

Stock Name: Haier Smart Home

Stock Code: 600690

No.: L 2020-042

Haier Smart Home Co., Ltd.

Risk Warning on the Dilution of Immediate Return on Asset Restructuring and Announcement on Remedial Measures

The Board of Directors and all directors of the Company guarantee that there are no false records, misleading statements or major omissions in the content of this announcement, and bear individual and joint responsibility for the authenticity, accuracy and completeness of the content.

Important Notice:

The following is about Haier Smart Home Co., Ltd. (hereinafter referred to as "the Company", "listing" or "HSH"), through the issuance of H shares, obtaining all outstanding shares issued by Haier Electric Group Co., Ltd. (hereinafter referred to as "HEG") and held by shareholders of HEG other than the Company and its subsidiaries (hereinafter referred to as "this Major Asset Restructuring" or "this Transaction") to complete the privatization of HEG and simultaneously realize the Company's H shares listed on the Stock Exchange of Hong Kong Limited by introduction. The Company's main financial indicators do not constitute the Company's profit forecast after the transaction. In addition, the remedial measures do not mean to make guarantee for the Company's future profits. Investors should not make investment decisions based on this. If investors suffer losses due to the investment decision made based on this, the Company shall not be liable for compensation.

In order to protect the right to be informed and the interests of small and medium investors, in accordance with the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Markets (Guo Fa [2014] No. 17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legal Rights and Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Concerning Initial Issuance and Refinancing, and Dilution of Immediate Returns by Major Asset Restructuring (Zheng Jian Hui Gong Gao [2015] No. 31) and other laws, regulations and regulatory documents, the Company carefully analyzed the impact of this major asset restructuring on the dilution of immediate returns, and proposed specific remedial measures. The relevant entities made undertakings of implementing

the remedial measures to be taken by the Company.

The Company's announcement on the dilution of immediate returns by this major asset restructuring and related remedial measures is as follows:

I. The impact of this major asset restructuring on the financial indicators of the Company's immediate return

According to the Company's 2019 audit report and the 2019 pro forma review report issued by Hexin Certified Public Accountants LLP (hereinafter referred to as "Hexin"), the impact of this transaction on the Company's main financial indicators is shown in the following table:

Unit: RMB ten thousand

Item	December 31, 2019/2019	
	Actual number	Pro forma number
Total assets	18,745,423.63	18,745,423.63
Owners' equity	6,498,986.03	6,249,293.03
Equity attributable to owners of the parent company	4,788,831.98	6,078,480.79
Operating revenue	20,076,198.33	20,076,198.33
Total profit	1,463,060.88	1,463,060.88
Net profit	1,233,439.25	1,233,439.25
Net profit attributable to shareholders of the parent company	820,624.71	1,211,800.01

Before the completion of this transaction, the Company has obtained the control of HEG, which has been included in the scope of the Company's consolidated statements. Therefore, the Company's main financial indicators will not undergo major changes due to this transaction. However, due to the acquisition of minority equity of the underlying company, the Company's net assets and net profits attributable to shareholders of the parent company will be increased, which is in line with the long-term interests of the Company and shareholders.

II. Special risk warnings on the dilution of immediate returns by this major asset reorganization

Before the transaction, the listed company's basic earnings per share for 2019 was RMB1.286 per share, and the basic earnings per share after deducting non-recurring

gains and losses were RMB0.903 per share. After the completion of this transaction, the Company's total equity scale will be expanded compared to before this transaction. According to the 2019 annual report of the listed company and the Review Report on the Pro forma Consolidated Financial Statements of Haier Smart Home Co., Ltd. (He Xin Shen Zi (2020) No. 000512) issued by Hexin, the listed company's basic earnings per share for 2019 after the completion of the transaction increased and the basic earnings per share after deducting non-recurring gains and losses decreased. Investors are hereby reminded to pay attention to the risk of potential dilution of immediate returns by this major asset restructuring.

III. Remedial measures for diluted immediate returns

In response to the risk of dilution of the current return indicators in this restructuring, the listed company plans to take the following remedial measures to enhance the Company's continuous return ability:

1. Give full play to the synergy between the businesses of the listed company and enhance the market competitiveness of the listed company

After the completion of this transaction, the Company will operate all the categories that originally belonged to the two listed companies, properly carry out deep internal integration, and accelerate the transformation of the management model of the integration of the entire category and the entire industry chain to realize the coordinated development of the entire category and the collaborative management of brands, which is conducive to accelerating the implementation of the "Internet of Things Smart Home Ecological Brand Strategy". The Company is expected to further exert its scale effect, improve the operating efficiency and development prospects of the merged company, and enhance returns to shareholders.

2. Improve the corporate governance structure to provide institutional guarantees for the development of the Company

In strict accordance with the Company Law, Securities Law, Code of Corporate Governance for Listed Companies and other laws, regulations and regulatory documents, the Company will continuously improve the corporate governance structure to ensure that shareholders can fully exercise their rights and the Board of Directors can exercise their powers according to the laws, regulations and the Articles of Association and make scientific, rapid and prudent decisions to ensure that independent directors can perform their duties seriously, safeguard the overall interests of the Company, especially the

legitimate rights and interests of small and medium shareholders, and provide institutional guarantees for the development of the Company.

3. Further improve the profit distribution system and strengthen the investor return system

The Company continued to attach importance to reasonable investment returns to shareholders while taking into account the Company's sustainable development, and formulated a continuous, stable and scientific dividend policy. The Company will continue to revise and improve the Articles of Association and formulate shareholder return planning in accordance with the Notice of the China Securities Regulatory Commission on Further Implementation of Measures Related to Cash Dividends of Listed Companies, Guidelines for the Supervision of Listed Companies No. 3 - Cash Dividends of Listed Companies and other regulations. The Company's profit distribution policy attaches importance to reasonable investment returns to investors, especially small and medium investors, and will fully listen to the opinions of investors and independent directors, and effectively protect shareholders' rights to enjoy investment income in accordance with the law, reflecting the long-term development philosophy of the Company to actively return to shareholders after the merger.

IV. The undertakings of directors and senior management of the Company on effective implementation of remedial measures of the Company

In order to ensure the effective implementation of the remedial measures for the Company, directors and senior management of the Company undertake as follows:

“1. I undertake not to transfer benefits to other entities or person for free or under unfair conditions, nor will I harm the Listed Company's interests otherwise;

“2. I undertake to restrict job-related consumption;

“3. I undertake not to use the assets of the Listed Company for investment and consumption unrelated to the performance of my duties;

“4. I undertake that the remuneration system established by the Board or the remuneration committee will be linked to the implementation of the Listed Company's remedial measures;

“5. If the Listed Company implements the stock incentive plan in the future, I

undertake that the option exercise conditions of the stock incentive plan to be announced by the Listed Company will be linked to the implementation of the Listed Company's remedial measures;

“6. If the CSRC requires adjustments to the undertakings made by me during the review, I will make relevant adjustments to relevant undertakings in accordance with the requirements of the CSRC;

“7. If the CSRC makes new regulatory requirements on the remedial measures and undertakings of relevant person after this undertaking is issued and before the completion of this transaction of the Listed Company, and the above undertakings may not meet the new regulatory requirements of the CSRC, I undertake to make a supplementary undertaking in accordance with the latest regulations of the CSRC;

“8. If I breach the above undertakings or refuse to fulfil the above undertakings, I will publicly explain and apologize at the general meeting and the newspapers designated by the CSRC. The Shanghai Stock Exchange and China Association for Public Companies may take corresponding self-regulatory measures against me; the CSRC may take relevant regulatory measures against me according to laws and record them in my credit file; if I breach the undertakings and therefore cause losses to the Listed Company or shareholders, I will be liable for compensation in accordance with the law.”

V. The undertakings of the controlling shareholder and actual controller of the Company on effective implementation of remedial measures of the Company

In order to ensure the effective implementation of remedial measures for dilution of current return in the material asset restructuring of the Company and safeguard the legitimate rights and interests of small and medium investors, the controlling shareholder and actual controller of the Company undertake as follows:

“1. We undertake not to exceed the authority to intervene in the operations and management of the Listed Company, nor to encroach on the interests of the Listed Company.

“2. If the CSRC makes new regulatory requirements on the remedial measures and their undertakings after this undertaking is issued and before the completion of this transaction of the Listed Company, and the above undertakings may not meet the requirements of the CSRC, the Company undertakes to issue a supplementary

undertaking in accordance with the latest regulations of the CSRC.

“3. The Company undertakes to effectively implement the relevant remedial measures formulated by the Listed Company and fulfil any undertakings made by the Company regarding the remedial measures. If the Company breaches these undertakings and causes losses to the Listed Company or investors, the Company is willing to be liable for compensation to the Listed Company or investors according to laws.

“As one of the relevant parties responsible for the remedial measures, if the Company breaches the above undertakings or refuses to fulfil the above undertakings, the Company agrees with the securities regulatory authorities and self-regulatory organizations to impose penalties on the Company or take relevant regulatory measures in accordance with relevant regulations and rules formulated or issued thereby.”

It is hereby notified the above.

The Board of Haier Smart Home
Co., Ltd.

July 30, 2020