd.* (青島海爾特種電冰櫃有限公司), 100% equity interest in Qingdao Haier Quality Testing Co., Ltd.* (青島海爾質量檢測有限公司) held by Haier Group and the previous transactions disclosed by the Company on 29 October 2021, and the transaction in relation to the acquisition of 100% equity interest in Qingdao TAB Robot Technology Co., LTD.* (青島塔波爾機器人技術有限責任公司) held by Haier Group through its subsidiaries and the previous transactions disclosed by the Company on 28 April 2022, details of which are set out in the announcements disclosed by the Company on the website of the Hong Kong Stock Exchange on 29 October 2021 and 28 April 2022, respectively
“Board”	the board of directors of the Company
“Closing Date”	the date of completion of the change of business registration in relation to the Equity Transfer

“Company”	Haier Smart Home Co., Ltd., a joint stock company incorporated in the PRC on 28 April 1989 with limited liability, whose A Shares are listed on the Shanghai Stock Exchange (stock code: 600690), whose D Shares are listed on the China Europe International Exchange AG D Share Market and quoted on the Frankfurt Stock Exchange (stock code: 690D), and whose H Shares are listed on the Main Board of the Stock Exchange of Hong Kong (stock code: 6690)
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“D Share(s)”	the D share(s) with a nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed and traded on the China Europe International Exchange AG D Share Market on the Frankfurt Stock Exchange (stock code: 690D)
“Director(s)”	director(s) of the Company
“Equity Transfer Agreements”	Agreement on the Transfer of 30.23% of Equity Interest in Qingdao Haier Special Plastic R&D Co., Ltd.* (青島海爾特種塑料研製開發有限公司) between Haier Group Corporation and Qingdao Haier Special Refrigerator Co., Ltd., Agreement on the Transfer of 65.58% of Equity Interest in Qingdao Haier Special Plastic R&D Co., Ltd.* (青島海爾特種塑料研製開發有限公司) between Haier COSMO Co., Ltd. and Qingdao Haier Special Refrigerator Co., Ltd. and Agreement on the Transfer of 4.19% of Equity Interest in Qingdao Haier Special Plastic R&D Co., Ltd.* (青島海爾特種塑料研製開發有限公司) between Qingdao Haier Tooling Development Co., Ltd.*(青島海爾工裝研製有限公司) and Qingdao Haier Special Refrigerator Co., Ltd. entered into between Special Refrigerator Co., Ltd. and the Transferors
“Group”	the Company and its subsidiaries
“H Share(s)”	the H shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 6690)

“Haier COSMO”	Haier COSMO Co., Ltd. (formerly known as Haier Electric Appliances International Co., Ltd.), a company incorporated under the laws of the PRC, and a subsidiary of Haier Group. According to the public information available to the Company, Haier Group holds 51.20% of the issued Shares in Haier COSMO Co., Ltd., and is also entitled to exercise the remaining 48.80% voting rights in Haier COSMO Co., Ltd. through an irrevocable voting rights entrustment arrangement
“Haier Group”	Haier Group Corporation, a company incorporated under the laws of the PRC, and the controlling Shareholder of the Company
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Orient Asset Appraisal”	Shanghai Orient Asset Appraisal Co., Ltd.* (上海東洲資產評估有限公司), qualified to carry out securities and futures activities in the PRC
“PRC”	the People’s Republic of China
“Previous Transactions”	the acquisition of 17.81% equity interest in Hefei Haier Plastics Co., Ltd. and 0.78% equity interest in Hefei Haier Air-conditioning Co., Limited by the Company from Haier Group, at a transaction consideration of RMB29.6897 million and RMB12.2928 million, respectively during the past twelve months
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary shares of the Company, including A Share(s), D Share(s) and H Share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Special Plastic Co., Ltd.” or “Target Company”	Qingdao Haier Special Plastic R&D Co., Ltd.* (青島海爾特種塑料研製開發有限公司), directly owned as to 30.23% by Haier Group, and indirectly owned as to 65.58% and 4.19%, respectively, through its subsidiaries Haier COSMO and Tooling Development Co., Ltd. by Haier Group

“Special Refrigerator Co., Ltd.”	Qingdao Haier Special Refrigerator Co., Ltd., a wholly-owned subsidiary of the Company
“Target Equity”	the subject of the transactions under the Equity Transfer Agreements, being 100% of equity interest in Special Plastic Co., Ltd.
“Tooling Development Co., Ltd.”	Qingdao Haier Tooling Development Co., Ltd.*(青島海爾工裝研製有限公司), a company incorporated under the laws of the PRC, and a subsidiary of Haier Group. According to the public information available to the Company, Haier Group directly holds 8.77% equity interest of Tooling Development Co., Ltd., and holds 86.23% equity interest in Tooling Development Co., Ltd. through its subsidiaries, being the ultimate beneficial owner of Tooling Development Co., Ltd.
“Transaction” or “Equity Transfer”	pursuant to the Equity Transfer Agreements, Special Refrigerator Co., Ltd. intends to acquire 100% equity interest in Qingdao Haier Special Plastic R&D Co., Ltd.* (青島海爾特種塑料研製開發有限公司) held by Transferors by cash
“%”	per cent

By order of the Board
Haier Smart Home Co., Ltd.*
LI Huagang
Chairman

Qingdao, the PRC
29 August 2022

As at the date of this announcement, the executive Directors of the Company are Mr. LI Huagang and Mr. GONG Wei; the non-executive Directors are Mr. YU Hon To, David, Ms. Eva LI Kam Fun and Ms. SHAO Xinzhi; and the independent non-executive Directors are Mr. CHIEN Da-Chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi.

* For identification purpose only