



Our Ref: 8H08091616

30 July 2020

PRIVATE & CONFIDENTIAL

The Directors
Haier Smart Home Co., Ltd.
Haier Information Industrial Park
Laoshan District
Qingdao City
CHINA

Dear Sirs,

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Haier Smart Home Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Haier Smart Home Co., Ltd. (the “**HSH**”) and its subsidiaries (collectively referred to as the “**HSH Group**”) by the directors of the HSH for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the HSH Group as at 31 December 2019, the unaudited pro forma financial information of the Enlarged HSH Group for the year ended 31 December 2019, and the related notes as set out in pages II-1 to II-8 of Appendix I to the Audited Financial Statements Announcement. The applicable criteria on the basis of which the directors of the HSH have compiled the unaudited pro forma financial information are described on pages II-1 to II-8 in Appendix II to the Announcement.

The unaudited pro forma financial information has been compiled by the directors of HSH to illustrate the impact of the listing by way of introduction (the “**Introduction**”) by privatisation of Haier Electronics Group Co., Ltd. (the “**Privatisation Proposal**”) on HSH Group's financial position as at 31 December 2019 and the HSH Group's financial performance for the year ended 31 December 2019 as if the Privatisation Proposal and the Introduction had taken place at 31 December 2019 and 1 January 2019, respectively. As part of this process, information about the HSH Group's audited consolidated financial position and financial performance has been extracted by the directors of HSH from HSH Group's financial statements for the year ended 31 December 2019, on which an audit report set out in Appendix I to Audited Financial Statements Announcement has been issued.

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Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of HSH are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

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 HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, 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.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of HSH have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Announcement is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the HSH Group as if the event or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 or 1 January 2020 would have been as presented.

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Reporting Accountant's Responsibilities (continued)

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of HSH in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the HSH Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the HSH Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully



Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE HSH GROUP ATTRIBUTABLE TO OWNERS OF HSH

The unaudited pro forma adjusted consolidated net tangible asset of the HSH Group attributable to owners of HSH is prepared by the directors of the HSH in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, and is set out below to illustrate the effect of the the Privatisation Proposal and Introduction on the consolidated net tangible assets of the HSH Group attributable to owners of HSH as at 31 December 2019 if the Privatisation Proposal and Introduction had taken place on 31 December 2019.

The unaudited pro forma adjusted consolidated net tangible asset of the HSH Group attributable to owners of HSH is prepared for illustrative purpose only, and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the HSH Group attributable to owners of HSH as at 31 December 2019 or at any future dates following the Privatisation Proposal and the Introduction.

The unaudited pro forma adjusted consolidated net tangible asset of the HSH Group attributable to owners of HSH is prepared based on the audited consolidated net tangible assets of the HSH Group attributable to owners of HSH as at 31 December 2019 as shown in the Audited Financial Statements as set out in Appendix I to the announcement of HSH on the same date as this announcement (the “**Audited Financial Statements Announcement**”) and adjusted as described below.

Audited consolidated net tangible assets of the HSH Group attributable to owners of HSH as at 31 December 2019 RMB' million (note 1)	Effect of the Privatisation and Introduction RMB' million (note 2)	Effect of the Scheme Shares payable RMB' million (note 3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of HSH RMB' million
14,895	15,395	(2,653)	27,637

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE HSH GROUP ATTRIBUTABLE TO OWNERS OF HSH (CONTINUED)

Notes:

- (1) The audited consolidated net tangible assets of the HSH Group attributable to owners of HSH as at 31 December 2019 is extracted from the Audited Financial Statements set out in Appendix I to the Audited Financial Statements Announcement, and is based on the audited consolidated net assets of the HSH Group as at 31 December 2019 of RMB64,990 million adjusted for intangible assets including goodwill and other intangible assets as at 31 December 2019 of RMB32,992 million and non-controlling interests of RMB17,103 million.
- (2) The adjustment represents the decrease in non-controlling interest in HEG upon the completion of the Privatisation Proposal and Introduction, and a corresponding increase in equity attributable to the owner of the HSH.
- (3) The adjustment represents upon the completion of the Privatisation Proposal and the Scheme becoming unconditional and effective, the payment of approximately HK\$2,961 million (equivalent to approximately RMB2,653 million based on the exchange rate of HK\$1.00 to RMB0.8958) is calculated based on the total number of Scheme Share of 1,518,667,186 at HK\$1.95 per Scheme Share payable in cash by HEG to the Scheme Shareholders whose names appear on the register of members of HEG at the 31 December 2019.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the HSH Group attributable to owners of HSH as at 31 December 2019 to reflect any trading results or other transactions of the HSH Group entered into subsequent to 31 December 2019.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED HSH GROUP

The following is an illustrative and unaudited pro forma consolidated statements of financial position and pro forma consolidated statements of profit or loss and other comprehensive income of the Enlarged HSH Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Privatisation Proposal and the Introduction as if it had taken place on 31 December 2019 for the pro forma consolidated statements of financial position and as if it had taken place on 1 January 2019 for the pro forma consolidated statements of profit or loss and comprehensive income. It has been prepared on the basis of the notes set out below and in accordance with the accounting policies adopted by the HSH Group.

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and financial results of the Enlarged HSH Group had the Privatisation Proposal and the Introduction been completed as at 1 January 2019 or 31 December 2019 or any future date.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED HSH GROUP (CONTINUED)

(a) Unaudited pro forma consolidated statements of financial position of the Enlarged HSH Group

	The HSH Group as at 31 December 2019 RMB' Million Note 1	Pro Forma adjustment RMB' Million Note 2	RMB' Million Note 3	The Enlarged HSH Group as at 31 December 2019 RMB' Million
Non-current assets				
Property, plant and equipment	23,919			23,919
Investment properties	29			29
Right-of-use assets	3,802			3,802
Goodwill	23,352			23,352
Other intangible assets	9,640			9,640
Investment in associates	20,461			20,461
Equity investments designated at fair value through other comprehensive income	1,396			1,396
Financial assets at fair value through profit or loss	295			295
Financial assets at amortised cost	332			332
Derivative financial instruments	77			77
Long-term prepayments	1,423			1,423
Deferred tax assets	1,579			1,579
Other non-current assets	581			581
Total non-current assets	86,886			86,886
Current assets				
Inventories	28,229			28,229
Trade and bills receivables	24,967			24,967
Contract assets	423			423
Prepayments, deposits and other assets	6,441			6,441
Financial assets at fair value through profit or loss	308			308
Financial assets at amortised cost	3,981			3,981
Derivative financial instruments	19			19
Pledged deposits	1,211			1,211
Other deposit with limited use	5			5
Cash and cash equivalents	34,963			34,963
	100,547			100,547
Assets and disposal group held for sale	21			21
Total current assets	100,568			100,568

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED HSH GROUP (CONTINUED)

(a) Unaudited pro forma consolidated statements of financial position of the Enlarged HSH Group (continued)

	The HSH Group as at 31 December 2019 <i>RMB' Million Note 1</i>	Pro Forma adjustment <i>RMB' Million RMB' Million Note 2 Note 3</i>	The Enlarged HSH Group as at 31 December 2019 <i>RMB' Million</i>
Current liabilities			
Trade and bills payables	53,059		53,059
Other payables and accruals	19,726	2,653	22,379
Contract liabilities	5,583		5,583
Interest-bearing borrowings	13,315		13,315
Lease liabilities	595		595
Tax payable	1,278		1,278
Provisions	1,992		1,992
Derivative financial instruments	99		99
Financial liabilities at fair value through profit or loss	43		43
Total current liabilities	95,690		98,343
Net current assets	4,878		2,225
Total assets less current liabilities	91,764		89,111
Non-current liabilities			
Interest-bearing borrowings	13,370		13,370
Lease liabilities	1,980		1,980
Convertible and exchangeable bonds	7,005		7,005
Deferred income	628		628
Deferred tax liabilities	1,154		1,154
Provisions for pensions and similar obligations	1,122		1,122
Provisions	1,399		1,399
Put option liabilities	55		55
Other non-current liabilities	61		61
Total non-current liabilities	26,774		26,774
Net assets	64,990		62,337
EQUITY			
Equity attributable to owners of HSH			
Issued equity	6,580	2,430	9,010
Reserves	41,307	12,965 (2,653)	51,619
	47,887		60,629
Non-controlling interests	17,103	(15,395)	1,708
Total equity	64,990		62,337

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED HSH GROUP (CONTINUED)

(b) Unaudited pro forma consolidated statements of profit or loss and other comprehensive income of the Enlarged HSH Group

	The HSH Group for the year ended 31 December 2019 RMB' Million Note 1	Pro Forma adjustment RMB' Million Note 2	The Enlarged HSH Group for the year ended 31 December 2019 RMB' Million
Revenue	198,006		198,006
Cost of services	<u>(139,393)</u>		<u>(139,393)</u>
Gross profit	58,613		58,613
Other gains or losses	3,324		3,324
Selling and distribution expenses	(33,843)		(33,843)
Administrative expenses	(17,165)		(17,165)
Finance costs	(1,732)		(1,732)
Share of profits and losses of associates	<u>1,409</u>		<u>1,409</u>
Profit before tax from continuing operations	10,606		10,606
Income tax expenses	<u>(1,584)</u>		<u>(1,585)</u>
Profit for the year from continuing operation	9,022		9,022
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	<u>3,313</u>		<u>3,313</u>
PROFIT FOR THE YEAR	<u>12,335</u>		<u>12,335</u>



B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED HSH GROUP (CONTINUED)

(b) Unaudited pro forma consolidated statements of profit or loss and other comprehensive income of the Enlarged HSH Group (continued)

	The HSH Group for the year ended 31 December 2019 <i>RMB' Million</i> <i>Note 1</i>	Pro Forma adjustmen <i>RMB' Million</i> <i>Note 2</i>	The Enlarged HSH Group for the year ended 31 December 2019 <i>RMB' Million</i>
Other comprehensive (loss)/income			
Other comprehensive(loss)/ income that may be reclassified subsequently to profit or loss:			
Other comprehensive income that can be transferred into profit or loss under equity method	103		103
Reserve for cash flow hedging	(21)		(21)
Exchange differences on translating foreign operations	<u>500</u>		<u>500</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>582</u>		<u>582</u>
 Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Changes arising from re-measurement of defined benefit plans	(10)		(10)
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	<u>(3)</u>		<u>(3)</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(13)</u>		<u>(13)</u>
 Other comprehensive income for the year, net of tax	<u>569</u>		<u>569</u>
 Total comprehensive income for the year	<u><u>12,904</u></u>		<u><u>12,904</u></u>

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED HSH GROUP (CONTINUED)

(b) Unaudited pro forma consolidated statements of profit or loss and other comprehensive income of the Enlarged HSH Group (continued)

	The HSH Group for the year ended 31 December 2019 RMB' Million Note 1	Pro Forma adjustment RMB' Million Note 2	The Enlarged HSH Group for the year ended 31 December 2019 RMB' Million
Profit attributable to:			
Owners of HSH	8,206	3,912	12,118
Non-controlling interests	<u>4,129</u>	<u>(3,912)</u>	<u>217</u>
	12,335		12,335
Total comprehensive income attributable to:			
Owners HSH	8,751	3,953	12,704
Non-controlling interests	<u>4,153</u>	<u>(3,953)</u>	<u>200</u>
	12,904		12,904
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF HSH			
From continuing and discontinued operations			(note 4)
- Basic (RMB per share)	<u>1.29</u>		<u>1.38</u>
From continuing operations			
- Basic (RMB per share)	<u>1.05</u>		<u>1.01</u>



B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED HSH GROUP (CONTINUED)

(c) Notes to unaudited pro forma financial information of the Enlarged HSH Group

1. These amounts are extracted from the audited consolidated statement of financial position of the HSH Group as at 31 December 2019 and the audited consolidated statements of profit or loss and comprehensive income of the HSH Group for the year ended from 1 January 2019 to 31 December 2019 complied in accordance with International Financial Reporting Standards.
2. The adjustment represents the issuance of the HSH H shares to Scheme Shareholders pursuant to the Scheme as at 31 December 2019, and a corresponding decrease in non-controlling interests' share of net assets as at 31 December 2019 and profit for the year attributable to the HEG.
3. The adjustment represents upon the completion of the Privatisation Proposal and the Scheme becoming unconditional and effective, the payment of approximately HK\$2,961 million (equivalent to approximately RMB2,653 million based on the exchange rate of HK\$1.00 to RMB0.8958) is calculated based on the total number of Scheme Share of 1,518.667,186 at HK\$1.95 per Scheme Share payable in cash by HEG to the Scheme Shareholders whose names appear on the register of members of HEG at the 31 December 2019 .
4. The basic earnings per share attributable to ordinary equity holders of Enlarged HSH Group from continuing and discontinued operations is based on the total number of HSH Group issued equity shares and the Scheme Shares on HSH Group's financial position as at 31 December 2019 and the profit attributable to owners of HSH of the HSH Group's financial performance for the year ended 31 December 2019.
5. No adjustment has been made to reflect any trading results or other transactions of the HSH Group which were entered into subsequent to 31 December 2019.