

**Stock Name:** Qingdao Haier    **Stock Code:** 600690    **Announcement No.:** L2019-039

**Convertible Bond Name:** Haier Convertible Bonds    **Convertible Bond Code:** 110049

**Convertible Stock Name:** Haier Convertible Stocks    **Convertible Stock Code:** 190049

## **Qingdao Haier Co., Ltd.**

# **Announcement on Commencement of Conversion of Haier Convertible Bonds**

The Board of Directors of the Company and all members of the Board warrant that there are no false representations, misleading statements and material omissions in this announcement, and are severally and jointly responsible for the authenticity, accuracy and completeness of the content herein.

### **IMPORTANT INFORMATION:**

- Convertible Stock Code for Convertible Bonds: 190049
- Convertible Stock Name: Haier Convertible Stocks
- Price of Convertible Stock: RMB14.55 per share
- Conversion Period: from 25 June 2019 to 17 December 2024

### **I. Overview of Issuance and Listing of Convertible Bonds**

As approved under the *Reply on the Approval of Public Issuance of Convertible Corporate Bonds by Qingdao Haier Co., Ltd.* (Zheng Jian Xu Ke [2018] No. 1912) (《关于核准青岛海尔股份有限公司公开发行可转换公司债券的批复》(证监许可[2018]1912号)) issued by the China Securities Regulatory Commission (hereinafter referred to as the “CSRC”), Qingdao Haier Co., Ltd. (hereinafter referred to as the “Company”) issued 30,074,900 convertible corporate bonds (hereinafter referred to as the “Convertible Bonds”) on 18 December 2018 by way of public issuance, with a nominal value of RMB100 each, amounting to RMB3,007,490,000 in aggregate for a

term of six years.

As approved under the Self-regulation Decision [2019] No. 14 (自律监管决定书 [2019]14 号文) issued by the Shanghai Stock Exchange, the Convertible Bonds of RMB3,007,490,000 of the Company were listed on the Shanghai Stock Exchange on 18 January 2019, with the bond name of “Haier Convertible Bonds” and the bond code of “110049”. Pursuant to the requirements of the *Rules Governing the Listing of Securities on the Shanghai Stock Exchange* (《上海证券交易所股票上市规则》) and other laws and regulations as well as the *Prospectus in relation to the Public Issuance of A Share Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* (《青岛海尔股份有限公司公开发行A股可转换公司债券募集说明书》) (hereinafter referred to as the “*Prospectus*”), the “Haier Convertible Bonds” issued by the Company can be converted into ordinary A shares of the Company commencing from 25 June 2019.

## **II. Terms relating to the Conversion of Haier Convertible Bonds**

(I) Size of issuance: RMB3,007,490,000;

(II) Nominal value: RMB100 each;

(III) Bond rate: 0.2% for the first year, 0.5% for the second year, 1.0% for the third year, 1.5% for the fourth year, 1.8% for the fifth year, 2.0% for the sixth year;

(IV) Term: six years from the issuance date of the Convertible Bonds, namely from 18 December 2018 to 17 December 2024;

(V) Conversion period: 25 June 2019 to 17 December 2024;

(VI) Conversion price: RMB14.55 per share.

## **III. Matters relating to Application for Share Conversion**

(I) Convertible stock code and name

Convertible stock code: 190049

Convertible stock name: Haier Convertible Stocks

(II) Application procedures for share conversion

1. Application for share conversion shall be processed by way of booking on the trading system of the Shanghai Stock Exchange in accordance with the relevant requirements of the Shanghai Stock Exchange.

2. Holders may apply for converting part or all of the Haier Convertible Bonds in their accounts into ordinary A shares of the Company.

3. Application for conversion of Convertible Bonds shall be made in board lots, each board lot with a nominal value of RMB1,000, and the minimum conversion unit shall be one share. Where any person makes more than one application on the same trading day, the number of converted stocks to be issued shall be calculated on a consolidated basis. The portion of the Convertible Bonds whereby fractional shares are issued upon conversion will be redeemed by the Company in cash within the next trading day after the application date of share conversion via China Securities Depository and Clearing Co., Ltd.

4. The purpose of application for conversion of convertible bonds is to sell at the price of RMB100. Upon confirmation, the application for share conversion can't be cancelled.

5. The application for trading in Convertible Bonds shall rank in priority to application for conversion. For applications exceeding the balance of Convertible Bonds immediately following the intraday settlement, the number of convertible shares to be issued shall be calculated based on the actual number of Convertible Bonds (i.e. the intraday balance).

### (III) Application period for share conversion

Holders of Haier Convertible Bonds may apply for share conversion during normal trading hours of the Shanghai Stock Exchange within the conversion period, namely from 25 June 2019 to 17 December 2024, except for the following periods:

1. Suspension of trading of Haier Convertible Bonds before cession of trading of Haier Convertible Bonds;

2. Suspension of trading of the shares of the Company;

3. Application by the Company for suspension of share conversion in accordance with the relevant requirements.

(IV) Locking up and cancellation of the Convertible Bonds

After an application for share conversion has been confirmed by the China Securities Depository and Clearing Co., Ltd, Shanghai Branch as valid, the balance of Convertible Bonds held by the corresponding holder of Haier Convertible Bonds will be reduced (locking up and cancellation) whilst the number of shares held by the same holder of Haier Convertible Bonds will be increased in order to complete the registration of change.

(V) Listing and rights of shares to be issued upon conversion of the Convertible Bonds

An application can be made for conversion of Haier Convertible Bonds acquired on the conversion date. Shares to be issued upon conversion of Haier Convertible Bonds can be listed and become tradable on the next day immediately following the application for conversion. The shares to be issued upon conversion of Haier Convertible Bonds shall rank *pari passu* with existing shares.

(VI) Taxes and expenses relating to share conversion

Taxes and expenses relating to the conversion of Haier Convertible Bonds, if any, shall be borne by the taxpayer.

(VII) Vesting of Interest during the year of share conversion

Interest of Haier Convertible Bonds is paid once a year and was accrued from the date of issuance (namely 18 December 2018). Holders of Haier Convertible Bonds who converted Haier Convertible Bonds held by them into shares of the Company before or on the record date for interest payment shall not be entitled to any interest of the current period and any subsequent interest accrual year.

#### **IV. Adjustment to the Conversion Price of Convertible Bonds**

##### **(I) Initial conversion price and latest conversion price**

The initial conversion price of Haier Convertible Bonds was RMB14.55 per share. As there has not been any matters relating to adjustment to conversion price as agreed in the *Prospectus* since the issuance of Haier Convertible Bonds, therefore, the latest conversion price remains RMB14.55 per share.

##### **(II) Adjustment method and calculation formula of the conversion price**

In certain events subsequent to the issuance of the Convertible Bonds such as distribution of share dividends, capitalisation, issuance of new shares (excluding any increase in the share capital as a result of conversion of the Convertible Bonds), rights issue and distribution of cash dividends which cause changes in the shares of the Company, the Company will adjust the conversion price based on the following formulas (rounded to two decimal places):

Distribution of share dividends or capitalisation:  $P1 = P0 / (1 + n)$ ;

Issuance of new shares or rights issue:  $P1 = (P0 + A \times k) / (1 + k)$ ;

The above two events occurring concurrently:  $P1 = (P0 + A \times k) / (1 + n + k)$ ;

Distribution of cash dividends:  $P1 = P0 - D$ ;

The above three events occurring concurrently:  $P1 = (P0 - D + A \times k) / (1 + n + k)$

Where: “P0” denotes the conversion price before the adjustment; “n” denotes the rate of distribution of share dividends or capitalisation; “k” denotes the rate of issuance of new shares or rights issue; “A” denotes the price of issuance of new shares or rights issue; “D” denotes the cash dividend per share; and “P1” denotes the adjusted conversion price.

Upon occurrence of any of the abovementioned changes in shares and/or shareholders’ interests, the Company will adjust the conversion price in accordance with the above method, and an announcement of the Board resolution in relation to the adjustment of the conversion price will be made on the media designated by the CSRC for information disclosure of listed companies. Such an announcement will

indicate the date of the adjustment to the conversion price, method of the adjustment and suspension period of share conversion (if necessary). If the conversion price adjustment date is on or after the date on which a Convertible Bond Holder applies for conversion of his/her Convertible Bonds but before the registration date of the share conversion, such conversion will be executed based on the adjusted conversion price.

In the event that the Convertible Bond Holders' interests or the interests derived from the share conversion of the Convertible Bonds are affected by the change in the Company's share class, quantity and/or Shareholders' interests due to any possible share repurchase, consolidation, division or any other circumstances, the Company will adjust the conversion price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of the Convertible Bond Holders. The details of the adjustment to the conversion price and its implementation measures shall be determined in accordance with the relevant national laws and regulations and the relevant requirements of the securities regulatory authorities.

### (III) Terms of downward adjustment to the conversion price

#### (1) Authorisation and magnitude of adjustment

If, during the term of the Convertible Bonds, the closing prices of A Shares of the Company in at least 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing conversion price, the Board may propose a downward adjustment to the conversion price to Shareholders at the general meeting for their consideration and approval. In the event that an adjustment to the conversion price by the Company is made during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price on each such day, while in respect of the trading day on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price on each such day.

The abovementioned proposal is subject to approvals of more than two-thirds of the voting rights of the Shareholders who attend the general meeting. Shareholders who hold the Convertible Bonds should abstain from voting at the general meeting. The adjusted conversion price should be no less than the average trading price of A

Shares of the Company during the 20 trading days immediately preceding the date of such a general meeting and the average trading price of A Shares on the trading day immediately preceding the date of such a general meeting.

## (2) Adjustment procedures

If it is approved to make a downward adjustment to the conversion price at the general meeting, the Company shall publish an announcement in relation to the Shareholders' resolution on media designated by the CSRC for information disclosure of listed companies. Such an announcement shall disclose information including the magnitude of the adjustment, the equity registration date, the suspension period of share conversion (if any). Application for conversion of the Convertible Bonds at the adjusted conversion price shall be resumed upon the first trading day after the registration date, i.e. the conversion price adjustment date. If the conversion price adjustment date is on or after the date of the application for conversion but before the registration date of the share conversion, such application of conversion will be executed based on the adjusted conversion price.

## **V. Terms of Redemption of Convertible Bonds**

### (1) Terms of redemption upon maturity

Within five trading days upon maturity of the Convertible Bonds, the Company will redeem all the Convertible Bonds which have not been converted by then at the price of 105% of the nominal value of the Convertible Bonds (including the last interest payment).

### (2) Terms of conditional redemption

During the conversion period of the Convertible Bonds, if the closing prices of A Shares of the Company during at least 15 trading days out of any 30 consecutive trading days are no less than 120% (inclusive) of the prevailing conversion price, the Company shall have the right to redeem all or part of the outstanding Convertible Bonds, at a price equal to the nominal value of the Convertible Bonds plus the then accrued interest. The redemption period of the Convertible Bonds is the same as the conversion period, namely commencing from the first trading day immediately following the expiry of six months after the date of completion of issuance and ending

on the maturity date of the Convertible Bonds.

Formula for calculating the then accrued interest is:  $IA = B \times i \times t / 365$

IA: accrued interest for the current period;

B: aggregate par value of the Convertible Bonds held by the holders of the Convertible Bonds;

i: coupon rate of the Convertible Bonds in the then interest accrual year;

t: the number of days on which interest is accrued, i.e. the actual number of calendar days from the last interest payment date up to the redemption date of that interest accrual year (including the last interest payment date and excluding the redemption date).

In the event that an adjustment to the conversion price by the Company is made during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price on each such day, while in respect of the trading days on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price on each such day.

In addition, when the remaining value of the outstanding Convertible Bonds is lower than RMB30 million, the Board (or any person authorised by the Board) shall have the right to redeem all the outstanding Convertible Bonds, at a price equal to the nominal value plus the then accrued interest.

## **VI. Terms of Selling Back Convertible Bonds**

### **(1) Terms of additional sale-back**

If the actual use of the proceeds from the issuance of the Convertible Bonds significantly differs from the description of the use of proceeds set out in the Prospectus, and it is considered by the CSRC as a change in the use of proceeds, the holders of convertible bonds will have an one-off right to sell all or part of the convertible bonds back to the Company at the nominal value plus the then accrued



interest. Under this scenario, the holders of convertible bonds may sell their convertible bonds back to the Company during the sale-back application period after it is announced by the Company. If the holders of convertible bonds do not exercise their sale-back rights during the sale-back application period, the rights to sell back the convertible bonds shall automatically lapse.

## (2) Terms of conditional sale back

During the last two interest accrual years within the term of the Convertible Bonds, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing conversion price, the Convertible Bond Holders are entitled to sell back all or part of their Convertible Bonds to the Company at par plus the then accrued interest. In the event that an adjustment to the conversion price by the Company is made due to events such as distribution of share dividends, capitalisation, issuance of new shares (excluding any increase in the share capital as a result of conversion of the Convertible Bonds), rights issue and distribution of cash dividends during the aforementioned trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price on each such day, and in respect of the days on which the adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price on each such day. In the event that there is a downward adjustment to the conversion price, the aforesaid “30 consecutive trading days” shall be re-counted from the first trading day following the adjustment to the conversion price.

Please refer to “(2) Terms of conditional redemption” above for details of the method of calculation of the interest accrued.

During the last two interest accrual years, the Convertible Bond Holders can exercise their sale back rights once every year upon the first satisfaction of the conditions of the sale back in accordance with the abovementioned terms. If the Convertible Bond Holders, upon the first satisfaction of the conditions of the sale back, do not apply for and exercise their sale back rights during the sale back application period announced by the Company, they are not entitled to exercise their sale back rights during that interest accrual year. The Convertible Bond Holders are not allowed to exercise part of their sale back rights repeatedly.

## **VII. Others**

Investors who wish to learn more about relevant terms of Haier Convertible Bonds are advised to refer to the full text of the Prospectus and its summary disclosed by the Company in the designated media for information disclosure on 14 December 2018.

It is hereby notified the above.

The Board of Directors of Qingdao Haier Co., Ltd.

18 June 2019