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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

**DISCLOSEABLE TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE FINANCIAL SERVICES
FRAMEWORK AGREEMENT**

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 29 April 2021, the circular of the Company dated 4 June 2021 and the poll results announcement of the Company dated 25 June 2021 in relation to, among other things, the Financial Services Framework Agreement renewed between the Company, Haier Group and Haier Finance Company as well as its annual caps for 2021, 2022 and 2023 which were set in respect of the Financial Services Framework Agreement.

Given that the Financial Services Framework Agreement and its proposed annual caps will expire on 31 December 2023 and the Company will continue to conduct such transactions subsequent to 31 December 2023, therefore the Company, Haier Group and Haier Finance Company entered into the New Financial Services Framework Agreement on 30 March 2023 for a term of three years commencing from 1 January 2024 to 31 December 2026, pursuant to which Haier Group and its associates, mainly Haier Finance Company, agreed to provide financial services to the Group from time to time on a non-exclusive basis.

Implications of the Hong Kong Listing Rules

As at the date of this announcement, Haier Group holds, directly and indirectly, around 34% of the voting rights in the Company, therefore, Haier Group is the Controlling Shareholder of the Company and becomes a Connected Person of the Company. Consequently, the transactions contemplated under the New Financial Services Framework Agreement constitute Continuing Connected Transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

According to the Hong Kong Listing Rules, in respect of the proposed annual caps of the New Financial Services Framework Agreement, as the applicable percentage ratio of the highest annual cap for the Deposit Services is higher than 5% but less than 25%, the provision of Deposit Services under the New Financial Services Framework Agreement constitutes a discloseable transaction of the Company and is subject to the requirements of reporting and announcement but is not subject to the Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

According to the Hong Kong Listing Rules, as the highest applicable percentage ratio (except for the profits ratio which is not applicable) for the Deposit Services is higher than 5%, the provision of Deposit Services under the New Financial Services Framework Agreement constitutes a Connected Transaction of the Company and is subject to the requirements of reporting, announcement, Independent Financial Advisor's opinions, annual review and Independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

According to the Hong Kong Listing Rules, the receipt of Loan Services under the New Financial Services Framework Agreement represents financial assistance provided by a Connected Person for the benefit of the Group, which is on normal commercial terms similar to or more favourable than those offered by independent commercial banks for comparable services in the PRC with no security over the assets of the Group be granted and is fully exempt under Rule 14A.90 of the Hong Kong Listing Rules from all requirements of reporting, announcement, Independent Financial Advisor's opinions, annual review and Independent Shareholders' approval.

According to the Hong Kong Listing Rules, as the highest applicable percentage ratio for the Other Financial Services is higher than 0.1% but less than 5%, they will be subject to the requirements of reporting, annual review and announcement but will be exempt from requirements of Independent Financial Advisor's opinions and Independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

Although under the Hong Kong Listing Rules, Loan Services and Other Financial Services under the New Financial Services Framework Agreement are exempt from the requirements of Independent Financial Advisors' opinions and Independent Shareholders' approval, according to the Listing Rules of the Shanghai Stock Exchange, the New Financial Services Framework Agreement as a whole shall be submitted to the general meeting for consideration. To provide the Shareholders with more comprehensive information, the Company has appointed the Independent Financial Advisor to advise Independent Shareholders on Deposit Services, Loan Services, Other Financial Services under the New Financial Services Framework Agreement and their proposed annual caps.

AGM

The Company will convene the AGM to consider and approve the New Financial Services Framework Agreement and its proposed annual caps for 2024, 2025 and 2026. Haier Group and its associates will abstain from voting on the resolution in respect of the New Financial Services Framework Agreement and its proposed annual caps at the AGM. As at the date of this announcement, to the best of the knowledge and belief of the Directors after having made all reasonable enquiries, save as disclosed in this announcement, other Shareholders are not required to abstain from voting on the above resolution. The above resolution will be approved by way of ordinary resolution and voted by poll.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the New Financial Services Framework Agreement and its proposed annual caps for 2024, 2025 and 2026. The Company has appointed the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on the same matter.

A circular containing, among other things, particulars of the New Financial Services Framework Agreement and its proposed annual caps, a letter from the Independent Board Committee, a letter from the Independent Financial Advisor together with a notice to convene the AGM will be despatched to the Shareholders of the Company in due course. As for such circular, the Company will need time to conduct various preparation works, hence such circular is expected to be despatched 15 business days after the publication of this announcement.

I. CONTINUING CONNECTED TRANSACTIONS — RENEWAL OF THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

1. Background

Reference is made to the announcement of the Company dated 29 April 2021, the circular of the Company dated 4 June 2021 and the poll results announcement of the Company dated 25 June 2021 in relation to, among other things, the Financial Services Framework Agreement entered into between the Company and Haier Group as well as its annual caps for 2021, 2022 and 2023 which were set in respect of the Financial Services Framework Agreement.

Given that the Financial Services Framework Agreement and its proposed annual caps will expire on 31 December 2023 and the Company will continue to conduct such transactions subsequent to 31 December 2023, therefore the Company, Haier Group and Haier Finance Company entered into the New Financial Services Framework Agreement on 30 March 2023 for a term of three years commencing from 1 January 2024 to 31 December 2026, pursuant to which Haier Group and its associates, mainly Haier Finance Company, agreed to provide financial services to the Group from time to time on a non-exclusive basis.

2. New Financial Services Framework Agreement

Date: 30 March 2023

Parties: the Group (as service recipient);

Haier Group (as service provider and guarantor); and

Haier Finance Company (as service provider)

Principal terms:

Pursuant to the New Financial Services Framework Agreement, the services intended to be provided by Haier Group and its associates to the Group include:

- Deposit services;
- Loan services and entrusted loan services;
- Haier Group and its associates shall, according to their own funding capabilities, give priority to satisfying the loan needs of the Group, and the loan services it provides to the Group include loans and other credit services; and

- In the event that the Group applies for a loan from Haier Group and its associates, the Group and Haier Group and its associates shall sign a loan contract, specifying the loan amount, loan usage, loan period and other matters.
- Other financial services including:
 - (1) spot sale and purchase of foreign exchange services and hedging financial derivatives business, international settlement, trade financing and non-financing letter of guarantee services, etc.;
 - (2) financial consulting and consulting agency services;
 - (3) cross-border foreign exchange funds and cross-border RMB funds business;
 - (4) credit verification and provision of entrusted loans services;
 - (5) bill issuance, acceptance and discount;
 - (6) providing collection and automatic liquidation management of physical and electronic commercial bills;
 - (7) the internal transfer and settlement service of the Group and the corresponding settlement;
 - (8) underwriting the corporate bonds of the Group;
 - (9) services related to receipt and payment of funds;
 - (10) consumer credit, buyer credit services for the Group's products; and
 - (11) other services as approved by the CBIRC (collectively “**Other Financial Services**”).

The New Financial Services Framework Agreement will become effective upon approval by the general meeting and will expire on 31 December 2026. Subject to the Company's compliance with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules (if applicable), the Group has an option, in its entire discretion, to renew the New Financial Services Framework Agreement upon its expiry for another term of three years. Haier Group and its associates do not have reciprocal rights under the New Financial Services Framework Agreement. Each party and their respective subsidiaries or associates will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the New Financial Services Framework Agreement. In respect of the deposits placed by the Group with Haier Group and its associates and in the event that Haier Finance Company misuses or uses such

deposits in breach of regulations, or in any other circumstances which causes Haier Finance Company to be unable to repay the Group's deposits (including accrued interests), Haier Finance Company shall then immediately repay the relevant deposits (including accrued interests) to the Group, and the Group is entitled to appropriate such deposits to set off against the outstanding loans (including accrued interests) extended by Haier Finance Company to the Group. However, in the event that the Group fails to repay its loans extended by Haier Finance Company on time, Haier Finance Company will not be entitled to set off the outstanding loans owed by the Group to Haier Finance Company against the deposits (including accrued interests) placed by the Group with Haier Finance Company, except as otherwise provided by the laws and regulations of the PRC.

In terms of the deposits placed by the Group with other associates of Haier Group except Haier Finance Company and in the event that the associates of Haier Group misuses or uses such deposits in breach of regulations, or in any other circumstances which causes it to be unable to repay the Group's deposits (including accrued interests), such other associates of Haier Group except Haier Finance Company shall then immediately repay the relevant deposits (including accrued interests) to the Group, and the Group is entitled to appropriate such deposits to set off against the outstanding loans (including accrued interests) extended by the associates of Haier Group to the Group. However, in the event that the Group fails to repay its loans extended by the associates of Haier Group to the Group on time, the associates of Haier Group will not get the right of set-off, and will not be entitled to set off the outstanding loans owed by the Group to it against the deposits (including accrued interests) placed by the Group with it, except as otherwise provided by the laws and regulations of the PRC.

If the Group purchases deposit services from other associates of Haier Group other than Haier Finance Company in the future, Haier Group will procure such associates to fulfill the obligations under the terms above, as if they signed the New Financial Services Framework Agreement.

Undertakings by Haier Group

As part of the New Financial Services Framework Agreement, Haier Group has unconditionally and irrevocably undertaken and guaranteed joint and several liability to the Company that, during the term of the New Financial Services Framework Agreement, Haier Group will:

- (i) provide the joint and several liability guarantee to the Group in respect of the deposits (including accrued interests) placed by the Group with Haier Group and its associates;

- (ii) jointly bear all the financial losses incurred by the Group due to the failure in performing the obligations or breach of any obligations or terms under the New Financial Services Framework Agreement by Haier Group and its associates or Haier Group and its associates' breaches or potential breaches of PRC laws and regulations, or by it having or potentially having any major operational problems or difficulties with liquidity, including but not limited to, the Group's deposits, interests and the relevant expenses incurred, within ten business days since such failure or problems occur; and
- (iii) use its best endeavours and take all reasonable steps to provide the joint and several liability guarantee to ensure fulfilment of obligations by Haier Finance Company under the New Financial Services Framework Agreement.

Reasons for and benefits of the transaction:

Under the New Financial Services Framework Agreement, the Group intends to primarily purchase deposit services, loan services and foreign exchange derivatives investment services from Haier Finance Company in the future. The reasons for and the benefits to the Group in using the financial services of Haier Group and its associates (mainly Haier Finance Company), include but are not limited to:

From the perspective of capital security:

- (i) Haier Finance Company is a non-banking financial institution among the first batch of companies being approved to carry out all kinds of domestic and foreign currencies businesses, and the first enterprise group finance company to carry out the pilot program of centralized management of foreign exchange funds for current account items. It is the first enterprise group finance company in China to pass the ISO27001 certification of the International Information Security Management System and the third-level certification of national standard protection;
- (ii) as a non-banking financial institution specialising in providing financial services to enterprise group member entities, Haier Finance Company is regulated by the PBOC and the CBIRC and it provides financial services in accordance with and in compliance of the rules and operational requirements of these regulatory authorities including capital risk guidelines and requisite capital adequacy ratios. The regulation of finance companies by the CBIRC is more stringent than the regulation of commercial banks in the PRC in certain aspects;

- (iii) historically, all terms of the financial services agreement signed between Haier Group and its associates and the Group have been fulfilled, and Haier Group provided joint liability guarantee for the deposits in Haier Group and its associates placed by the Group; and
- (iv) the Group currently holds 42% direct and indirect interests in the Haier Finance Company, and appoints the Directors to participate in the governance decision-making of the Haier Finance Company, inspect and control the operation risk of the Haier Finance Company, so as to improve the fund security. The Group has conducted risk monitoring and assessment of Haier Finance Company in the past years and has not identified any risky items in respect of deposits with Haier Finance Company.

From the perspective of efficiency of capital use:

- (i) the Group's deposit partly placed in Haier Group and its associates can save financial costs and improve capital efficiency. The interest rate of domestic RMB deposits provided by Haier Group and its associates is more favourable than that of commercial banks obtained by the Group, for deposits of similar nature and term. Generally speaking, the interest rate of domestic RMB demand and seven-day notice deposits is about 10% or above higher than the benchmark interest rate of deposits announced by the PBOC on the quotation date. Overseas deposits in RMB and foreign currencies are implemented in accordance with market principles, and the interest rate of similar deposits is no less favourable than the highest interest rate of commercial banks available to the Group;
- (ii) Haier Finance Company has been continuously approved for various foreign exchange business since 2004, possesses the qualifications of performing the fund pool business home and abroad, and can provide the Group with customized comprehensive management services for the fund pool so as to realize the cross-legal representative, cross-regional and cross-border capital allocation and management among the Group's hundreds of subsidiaries, which will save financial costs, strengthen fund management and improve the efficiency of capital use and gains;
- (iii) Haier Finance Company is an important partner of the customers of the Company along the industry chain, many of which have opened accounts with Haier Finance Company, allowing the Group's ecosystem partners to use the settlement platform of Haier Finance Company to process most of the transactions with the Group at their convenience, so as to improve operational efficiency. In addition, Haier Finance Company provides customized comprehensive supply chain financial services to the Group, such as purchaser credit granted to downstream customers as per regulatory requirements;

- (iv) by leveraging the unique cross-bank aggregation function of the finance company, Haier Finance Company can shorten the Group's capital transfer and turnover time in several bank channels, and improve the efficiency of capital operations and the convenience of fund management. Meanwhile, Haier Finance Company has continuously upgraded its digitization system and established a professional team to provide more considerate services with higher quality;
- (v) Haier Finance Company provides the Group with full-process and centralized bill pool management services including bill identification, inquiry, custody, collection, billing, and acceptance. The scale of bill issuance is much higher than that of independent third party commercial banks. Centralized bill pool management can effectively avoid the mismatch of bill maturity, bill size and bill amount. It maximizes the vitalization of deposited assets, improve the efficiency of capital operations and reduces financial costs while meeting the liquidity demand of bill holders. Meanwhile, Haier Finance Company exempts account management fees, online banking opening fees, inquiry letter fees, deposit certificates, internal settlements and other fees, which can effectively save financial costs of the Group;
- (vi) Haier Group and its associates has an in-depth understanding of the Group's development strategy, development goals and business model with an adequate professional financial services team, which can accurately predict and quickly meet the Group's needs for financial service; and
- (vii) the Group directly and indirectly holds 42% equity interest in Haier Finance Company. The Group's deposit in Haier Finance Company will bring interest income and are expected to maintain the Group's investment gains in Haier Finance Company.

The Group is independent from its Shareholders (including Haier Group) in financial aspects, while the above fund pools management services to be provided by Haier Finance Company represent the internal fund management of the Group only. Based on our previous experience in business dealings with Haier Group and its associates, the Group believe that Haier Group and its associates are capable of effectively satisfying our demands for financial services and can provide customized financial service solutions for the Group according to the Group's strategic plan, which is in the interests of the Group and the Shareholders as a whole.

Pricing policy:

In terms of Deposit Services, pursuant to the New Financial Services Framework Agreement, in respect of domestic RMB deposits, Haier Group and its associates provide deposit services to the Group by referencing to the benchmark deposit interest rate announced by the PBOC on its official website for the same period from time to time, at an interest rate more favourable than the highest interest rate for the same type of deposits as quoted by Industrial and Commercial Bank of China,

Agricultural Bank of China, China Construction Bank, Bank of China and all the listed national joint stock banks in the PRC (the “**Comparable Banks**”), overseas deposits in RMB and foreign currencies are implemented in accordance with market principles, and the interest rate of similar deposits is no less favourable than the highest interest rate of commercial banks available to the Group.

Before placing domestic RMB deposits with Haier Group and its associates, the Group will compare the interest rate provided by Haier Group and its associates with those published by the Comparable Banks and provided by the three major banks or financial institutions with which the Group has established business relationships in each quarter. Before placing overseas RMB and foreign currency deposits with Haier Group and its associates, the Group will compare the interest rate provided by Haier Group and its associates with those provided by the three major banks or financial institutions with which the Group has established business relationships in each quarter.

In terms of Loan Services, Haier Group and its associates will provide loans to the Group at a price no less favourable than the market prices determined at an arm’s length basis with reference to the borrowing rate for the same type of loans charged by other three major financial institutions/commercial banks. After the fund lending arrangement is reached between the subsidiaries of the Group, Haier Group and its associates can act as financial service intermediaries to provide entrusted loan services and preferential treatment on a free-of-charge basis. All subsidiaries of the Group can use the online banking system of Haier Finance Company for settlement services for free.

In terms of Other Financial Services, the fees charged by Haier Group and its associates will be determined based on corresponding market prices with reference to the charge standard published by the PBOC on its official website from time to time. If there is no such benchmark rates published by the PBOC for that kind of financial services, the fee will be determined with reference to, amongst other factors, the rates charged by other major financial institutions/commercial banks for the same types of services and their conditions. The terms and conditions should not be less favourable than those terms and conditions offered by independent financial institutions/commercial banks in the PRC to the Group. Before using Other Financial Services provided by Haier Group and its associates, the Group will compare the fees charged by Haier Group and its associates with those charged by three major commercial banks or financial institutions with which the Group has established business relationships. Haier Finance Company will pool their resource advantages to obtain the lowest service fees and the best-quality services from external financial institutions, and agree that Haier Group and its associates will not charge any intermediate fees except those charged by external banks. In addition, Haier Group and its associates agrees to waive all the service fees charged to the

Group by it, including but not limited to, account management fees, online banking activation fees, inquiry fees, deposit certificate fees, credit certificate fees, and internal settlement fees.

Historical amount:

The maximum daily balance of deposits placed by the Group with Haier Group and its associates for each of the three years ended 31 December 2022 were approximately RMB24,987 million, RMB28,655 million and RMB31,977 million, respectively. The corresponding interest income received by the Group from Haier Finance Company for each of the three years ended 31 December 2022 were approximately RMB86 million, RMB340 million and RMB570 million, respectively.

The maximum daily outstanding balance of loans granted by Haier Group and its associates to the Group for each of the three years ended 31 December 2022 were approximately RMB3,628 million, RMB557 million and RMB338 million, respectively. The corresponding interest expenses paid by the Group to Haier Group and its associates for each of the three years ended 31 December 2022 were RMB86 million, RMB8 million and RMB5 million, respectively.

The maximum daily trading balance of foreign exchange derivative products by Haier Group and its associates for the Group for each of the three years ended 31 December 2022 were approximately RMB4,418 million, RMB2,612 million and RMB413 million, respectively.

The service fee for Other Financial Services paid by the Group for each of the three years ended 31 December 2022 were approximately RMB18 million, RMB23 million and RMB29 million.

3. Proposed Annual Caps and Basis of Determination

The transaction annual caps under the New Financial Services Framework Agreement for the three years ending 31 December 2026 shall not exceed the following caps:

	Proposed Annual Caps		
	For the period ending 31 December 2024	For the period ending 31 December 2025	For the period ending 31 December 2026
<i>(in RMB million)</i>			
Deposit Services			
(a) Maximum daily outstanding balance of deposits placed by the Group	34,000	34,000	34,000
(b) Interest income	1,020	1,020	1,020
Loan Services			
(a) Maximum daily outstanding balance of loans granted to the Group	10,000	10,000	10,000
(b) Interest expense	400	400	400
Other Financial Services			
(a) Maximum daily trading balance of foreign exchange derivative products	5,500	5,500	5,500
(b) Service fee	80	80	80

When determining the above proposed annual caps, the Directors have taken into consideration the following factors:

In terms of Deposit Services:

- (i) the Group's historical transaction amounts of and underlying interest income from the above deposits of Haier Group and its associates are arrived at after taking into account the maximum daily outstanding balance of deposits of RMB31,977 million and the interest income of RMB570 million that incurred for the year ended 31 December 2022;
- (ii) the Group will manage the proportion of deposits in Haier Finance Company in a scientific and versatile manner based on management requirements. At the same time, taking into account the Group can obtain the highest price in Haier Finance Company that is no less favourable than the market deposit pricing and the most efficient capital operation support to maintain a stable consolidated return for the Group in Haier Finance Company, the maximum daily deposit balance cap for the three years ending 31 December 2026 is intended to remain the same as the cap of RMB34 billion in 2023;

- (iii) the estimated cash amounts as well as daily cash inflows of the Group available for deposit at Haier Group and its associates. As part of the finance management measures, the Company sets the maximum daily outstanding balance amount for the Group's deposits placed at Haier Group and its associates every year, which remains generally stable for recent years so as to allow sufficient financial allocation flexibility for the Group;
- (iv) the Group's business is expected to maintain a sound development trajectory driven by the domestic recovery from epidemic, global consumption upgrades and smart home development trends. In 2022, the Group's revenue and gross profit margin increased by 7.2% and 7.2% year-on-year respectively. The growth of the Group's business in 2022 and its expected upward momentum in the next three years will maintain the Group's demand for deposits and fund settlements at a stable level;
- (v) the Group is expanding rapidly in overseas market, the synergy between domestic and foreign business is increasingly strong, and cross-border demand is rising. According to the scale of overseas credit and actual business needs, the Group plans to set aside certain amount of capital to guarantee overseas liquidity in response to international emergencies such as geopolitical conflict. Leveraging on Haier Finance Company's cross-border fund pool channel service, subject to the fulfilment of the conditions of the foreign exchange regulatory legislation, the Group can remit domestic capital to overseas quickly, which meets the capital needs of the Group's overseas subsidiaries and improves the Group's efficiency in the use of capital.

In terms of Loan Services:

- (i) the Group's historical transaction amounts of and underlying interest expense to the loans from Haier Group and its associates are arrived at after taking into account the maximum daily outstanding balance of loans of RMB338 million that incurred and the interest expense of RMB5 million that incurred for the year ended 31 December 2022; and
- (ii) it is expected that the Group's demands on loans will maintain a steady growth. As part of the finance management measures, the Company sets maximum daily outstanding balance amount for the Group's loans obtained from Haier Group and its associates every year, which remains generally stable for recent years with the maximum amount of working capital loans amounting to approximately RMB4,000 million, so as to satisfy the financing needs of the Group from time to time. The business development plans and the growth profile of the Group has also been taken into account, especially the needs of the Group for short-term funds to meet the capital expenditure requirements such as construction to expand

production lines and investment and mergers and acquisition plans. The development pace of the Group's domestic and overseas projects will pick up in next three years, and the Group has begun to explore diversified expansion plans that require capital resources, therefore it is expected that the Group's demands on loans for its business and projects will maintain a steady growth. The Group may consider borrowing from a finance company if the loan package offered by Haier Finance Company is competitive. Accordingly, the limit for the local currency loan is approximately RMB4,500 million. In addition, taking into account the complex changes in the international environment and exchange rate fluctuations, combined with the increase in the cost of loans in US\$, possible need for loan replacement or additional financing for the Merger and Acquisition segment, as well as the future capital expenditure and working capital requirements of the Group overseas, the limit for foreign currency loans is approximately RMB5,500 million.

In terms of Other Financial Services:

- (i) the historical transaction amounts of Other Financial Services and the underlying services fees the Group paid to Haier Group and its associates are arrived at after taking into account the maximum daily trading balance of foreign exchange derivative products of RMB4,418 million, RMB2,612 million and RMB413 million that incurred for each of the three years ended 31 December 2022, respectively.
- (ii) the anticipated increase in the Group's demand for global financial services. As part of the finance management measures, in accordance with the Management Policy on Foreign Exchange Risks and the Management System on Foreign Exchange Derivatives Transactions of Haier Smart Home Co., Ltd., to minimise the exposure of the Group towards foreign exchange risks and based on actual business needs, the Group sets the maximum daily trading balance of foreign exchange derivative products purchased from Haier Finance Company every year, which remains generally stable in recent years and satisfies the hedging needs of the Group from time to time for its overseas business segments. In the past three years, the size of the Group's foreign exchange transactions with Haier Finance Company (including export business, overseas investments, dividends, repurchases, etc.) averaged around US\$1,300 million (approximately RMB8,500 million) per year, and the amount of the Group's foreign exchange transactions in the recent year was approximately RMB7,700 million. The maximum daily balance of the Group's foreign exchange derivative products traded with Haier Finance Company in the past three years was approximately RMB4,400 million. Considering the Group's revenue from overseas operations has exceeded 50% of the overall business revenue and the scale of revenue is expected to keep growing, the Group's demand for global financial services, especially

the foreign exchange derivatives, to satisfy its hedging needs increases accordingly. As the Group expects to continue strengthening its global business performance and presence, it may result in further exposure to foreign exchange risks which requires hedging. In addition, continued instability in the global markets, including geopolitical events and instability in the global political environment, have contributed to the increasing phasal economic uncertainty in recent years and may lead to fluctuations in the foreign exchange market, which in turn increases the Group's hedging needs. Therefore, the size of the Group's foreign exchange derivative products in Haier Finance Company is expected to grow at 10% per annum, with a transaction limit of approximately RMB5,500 million for the next three years.

- (iii) The service fees of Other Financial Services primary consist of handling fees for promissory notes and non-financing letter of guarantee. Due to the surge in commodity prices of steel and non-ferrous metals in recent years, the Company's demand for raw material purchases has increased in order to cut raw material costs. Further, with the relaxation of epidemic control and the accelerated development of the industry, the Company expects to increase the scale of future purchases across all segments, which will lead to an increase in the handling fee accordingly. In addition, with the development of business, as the Company continues to innovate its products and upgrade its service experience and consumer scenarios in this era of Internet of Things, it is expected that the Company will strengthen its industrial integration with Haier Finance Company in the next three years and start cooperation in more financial service areas, which will lead to a corresponding increase in the service fees.

4. Internal Control Measures

Pursuant to the Hong Kong Listing Rules, the Group will comply at all times with the applicable provisions under Rules 14A.34, 14A.51 to 14A.59 of the Hong Kong Listing Rules in respect of the transactions contemplated under the New Financial Services Framework Agreement. In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following guidelines and principles in monitoring the financial services connected transactions between the Group and Haier Group and its associates.

- the Company will report the transactions under the New Financial Services Framework Agreement with Haier Group and its associates to the independent non-executive Directors during each of the Audit Committee meetings (if necessary);

- Pursuant to the Hong Kong Listing Rules, the Deposit Services and Other Financial Services under the New Financial Services Framework Agreement will be reviewed by the auditors and the independent non-executive Directors of the Company every year and reported in the annual report of the Company; and
- the Company will review the transactions with Haier Group and its associates to identify any transactions that may be at risk of exceeding the caps, and any measures to be taken in respect of such transactions. The Group has established a series of measures and policies to ensure that the transactions will be conducted in accordance with the terms of the New Financial Services Framework Agreement. Examples of the aforementioned measures and policies include:
 - i) Haier Group and its associates shall as far as practicable and on a best effort basis provide such assistance as necessary to the Group so as to allow the Group to comply with its internal control procedures and the requirements under the listing rules, including but not limited to providing financial and other data and/or documents within a reasonable timeframe, giving written or verbal explanations to queries raised by the Group and issue explanatory notes for certain facts or circumstances.
 - ii) the Finance Department and Securities Department of the Company are responsible for comparing the quotations/rates/interest rates of financial services provided by Haier Group and its associates with those obtained from third parties from the perspective of financial and listing compliance in accordance with the relevant governing regime of the Company, and judging and approving related transactions, specifically:
 - (a) the Finance Department and Securities Department of the Company will obtain quarterly (i) deposit interest rates announced by the Comparable Banks; and/or (ii) the interest rates offered by three major commercial banks or financial institutions with which the Group has established business relationships, and compare those with the interest rate offered by Haier Group and its associates. If the interest rate is not the highest offered by the Comparable Banks for similar deposits with approximate maturity, the Group will negotiate with Haier Group and its associates to adjust the recommended interest rate in compliance with the above-mentioned pricing principles. If the interest rate is consistent with the pricing principle, the Securities

Department of the Company will carry out the review process and final approval of the transaction following the approval of the Finance Department;

- (b) before obtaining a loan from Haier Group and its associates or using Other Financial Services provided by Haier Group and its associates, the Company will compare the interest rate offered or fee charged by Haier Group and its associates with those offered or fee charged by three major commercial banks or financial institutions with which the Group has established business relationships; if the interest rate and fee are not the prime interest rate/fee offered by the three major commercial banks or financial institutions with which the Group has established business relationships for similar loans/services, the Group will negotiate with Haier Group and its associates to adjust the recommended interest rate/fee in compliance with the above-mentioned pricing principles. If the interest rate/fee is consistent with the pricing principle, the Securities Department of the Company will carry out the review process and final approval of the transaction following the approval of the Finance Department.
- iii) the Finance Department of the Company will monitor the daily deposit level to ensure that the daily deposit amount does not exceed the upper limit. Haier Group and its associates shall provide necessary cooperation.
- iv) the Internal Audit Department of the Company is responsible for supervising and ensuring the effective implementation of internal control procedures and conducts a compliance inspection quarterly, and reports to the Audit Committee. The Internal Audit Department of the Company will conduct internal sampling inspections to ensure internal control measures of transactions remain intact and effective.
- v) the arrangement between the Company and Haier Group and its associates under the New Financial Services Framework Agreement is non-exclusive and the Group is at liberty to choose other financial services providers.
- vi) the Group currently holds 42% direct and indirect interests in the Haier Finance Company, and appoints the directors to participate in the governance decision-making of the Haier Finance Company, In accordance with the internal governance procedures of Haier Finance Company, the approval of at least two-thirds of the directors is required for the consideration of material matters, and the directors appointed by the Group have a certain degree of influence on its

corporate governance decisions. Meanwhile, the directors appointed by the Group serve as members of the Risk Management Committee and Audit Committee of Haier Finance Company. Through the directors appointed by the Group, the Group can perceive, review and control the operational risks of Haier Finance Company, so as to improve the fund security. The Group has conducted risk monitoring and assessment of Haier Finance Company in the past years and has not identified any risky items in respect of deposits with Haier Finance Company.

- vii) the Company has formulated the Contingency Plan on the Risk of Deposits with Haier Group Finance Co., Ltd., and the risk assessment report against Haier Finance Company is issued annually in accordance with the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.
- viii) the Company may terminate the New Financial Services Framework Agreement if Haier Group and its associates fail to satisfy certain financial performance criteria from time to time. The Group shall be entitled to terminate the New Financial Services Framework Agreement by serving Haier Group and its associates not less than one month's written notice upon:
 - (a) the occurrence of any of the following which exposes or potentially exposes the Group to substantial risks or losses: breaches or potential breaches of PRC laws and regulations by Haier Group and its associates; or by its non-performance or breach of any terms of the New Financial Services Framework Agreement; Haier Group and its associates experience or foresee to experience any major operational problems or difficulties with liquidity; or
 - (b) breaches or potential breaches of laws and regulations (including the listing rules of the stock exchange where the Company's shares are listed, including but not limited to the Shanghai Stock Exchange Listing Rules, Frankfurt Stock Exchange Listing Rules and Hong Kong Listing Rules, as the case may be) by the Company as a result of compliance with the New Financial Services Framework Agreement.
- ix) the Group will review the transactions with Haier Finance Company, summarise the experiences and supplement any inadequacies on an annual basis.

Pursuant to the New Financial Services Framework Agreement, the risks monitoring measures to be implemented by Haier Finance Company shall include but not limited to:

- i) Haier Finance Company shall as far as practicable and on a best effort basis provide such assistance as necessary to the Group so as to allow the Group to comply with its internal control procedures and the requirements under the Listing Rules, including but not limited to providing financial and other data and/or documents within a reasonable timeframe, giving written or verbal explanations to queries raised by the Group and issue explanatory notes for certain facts or circumstances;
- ii) Haier Finance Company will ensure the safe and stable operation of the fund management information system, which has passed the security test in respect of online commercial banking interface and has reached the national security standard for commercial banks. Haier Group and its associates will protect the safety of the funds of the Group and control the assets and liabilities risks;
- iii) Haier Finance Company shall at all times monitor its credit risks. If (a) Haier Finance Company breaches or may breach the laws, regulations, or the terms of the New Financial Services Framework Agreement, or (b) on the occurrence of any other circumstances that may cause serious concern to the security of the Group's deposits with Haier Finance Company (such as default on any payments due, operational risks or regulatory violations), Haier Finance Company shall give written notice to the Group within three business days after having knowledge of the occurrence of such situations or circumstances, and to take measures to avoid or contain any loss that may be sustained by the Group. Upon such notice, the Group has the right to immediately withdraw its deposits together with accrued interests forthwith, if it is unable to do so, it may set off its deposits (including accrued interests) against the loans extended by Haier Finance Company, except otherwise as provided in the relevant PRC laws and regulations;
- iv) Haier Finance Company will provide annual statutory audit reports issued by independent auditors to the Group to enable the management of the Group to have a comprehensive knowledge about the financial situation of Haier Finance Company;
- v) Haier Finance Company will appoint an independent accounting firm to review the completeness and impartiality of its internal control, risk management and operation system under the New Financial Services Framework Agreement, give assessment on the completeness and effectiveness of internal control measures, and provide an evaluation report on the effectiveness of implementation of the internal control measures to the Group on an annual basis;

- vi) Haier Finance Company will provide to the Group within three business days a copy of all compliance reports submitted to the CBIRC so that the Group would be informed of the compliance status of Haier Finance Company;
- vii) Haier Finance Company undertakes to strictly comply the risk monitoring indicators for finance companies as stipulated by the CBIRC in its operations. The major risk monitoring indicators include the capital adequacy ratio and current ratio. Based on the management accounts quarterly provided by Haier Finance Company, the Group will monitor the compliance with key risk monitoring indicators of Haier Finance Company on a quarterly basis;
- viii) Haier Finance Company will provide to the Group a copy of the external reports on its credit rating when they are available, and notify the Group immediately when there are changes in credit rating so that the Group will be informed of the credit rating status of Haier Finance Company;
- ix) Following Haier Finance Company having prepared its quarterly financial statements the same will be made available to the Group in a timely manner.

There will be a proper and complete separation of duties, and no representative of Haier Group or any of its associates will be involved in the Group's internal control and risk management procedures.

The Directors are of the view that the above internal control and risk management procedures adopted by the Group are appropriate and sufficient, and that the procedures and measures give assurance to the Independent Shareholders that the provision of Deposit Services provided by Haier Finance Company will be appropriately monitored. In addition, the internal control measures and procedures would be carried out during the term of the New Financial Services Framework Agreement.

5. Implications of the Hong Kong Listing Rules

As at the date of this announcement, as 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 becomes a Connected Person of the Company. Consequently, the transactions contemplated under the New Financial Services Framework Agreement constitute Continuing Connected Transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to the Hong Kong Listing Rules, in respect of the proposed annual caps of the New Financial Services Framework Agreement, as the applicable percentage ratio of the highest annual cap for the Deposit Services is higher than 5% but less than 25%, the provision of Deposit Services under the New Financial Services Framework Agreement constitutes a discloseable transaction of the Company and is subject to the requirements of reporting and announcement but is not subject to the Shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

Pursuant to the Hong Kong Listing Rules, as the highest applicable percentage ratio (except for the profits ratio which is not applicable) for the Deposit Services is higher than 5%, the provision of Deposit Services under the New Financial Services Framework Agreement constitutes a Connected Transaction of the Company and is subject to the requirements of reporting, announcement, Independent Financial Advisor's opinions, annual review and Independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to the Hong Kong Listing Rules, the receipt of Loan Services under the New Financial Services Framework Agreement represents financial assistance provided by a Connected Person for the benefit of the Group, which is on normal commercial terms similar to or more favourable than those offered by independent commercial banks for comparable services in the PRC with no security over the assets of the Group be granted and is fully exempt under Rule 14A.90 of the Hong Kong Listing Rules from all requirements of reporting, announcement, Independent Financial Advisor's opinions, annual review and Independent Shareholders' approval.

Pursuant to the Hong Kong Listing Rules, as the highest applicable percentage ratio for the Other Financial Services is higher than 0.1% but less than 5%, they will be subject to the requirements of reporting, annual review and announcement but will be exempt from the requirements of Independent Financial Advisor's opinions and Independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

Although under the Hong Kong Listing Rules, Loan Services and Other Financial Services under the New Financial Services Framework Agreement are exempt from compliance with Independent Financial Advisors' opinions and Independent Shareholders' approval requirements, according to the Rules Governing the Listing of Shares on the Shanghai Stock Exchange, the New Financial Services Framework Agreement as a whole shall be submitted to the general meeting for consideration. To provide Shareholders with more comprehensive information, the Company has appointed the Independent Financial Advisor to advise Independent Shareholders on Deposit Services, Loan Services and Other Financial Services under the New Financial Services Framework Agreement and their proposed annual caps.

6. Information of Parties to the Transactions

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 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. 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); 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; research, development and transfer of technological achievements; and lease of self-owned properties. 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 Finance Company

Haier Finance Company, a company incorporated under the laws of the PRC, was established in 2002 and is directly and indirectly held 58% and 42% of the shares by Haier Group and its subsidiaries and the Group respectively. The principal business is taking deposits from group members; handling loans for group members; handling bill discount for group members; handling fund settlement and receipt and payment for group members; providing entrusted loans to group members, bond underwriting, non-financing letter of guarantee, financial consulting, credit verification and consulting agency services; conducting interbank lending; handling bill acceptance for group members; handling product buyer credit and consumer credit for group member; engaging in fixed-income securities investment; engaging in hedging derivatives transactions; other businesses approved by the CBIRC. Haier Group is the ultimate beneficial owner of Haier Finance Company, the principal business of which is investment holding.

7. Opinions of the Board

After taking into consideration the above pricing policy, basis of determining the proposed annual caps, reasons and benefits as well as internal control measures, the Directors (including the independent non-executive Directors) believed the terms of the transactions contemplated under the New Financial Services Framework Agreement and the proposed annual cap thereunder were determined on normal commercial terms in the ordinary and usual business course of the Company, and are fair, reasonable and in the interests of the Company and the shareholders of the Company as a whole. Meanwhile, the Directors (including the independent non-executive Directors) were of the opinion that sufficient mechanism, internal control measures and external regulatory measures have been put in place to ensure the Continuing Connected Transactions are in compliance with and in strict accordance with relevant regulatory guidance and the terms of the New Financial Services Framework Agreement.

As Directors of the Company, namely LI Huagang, SHAO Xinzhi and GONG Wei, have relevant interests in Haier Group, therefore, they are deemed to have material interests in the New Financial Services Framework Agreement and the transactions contemplated thereunder, consequently, they have abstained from voting on the resolution of the Board for approving the New Financial Services Framework Agreement and its proposed annual caps. Save as disclosed above, other Directors did not have any material interests in such transactions and they were not required to abstain from voting on the resolutions of the Board for considering and approving the New Financial Services Framework Agreement and its proposed annual caps.

II. AGM

The Company will convene the AGM to consider and approve the New Financial Services Framework Agreement and its proposed annual caps for 2024, 2025 and 2026. Haier Group and its associates will abstain from voting on the resolution in respect of the New Financial Services Framework Agreement and its proposed annual caps at the AGM. As at the date of this announcement, to the best of the knowledge and belief of the Directors, and having made all reasonable enquiries, save as disclosed in this announcement, other Shareholders were not required to abstain from voting on the above resolution. The above resolution will be approved by way of ordinary resolution and voted by poll.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the New Financial Services Framework Agreement and its proposed annual caps for 2024, 2025 and 2026. The Company has appointed the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on the same matter.

A circular containing, among other things, particulars of the New Financial Services Framework Agreement and its proposed annual caps, a letter from the Independent Board Committee, a letter from the Independent Financial Advisor together with a notice convening the AGM will be despatched to the Shareholders of the Company in due course. As for such circular, the Company will need time to conduct various preparation works, hence such circular is expected to be despatched 15 business days after the publication of this announcement.

III. DEFINITION

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“AGM”	the 2022 annual general meeting to be held by the Company
“associate(s)”	has the meaning as ascribed under the Hong Kong Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission or other organisations adjusted in accordance with the provisions of the relevant Chinese government bodies

“Company”	Haier Smart Home Co., Ltd., a joint stock company incorporated in the PRC 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 Hong Kong Stock Exchange (stock code: 6690)
“Connected Person(s)”	has the meaning as ascribed under the Hong Kong Listing Rules
“Continuing Connected Transactions”	has the meaning as ascribed under the Hong Kong Listing Rules
“Controlling Shareholder(s)”	has the meaning as ascribed under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Haier Group”	Haier Group Corporation
“Haier Finance Company”	Haier Group Finance Co., Ltd.
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the 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
“Independent Board Committee”	The independent committee under the Board comprising all independent non-executive Directors, namely Mr. CHIEN Da-Chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi. The Committee has been established to advise the Independent Shareholders on the New Financial Services Framework Agreement and its proposed annual caps

“Independent Financial Advisor”	Somerley Capital Limited, a registered institution to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong), being the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders on the New Financial Services Framework Agreement and their proposed annual caps
“Independent Shareholders”	the Shareholders of the Company other than Haier Group and its associates
“Independent Third Parties”	parties which are not connected with the Group (within the meaning of Hong Kong Listing Rules) to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry
“New Financial Services Framework Agreement”	the Financial Services Framework Agreement entered into by the Company with Haier Group and Haier Finance Company on 30 March 2023
“PBOC”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States
“Shareholder(s)”	the shareholder(s) of the Company
“subsidiaries”	has the meaning as ascribed under the Hong Kong Listing Rules
“%”	per cent

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

Qingdao, the PRC
30 March 2023

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*