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Haier

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

CONNECTED TRANSACTIONS ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANIES

The Board of the Company is pleased to announce that on 29 October 2021, for the purpose of increasing the Company's net profit attributable to owners of the Company, improving corporate governance standards, reducing daily connected transactions, streamlining the shareholding structure of target companies and enhancing the management efficiency of subsidiaries, the Company and Haier Group entered into the Equity Transfer Agreements, pursuant to which, the Company agreed to acquire and Haier Group agreed to sell the equity interests in the Target Companies.

As at the date of this announcement, 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 is a Connected Person of the Company. Accordingly, the Previous Transactions and the transactions contemplated under the Equity Transfer Agreements constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Hong Kong Listing Rules, the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) for the Previous Transactions is less than 0.1%, therefore they were fully exempt from the requirements of reporting, announcement, circular and Independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. As the Previous Transactions and the transactions contemplated under the Equity Transfer Agreement are conducted within 12 months and are related to each other, they are required to be aggregated under the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) for the transactions contemplated under the Equity Transfer Agreements on a combined basis is higher than 0.1% but less than 5%, the transactions are subject to the requirements of reporting, annual review and announcement but are exempt from requirements of independent financial advisor's opinions and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

1. INTRODUCTION

The Board of the Company is pleased to announce that on 29 October 2021, the Company and Haier Group entered into the Equity Transfer Agreements, pursuant to which, the Company agreed to acquire and Haier Group agreed to sell the equity interests in the Target Companies.

2. EQUITY TRANSFER AGREEMENTS

The principal terms of each Equity Transfer Agreement are substantially the same and are summarised as follows:

Date:	29 October 2021
Parties:	(1) The Company (as the transferee); and (2) Haier Group (as the transferor)
Equity in the Target Companies	(1) 10% equity interest in Dalian Refrigerator; (2) 3.94% equity interest in Special Freezer; and (3) 100% equity interest in Quality Testing Company
Consideration	The Company shall pay a consideration of RMB39.6 million, RMB28.8463 million and RMB36.30 million, representing a total of RMB104.7463 million, for the transfer of equity interests in Dalian Refrigerator, Special Freezer and Quality Testing Company respectively.

The consideration of the Transaction is based on the appraised value set out in the valuation reports prepared by Orient Appraisal by adopting the income approach as at the valuation benchmark date of 31 December 2020 and is determined after arm's length negotiation between the Company and Haier Group.

According to the Asset Valuation Report (Dong Zhou Ping Bao Zi [2021] No. 1953) issued by Orient Appraisal, the total shareholders' equity interest of Dalian Refrigerator using the income approach amounted to RMB396.00 million with 31 December 2020 as the valuation benchmark date. Taking into account the unaudited profit after tax of Dalian Refrigerator as at 31 December 2020 of RMB133.0412 million, the implied P/E ratio is 2.98.

According to the Asset Valuation Report (Dong Zhou Ping Bao Zi [2021] No. 1417) issued by Orient Appraisal, the total shareholders' equity interest of Special Freezer using the income approach amounted to RMB733.00 million with 31 December 2020 as the valuation benchmark date. Taking into account the unaudited net assets of Special Freezer as at 31 December 2020 of RMB715.9625 million, the implied P/B ratio is 1.02.

According to the Asset Valuation Report (Dong Zhou Ping Bao Zi [2021] No. 1416) issued by Orient Appraisal, the total shareholders' equity interest of Quality Testing Company using the income approach amounted to RMB36.30 million with 31 December 2020 as the valuation benchmark date. Taking into account the unaudited profit after tax of Quality Testing Company as at 31 December 2020 of RMB6.5358 million, the implied P/E ratio is 5.55.

With reference to the above valuation results and taking into account the P/E and P/B ratios of comparable companies which produce and manufacture white home appliances, the Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment method

The Company shall pay Haier Group the consideration for the equity transfers in cash

Payment term	The Company shall pay Haier Group the consideration for the equity transfers in full within 30 days from the Closing Date
Closing arrangement	The Company and Haier Group shall jointly procure the Target Companies to apply to the industry and commerce registration authority to complete the change in industry and commerce registration for the Equity Transfers within 30 days after the Equity Transfer Agreements become effective.
Conditions of the Transaction	<p>Pursuant to the Equity Transfer Agreements, the conditions precedent of the Transaction primarily include:</p> <ol style="list-style-type: none"> (1) the Equity Transfers shall be considered and approved by the internal authorised departments of the Company and Haier Group; (2) the Equity Transfers shall be considered and approved by the internal authorised departments of the Target Companies; (3) representations and warranties from both parties remain true, accurate and complete; (4) there is no occurrence of events that would cause a material and adverse change in the Target Companies and the Subject Equities from the date of execution of the Equity Transfer Agreements to the Closing Date.
Effective date of the agreements	The Equity Transfer Agreements become effective on the date on which both parties sign the agreements, and the Equity Transfers are considered and approved by the internal authorised decision-making departments of both parties.

3. INFORMATION ABOUT THE TARGET COMPANIES

Dalian Refrigerator is a company incorporated in October 2001 in the PRC with limited liability and is primarily engaged in the production, research and development, and sales of electric refrigerators. Dalian Refrigerator is owned as to 90% and 10% by the Company and Haier Group, respectively.

Special Freezer is a company incorporated in April 2001 in the PRC with limited liability and is primarily engaged in the production, research and development, and sales of electric refrigerators. Special Freezer is owned as to 96.06% and 3.94% by the Company and Haier Group, respectively.

Quality Testing Company is a company incorporated in September 2000 in the PRC with limited liability and is primarily engaged in the quality testing and inspection and product certification of electrical appliance and parts and components. Quality Testing Company is owned as to 100% by Haier Group.

Unaudited total assets, net assets and operating revenue of Dalian Refrigerator, Special Freezer and Quality Testing Company for the year ended 31 December 2020 and the nine months ended 30 September 2021 are set out as follows:

	As at 31 December 2020		Year ended 31 December 2020	As at 30 September 2021		(RMB) Nine months ended 30 September 2021
	Total assets	Net assets	Operating revenue	Total assets	Net assets	Operating revenue
Dalian Refrigerator	692,221,891.91	53,453,663.23	1,149,114,032.45	518,232,476.93	88,491,325.83	896,366,727.90
Special Freezer	2,037,421,488.11	715,962,495.13	2,929,701,425.08	1,835,424,715.31	808,774,651.28	2,445,028,366.93
Quality Testing Company	41,701,035.06	21,203,087.32	76,623,721.00	42,723,545.81	24,764,892.80	61,659,749.24

Unaudited profit before tax and profit after tax of Dalian Refrigerator, Special Freezer and Quality Testing Company for the two financial years ended 31 December 2019 and 31 December 2020 and the nine months ended 30 September 2021 are set out as follows:

	<i>(RMB)</i>					
	Year ended		Year ended		Nine months ended	
	31 December 2019		31 December 2020		30 September 2021	
	Profit before tax	Profit after tax	Profit before tax	Profit after tax	Profit before tax	Profit after tax
Dalian Refrigerator	145,146,726.68	134,914,593.65	146,602,538.46	133,041,222.10	46,415,043.40	35,037,662.60
Special Freezer	41,994,647.21	46,812,686.02	48,617,505.01	32,906,324.93	93,932,708.57	92,812,156.15
Quality Testing Company	5,769,484.33	4,955,335.17	7,798,164.47	6,535,846.96	4,775,377.59	3,561,805.49

According to the information obtained by the Directors, Haier Group acquired 10% equity interest in Dalian Refrigerator in 2002 at an original acquisition cost of RMB11 million, 3.94% equity interest in Special Freezer in 2015 at an original acquisition cost of RMB27.374 million and 100% equity interest in Quality Testing Company in 2010 at an original acquisition cost of RMB926,000.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENTS

(1) Potential Increase in the Company's Net Profit attributable to the owners of the Company and Reduce Gain or Loss attributable to Minority Shareholders

Through the acquisition of the minority equity interest in Dalian Refrigerator and Special Freezer under the Transaction, the Company will become the sole holding company of these two subsidiaries, Dalian Refrigerator and Special Freezer, which will be conducive to the increase of the net profit attributable to the owners of the Company.

(2) Significant Subsidiaries Become Wholly-owned Subsidiaries, Enhancing Overall Operational Efficiency

Dalian Refrigerator and Special Freezer are significant manufacturing operational entities of the Company's system with broad market prospects and high profitability. Upon completion of the Transactions, the Company will become the sole holding company of these two subsidiaries, which will be conducive to streamlining the shareholding structure, accelerating the decision-making of the subsidiaries and enhancing the overall management efficiency, thus fostering the Company's long term development.

(3) Complement the Company's Business Development, Reduce Daily Connected Transactions and Enhance Governance Level

Quality Testing Company (including its subsidiaries Qingdao Zhonghai Borui Inspection Technology Service Co., Ltd.* (青島中海博睿檢測技術服務有限公司) and Qingdao Haiyongcheng Certification Service Co., Ltd.* (青島海永成認證服務有限公司)) mainly provides quality inspection and product certification services for all product lines of the Company and its subsidiaries. The Transaction is beneficial to complement the Company's business in quality inspection and product certification, making a better way for promoting the synergies between the Quality Testing Company and all product lines of the Company, thus facilitating its business development.

The daily connected transactions between Quality Testing Company and its subsidiaries and the Group in 2020 amounted to approximately RMB73.60 million. The Transaction facilitated reduction in the daily connected transactions between the Company and Quality Testing Company and enhanced the Company's governance standards.

The Transaction is in line with the Company's strategic development objectives and has no adverse impact on the Company's ability to continue as a going concern, profit and loss and asset position. It has enabled the Company to enhance its overall operational efficiency, improve the efficiency of capital utilization, increase profitability, and further strengthen its core competitiveness, thereby contributing to the long-term development of the Company.

Before and after the Transactions, Dalian Refrigerator and Special Freezer are both subsidiaries within the scope of the Company's consolidated financial statements; after the Transaction, Quality Testing Company and its subsidiaries will become wholly-owned subsidiaries within the scope of the Company's consolidated financial statements, resulting in a change in the scope of the Company's consolidated financial statements.

The Directors (including the independent non-executive Directors) believe the transactions contemplated under the Equity Transfer Agreements are on normal commercial terms and the terms set out in such agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole but are not in the ordinary or usual course of business of the Group due to the nature of such transactions.

5. IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, 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 a Connected Person of the Company. Accordingly, the Previous Transactions and the transactions contemplated under the Equity Transfer Agreement constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Hong Kong Listing Rules, the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) under the Hong Kong Listing Rules for the Previous Transactions is less than 0.1%, therefore they were fully exempt from the requirements of reporting, announcement, circular and Independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. As the Previous Transactions and the transactions contemplated under the Equity Transfer Agreement are conducted within 12 months and are related to each other, they are required to be aggregated. As the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) for the transactions contemplated under the Equity Transfer Agreements on a combined basis is higher than 0.1% but less than 5%, the transactions are subject to the requirements of reporting, annual review and announcement but are exempt from requirements of independent financial advisor's opinions and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

As Directors of the Company, Mr. LIANG Haishan, Mr. XIE Juzhi and Mr. LI Huagang, hold positions in Haier Group, they are deemed to have material interests in the Equity Transfer Agreements and the transactions contemplated thereunder, consequently, and therefore, they have abstained from voting on the resolution of the Board for approving the Equity Transfer Agreements and the transactions contemplated thereunder. Save as disclosed above, other Directors do not have any material interests in the transactions and they were not required to abstain from voting on the resolutions of the Board for considering and approving the Equity Transfer Agreements and the transactions contemplated thereunder.

6. VALUATION

Given the Target Companies were appraised using the income approach, such valuation constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules. Accordingly, the Company discloses herein details of the valuation in compliance with Rule 14.62 of the Hong Kong Listing Rules.

Based on the valuation report prepared by Orient Appraisal, details of the principal assumptions, including the business assumptions upon which the profit forecast is based, are set out as follows:

Dalian Refrigerator

A. General Assumptions

- (1) It is assumed that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country, and that there will be no significant impact caused by other human force majeure and unforeseen factors;
- (2) No consideration has been given to the impact on the appraised entity's valuation conclusion of any collateral or guarantee that the appraised entity and its assets may assume in the future, or any additional price that may be paid as a result of special transactions;
- (3) It is assumed that there will be no significant changes in the socio-economic environment in which the appraised entity is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable;
- (4) The current and future business operations of the appraised entity are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

B. Specific Assumptions

- (1) The future income of the appraised entity can be reasonably estimated and measured in monetary terms; the risks associated with the expected income will be measurable; the duration of future income can be determined or reasonably estimated;
- (2) It is assumed that the current and future management of the appraised entity is complied with the laws and regulations, diligently performing its operation and management functions. After the implementation of such acquisition, there will be no serious impact on the development of the enterprise or damage to the interests of shareholders, and it will continue to maintain the existing operation management model and management level;
- (3) It is assumed that the core management and technical team of the appraised entity will remain stable in the future forecast period, and there will be no significant changes affecting the business development and profit realization of the enterprise;

- (4) It is assumed that the accounting policies adopted by the appraised entity after the valuation benchmark date is consistent with those adopted for the preparation of this valuation report in material aspects;
- (5) It is assumed that the cash inflow and cash outflow of the appraised entity will flow in and flow out evenly after the valuation benchmark date;
- (6) Certain of the appraised entity's current operating premises are obtained under a lease. It is assumed that upon the expiration of the lease contract, the appraised entity will be able to obtain a renewal for continued use in accordance with the terms of the lease contract, or will then be able to obtain operating premises of similar conditions and size at market rental rates;
- (7) It is assumed that the information related to the comparable listed companies is true and reliable;
- (8) It is assumed that unless specifically stated, transactions in the capital market are open, equal, voluntary and fair;
- (9) No consideration has been given to the possible impact of any special transaction on the valuation conclusion.

Special Freezer

A. General Assumptions

Same as the general assumptions of Dalian Refrigerator as set out above.

B. Specific Assumptions

- (1)-(9) same as the specific assumptions of Dalian Refrigerator as set out above;
- (10) It is assumed that the appraised entity will continue to be entitled to the recognition as a high-tech enterprise going forward and be able to enjoy preferential income tax policies;
- (11) According to the Notice on Major Efforts to Reduce Costs in 2021(《關於做好2021年降成本重點工作的通知》) (the “**Notice**”) issued by the National Development and Reform Commission of the People's Republic of China, the Ministry of Industry and Information Technology of the People's Republic of China, the Ministry of Finance of the People's Republic of China and the People's Bank of China, it is mentioned in the Notice that in order to further optimise the tax reduction policy, the policy of a 75% deduction on R&D expenses for enterprises will continue to subsist and the percentage of deduction for manufacturing enterprises will be raised to

100%. This valuation assumes that this preferential policy will be expired by the end of 2023. The rate on weighted deduction of research and development expenses will be restored to 50% in the following years.

Quality Testing Company

A. General Assumptions

Same as the general assumptions of Dalian Refrigerator as set out above.

B. Specific Assumptions

Same as the specific assumptions in (1)-(6) of Dalian Refrigerator as set out above.

HLB Hodgson Impey Cheng Limited, the auditor of the Company, has reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows (the “**Discounted Cash Flows**”) on which the valuation report is based. The Discounted Cash Flows do not involve the adoption of any accounting policies. The Board confirms that the profit forecast in the valuation report has been made after due and careful enquiry by the Board. The report issued by HLB Hodgson Impey Cheng Limited on the discounted cash flows and the letter from the Board are set out in Appendix I and Appendix II to this announcement respectively.

7. GENERAL INFORMATION

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 Group, and its principal business is investment holding. Haier Group is an urban collective ownership enterprise. 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.

8. DEFINITION

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“A Shares”	the ordinary share(s) issued by the Company and subscribed for in RMB, which are listed on the Shanghai Stock Exchange
“Board”	the board of directors of the Company
“Closing Date”	the date of completion of the change of business registration in relation to the Equity Transfer
“Company”	Haier Smart Home Co., Ltd., a joint stock company incorporated in the PRC on 28 April 1989 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 Stock Exchange of Hong Kong (stock code: 6690)
“Connected Person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“D shares”	the D share(s) with a nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed and traded on the China Europe International Exchange AG D Share Market on the Frankfurt Stock Exchange (stock code: 690D)
“Dalian Refrigerator”	Haier (Dalian) Refrigerator Co., Ltd* (大連海爾電冰箱有限公司), which is owned by the Company and Haier Group as to 90% and 10% respectively
“Director(s)”	director(s) of the Company

“Equity Transfer Agreement(s)”	“Agreement on the Transfer of 10% Equity Interest in Dalian Haier Refrigerator Co., Ltd, between Haier Group Corporation and Haier Smart Home Co., Ltd.”, “Agreement on the Transfer of 3.94% Equity Interest in Qingdao Haier Special Freezer Co., Ltd, between Haier Group Corporation and Haier Smart Home Co., Ltd.” and “Agreement on the Transfer of 100% Equity Interest in Qingdao Haier Quality Testing Co., Ltd. between Haier Group Corporation and Haier Smart Home Co., Ltd.” entered into between the Company and Haier Group
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	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
“H Share(s)”	the H shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 6690)
“Orient Appraisal”	Shanghai Orient Appraisal Co., Ltd.* (上海東洲資產評估有限公司), which is qualified to engage in securities and futures business in the PRC
“PRC”	the People’s Republic of China
“Quality Testing Company”	Qingdao Haier Quality Testing Co., Ltd.* (青島海爾質量檢測有限公司), which is wholly owned by Haier Group
“RMB”	Renminbi, the lawful currency of the PRC

“Previous Transactions”	During the past twelve months, the acquisition of 100% equity interest in Qingdao Three-Winged Bird Technology Co., Ltd.* (青島三翼鳥科技有限公司) by Haier Smart Home Experience Cloud Ecological Technology Co., Ltd.* (海爾智家體驗雲生態科技有限公司), a wholly-owned subsidiary of the Company, from Chongqing Haier Electrical Appliances Sales Co., Ltd.* (重慶海爾電器銷售有限公司), a subsidiary of Haier Group, at a transaction consideration of RMB150,000; the acquisition of 0.05% equity interest in Hefei Haier Washing Machine Co., Ltd.* (合肥海爾洗衣機有限公司) by Qingdao Haier Washing Machine Co., Ltd.* (青島海爾洗衣機有限公司), a subsidiary of the Company, from Haier Group and the acquisition of 20% equity interest in Qingdao Haier Electronic Plastic Co., Ltd.* (青島海爾電子塑膠有限公司) and 0.17% equity interest in Qingdao Haier Air-Conditioner Electronics Co., Ltd.* (青島海爾空調電子有限公司) by the Company from Haier Group., the aggregate transaction consideration of the above three transactions were RMB45,403,800
“Share(s)”	the ordinary shares of the Company, including A Share(s), D Share(s) and H Share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Special Freezer”	Qingdao Haier Special Freezer Co., Ltd.* (青島海爾特種電冰櫃有限公司), which is owned by the Company and Haier Group as to 96.06% and 3.94% respectively
“Target Company(ies)”	Dalian Refrigerator, Special Freezer and Quality Testing Company, as the subjects of the acquisition
“Subject Equities”	the subjects of the transaction under the Equity Transfer Agreement, i.e. the minority equity interests in Dalian Refrigerator and Special Freezer and 100% equity interests in Quality Testing Company
“Transaction(s)” or “Equity Transfer(s)”	pursuant to the Equity Transfer Agreements, the Company intends to acquire the minority equity interests in Dalian Refrigerator, Special Freezer and 100% equity interests in Quality Testing Company held by Haier Group by cash

“%”

per cent

By order of the Board
Haier Smart Home Co., Ltd.*
LIANG Haishan
Chairman

Qingdao, the PRC
29 October 2021

As at the date of this announcement, the executive Directors of the Company are Mr. LIANG Haishan, Mr. LI Huagang and Mr. XIE Juzhi; the non-executive Directors are Mr. WU Changqi, Mr. LIN Sui, Mr. YU Hon To, David and Ms. Eva LI Kam Fun; 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*

Appendix I

The following is the text of a report dated 29 October 2021 received from the Company's auditor, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement



29 October 2021

REPORT ON THE DISCOUNTED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION

TO THE BOARD OF DIRECTORS OF HAIER SMART HOME CO., LTD.

We refer to the discounted cash flows on which the business valuation (the “**Valuation**”) dated 25 October 2021 prepared by Shanghai Orient Appraisal Co., Ltd. in respect of the appraisal of the fair value of the total shareholders’ equity interest in Qingdao Haier Special Freezer Co., Ltd., Haier (Dalian) Refrigerator Co., Ltd. and Qingdao Haier Quality Testing Co., Ltd. (the “**Target Companies**”) as of 31 December 2020 (the “**Valuation Reference Date**”) was based. The Valuation is prepared based on the discounted cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of Haier Smart Home Co., Ltd. (the “**Directors**”) are responsible for the preparation of the discounted cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “*Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor’ Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted cash flows used in the Valuation. The discounted cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Appendix II

LETTER FROM THE BOARD

The following is the text of the letter dated 29 October 2021 from the Board which was prepared for inclusion in this announcement.

To: Listing Division of The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sir/Madam,

Company: Haier Smart Home Co., Ltd. (the “Company”)

Re: Profit forecast — confirmation letter under the requirements of Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)

Reference is made to the announcement of the Company dated 29 October 2021 in relation to, among the others, the valuation report (the “**Valuation Report**”) dated 25 October 2021 in respect of the evaluation of Haier (Dalian) Refrigerator Co., Ltd, Qingdao Haier Special Freezer Co., Ltd. and Qingdao Haier Quality Testing Co., Ltd. prepared by Shanghai Orient Appraisal Co., Ltd. (the “**Appraiser**”) using the income approach.

The board of directors of the Company has reviewed and discussed the basis and assumptions of the aforesaid appraisal with the Appraiser. The board of directors of the Company has also considered the report issued by HLB Hodgson Impey Cheng Limited, the auditor of the Company, on 29 October 2021 in relation to the arithmetical calculations and the compilation of the discounted cash flows on which such valuation reports are based.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the board of directors of the Company confirmed that the profit forecast used in the aforesaid Valuation Report has been made after due and careful enquiry.

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

Qingdao, the PRC
29 October 2021