



Haier Smart Home Co., Ltd.

Qingdao City, China

ISIN D-Shares: CNE1000031C1

ISIN A-Shares: CNE000000CG9

**Second Extraordinary General Meeting of Shareholders of 2020 and the First D-Shares
Class Meeting of 2020:**

Certain Updated and Finalized Proposals

I. Four updated and finalized proposals

According to a resolution of the Company's Board of Directors, the Board of Directors intend to submit to the Second Extraordinary General Meeting of Shareholders in 2020 and the First D-Shares Class Meeting in 2020 for consideration and approval four updated and finalized proposals as follows. Other than these, all other contents and conditions published in the Federal Gazette on 13 August 2020 remain unchanged.

Agenda item 2.11: Number of H-Shares to be issued

Agenda item 6: Proposal on the Report on the Material Asset Acquisition and Related Transactions

Agenda item 9: Proposal on Audit Reports and Pro Forma Review Reports Relating to Underlying Assets in the Transaction

Agenda item 28: Proposal on the Adjustment of Exchangeable Bonds Issued by the Company through an Overseas Wholly-Owned Subsidiary

II. Comparison of the four updated and final proposals to original interim proposals

Updated and Final Proposals

Original Interim Proposals

2.11 Number of H-Shares to be issued

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According to the announcement of the resolutions of the Board of Directors of the Company, the number of H-Shares to be issued to the exchangeable bond ('EB') holders in 2.11 "Number of H-Shares to be Issued" is for schematic reference only, and the actual data will be adjusted based on the average closing stock price of Haier Electronics Group Co., Ltd. ('HEG') 10 trading

In this Transaction, the Company expects to issue not more than 2,857,351,251 H-Shares, and the final number shall be submitted to the general meeting of shareholders to authorize the board of directors or personnel authorized by the board of directors to decide, in accordance with legal provisions, regulatory approvals and other circumstances, detailed as follows:

days after the dividends distribution by HEG on 3 August 2020.

Given that HEG has completed dividend distribution on 3 August 2020, the exchangeable assets of the exchangeable bonds ('EBs') have been adjusted based on the average closing stock prices of 10 trading days after the dividends distribution by HEG, and the number of H-Shares to be issued for the EBs has been adjusted as 408,245,521 (assuming that the EBs holders have fully exercised the conversion rights and participated in this transaction before the record date of the scheme of arrangement and no further adjustment has been made on the conversion price of EBs). Therefore, the Company expects to issue not more than 2,856,526,138 H-Shares in total, and the final number shall be submitted to the General Meeting to authorize the board of directors or personnel authorized by the board of directors to decide, in accordance with legal provisions, regulatory approvals and other circumstances, detailed as follows:

Issued to	Number of H-Shares to be Issued (Shares)
Scheme Shareholders (Scheme Shareholders in the scheme of arrangement as of the date of the announcement of the resolution of the 10th Meeting of the Tenth Session of the Board of Directors)	2,448,280,617
Assuming that all the EBs holders have exercised their conversion rights and participated in this transaction before the scheme record date and no further adjustment has been made on the conversion	408,245,521

Issued to	Number of H-Shares to be Issued (Shares)
Scheme shareholders in the Scheme of Arrangement (scheme shareholders in the Scheme of Arrangement as of the date of the announcement of the resolution of the board of directors)	2,448,280,617
Assuming that all holders of HEG's EBs exercised their conversion rights and participated in this Transaction before the scheme record date (with the impact to the number of H-Shares issued by the HKD 0.49 per HEG share dividend according to the HEG's dividend distribution plan 2019 considered)	409,070,633
Total	2,857,351,251

Note: The quantity of the to be issued H-Shares for the EB above is for illustrative reference only, and the actual data will be subject to adjustment based on the average closing prices of 10 trading days after the dividends distribution by HEG on August 3, 2020; the difference in mantissa between the totals above and the sum of addends is due to mantissa adjustment of odd lot.

The proposal is submitted to the General Meeting and the D-Shares Class Meeting of the Company for deliberation.

price of EBs	
Total	2,856,526,138

The proposal is submitted to the General Meeting and the D-Shares Class Meeting of the Company for deliberation.

6. Proposal on the Report on the Material Asset Acquisition and Related Transactions

According to the announcement issued by HEG, HEG held a board meeting to review HEG's interim results on 20 August 2020. In accordance with relevant laws and regulations and regulatory requirements for the material asset reorganizations of listed companies, the Company revised the *Summary of Report on the Material Asset Acquisition and Related Transactions of Haier Smart Home Co., Ltd (Draft)* reviewed and approved at the 10th Meeting of the Tenth Session of the Board of Directors based on the interim results released by HEG and the adjustment of the Exchangeable Bonds ('EB')-to-Convertible Bonds ('CB') Plan, etc., and formulated the *Summary of Report on the Material Asset Acquisition and Related Transactions of Haier Smart Home Co., Ltd (Revised Draft)*.

For details, please refer to the "*Summary of Report on the Material Asset Acquisition and Related Transactions of Haier Smart Home Co., Ltd (Revised Draft)*" published on the Company's website under <https://smart-home.haier.com/en/sm/>.

The proposal is submitted to the General Meeting of the Company for deliberation.

6. Proposal on the Report on the Material Asset Acquisition and Related Transactions

In accordance with relevant requirements of the Administrative Measures for the Material Asset Restructurings of Listed Companies, the Company formulated the *Summary of Report on the Material Asset Acquisition and Related Transactions of Haier Smart Home Co., Ltd (Draft)*.

For details, please refer to the "*Summary of Report on the Material Asset Acquisition and Related Transactions of Haier Smart Home Co., Ltd (Draft)*" published on the Company's website under <https://smart-home.haier.com/en/sm/>.

The proposal is submitted to the General Meeting of the Company for deliberation.

9. Proposal on Audit Reports and Pro Forma Review Reports Relating to Underlying Assets in the Transaction

For this transaction, the Company engaged the intermediary agency Ernst & Young Huaming LLP (special general partnership) to audit HEG and issue the "*Audit Reports*"

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(Ernst & Young Huaming (2020) Zhuan Zi No. 60464982_J01) with Dec. 31, 2019 as the base day, and Hexin Certified Public Accountants LLP (special general partnership) to review the pro-forma financial statement prepared by the Company and issue the “*Review Report on the Pro-forma Combined Financial Statement of Haier Smart Home Co., Ltd.*” (He Xin Shen Zi (2020) No. 000512).

Both above-mentioned reports have been published on the Company’s website under <https://smart-home.haier.com/en/sm/>.

The Company disclosed the audited financial statements from 1 January 2020 to 30 June 2020 prepared by HEG in accordance with International Financial Reporting Standards in the relevant documents of this transaction such as the *Summary of Report on the Material Asset Acquisition and Related Transactions of Haier Smart Home Co., Ltd (Revised Draft)*. Currently the Company cannot prepare HEG financial report and related audit reports under the Chinese Accounting Standards for Business Enterprises in accordance with the *Administrative Measures for the Material Asset Restructuring of Listed Companies* and relevant laws and regulations, and it cannot prepare the pro forma consolidated financial report either. In order to protect the interests of all shareholders of the Company and make all shareholders to understand the financial information of the transaction target, the Company prepared the explanations to and statement of differences (collectively referred to as “*statement of differences*”) between the significant accounting policies disclosed in the HEG consolidated financial statements in the aforementioned period (hereinafter referred to as ‘HEG’s accounting policies’) and the Accounting Standards for Business Enterprises – Basic Standards promulgated by the Ministry of Finance and the specific accounting standards, application guidelines, explanations and other relevant rules promulgated and revised afterwards

(Ernst & Young Huaming (2020) Zhuan Zi No. 60464982_J01) with Dec. 31, 2019 as the base day, and Hexin Certified Public Accountants LLP (special general partnership) to review the pro-forma financial statement prepared by the Company and issue the “*Review Report on the Pro-forma Combined Financial Statement of Haier Smart Home Co., Ltd.*” (He Xin Shen Zi (2020) No. 000512).

For details of this proposal, please refer to the “*Audit Reports 2018, 2019 of Haier Electronics Group Co., Ltd.*” (Ernst & Young Huaming (2020) Zhuan Zi No. 60464982_J01) and “*Review Report on the Pro-forma Consolidated Financial Statement of Haier Smart Home Co., Ltd.*” (He Xin Shen Zi (2020) No. 000512) published on the Company’s website under <https://smart-home.haier.com/en/sm/>.

The proposal is submitted to the General Meeting of the Company for deliberation.

(collectively referred to as 'Accounting Standards for Business Enterprises'), and compared the HEG's accounting policies with the Accounting Standards for Business Enterprises and conducted the difference analysis, and engaged Ernst & Young Huaming LLP (special general partnership) as the audit agency to issue the *Assurance Report* (*Ernst & Young Huaming (2020) Zhuan Zi No. 60822150_J01*) on the foregoing statement of differences.

According to the *Assurance Report* issued by Ernst & Young Huaming LLP (special general partnership), it believes: "Based on our limited warranty assurance work, nothing has come to our attention that causes us to believe that the difference table fails to reflect differences between HEG's accounting policies and Accounting Standards for Business Enterprises in all material aspects."

Based on the above, the Company will suspend the disclosure of HEG audit report and pro forma consolidated financial statement review report in accordance with the Chinese Accounting Standards for Business Enterprises, and makes the following undertakings: the Company will complete and disclose HEG financial reports and audit reports prepared in accordance with Chinese Accounting Standards for Business Enterprises as well as pro forma financial statements and review reports prepared by the listed company in accordance with Chinese Accounting Standards for Business Enterprises to investors within 6 months after the formal settlement of this transaction.

For details of this proposal, please refer to the "*Assurance Report*" published on the Company's website under <https://smart-home.haier.com/en/sm/>.

The proposal is submitted to the General Meeting of the Company for deliberation.

28. Proposal on the Adjustment of 28. Proposal on the Adjustment of

Exchangeable Bonds Issued by the Company through an Overseas Wholly-Owned Subsidiary

Given that HEG has officially paid dividends on 3 August 2020 according to its 2019 annual dividend payment plan, the Company revised the following content of *Comparison between Major Terms* of Bonds involved in the EB-to-CB Plan and Original EB's Major Terms. Besides the following adjustments, other contents of the proposal remain unchanged:

- Main terms

Exchange/conversion price and quantity

- Contents of exchangeable bond clauses

At the time of issuance (21 November 2017) of EB, the initial exchange price was HKD 33/share, corresponding to approximately 242,424,242 HEG shares, accounting for 8.65% of HEG total share capital for the time being.

- Contents of convertible bond clauses

The conversion price of CB is approximately HKD 19.60, and the corresponding number of H shares is approximately 408,245,521 shares. (Note)

Description:

1. The current HKD 8 billion of EB can be exchanged for approximately 255,153,451 HEG's shares and the corresponding EB conversion price was adjusted to approximately HKD 31.35; therefore, the CB conversion price is the current EB conversion price (assuming the EB conversion price is not further adjusted) divided by the conversion ratio of 1.60, which is approximately HKD 19.60, and the corresponding number of H-Shares is approximately 408,245,521 shares.
2. After completing the cash payment (HKD 1.95/Scheme Share) for privatization, the CB conversion price will be further adjusted. The adjustment formula is $\text{current EB conversion price} / (1.60 + 1.95/R)$, of which R is the average closing price of the ten trading days for H-Shares after the cash payment is paid (that is,

Exchangeable Bonds Issued by the Company through an Overseas Wholly-Owned Subsidiary

For details, please refer to page 34-37, par. II-43 of the *"Announcement on Resolutions of the 10th Meeting of the 10th Session of the Board of Directors"* published on the Company's website under <https://smart-home.haier.com/en/sm/>.

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the specific value of R can only be determined after the new H-Shares are listed for a period of time), and the corresponding number of H-Shares is approximately $408,245,521 + 255,153,451 \times 1.95/R$ shares (assuming the EB conversion price is not further adjusted).

Note: The conversion price is rounded to HKD 0.01 in calculation, and the specific calculation of which needs to refer to the conversion formula.

The proposal is submitted to the General Meeting and the D-Shares Class Meeting of the Company for deliberation.

III. Possibility to revise and resubmit votes

Please note that any power of attorney/instructions already issued to proxies of the Company, votes exercised by absentee voting or powers of attorney issued to a third party may still be changed or revoked. In addition to the registration documents already sent, you can also use the proxy and voting form on the Company's website at <https://smart-home.haier.com/en/sm/P020200819580670531896.pdf>

Please send any changes or revocations with regard to proxy/instructions already issued to proxies of the Company, votes exercised by absentee voting or powers of attorney issued to a third party using one of the forms mentioned above by **31 August 2020, 18:00 (CEST) (arriving)** at the latest

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Qingdao City, China, August 2020

Haier Smart Home Co., Ltd.

The Board of Directors