

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

### **Special Inspection Report on the Deposit and Actual Use of Raised Funds in the First Half of 2019**

The Board of Directors of Haier Smart Home Co., Ltd. (hereinafter referred to as “Haier Smart Home” or “the Company”) prepared a special inspection report on the deposit and actual use of raised funds in the first half of 2019 in accordance with relevant regulations of *Regulatory Directives for Listed Companies No.2---Regulatory Requirements for Management and Use of Raised Funds by Listed Companies* issued by the China Securities Regulatory Commission (Zheng Jian Hui Gong Gao [2012] No. 44) and *Administrative Measures for Raised Funds by Listed Companies of Shanghai Stock Exchange* (Revised in 2013) issued by the Shanghai Stock Exchange.

#### **I. Basic Information of the Raised Funds**

##### **(I) Information on actual amount and remittance of Raised Funds**

As approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2018] No. 1912), the Company has publicly issued 30,074,900 Convertible Corporate Bonds in a par value of RMB100. The total amount of raised funds in this Issuance is RMB3,007.49 million, and the balance of the raised funds is RMB2,983.58 million after deducting sponsoring and underwriting fees and other expenses relating to the Issuance. The above raised funds were fully put in place on 24 December 2018. Shandong Hexin Certified Public Accountants LLP has verified the remittance of the raised funds and issued a *Capital Verification Report* (Hexin Yan Zi. (2018) No. 000090).

##### **(II) Amount used and current balance of raised funds**

As of 30 June 2019, the raised funds has used RMB1,369.0508 million and the balance amounts to RMB 165,7.0988 million.

## II. Information on Deposit and Management of Raised Funds

In order to regulate the management of raised funds and protect the rights and interests of investors, the *Management Regulations of Raised Funds of Haier Smart Home Co., Ltd.* (hereinafter referred to as “*Management Regulations of Raised Funds*”) is hereby formulated by Haier Smart Home, which clearly stipulates the management and use of the Company's raised funds. The Company will manage and use such raised funds in strict accordance with the *Management Regulations of Raised Funds*.

The Company has entered into the *Trilateral Supervision Agreement on Special-account Deposits of Raised Funds* with the Sponsor Institution China International Capital Corporation Limited (CICC), China Construction Bank Corporation Haier Road Branch (hereinafter referred to as “CCB Haier Road Branch”) and Bank of China Limited Qingdao Sub-branch (hereinafter referred to as “BOC Qingdao Branch”), and has entered into the *Tetragonal Supervision Agreement on Special-account Deposits of Raised Funds* with the implementing entity of raised funds project, the Sponsor Institution CICC, CCB Haier Road Branch, BOC Qingdao Branch, Bank of China (Hong Kong) Hochiminh City Sub-branch (hereinafter referred to as “BOC Hochiminh City Sub-branch”) and Industrial and Commercial Bank of China (Moscow) Limited (hereinafter referred to as “ICBC Moscow Sub-branch”). There is no significant difference between such agreement and the *Trilateral Deposit Regulation Agreement for Special Account of Raised Funds (Model)* formulated by the Shanghai Stock Exchange.

As of 30 June 2019, the deposit of Raised Funds of the Company is shown as follows:

Unit of amount: RMB (if not specified)/yuan

No.	Account-opening Unit	Bank of Deposit	Account No.	Balance as of 30 June 2019
1	Haier Smart Home Co., Ltd.	CCB Haier Road Branch	37150198551000000640	45,218,282.390
2	Haier Smart Home Co., Ltd.	BOC Qingdao Branch	244237870606	1,389,479,018.81
3	Haier Russia Washing Machine Co., Ltd.	ICBC Moscow Sub-branch	40702840500000010918 (US\$)	16,242,304.34 (note)
			40702810200000010918 (RUB\$)	32,468,964.58
4	Hefei Haier Air Conditioning Electronics Co., Ltd.	CCB Haier Road Branch	37150198551000000669	3,474,343.66
5	Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	BOC Qingdao Branch	235138702712	-
6	Qingdao Haier Technology Co., Ltd.	BOC Qingdao Branch	228639313388	-
7	Qingdao Haier Special Refrigerating Appliance Co., Ltd.	BOC Qingdao Branch	210438496214	6,371,577.11
8	AQUA Electrical Appliances Vietnam Co., Ltd	BOC Hochiminh City Sub-branch	100000600301527 (US\$)	7,717,909.07
9	Qingdao Haier Smart Kitchen Appliance Co., Ltd.	BOC Qingdao Branch	227338455528	28,749,923.60
10	Hefei Haier Air-conditioning Co., Limited	CCB Haier Road Branch	37150198551000000672	3,279,210.00
11	Laiyang Haier Smart Kitchen Appliance Co., Ltd.	CCB Haier Road Branch	37150198551000000674	12,267,641.27
12	Zhengzhou Haier Air-conditioning Co., Ltd.	CCB Haier Road Branch	37150198551000000670	-
<b>Total</b>				<b>1,657,098,822.10</b>

**Note:** When calculating the total amount in the table above, the account balance, if in

foreign currency, shall be converted into RMB according to the exchange rate announced by the People's Bank of China on 28 June 2019. The specific exchange rate is: US\$1 = RMB6.8747; RUB\$1 = RMB1/9.1732.

### **III. Information on Actual Use of Raised Funds in the First Half of 2019**

Please refer to the “*Comparative Table on Use of Raised Funds*” for details on actual use of raised funds in the first half of 2019.

## Comparative Table on Use of Raised Funds

(Unit of amount: RMB'0'000)

Total Raised Funds				298,358		Total Raised Funds Invested during the Reporting Period					136,905	
Total Repurposed Raised Funds				66,045		Total Raised Funds Invested Cumulatively					136,905	
Proportion of Total Repurposed Raised Funds				22.14%								
Committed Investment Project	Repurpose d Project, including partially repurposed project (if any)	Total Committe d Investment Amount	Total Adjusted Investment Amount	Committe d Investment Amount by the End of the Period (1)	Investmen t Amount during the Reporting Period	Cumulativ e Investment Amount by the End of the Period (2)	Difference between Cumulativ e Investment Amount by the End of the Period and the Committe d Investment Amount (3) = (2)-(1)	Investmen t Progress by the End of the Period (%) (4) = (2)/(1)	Date when Project Reaches the Scheduled Availabilit y	Benefits Realized during the Reportin g Period	Whethe r the expecte d benefits have been achieve d or not	Whether the feasibility of the project has changed significantl y
Annual production of 500 thousand high-end special refrigerator project	No	52,420	52,420	52,420	41,029.44	41,029.44	11,390.56	78.27	June 2019	NA	NA	No
Air-conditione r production base smart manufacturing upgrading project of	No	7,800	7,800	7,800	2,410.35	2,410.35	5,389.65	30.90	December 2020	NA	NA	No

Haier (Zhengzhou) innovation industrial park												
Air-conditioner smart manufacturing upgrading project of Haier Jiaozhou innovation industrial park	No	8,800	8,800	8,800	3,236.76	3,236.76	5,563.24	36.78	December 2020	NA	NA	No
Newly increased 2 million sets of energy-saving environment protection air-conditioner project of Hefei Haier Air-conditioner Co., Ltd.	No	20,864	20,864	20,864	11,455.21	11,455.21	9,408.79	54.90	December 2018	2,414	NA	No
Annual production of 1.5 million air-conditioner project of High-end central air-conditioning	No	37,314	37,314	37,314	11,406.00	11,406.00	25,908.00	30.57	December 2018	1,958	NA	No
PCBA computer board Tianjin Plant construction project	Yes	5,395	-	-					December 2019	NA	NA	No

PCBA computer board Hefei plant construction project	Yes	18,529	-	-					December 2020	NA	NA	No
Haier kitchen appliance new plant project	No	30,110	30,110	30,110	16,916.15	16,916.15	13,193.85	56.18	June 2018	217.18	NA	No
Haier kitchen appliance Laiyang new plant project	No	27,620	27,620	27,620	16,509.84	16,509.84	11,110.16	59.77	August 2019	NA	NA	No
Russia Front Loading Washing Machine Manufacturing Base Project	No	34,058	34,058	34,058	25,815.00	25,815.00	8,243.00	75.80	December 2019	NA	NA	No
Vietnam Front Loading Washing Machine Production Center Project	No	12,751	12,751	12,751	7,945.90	7,945.90	4,805.10	62.32	July 2019	NA	NA	No
Haier North India Industrial Park Project (Phase I)	No	-	66,045	66,045		-	66,045.00	-	December 2020	NA	NA	No
Advanced research and development laboratory construction project of smart home appliance	Yes	10,621	-	-					December 2020	NA	NA	No

Industrial smart research institute construction project	Yes	31,500	-	-					December 2020	NA	NA	No
Smart home operating system (U+) project based on natural interaction and cloud brain construction project	No	2,967	2,967	2,967	180.43	180.43	2,786.57	6.08	June 2021	NA	NA	No
Total		300,749	300,749	300,749	136,905.08	136,905.08	163,843.92	—	—		—	—
Reasons for failing to reach planned schedule or expected return (by specific investment project financed by proceeds)					NA							
Illustrations for material changes of feasibility of project					NA							
Initial investment and replacement of investment projects with raised funds					On 24 January 2019, <i>the Proposal on Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds</i> was considered and approved at the 26 <sup>th</sup> Meeting of the Ninth Session of the Board of Directors and the 22 <sup>nd</sup> Meeting of the Ninth Session of the Supervisory Committee, pursuant to which as of 31 December 2018, the amount pre-invested in fund-raising investment project with raised funds that the Company intended to replace was RMB996,331,200 in total. On 29 April 2019, <i>the Proposal on Using Capital Raised to Replace Self-raised Funds Pre-Invested in Investment Projects Financed by Proceeds</i> was considered and approved at the 27 <sup>th</sup> Meeting of the Ninth Session of the Board of Directors and the 23 <sup>rd</sup> Meeting of the Ninth Session of the Supervisory Committee, pursuant to which from 1 January 2019 to 19 April 2019, the amount pre-invested in fund-raising investment project (Overseas emerging markets' manufacturing base construction projects which layout the "One Belt, One Road") with self-raised funds that the Company intended to replace was RMB102.52 million in total.							
Information of supplementing circulating capital with idle raised funds					NA							
Utilisation of idle raised funds for cash management by investing in financial products					NA							
Utilisation of excess raised funds for permanent replenishment of working capital or repayment of bank loans					NA							



Amount of balance of raised funds and the reasons for its formation	NA
Information of other uses of raised funds	NA

Note: “Realized return of this year” represents the net profit from the investment projects financed by proceeds realized for the current period, the measurement and method of calculation is the same as that of the committed return.

#### **IV. Information on Changes of Some Investment Projects Financed by Proceeds**

In order to give full play to the efficiency and return of raised funds, and considering the actual situation of investment projects financed by the raised funds and the needs of the Company, some raised funds with an amount of RMB 660.45 million, which were originally intended to be but not yet used in the sub-project “Construction Project on the Home Appliances Intelligent Control Module Factory” under “Project on Leading Consumption Upgrade and Intelligent Manufacturing Upgrade of Production Lines such as Refrigerators and Air-conditioners ”, as well as the sub-projects “Construction Project on Advanced R&D Laboratory of Intelligent Home Appliances ” and “Construction Project on Research Institute of Industrial Intelligence” under “Project on Improving Innovation Capability, Construction of Advanced R&D Laboratory, COSMOPlat Industrial Internet Platform and U+ Smart Life Platform” (the above projects are collectively referred to as “original investment projects financed by proceeds”), were used in the new project “Haier North India Industrial Park Project (Phase I)”.

##### **1. Reasons for the change**

According to the Company's market plan, India has important strategic significance for the Company's global layout. As one of the BRIC countries, India's economy is in a stage of rapid growth, low penetration rate of household appliances, and a huge user base, whose industrial development potential is huge. In recent years, the Company's business in India has achieved rapid growth with the income of 2016-2018 increased by 26%, 40% and 41%, respectively. Based on the current capacity, there will be a capacity gap in the Company in India by 2020. When the public issuance program of the Company's convertible corporate bonds was launched in September 2017, the “Haier Industrial Park Project in North India” was still in the process of demonstration and did not fully meet the reporting conditions of the

investment projects financed by proceeds, thus the project was not included in the investment projects financed by proceeds. On 30 August 2018, the 18th meeting of the 9th session of the Board of Directors of the Company considered and approved the Proposal on Newly Constructing Industrial Park Project in North India of Qingdao Haier Co., Ltd., and the Company intended to implement the new “Haier North India Industrial Park Project” to further increase production capacity output, order response speed, save transportation and material costs, and strengthen the Company's local market competitiveness.

Now considering that the demand for funds in India’s project is more urgent, and the construction period of the original part of investment projects financed by proceeds is relatively long whose need can be meet by using the self-owned/self-raised funds, the Company intends to use the proceeds of RMB660.45 million which were planned to be used in original part of investment projects financed by proceeds for the “Haier North India Industrial Park Project (Phase I)” to better match the capital demand cycle of the Company's various projects and improve the efficiency of capital use and optimize the Company's overall business development needs.

## 2. Decision-making procedures

The matters on changing part of the investment projects financed by raised funds have been considered and approved at the 27<sup>th</sup> Meeting of the Ninth Session of the Board of Directors, the 23<sup>rd</sup> Meeting of the Ninth Session of the Supervisory Committee, the First Bondholders Meeting in 2019, and the 2018 Annual General Meeting of the Company, where the Independent Directors of the Company have expressed unanimous opinions on the above matters, and the supervisors of the Company has expressed explicit agreements.

## **V. Problems in Usage and Disclosure of Raised Funds**

There was no untimely, untrue, inaccurate or incomplete disclosure of relevant

information disclosed by the Company, and there was no major illegal storage, use management or disclosure of raised funds.

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

29 August 2019