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Haier 海尔

HAIER ELECTRONICS GROUP CO., LTD.

海爾電器集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1169)

**STRATEGIC INVESTMENTS IN
THE GROUP BY THE ALIBABA GROUP
INVOLVING
ALLOTMENT AND ISSUE OF SHARES BY THE TARGET COMPANY
AND
ALLOTMENT AND ISSUE OF SUBSCRIPTION SHARES
AND
ISSUE OF CONVERTIBLE AND EXCHANGEABLE BOND
RESUMPTION OF TRADING**

Financial Adviser to the Company

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

STRATEGIC INVESTMENTS IN LOGISTICS BUSINESS OF THE GROUP BY ALIBABA GROUP

The Board is pleased to announce that the Group and the Alibaba Group (as investor) have agreed through the Strategic Investment Agreements to a strategic collaboration to further develop the logistics business carried out by the Target Company, which is currently a wholly-owned subsidiary of the Company. The following Strategic Investments Agreements were entered into on 6 December 2013:

- (i) the Capital Increase and Subscription Agreement to inject capital of HK\$1,856,648,354.00 to the Target Company, pursuant to which Haier Electronics SPV II shall hold 24.10% equity interests in the Target Company and Alibaba HK shall hold 9.90% equity interests in the Target Company upon completion of the Capital Injection;
- (ii) the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and Alibaba SPV has conditionally agreed to subscribe for the Subscription Shares, representing approximately 2.00% of the enlarged share capital of the Company, at the Subscription Price of HK\$18.413 for each Share;
- (iii) the Convertible and Exchangeable Bond Agreement, pursuant to which the Company has conditionally agreed to issue and Alibaba SPV has conditionally agreed to subscribe for the Convertible and Exchangeable Bond (“**CEB**”) with an aggregate principal amount of HK\$1,316,036,039.00, which is (a) subject to the receipt of requisite PRC approvals, exchangeable into shares (“**SPV Shares**”) in the capital of Haier Electronics SPV I, which shall effectively be interested in 24.10% of the Target Company upon completion of the Capital Injection; or (b) convertible into ordinary shares of the Company (“**CEB Shares**”) at the Conversion Price; and
- (iv) the Shareholder Agreement among the Company, Haier Electronics PRC, Haier Electronics SPV II and Alibaba HK.

Further, Haier Group, who together are the majority shareholders of the Company, have undertaken to appoint a person nominated by Alibaba SPV as a non-executive director of the Company and a member of the Strategic Committee. The undertaking to such appointment shall cease if (a) Alibaba SPV, directly or indirectly, holds fewer than 52,389,996 Shares; or (b) Alibaba SPV fails to convert or exchange the CEB in full pursuant to the Convertible and Exchangeable Bond Agreement by the Maturity Date.

STRATEGIC COLLABORATION

Pursuant to the Strategic Investments Agreements, members of the Alibaba Group will become strategic shareholders in both the Target Company and the Company. The strategic investment in the Target Company is aimed at strengthening the existing business cooperation between the Target Group's operations and Alibaba's e-commerce platform Tmall.com. By leveraging on the expertise, experience and infrastructure of the Group's distribution capacity across China especially in third tier and fourth tier markets and the Alibaba Group's leading e-commerce platform and consumer data analysis, the Company intends to develop the Target Group into China's leading logistics solution provider for the delivery and installation of large format goods such as home appliances, furniture and sanitary ware. Such collaboration can also create more business opportunities for the Company's franchise network. By leveraging on the strength and expertise of both parties in their respective industries, the Company believes the strategic collaboration between the Group and the Alibaba Group is a milestone for the Target Group to develop a platform that grasps the business opportunity arising from the demand for efficient offline supporting services by internet sales platform

LISTING RULES IMPLICATIONS

The Subscription Shares and the CEB Shares, if allotted and issued, will be allotted and issued under the General Mandate and are not subject to the Shareholders' further approval.

The issue of 9.90% equity interests by the Target Company to Alibaba HK would constitute a deemed disposal by the Company. The exercise of the Exchange Right by Alibaba SPV under the CEB would constitute a disposal by the Company. The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the issue of 9.90% equity interests by the Target Company to Alibaba HK and the exercise of the Exchange Right by Alibaba SPV are, on either segregated or aggregated basis, below 5%.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the members of the Alibaba Group and its ultimate beneficial owner is connected with the Company or a connected person of the Company as at the date of this announcement.

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares and the CEB Shares. The Convertible and Exchangeable Bond will not be listed on any stock exchange.

Shareholders and potential investors should note that completion of the subscription for Shares and CEB is subject to the fulfillment of the conditions under the Strategic Investments Agreements and therefore may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was halted with effect from 9:00 a.m. on 6 December 2013 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 9 December 2013.

1. INTRODUCTION OF THE STRATEGIC INVESTMENTS

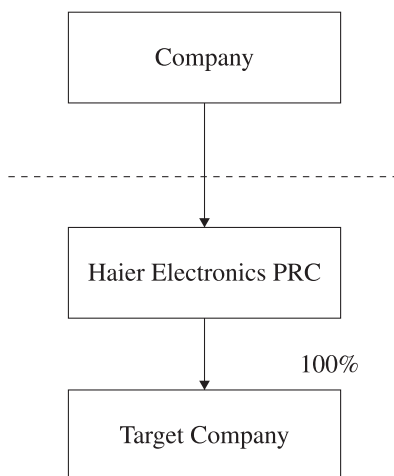
The Board is pleased to announce that on 6 December 2013 the Group and the Alibaba Group (as investor) have agreed through the Strategic Investment Agreements to a strategic collaboration to further develop the Group's logistics business carried out by the Target Company, which is currently a wholly-owned subsidiary of the Company and operated under a renowned brand "Goodaymart (日日順)".

Under the Strategic Investments, members of the Alibaba Group will become strategic shareholders in both the Target Company and the Company. The strategic investment in the Target Company is aimed at strengthening the existing business cooperation between the Target Group's operations and Alibaba's e-commerce platform Tmall.com (天貓). By leveraging on the expertise, experience and infrastructure of the Group's distribution capacity across China especially in third tier and fourth tier markets and the Alibaba Group's leading e-commerce platform and consumer data analysis, the Company intends to develop the Target Group into China's leading logistics solutions provider for the delivery and installation of large format goods such as home appliances, furniture and sanitary ware. Such collaboration can also create more business opportunities for the Company's franchise network. By leveraging on the strength and expertise of both parties in their respective industry, the Company believes the strategic collaboration between the Group and the Alibaba Group is a milestone for the Target Group to develop a platform that grasp the business opportunity arising from the demand for efficient offline supporting services by internet sales platform.

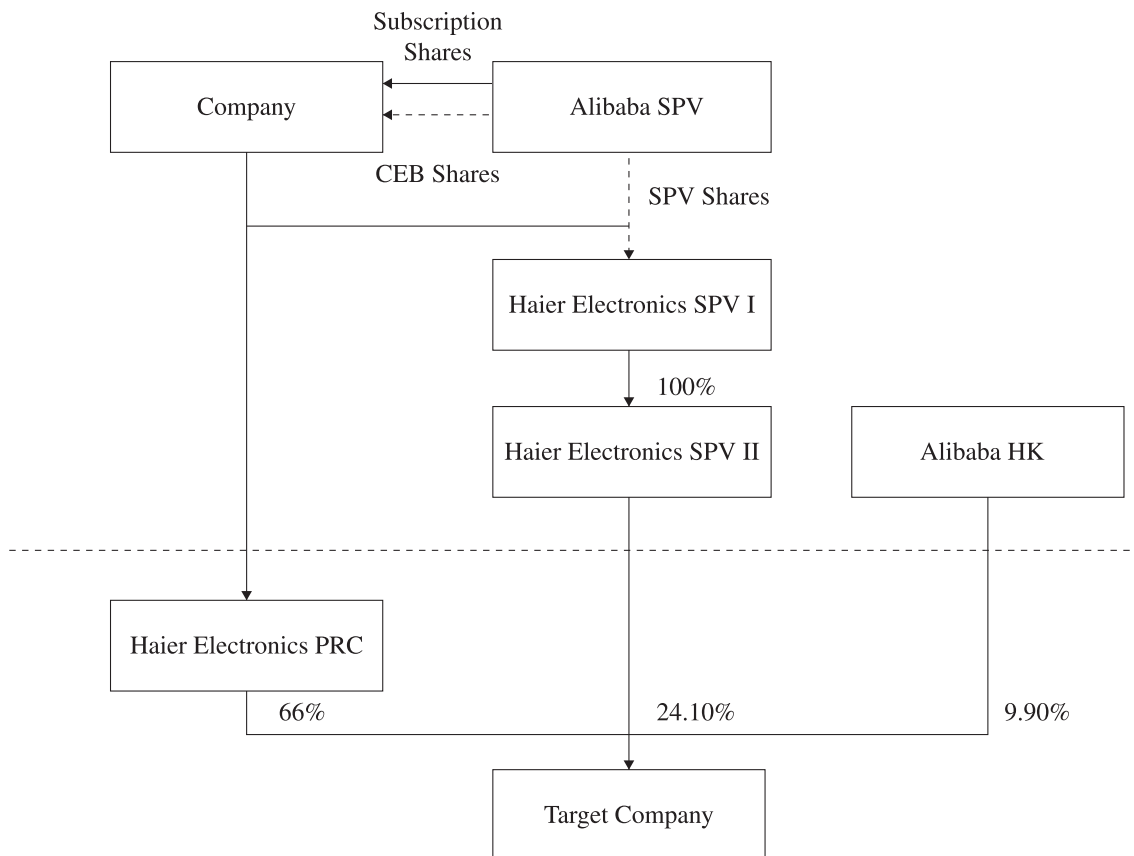
2. CORPORATE STRUCTURE

The Target Company is currently an indirectly wholly-owned subsidiary of the Company and its corporate structure before and after the Strategic Investments are illustrated as follows:

As at the date of this announcement:



Upon completion of the Strategic Investments:



Note: Pursuant to the Convertible and Exchangeable Bond Agreement, Alibaba SPV has the right to convert the CEB into either SPV Shares of Haier Electronics SPV I (subject to receipt of the requisite PRC approvals) or CEB Shares of the Company, but not both. In the event that such rights are not exercised, the CEB will be redeemed at its principal amount together with accrued and unpaid interest.

The Company considers that the proposed investment structures under the Strategic Investment, in terms of execution process, will allow the Group and the Alibaba Group to more quickly align their objectives to develop the Target Group into China's leading logistics solutions provider.

3. STRATEGIC INVESTMENTS AGREEMENTS

To establish the strategic framework for developing the logistics business currently operated by the Target Group, respective members of the Group and the Alibaba Group have entered into the following legally-binding agreements: (A) the Capital Increase and Subscription Agreement; (B) the Share Subscription Agreement; (C) the Convertible and Exchangeable Bond Agreement; and (D) the Shareholder Agreement. The principal terms of these agreements are set out below:

(A) CAPITAL INCREASE AND SUBSCRIPTION AGREEMENT

Date

6 December 2013

Parties

- (i) the Company;
- (ii) the Target Company;
- (iii) Haier Electronics PRC;
- (iv) Haier Electronics SPV II; and
- (v) Alibaba HK

Capital Increase and Subscription

The Target Company is owned as to 100% by Haier Electronics PRC as at the date of this announcement with a registered capital of US\$41,870,000. Pursuant to the Capital Increase and Subscription Agreement, it is agreed that the capital of the Target Company shall be increased to US\$63,439,393 and subscribed for in the following manner:

	As at the date of this announcement	Upon completion of the Capital Injection
Haier Electronics PRC	100%	66.0%
Haier Electronics SPV II	—	24.1%
Alibaba HK	—	9.9%

Capital Injection

It is agreed that: (i) upon the issue of the CEB, Alibaba HK shall make the cash contribution of HK\$540,612,315 to the Target Company on the completion date ; and (ii) Haier Electronics SPV II shall make the cash contribution of HK\$1,316,036,039 to the Target Company within five business days after the completion date.

Information about the Target Group

The Group's logistics business is mainly operated by the Target Group under the brand "Goodaymart (日日順)". The Target Group has been operating Goodaymart for over a decade and has accumulated extensive experience in the management and operation of logistics operations, including storage, distribution, delivery, installation and after-sales services. The Target Group aims to become a leading end-to-end integrated logistics solutions provider specialising on large format goods in China. The Target Company will undergo a reorganization, following which it will focus on providing warehousing and inventory management; customised end-to-end logistics services for large format goods including home appliances, furniture and sanitary ware; last mile services that combines delivery and/or installation; other value added services such as repair and maintenance; and sales of extended warranties.

As at 30 June 2013, the unaudited consolidated net asset value of the Target Company was approximately RMB836.6 million. Set out below is additional consolidated financial information of the Target Company:

	Year ended 31 December 2011 (audited) <i>RMB million</i>	Year ended 31 December 2012 (audited) <i>RMB million</i>	6 months ended 30 June 2013 (unaudited) <i>RMB million</i>
Turnover	2,606.0	2,899.0	1,640.2
Net profit	113.9	127.6	74.4

(B) SHARE SUBSCRIPTION AGREEMENT

Date

6 December 2013

Parties

- (i) the Company (as issuer); and
- (ii) Alibaba SPV (as subscriber)

Subscription for Shares

Under the Share Subscription Agreement, Alibaba SPV has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 52,389,996 Shares, representing:

- (a) approximately 2.04% of the entire issued share capital of the Company as at the date of this announcement; and
- (b) approximately 2.00% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, excluding any CEB Shares that may be issued upon exercise of the Conversion Rights (assuming no other new Shares will be allotted and issued).

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

Subscription Price

HK\$18.413 per Subscription Share, which:

- (a) represents a discount of approximately 1.11% to the closing price of HK\$18.62 per Share as quoted on the Stock Exchange on 5 December 2013, being the last trading day before entering into the Share Subscription Agreement (the “Last Trading Day”);
- (b) represents a discount of approximately 0.79% to the average closing price of approximately HK\$18.56 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (c) is the same as the average closing price of HK\$18.413 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day; and
- (d) represents a premium of approximately 3.91% over the average closing price of approximately HK\$17.72 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day.

The Subscription Price was determined with reference to the overall benefits of the Strategic Investments and the prevailing market price of the Shares and was negotiated on an arm’s length basis between the Group and the Alibaba Group. The Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Shareholding Structure

The table below sets out the Company's shareholding structure as at the date of this announcement and immediately upon completion of the Share Subscription:

	As at the date of this announcement		Immediately upon completion of the Share Subscription	
	Number of Shares	%	Number of Shares	%
Qingdao Haier Investment Development Co., Ltd. and subsidiary	346,364,000	13.49	346,364,000	13.22
Qingdao Haier Co., Ltd.	392,677,482	15.30	392,677,482	14.99
Haier Shareholdings (Hong Kong) Limited	831,762,110	32.40	831,762,110	31.75
Alibaba SPV	—	—	52,389,996	2.00
Other public shareholders	<u>996,306,223</u>	<u>38.81</u>	<u>996,306,223</u>	<u>38.03</u>
Total	<u>2,567,109,815</u>	<u>100.00</u>	<u>2,619,499,811</u>	<u>100.00</u>

Note:

Haier Shareholdings (Hong Kong) Limited is a wholly-owned subsidiary of Qingdao Haier Co., Ltd. Qingdao Haier Co., Ltd. is a non-wholly owned subsidiary of Haier Group Corporation. Haier Group Corporation is acting in concert with Qingdao Haier Investment and Development Co., Ltd..

(C) CONVERTIBLE AND EXCHANGEABLE BOND AGREEMENT

Date

6 December 2013

Parties

- (i) the Company (as issuer); and
- (ii) Alibaba SPV (as subscriber)

Principal Amount

The principal amount of the CEB is HK\$1,316,036,039

Issue Price

100% of the principal amount of the CEB

Maturity Date

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem the CEB on the third anniversary of the issue date of such CEB (the “**Maturity Date**”) at its principal amount together with accrued and unpaid interest.

Redemption

The Company may not redeem the CEB at its option prior to the Maturity Date. The CEB Holder shall have the right to require the Company to redeem all or part of the CEB at an amount equal to the principal amount of the CEB together with any accrued and unpaid interest prior to the Maturity Date, upon the occurrence of certain events of default specified in the terms and conditions of the CEBs.

Interest

Until such time as the CEB are repaid or redeemed by the Company or converted by the CEB Holder pursuant to the terms and conditions of the Convertible and Exchangeable Bond Agreement, the Company shall be liable to pay to the CEB Holder an interest of 1.5% per annum on the outstanding principal amount of the CEB until exercise of Conversion Rights and/or redemption in the following manner:

- (i) in case of repayment or redemption of the CEB, all interest accrued up to the date of the repayment or redemption of the CEB shall be payable together with the principal outstanding on such CEB;
- (ii) in case of exercise of the Conversion Rights, all interest accrued up to the date of the Conversion Date will be payable and taken into account in arriving at the number of CEB Shares in the manner as set out in the section headed “Conversion Rights” below;
- (iii) in case of exercise of Exchange Right, no interest will be payable by the Company.

Exchange Right and Conversion Rights

CEB Holders can exercise either the Exchange Right (subject to receipt of the requisite PRC approvals) or Conversion Rights, but not both, as further described below:

Exchange Right

Exchange Period — Subject to and upon compliance with the conditions (which include the receipt of the requisite PRC approvals), the Exchange Right in respect of the CEB may be exercised, at the option of the holder thereof, at any time from the first anniversary of the date of the issue of CEB, up to the close of business on the date falling seven days prior to the Maturity Date.

SPV Shares — The number of SPV Shares to be delivered on exercise of Exchange Right shall represent a 24.10% economic interest in the Target Company indirectly owned by Haier Electronics SPV I, provided that the Exchange Right may only be exercised in respect of all of the CEB in issue as of the date of the CEB, and not part thereof.

Voting Rights — The CEB Holder will not have any right to attend or vote at any meeting of Haier Electronics SPV I by virtue of it being a CEB Holder. However, in the event that the Exchange Right is exercised, the CEB Holder or its nominee also has a call option in respect of the voting rights in relation to the 24.10% economic interest (subject to any relevant PRC approvals).

Conversion Rights

Conversion Period — Subject to and upon compliance with the conditions, the Conversion Rights may be exercised, at the option of the holder thereof, at any time from the first anniversary of the date of the issue of CEB up to the close of business on the date falling seven days prior to the Maturity Date.

CEB Shares — The number of Shares to be issued upon exercise of Conversion Rights will be determined by dividing the principal amount of the CEB and the interest accrued on such principal amount of the CEB to be converted, by the Conversion Price (as defined below) in effect on the relevant Conversion Date. The Conversion Rights may be exercised partially or fully.

Conversion Price — The price at which Shares will be issued upon conversion, as adjusted from time to time is HK\$19.334 per Share (the “**Conversion Price**”), which will be subject to the customary adjustments for, among other things, consolidation, reclassification, or subdivision of the share capital of the Company, issues of Shares at below the prevailing market prices and the capitalization of profits or reserves of the Company. The Company will publish an announcement upon any adjustment to the Conversion Price.

The Conversion Price, being HK\$19.334 per CEB Share, represents:

- (a) a premium of approximately 3.83% over the closing price of HK\$18.62 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 4.17% over the average closing price of HK\$18.56 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including Last Trading Day; and
- (c) a premium of approximately 9.11% over the average closing price of HK\$17.72 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including Last Trading Day; and
- (d) a premium of approximately 5% over the Subscription Price.

The Conversion Price was determined with reference to the overall benefits of the Strategic Investments and the prevailing market price of the Shares and was negotiated on an arm's length basis between the Group and the Alibaba Group. The Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ranking of CEB Shares — the CEB Shares, when issued, shall be fully paid, free and clear of all encumbrances and will rank pari passu with the Shares in issue (including in respect of entitlement to all dividends and other distributions) in all respects.

Transfer

From the date of the issue of CEB, the CEB or interests in such CEB are not otherwise transferable to other parties except to any of the CEB Holder's affiliates.

Voting Rights

The CEB Holders will not have any right to attend or vote at any meeting of the Company by virtue of them being CEB Holders, until and unless they have converted their CEBs into the CEB Shares.

Listing

No application will be made for the listing of, or permission to deal in, the CEB on the Stock Exchange or any other stock or securities exchange. Application will be made by the Company for the listing of, and permission to deal in, the CEB Shares.

Shareholding Structure

The table below sets out the Company's shareholding structure upon completion of the Share Subscription and upon full exercise of the Conversion Rights:

	Upon completion of Share Subscription		Upon full exercise of Conversion Rights on maturity	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Qingdao Haier Investment and Development Co., Ltd. and subsidiary	346,364,000	13.22	346,364,000	12.87
Qingdao Haier Co., Ltd.	392,677,482	14.99	392,677,482	14.59
Haier Shareholdings (Hong Kong) Limited	831,762,110	31.75	831,762,110	30.91
Alibaba SPV	52,389,996	2.00	123,521,560	4.59
Other public shareholders	<u>996,306,223</u>	<u>38.03</u>	<u>996,306,223</u>	<u>37.03</u>
Total	<u>2,619,499,811</u>	<u>100.00</u>	<u>2,690,631,375</u>	<u>100.00</u>

Note:

Assuming the maximum number of shares are converted.

(D) SHAREHOLDER AGREEMENT

Date

6 December 2013

Parties

- (i) the Company;
- (ii) Haier Electronics PRC;
- (iii) Haier Electronics SPV II; and
- (iv) Alibaba HK

Board of directors and management of the Target Company

The board of the Target Company shall consist of five members, three of whom will be appointed by Haier Electronics PRC, including the chairman, one of whom will be appointed by Alibaba HK, and one of whom will be appointed by and not associate with both Haier Electronics PRC and Alibaba HK. At senior management level, the Target Company will also appoint a vice-CEO nominated by Alibaba HK.

Restriction on equity transfer

- (i) Haier Electronics PRC and Haier Electronics SPV II shall not transfer or in any way dispose of its equity interests of the Target Company to any party (except as otherwise within the Target Group) without the prior written consent of Alibaba HK;
- (ii) Alibaba HK shall not transfer or in any way dispose of its equity interests of the Target Company (other than to its affiliates) without the prior written consent of Haier Electronics PRC within three years after the Capital Injection, or to a third party which is engaged in any Competing Business.

Right of first refusal and tag-along rights

Should any of Haier Electronics PRC, Haier Electronics SPV II and Alibaba HK propose to transfer its equity interests in the Target Company, it shall serve a notice of equity transfer to all other shareholders, and the other shareholders shall be entitled to exercise a right of first refusal at their discretion.

Within 45 days after receipt of the written notice as mentioned above, Haier Electronics SPV II and Alibaba HK, as the recipient shareholders of such notice are also entitled to request the intended transferor shareholder to procure the intended transferee to acquire the equity interests owned by the said recipient shareholder upon the same terms.

Non-competition undertaking and priority on investment opportunity

Haier Electronics PRC and Alibaba HK shall not, and shall procure its affiliates not to, be engaged in any Competing Business in the PRC.

Further, should the Group and Alibaba HK and its respective affiliates come to know of any potential investment opportunity which is within the Target Company's principal business, it shall refer such investment opportunity to the Target Company which shall have a priority right to take up such opportunity.

Protection of the minority

To protect the minority shareholders, the unanimous consent of all directors of the Target Company shall be required for certain customary matters, including but not limited to:

- (1) amendment of the articles of association of any other members of the Target Group, and increase or decrease in the registered share capital, merger or demerger, suspension, termination, dissolution or liquidation of any member of the Target Company;
- (2) reorganization of the Target Group (including the transformation into a joint stock limited company), any transaction or series of transactions leading to the transfer or disposal of the voting right of any member of the Target Group, or any transactions leading to the sale, transfer or otherwise disposal of all (or substantially all) assets of a member of the Target Group;
- (3) entering into new types of connected transactions, or connected transactions exceeding a designated amount;
- (4) provision of any loan to parties other than members of the Target Group which exceed a designated amount; and
- (5) engagement of any external auditors of the Target Group, other than the “big four” international audit firms.

Lapse of rights

If Alibaba SPV or its affiliates should decide(s) not to exercise the Exchange Right in full to exchange the CEB for the SPV Shares pursuant to the Convertible and Exchangeable Bond Agreement on or before the Maturity Date, certain of such protections will lapse.

4. CONDITIONS AND MAJORITY SHAREHOLDERS' UNDERTAKING

The Strategic Investments Agreements are subject to the fulfillment of, among others, the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted approval (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object) for the listing of, and permission to deal in, all the Subscription Shares;
- (b) the onshore reorganization having been implemented and completed, to the effect that the installation service business and the extended warranty business of the Group would have become part of the Target Group's business;
- (c) all necessary approvals, consents, permits and registrations required from the governments, regulatory and third party authorities of the PRC in relation to the completion of the Capital Injection having been obtained and remaining effective;

- (d) Haier Electronics SPV II and Alibaba HK having respectively obtained the necessary permits from the Ministry of Commerce in relation to their respective acquisition of 24.10% and 9.90% equity interest in the Target Company; and
- (e) no change having occurred since the date of the Strategic Investments Agreements which may have a material and adverse effect on the business of the Group or the Target Group taken as a whole as of the completion date.

Except for condition (a), Alibaba SPV may waive all or any of the conditions in whole or in part.

Further, Haier Group, who together are the majority shareholders of the Company, have undertaken to appoint a person nominated by Alibaba SPV as a non-executive director of the Company and a member of the Strategic Committee. The undertaking to such appointment shall cease if (a) Alibaba SPV, directly or indirectly, holds fewer than 52,389,996 Shares; or (b) Alibaba SPV fails to convert or exchange the CEB in full pursuant to the Convertible and Exchangeable Bond Agreement by the Maturity Date.

5. REASONS FOR AND BENEFITS OF THE STRATEGIC COLLABORATION

It is the vision of the Group together with the Alibaba Group as its strategic partner to develop Goodaymart as China's leading end-to-end large format goods logistics provider in China with its target segments such as home appliances, furniture and sanitary ware manufacturers, distributors, offline retailers and e-commerce customers, among which e-commerce customers have the greatest growth potential. According to iResearch, Alibaba had 56.7% of market share in terms of transaction value of B to C e-commerce business.

The Group and the Alibaba Group share the same view that there are opportunities for expansion in terms of geographical coverage and improvement in service quality for logistics services for large format goods in China. Through the proposed collaboration between Goodaymart and Tmall.com, the Group and the Alibaba Group as strategic partners will explore and develop these business opportunities, and aim to develop the Target Company into a leading end-to-end logistics solutions provider in China for large format goods with a nationwide delivery network.

The Target Group has operated its logistics business for over a decade and has accumulated extensive experience in the management and operation of logistics operations including storage, distribution, delivery, installation and after-sales services. The Alibaba Group has extensive resources and advanced technology in consumer data analysis and has established a leading position in e-commerce and the IT industry. The strategic collaboration is aimed at combining the operating experience of Goodaymart in logistics services with the Alibaba Group's strength in e-commerce, with a focus on providing end-to-end logistics solutions, including "last mile delivery" for large format product manufacturers, a convenient and fast shopping experience, and after-sale support for online shoppers. Both parties will further explore and develop new supply chain solutions and other logistics solutions based on such strategic collaboration.

The Directors are of the view that the Strategic Investments will also provide additional capital for the Group's development and are in the interests of the Company and its shareholders as a whole.

6. USE OF PROCEEDS

The gross proceeds from the Share Subscription would amount to HK\$964,656,996. The net proceeds, after taken into account the estimated expenses in relation to the Share Subscription, would be approximately HK\$960,656,996, representing a net price of approximately HK\$18.34 per Subscription Share. It is expected that such proceeds will be utilised by the Group for expanding and upgrading its warehousing capacity, "last-mile" network development, other online-to-offline integration business development and for potential acquisition in the logistics industry.

Pursuant to the Convertible and Exchangeable Bond Agreement, the Company shall procure Haier Electronics SPV II to apply all the proceeds from the issue of the CEB of HK\$1,316,036,039 to subscribe for an equity interest of 24.10% in the Target Company in accordance with the Capital Increase and Subscription Agreement. The proceeds of HK\$1,316,036,039 from the capital injection by Haier Electronics SPV II into the Target Company, together with the proceeds of HK\$540,612,315 from Alibaba HK's subscription for 9.90% registered share capital of the Target Company, will be used to support the Target Group's and investment on online-to-offline integration.

The Company did not conduct any other fund raising through issue of equity securities in the last 12 months immediately preceding the date of this announcement.

7. LISTING RULES IMPLICATIONS

The issue of the Subscription Shares and the CEB and the allotment and issue of the CEB Shares upon exercise of the Conversion Rights are not subject to the Shareholders' approval. The Subscription Shares and the CEB Shares will be allotted and issued under the General Mandate.

The issue of 9.90% equity interests by the Target Company to Alibaba HK would constitute a deemed disposal by the Company. The exercise of the Exchange Right by Alibaba SPV under the CEB would constitute a disposal by the Company. The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the issue of 9.90% equity interests by the Target Company to Alibaba HK and the exercise of the Exchange Right by Alibaba SPV are, on either a segregate or aggregate basis, below 5%.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the members of the Alibaba Group and its ultimate beneficial owner is connected with the Company or a connected person of the Company as at the date of this announcement.

8. PRINCIPAL BUSINESS OF THE GROUP AND THE ALIBABA GROUP

The Company is listed on the Main Board of the Stock Exchange and engaged in the integrated channel services business under brand “Goodaymart” for home appliances and other household products of both “Haier” and “non-Haier” brands. The principal business activity of the Company is investment holding.

Alibaba Group is a family of Internet-based businesses with a mission to make it easy for anyone to buy or sell goods and services anywhere in the world. Since its inception, it has developed leading businesses in consumer e-commerce, online payment, business-to-business marketplaces and cloud computing and has expanded into new areas such as mobile applications, mobile operating system and Internet TV. The group is focused on fostering the development of an open, collaborative and prosperous e-commerce ecosystem that benefits consumers, merchants and economic development. Alibaba Group currently employs more than 20,000 people around the world and has more than 70 offices in Greater China, Singapore, India, the United Kingdom and the United States.

Tmall.com (www.tmall.com) is a leading B2C online shopping platform in China dedicated to providing an excellent shopping experience. It was launched by Taobao in April 2008 to complement its consumer-to-consumer (C2C) marketplace and became an independent platform in June 2011. Since its launch, Tmall.com has developed into a more mature platform where Chinese consumers purchase quality brands. It is the most visited B2C online retail website in China according to Alexa. Tmall.com is a business within the Alibaba Group.

Completion of the issue of the Subscription Shares and the CEB is subject to the satisfaction of the conditions precedent therein.

As the Strategic Investments Agreements may or may not complete, the Subscription Shares and the CEB may or may not be issued, and Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

9. RESUMPTION OF TRADING

Trading in the Shares was halted with effect from 9:00 a.m. on 6 December 2013 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 9 December 2013.

DEFINITIONS

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

“Alibaba Group”	please refer to the section headed “8. Principal Business of the Group and the Alibaba Group”
“Alibaba HK”	Taobao China Holding Limited (淘寶中國控股有限公司), a wholly-owned member company of the Alibaba Group which is established in Hong Kong
“Alibaba SPV”	Alibaba Investment Limited, a wholly-owned member company of the Alibaba Group which is incorporated in the BVI
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Capital Increase and Subscription Agreement”	please refer to the section headed “3. Strategic Investments Agreements”
“Capital Injection”	the subscription for the capital in the Target Company by Haier Electronics SPV II and Alibaba HK pursuant to the Capital Increase and Subscription Agreement
“CEB Holder”	the registered owner of the CEB
“CEB Shares”	Shares subscribed for by exercise of the Conversion Rights
“CEB Subscription Price”	HK\$19.334 per Share
“Company”	Haier Electronics Group Co., Ltd., a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“Competing Business”	last mile delivery of, and relevant installation services for large appliances in the PRC, but excluding the sole business of warehouse construction, warehousing services and operations, as set out in the Shareholder Agreement
“Completion”	completion of the Strategic Investments
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Rights”	the rights of the CEB Holder to subscribe for the CEB Shares pursuant to the Convertible and Exchangeable Bond Agreement

“Convertible and Exchangeable Bond Agreement”	please refer to the section headed “3. Strategic Investments Agreements”
“Convertible and Exchangeable Bond” or “CEB”	please refer to the section headed “3. Strategic Investments Agreements — (C) Convertible and Exchangeable Bond Agreement”
“Directors”	directors of the Company
“Exchange Right”	the right of the holder of the CEB to exchange the CEB for SPV Shares pursuant to the Convertible and Exchangeable Bond Agreement
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 28 May 2013 to allot and issue new shares of the Company
“Group”	the Company and its subsidiaries
“Haier Electronics PRC”	Goodaymart (Shanghai) Investment Co., Ltd. (日日順 (上海) 投資有限公司), a wholly-owned member company of the Group which is established in the PRC
“Haier Electronics SPV I”	Heroic Plan Global Limited, a wholly-owned member company of the Group which is incorporated in BVI
“Haier Electronics SPV II”	Partner Century Holdings Limited, a wholly-owned member company of the Group which is incorporated in Hong Kong
“Haier Group”	Haier Group Corporation and Qingdao Haier Investment and Development Co., Ltd. together with their respective subsidiaries and associates but excluding the Group, where appropriate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Subscription”	subscription for Subscription Shares pursuant to the Share Subscription Agreement

“Share Subscription Agreement”	please refer to the section headed “3. Strategic Investments Agreements”
“Shareholder(s)”	holder(s) of the Shares
“Shareholder Agreement”	please refer to the section headed “3. Strategic Investments Agreements”
“SPV Shares”	the ordinary share with a nominal value of US\$0.01 each of the Haier Electronics SPV I
“Strategic Committee”	the strategic committee of the Board
“Strategic Investments”	the arrangements under the Strategic Investments Agreements
“Strategic Investments Agreements”	the Capital Increase and Subscription Agreement, the Shareholder Agreement, the Share Subscription Agreement, and the Convertible and Exchangeable Bond Agreement
“Subscription Price”	the price of HK\$18.413 per Subscription Share
“Subscription Shares”	up to an aggregate of 52,389,996 new Shares to be allotted and issued under the Share Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Qingdao Haier Logistics Co., Ltd. (青島海爾物流有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement and operating under the brand “Goodaymart (日日順)”
“Target Group”	the Target Company and its subsidiaries
“%”	per cent

By order of the Board
Haier Electronics Group Co., Ltd.
Zhou Yun Jie
Chairman

Hong Kong, 9 December 2013

As at the date of this announcement, the executive Directors are Mr. Zhou Yunjie (Chairman) and Mr. Li Huagang; the non-executive Directors are Mr. Liang Haishan, Ms. Tan Lixia, Ms. Janine Junyuan Feng, Dr. Wang Hanhua; the independent non-executive Directors are Mr. Yu Hon To, David, Dr. Liu Xiaofeng and Mrs. Eva Cheng Li Kam Fun; the alternate Director is Mr. Gui Zhaoyu (alternate to Ms. Janine Junyuan Feng).

* For identification purposes only