

Stock Code: 600690 Stock Name: Haier Smart Home Announcement No.: L2019-083
Convertible Bond Code: 110049 Convertible Bond Name: Haier Convertible Bonds
Convertible Stock Code: 190049 Convertible Stock Name: Haier Converted Stocks

Haier Smart Home Co., Ltd.

Second Indicative Announcement on Redemption 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:

- Redemption record date: 16 December 2019
- Redemption price: RMB100.20 per bond (par value plus current accrued interest)
- Redemption payment date: 17 December 2019
- Starting from the next trading day (17 December 2019) after the redemption record date, “Haier Convertible Bonds” shall cease to be traded and converted; and “Haier Convertible Bonds” will be delisted on Shanghai Stock Exchange upon the completion of the early redemption.

Given that the closing price of Shares of Haier Smart Home Co., Ltd. (formerly known as “Qingdao Haier Co., Ltd.”, hereinafter referred to as the “Company”) is no less than 120% of the prevailing conversion price (RMB14.20 per share) of “Haier Convertible Bonds (110049)” (hereinafter referred to as “Haier Convertible Bonds”) during 15 trading days (from 1 November 2019 to 21 November 2019) out of the latest 30 consecutive trading days, the redemption terms of convertible corporate bonds (hereinafter referred to as the “Convertible Bonds”) have been triggered according to the *Prospectus in relation to the Public Issuance of A Share Convertible*

Corporate Bonds of Qingdao Haier Co., Ltd. (hereinafter referred to as the “*Prospectus*”).

On 21 November 2019, the *Proposal on the Exercise of the Right of Redemption of “Haier Convertible Bonds” of Haier Smart Home Co., Ltd.* was considered and approved at the 5th Meeting of the Tenth Session of the Board of Directors of the Company, agreeing to exercise the right of early redemption of “Haier Convertible Bonds” to redeem all outstanding “Haier Convertible Bonds” which appeared on the register on the redemption record date.

In accordance with the requirements of the *Administrative Measures on Securities Issuance of Listed Companies*, the *Rules Governing the Listing of Securities on the Shanghai Stock Exchange* and the *Prospectus* of the Company, matters relevant to redemption are hereby notified to all holders of “Haier Convertible Bonds” as follows:

I. Terms of Redemption

According to the *Prospectus* of the Company, the terms of redemption are detailed as follows:

(1) Terms of redemption upon maturity

Within five trading days upon maturity of the Convertible Bonds, the Company will redeem all the Convertible Bonds from the holders of the Convertible Bonds which have not been converted into Shares by then, at a price calculated at 105% of the par value (including the interest accrued in the last interest accrual year).

(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% of the prevailing conversion price (including 120%), the Company shall have the right to redeem all or part of the outstanding Convertible Bonds, at a price equal to the par value of Convertible Bonds plus current accrued interest. The redemption period of the Convertible Bonds is same as the

(Note: This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.)

conversion period, both commencing on the first trading day immediately following the expiry of the six-month period after the date of issuance of the Convertible Bonds and ending on the maturity date of the Convertible Bonds.

Formula for the calculation of the current accrued interest is: $IA = B \times i \times t / 365$

IA: Current accrued interest;

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

i: Coupon rate of the Convertible Bonds in an interest accrual year;

t: 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).

If there is a conversion price adjustment on the aforementioned 30 trading days, then for the transactions made before the conversion price adjustment, the calculations will be based on the conversion price and closing price prior to the adjustment; the transactions made at and after the conversion price adjustment will be calculated based on the conversion price and closing price after the adjustment.

Further, when the total par value balance of the outstanding Convertible Bonds is less than RMB30 million, the Board of Directors of the Company (or any person authorized by the Board of Directors) is entitled to redeem all outstanding Convertible Bonds at par value of the Convertible Bonds plus current accrued interest.

II. Announcements on the Redemption of the Convertible Bonds

(I) Redemption conditions

Given that the closing price of Shares of the Company is no less than 120% of the prevailing conversion price during 15 trading days (from 1 November 2019 to 21

(Note: This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.)

November 2019) out of the latest 30 consecutive trading days, the redemption terms of the “Haier Convertible Bonds” have been triggered.

(II) Redemption record date

The target of the current redemption is all holders of “Haier Convertible Bonds” which appear on the register of bonds at the China Securities Depository Clearing Corporation Limited Shanghai Branch (hereinafter referred to as “CSDCCL Shanghai Branch”) after trading hours of the Shanghai Stock Exchange on 16 December 2019.

(III) Redemption price

According to the early redemption clauses stated in the *Prospectus* of the Company, the redemption price is par value of the Convertible Bonds plus the current accrued interest, namely RMB100.20 per bond.

Formula for the calculation of the current accrued interest is: $IA = B \times i \times t / 365$

IA: Current accrued interest;

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

i: Coupon rate of the Convertible Bonds in an interest accrual year;

t: 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).

Coupon rate of the Convertible Bonds in the current interest accrual year (from 18 December 2018 to 16 December 2019): 0.20%

Number of days on which interest is accrued: in total of 364 days from 18 December 2018 to 16 December 2019 (including the first date and excluding the last date)

Current accrued interest: $IA = B \times i \times t / 365 = 100 \times 0.20\% \times 364 / 365 = \text{RMB}0.20$

(Note: This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.)

Redemption price=Par value + Current accrued interest =100+0.20=RMB100.20
per bond

Explanations on the income tax on the investor bonds interests are as follows:

1. Explanations on collection of income tax on corporate bond interests from individual investors

Pursuant to the provisions under the *Individual Income Tax Law of the People's Republic of China* and *Regulations on Management of Corporate Bonds* and documents, the individual investors of the Bonds shall pay individual income tax on corporate bond interests for the bond interests they received.

According to the provisions under the *Circular of the State Administration of Taxation on Strengthening Withholding and Payment of the Individual Income Tax on Corporate Bond Interests* (Guo Shui Han [2003] No. 612) (《国家税务总局关于加强企业债券利息个人所得税代扣代缴工作的通知》(国税函[2003]612号)), the individual income tax on interests of the Bonds shall be uniformly withheld and paid locally by the various payment institutions when they paid interests to the individuals holding the bonds. Each payment institutions are required to duly perform withholding and payment of individual income tax in accordance with relevant provisions under the Individual Income Tax Law. In case of failure to fulfill the obligations of withholding and payment of the individual income tax on the aforementioned bond interests, each payment institutions shall assume the legal liabilities arising therefrom.

Explanations on collection of individual income tax on the interests of the Bonds are as follows:

- (1) Taxpayer: Individual investors of the Bonds.
- (2) Object of taxation: Interest income from the Bonds.
- (3) Tax rate: 20% of interest amount.
- (4) Way of collection: Withholding by the payment institutions in a lump sum when individual investors receive interests at the payment institutions.
- (5) Obligor of withholding and payment: Payment institutions incharge of

(Note: This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.)

interest payment for the Bonds.

- (6) Collection management department of interest tax on the Bonds: Taxation authorities at the places the payment institutions are located.

2. Explanations on collection of income tax on corporate bond interests from non-resident enterprises

Pursuant to the *Notice on the Policy of Corporate Income Tax and Value-added Tax on Offshore Institutions' Investments in Onshore Bond Market* (Cai Shui [2018] No. 108) (《关于境外机构投资境内债券市场企业所得税增值税政策的通知》财税[2018]108号) as promulgated on 7 November 2018, for the period from 7 November 2018 to 6 November 2021, corporate income tax and value-added tax shall be temporarily exempted for the bond interest income obtained from offshore institutions' investments in onshore bond market. The above-mentioned temporarily exempted corporate income tax does not include the bond interests obtained by the institutions and places established by offshore institutions in China and actually connected with such institutions and places.

(IV) Redemption procedures

Prior to the end of the redemption period, the Company will issue at least three indicative announcements on redemption of "Haier Convertible Bonds" on the *China Securities Journal*, *Shanghai Securities News*, *Securities Times*, *Securities Daily* and the website of Shanghai Stock Exchange (www.sse.com.cn), notifying the holders of the "Haier Convertible Bonds" regarding various matters of the redemption.

Once the Company exercises its right of redemption in full, all "Haier Convertible Bonds" registered at the CSDCCL Shanghai Branch will be frozen starting from the next trading day (17 December 2019) after the redemption record date.

At the end of the redemption, the Company will announce the redemption results and the impact of the redemption on the *China Securities Journal*, *Shanghai Securities News*, *Securities Times*, *Securities Daily* and the website of Shanghai Stock Exchange (www.sse.com.cn).

(Note: This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.)

(V) Redemption payment date: 17 December 2019

The Company shall appoint CSDCCL Shanghai Branch to distribute, through its fund settlement system, the redemption monies to the holders of the “Haier Convertible Bonds” which appear on the register of bonds on the redemption record date and have carried out the designated transactions with the member units of the Shanghai Stock Exchange, and to make corresponding reductions in the amount of the “Haier Convertible Bonds” held by such holders. Investors who have carried out comprehensive designated transactions can receive their redemption payments on the redemption payment date at the designated securities business department. The redemption monies of the investors who have not yet carried out designated transactions will be temporarily held by the CSDCCL Shanghai Branch, and will be distributed once the designated transactions have been made by the relevant investors.

(VI) Trading and conversion into shares

Holders of “Haier Convertible Bonds” may convert the Convertible Bonds at par value of RMB100.00 per bond into shares of the Company at the prevailing conversion price of RMB14.20 per share on and before the redemption record date (16 December 2019).

Starting from the next trading day (17 December 2019) after the redemption record date, “Haier Convertible Bonds” shall cease to be traded and converted.

III. Contact Information

Contact department: Securities department of the Company

Telephone number: 0532-8893 1670

It is hereby notified the above.

Haier Smart Home Co., Ltd.

2 December 2019

(Note: This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.)