

Stock Name: Qingdao Haier

Stock Code: 600690

No.: L2019- 020

Bond Name: Haier Convertible Bonds **Bond Code:** 110049

Qingdao Haier Co., Ltd.

Announcement on Conducting Hedging Business of Bulk Materials

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.

The 27th meeting of the 9th session of the Board of Directors held by Qingdao Haier Co., Ltd. (hereinafter referred to as the “Company”) on 29 April 2019 considered and approved the *Proposal on Conducting Hedging Business of Bulk Materials of Qingdao Haier Co., Ltd.*. These businesses do not constitute the related-party transactions, details of which are as follows:

I. Summary and necessity of hedging business of bulk materials

With the development of domestic and foreign futures markets, the prices of bulk materials, especially copper, aluminum, steel, etc., are basically priced according to the price of each futures exchange. The smelters, traders and consumers all use the daily metal price trend of the exchange as the standard of pricing, the hedging of enterprises through financial markets has become a necessary means of stable operation.

Since the Company's demand for raw materials such as copper, aluminum and steel is large in the production projects such as home appliances, the price fluctuation of materials directly affects the Company's operating performance. Therefore, it is necessary to hedge in the financial market to assist normal production. In terms of business activities, the Company strictly determines the scale of hedging business

based on the scale of demand for bulk materials in production and operation. At the same time, the Company establishes a risk measurement system for financial products such as option and futures and strengthens the risk management and control of hedging.

II.Summary of hedging transaction of bulk materials

The Company (including the Company's subsidiaries, the same below) intends to conduct hedging business of bulk materials. It is estimated that the total accumulated position contract amount of the hedging business will not exceed RMB450 million, and the single position contract amounts will not exceed RMB130 million, the details of which are as follows:

(I) Types of business

The type of the futures business of bulk materials and option hedging to be entrusted by the Company is copper, etc. The main settlement currencies involved are USD and RMB.

(II) Liquidity arrangement

The Company estimates that the position contract amounts of futures and option hedging business will not exceed RMB130 million.

(III) Terms

It shall be valid within 12 months from the date of consideration and approval of the 27th meeting of the 9th session of the Board of Directors.

(IV) Counterparty

The manufacturer of bulk materials, futures and option brokerage company, bank and related financial institutions.

(V) Implementation methods

The Board of Directors of the Company authorized the chairman and its authorized persons to exercise the decision and sign the relevant contract documents.

III. The management system of hedging business of bulk materials

In respect of the operational norms for hedging business of bulk materials, the Company strictly enforces hedging business of bulk materials in accordance with the

Administrative Measures for Hedging Business of Bulk Material of Qingdao Haier Co., Ltd. disclosed on the same day as this announcement.

IV. Risk analysis and risk management strategy

1. Market risk

In order to avoid the the operational risks brought by the fluctuation of price of the bulk materials in market, the Company, as a bulk materials consumer, will select appropriate financial products, trading opportunities and appropriate quantity ratio according to the actual conditions of the production and operation to avoid the significant loss caused by the abnormal changes in the basis of financial products such as spot and futures, options, etc.

2. Liquidity risk

According to the bulk material procurement plan generated by the production demand, the Company trades in the financial market in a timely manner. The trading considers the liquidity of the monthly contract and the basis of the monthly contract, try to choose contract or related financial products of futures and options with sound liquidity so as to avoid the increase in the cost of opening a position and closing a position due to poor liquidity. If there is demand for the far month but the liquidity of the far month contract is poor and the basis is unreasonable, consider using the nearby-month contract to preserve the value and then roll the shifting method and the option portfolio.

3. Performance risk

Since the domestic and foreign futures trading of bulk materials is an electronic trading in the exchange trading system, the margins of each customer are regulated by the corresponding regulatory authorities, and the counterparty of the options trading is a bank with good domestic and foreign credit, strong capital, and high market participation. There is basically no performance risk.

4、Mandatory liquidation risk

The futures trading adopts the margin collection system. The Company will make reasonable arrangements for the amount between the margin and the position to

avoid the loss caused by mandatory liquidation due to the over-large position and market reversal.

Option trading takes a reasonable range of combinations and sets down protection measures to avoid huge losses due to excessive fall in commodity prices.

(II) Risk Management Strategy

The hedging business entrusted by the Company is limited to the operation of hedging the required materials for production and avoiding risks, not for the purpose of profit-seeking, and the amount of value-preserving is controlled at a reasonable proportion of demand. For orders that have already determined the product price, timely carry out hedging transactions of futures and options on raw materials in the financial market to lock in the prices of raw materials, and for orders that have not determined the product price yet, the value has been preserved at a certain proportion based on an in-depth analysis of the overall financial and commodity markets.

Formulate a fund transfer plan at the same time as the hedging transaction plan is formulated to prevent the risk of missing opportunities due to financial problems, default of options or mandatory liquidation due to the over-large position and insufficient margin.

The Company's hedging transaction plan sets a stop-loss target and controls the loss within a certain range to prevent serious losses caused by market risks and systemic risks in the market.

VI. Analysis of fair values

The Company recognizes and measures fair values in accordance with Chapter 7 “Determination of Fair Values” of the *Accounting Standard for Enterprise No. 22 — Recognition and Measurement of Financial Instruments*, and the fair values will be fundamentally determined in accordance with the prices quoted by or obtained from pricing service providers such as banks. The Company measures and recognizes the fair values on a monthly basis.

VII. Accounting policies and principles

In accordance with the relevant requirements of the *Accounting Standard for Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and

the *Accounting Standard for Enterprises No. 37 — Presentation of Financial Instruments* and the guidelines of the Ministry of Finance, the Company arranges corresponding audits on the derivative business that have already been carried out and the same will be reflected in the relevant items in the balance sheet and the statement of profit or loss.

VIII. Opinions of the independent directors

The independent directors of the Company expressed their unanimous consent to the Company's proposed hedging business of bulk materials: “To avoid the operational risks brought by the fluctuation of price of the bulk materials in market, the Company, as a bulk materials consumer, will select appropriate financial products, trading opportunities and appropriate quantity ratio according to the actual conditions of the production and operation to conduct hedging business of bulk materials, which can avoid significant losses caused by abnormal changes in the basis of financial products such as spot and futures, options, etc., in line with the interests of the Company and all shareholders, and does not impair the Company’s and all shareholders’ interests (especially the minority interests). It is agreed that the Company shall conduct hedging business of bulk materials”.

It is hereby notified the above.

The Board of Directors of Qingdao Haier Co., Ltd.

29 April 2019