

## **Haier Smart Home Co., Ltd.**

# **Announcement on Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds**

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.

### **Reminder of important content:**

- The completed investment projects funded by Proceeds: "Haier (Zhengzhou) Innovation Industrial Park Air Conditioning Production Base Intelligent Manufacturing and Upgrade Project" (hereinafter referred to as "Zhengzhou Air Conditioning Project") and "Smart Home Operating System Based on Natural Interaction and Cloud Brain (U+) Project" (hereinafter referred to as "U+ Project");
- The use of Proceeds for the above investment projects: The planned investment amount from Proceeds for Zhengzhou Air Conditioning Project is RMB78 million, while the actual investment amount was RMB31.73 million as of 15 March 2021 with a balance of RMB46.27 million in proceeds. For U+ Project, the planned investment amount from Proceeds was RMB29.67 million, while the actual investment amount was RMB2.19 million as of 15 March 2021 with a balance of RMB27.48 million. The Company plans to permanently replenish the working capital with a total amount of RMB73.75 million in surplus Proceeds after the completion of the aforementioned two investment projects;
- Internal decision-making: the completion of the above two projects and the permanent replenishment of working capital with the surplus Proceeds have been reviewed and approved at the 17th meeting of the 10th session of Board of Directors and the 13th meeting of the 10th session of Board of Supervisors.

Haier Smart Home Co., Ltd. (hereinafter referred to as the "Company" or "Haier Smart Home") held the 17th meeting of the 10th session of Board of Directors and the 13th meeting of the 10th session of Board of Supervisors on 30 March 2021, at which the *"Proposal on Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds"* was reviewed and approved, agreeing the completion of Zhengzhou Air Conditioning Project and the U+ Project and the permanent replenishment of working capital by using surplus proceeds raised (hereinafter referred to as the "Proceeds") totaled RMB73.75 million. The above matter still has to be submitted to the Company's general meeting of shareholders for deliberation. The relevant matters are hereby announced as follows:

## **I. Background of the Proceeds from issuance of convertible corporate bonds**

With the approval of the China Securities Regulatory Commission "Zheng Jian Xu Ke [2018] No.1912" and the consent from Shanghai Stock Exchange, the Company has issued 30,074,900 convertible corporate bonds to the public (hereinafter referred to as the "Convertible Bond Issuance Project"), with a par value of RMB100 each. The total Proceeds were RMB3,007.49 million and the net Proceeds were RMB2,980.02 million after deducting the sponsorship underwriting fees and other issuance-related expenses. According to the Capital Verification Report (Hexin Yan Zi (2018) No. 000090) issued by Hexin Certified Public Accountants LLP (formerly known as "Shandong Hexin Certified Public Accountants LLP") after its verification on the receipt of Proceeds, all the above Proceeds have been credited to the account.

The Company adopts a special account deposit system for Proceeds and has opened special accounts for related Proceeds. All Proceeds have been deposited in the corresponding special accounts after the receipt and a supervisory agreement has been signed with the sponsor of Convertible Bond Issuance Project and the bank that deposits Proceeds.

## **II. The use, deposit and management of the Proceeds from Convertible Bond Issuance Project**

### **(I) Use of funds for investment projects that are still using proceeds**

As of 31 December 2020, the use of funds for investment projects that are still using proceeds is as follows:

Unit: RMB0'000

No.	Project name	Planned Investment amount of Proceeds	Accumulated actual investment amount	Progress of Investment
1	Project of high-end special refrigerators with 500,000 units annual outputs	52,420	50,970	97.23%
2	Zhengzhou Air Conditioning Project	7,800	3,063	39.27%
3	Project of Haier Jiaozhou Innovation Industrial Park Air Conditioning Intelligent Manufacturing and Upgrade	8,800	5,612	63.77%
4	Project of Hefei Haier Air Conditioning Co., Ltd. on increasing 2 million sets of energy-saving and environmentally-friendly air-conditioners annually	20,864	15,731	75.40%
5	Project of high-end central air-conditioner with an annual output of 1.5 million units	37,314	17,602	47.17%
6	Project of Haier North India Industrial Park Project (Phase I)	66,045	50,227	76.05%
7	Project of Haier Kitchen Appliance New Factory	30,110	21,805	72.42%
8	Project of Haier Kitchen Appliance Laiyang New Factory	27,620	26,306	95.24%
9	U+ Project	2,967	219	7.39%
<b>Total</b>		<b>253,940</b>	<b>191,535</b>	<b>-</b>

## (II) Deposits of Proceeds

As of 31 December 2020, the special accounts for Proceeds and the deposits of Proceeds are as follows:

Unit: RMB

No.	Account name	Bank	Account No.	Balance (as of 31 December 2020)
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1	Haier Smart Home Co., Ltd.	CCB Haier Road Sub-branch	37150198551000000640	717,105.84
2	Haier Smart Home Co., Ltd.	BOC Qingdao Branch	244237870606	1,022,722.57
3	Haier Russian Washing Machine Co., Ltd.	ICBC Moscow Sub-branch	40702840500000010918 (USD)	Account closed <sup>1</sup>
4			40702810200000010918 (RUB)	Account closed <sup>1</sup>
5	Hefei Haier Air-Conditioning Electronic Co., Ltd.	CCB Haier Road Sub-branch	37150198551000000669	2,979,846.24
6	Qingdao Haier (Jiaozhou) Air Conditioner Co., Ltd.	BOC Qingdao Branch	235138702712	272,204.30
7	Qingdao Haier Technology Co., Ltd.	BOC Qingdao Branch	228639313388	965,987.88
8	Qingdao Haier Special Refrigeration Appliance Co., Ltd.	BOC Qingdao Branch	210438496214	1,590,071.99
9	AQUA Electrical Appliances Vietnam Co., Ltd	BOC HoChiMinh City Branch	100000600301527 (USD)	0.00
10	Qingdao Haier Smart Kitchen Appliances Co.,	BOC Qingdao Branch	227338455528	6,024,747.52

	Ltd.			
11	Hefei Haier Air Conditioning Co., Ltd.	CCB Haier Road Sub-branch	37150198551000000672	4,820,666.06
12	Lai Yang Haier Smart Kitchen Appliances Co., Ltd.	CCB Haier Road Sub-branch	37150198551000000674	11,054,566.55
13	Zhengzhou Haier Air-conditioning Co., Ltd.	CCB Haier Road Sub-branch	37150198551000000670	169,106.27
14	Haier Appliances	ICBC Mumbai Sub-branch	0166000100000164728 (RUB)	1,570,590,735.34 <sup>2</sup>
15	(India) Private Limited		0166000100000169238(USD)	18,739.80 <sup>2</sup>
Subtotal of balance in Proceeds account (converted to RMB amount)				169,685,217.42
The amount of idle Proceeds for cash management				463,518,078.00
Total balance of unused Proceeds				633,203,295.42

Note 1: The construction of the "Russian Drum Washer Manufacturing Base Project", one of the Company's fund-raising projects, has been completed and the Company has cancelled the special account for the fund-raising funds (account numbers: 40702840500000010918 (USD) and 40702810200000010918 (RUB)) opened at ICBC Moscow Sub-branch.

Note 2: As of December 31, 2020, the exchange rate of USD to RMB was USD1 = RMB6.5425 and the exchange rate of INR to RMB was INR1 = RMB0.08914.

### (III) Management of Proceeds

#### 1. Cash management

After deliberation at the 26th meeting of the ninth session of Board of Directors and the seventh meeting of the tenth session of Board of Directors, it was agreed that the Company may use no more than RMB1.5 billion and RMB700 million of idle Proceeds for cash management within 12 months from 24 January 2019 and within 18 months from 28 April 2020 respectively, which can be utilized on a rolling basis within the above-mentioned quota and period. The independent directors, the

Board of Supervisors and the sponsors expressed agreement or no objection to the above matters respectively.

As of 31 December 2020, the balance of financial products purchased by the Company from the above-mentioned proceeds for cash management was RMB463,518,078.

## 2. Replenishment of working capital

The Company held the third meeting of the tenth session of Board of Directors on 29 August 2019, at which the *"Proposal on Using Part of Idle Proceeds to Temporarily Replenish Working Capital of Haier Smart Home Co., Ltd."* was reviewed and approved, and decided to use no more than RMB35 million of the Proceeds to replenish the working capital of “Russian Front-loading Washing Machine Manufacturing Base Project” temporarily for a period of no more than 12 months from the date of approval by the Board of Directors. The independent directors, the Board of Supervisors and the sponsors expressed agreement or no objection to the above matters respectively.

On 28 April 2020, the seventh meeting of the Company's tenth session of Board of Directors deliberated and approved the *"Proposal on Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds"*, agreeing to permanently replenish the working capital with the surplus Proceeds totaled RMB97.03 million upon the completion of Russian Front-loading Washing Machine Manufacturing Base Project and Vietnamese Front-loading Washing Machine Manufacturing Base Project under “construction project of manufacturing base launched for the ‘Belt and Road’ and overseas new markets”. Independent directors, the Board of Supervisors and the sponsors expressed their affirmative opinions on the foregoing matters.

As of 31 December 2020, a total of RMB2,397,570,000 of the Proceeds from the Convertible Bond Issuance Project was used, with a balance of RMB 633,200,000 (The account balance includes the income generated by the Company's purchase of wealth management products, interest on demand deposits, exchange gains and losses and unutilized Proceeds).

## III. The investment projects to be completed and the use and balance of its Proceeds

According to the implementation of the project, the Zhengzhou Air Conditioning Project and the U+ Project (hereinafter collectively referred to as the "Investment Projects to Be Completed") are proposed to be completed. As of 15 March 2021, the use and balance of Proceeds for the Investment Projects to be completed are as follows:

Unit: RMB0'000

Investment projects funded by the Proceeds	Planned Investment amount of Proceeds	Accumulated investment amount of Proceeds	Investment amount of Proceeds unutilized	The balance to be paid
Zhengzhou Air Conditioning Project	7,800	3,173	4,627	461
U+ Project	2,967	219	2,748	-
<b>Total</b>	<b>10,767</b>	<b>3,392</b>	<b>7,375</b>	<b>461</b>

Based on the above, as of 15 March 2021, the Zhengzhou air-conditioning project has remained RMB46.27 million in proceeds and the U+ project has remained RMB27.48 million in proceeds, for a total of RMB73.75 million in proceeds.

#### IV. The main reason for saving proceeds of Investment Projects to be completed

##### (I) Zhengzhou Air Conditioning Project

1. In the construction process of Zhengzhou Air Conditioning Project, the Company used the Proceeds strictly in accordance with the relevant requirements of the Proceeds management, and according to the project planning and the actual situation, the Company optimized the equipment procurement and project implementation plan, utilized equipment purchased by the Company's own fund reasonably and strengthened the cost control, supervision and management. The Company used the Proceeds carefully and saved part of the Proceeds on the premise of ensuring the quality of the investment projects funded by Proceeds as well as in line with reasonable, effective and frugal principles.

2. In the implementation process of Zhengzhou Air Conditioning Project, the Company carried out detailed investigations and scientific planning, strengthened the comprehensive management of production, and significantly improved the production automation, intelligence and product R&D manufacturability, reduced the implementation cost, and obtained a higher output of production capacity with the same input related to production, thereby saving part of the Proceeds.

3. In the implementation process of Zhengzhou Air Conditioning Project, the Company used idle Proceeds for cash management and obtained certain interest income.

##### (II) U+ Project

1. Most of U+ Project's expenses derived from technical R&D and organization operating expenses, supplemented by fixed assets investment such as engineering and equipment. In the

implementation process of U+ Project, based on the project planning and the actual development of the Company's business and in line with the principle of cost control and efficiency improvement and with the development of emerging technologies, the Company decided to lease R&D equipment or use cloud service instead of procuring most R&D equipment according to the implementation plan, therefore, the implementation of the project no longer require Proceeds for fixed asset investment.

2. The Company used existing promises for project R&D without building new laboratory as planned due to the overall relocation of the building that originally planned for establishing R&D and testing laboratory, thereby saving construction capital.

3. In the implementation process of U+ Project, the Company used idle Proceeds for cash management and obtained certain interest income.

## **V. Plan of use of surplus Proceeds**

After completing the construction of Zhengzhou Air Conditioning Project and U+ Project, the air conditioner production scale of the Company and the technical level of IOT operating system have been improved and the supporting working capital investment has increased. In order to further improve the efficiency of Proceeds, improve liquidity situation of the Company, reduce financial costs of the Company, and promote the economic benefits of the Company, the Company intends to use the unused amount of the Proceeds investment of RMB73.75 million in total in terms of the aforementioned two projects to permanently replenish working capital of the Company for daily operations of the Company. When the last installments of Zhengzhou Air Conditioning Project meet the conditions of payment, the Company would make the payment with its own funds in accordance with the relevant contracts. After the supplement of working capital, the Company will cancel the relevant accounts of Proceeds, thus the supervisory agreements of the special account entered into by the Company with the sponsors, the project implementation body and the bank will be terminated.

## **VI. The impact of Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds on the Company**

The completion of Zhengzhou Air Conditioning Project and U+ Project and the permanent replenishment of working capital with the total amount of RMB73.75 million of surplus Proceeds is an arrangement made according to the actual implementation progress of investment projects funded by proceeds raised from convertible corporate bond by the Company. There is no any shifting of or shifting in disguise of the investment of Proceeds. It will help to improve the efficiency of the



Proceeds, to reduce the Company's financial cost and to promote the Company's business development, which is in the interest of all shareholders.

## **VII. Opinions from independent directors, the Board of Supervisors and the sponsors on Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds**

### **(I) Opinions of the independent directors**

The independent directors of the Company issued the following opinions on relevant matters in relation to Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds considered at the 17th meeting of the tenth session of Board of Directors:

“The completion of ‘Haier (Zhengzhou) Innovation Industrial Park Air Conditioning Production Base Intelligent Manufacturing and Upgrade Project’ and ‘Smart Home Operating System Based on Natural Interaction and Cloud Brain (U+) Project’ and permanent replenishment of working capital with the total amount of RMB73.75 million of surplus Proceeds is an arrangement made by the Company according to the actual implementation progress of the investment project funded by Proceeds and it is in line with the Company's development strategy plan and the interests of all shareholders, which could help to improve the efficiency of the Proceeds, to achieve the optimization of capital allocation and the maximizing benefits. There is no any shifting of or shifting in disguise of the investment of Proceeds. It will not bring adverse effect on the production and operation of the Company, and there is no harm to the interest of the Company's shareholders, especially the small and medium shareholders. Therefore, it is agreed to complete ‘Haier (Zhengzhou) Innovation Industrial Park Air Conditioning Production Base Intelligent Manufacturing and Upgrade Project’ and ‘Smart Home Operating System Based on Natural Interaction and Cloud Brain (U+) Project’ and use the total amount of RMB73.75 million of surplus Proceeds to permanently replenish working capital and submit such matters to the Company's general meeting for consideration.

### **(II) Opinions of the Board of Supervisors**

*The Proposal on Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds* was considered and approved at the 13th meeting of the tenth session of Board of Supervisors of the Company on 30 March 2021, pursuant to which, it is agreed to complete Zhengzhou Air Conditioning Project and U+ Project and permanent replenishment of working capital with their surplus Proceeds.

### **(III) Opinions of sponsors**

China International Capital Corporation Limited, as the sponsor of the Company's Convertible Bond Issuance Project, had issued the following verification opinions on relevant matters on Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds:

“1. *The Proposal on Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds* of the Company was approved on the 17th meeting of the tenth session of Board of Directors and the 13th meeting of the tenth session of Board of Supervisors, all independent directors issued independent opinions with clear consent, and the Company fulfilled the corresponding procedures and complied with relevant regulations such as the *Administrative Measures for Proceeds by Listed Companies of Shanghai Stock Exchange(2013 revision)*. The proposal of using the surplus Proceeds to permanently replenish working capital of the Company still needs to be submitted to the company's 2020 annual general meeting for consideration.

2. Completing part of the investment projects funded by Proceeds and using surplus Proceeds to permanently replenish working capital of the Company will help to improve the efficiency of the Proceeds and are in the interest of all shareholders. There is no any shifting of or shifting in disguise of the investment of Proceeds, and there is no harm to the interest of the Company's shareholders, especially the small and medium shareholders, and they comply with the relevant regulations such as *Listing Rules for Stocks in Shanghai Stock Exchange* and *Administrative Measures for Raised Funds by Listed Companies of Shanghai Stock Exchange*.

In conclusion, as the sponsor of Haier Smart Home, China International Capital Corporation Limited agrees Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds by the Haier Smart Home in accordance with relevant laws and regulations.”

## **VIII. Explanations of matter on Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds that still has to be submitted to the general meeting for consideration**

Matter on Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds by the Company still has to be submitted to the Company's 2020 annual general meeting for consideration.

## **IX. Documents available for inspection**

(1) Resolutions of the 17th Meeting of the Tenth Session of the Board of Directors of Haier Smart Home Co., Ltd.;

(2) Resolutions of the 13th Meeting of the Tenth Session of the Board of Supervisors of Haier Smart Home Co., Ltd.;

(3) The Independent Opinions from Independent Directors of Haier Smart Home Co., Ltd. on the Matters in relation to 17th Meeting of the Tenth Session of the Board of Directors;

(4) Verification Opinions of China International Capital Corporation Limited on Closing Certain Fund-raising Projects through Convertible Corporate Bonds and Permanently Supplementing the Working Capital with the Surplus Funds of Haier Smart Home Co., Ltd.

The announcement is hereby given.

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

30 March 2021

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