

Company Code : 600690.SH, 690D.DE

Short Name : Haier Smart Home

Haier Smart Home Co., Ltd.

2023 Annual Report

海尔智家

Haier smart home

Important Notice

- I. **The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of Haier Smart Home Co., Ltd. ('the Company') hereby assure that the content set out in the annual report is true, accurate and complete, and free from any false record, misleading representation or material omission, and are individually and collectively responsible for the content set out therein.**
- II. **All Directors of the Company have attended the board meetings.**
- III. **Hexin Certified Public Accountants Limited LLP has issued a standard and unqualified audit report for the Company.**
- IV. **Li Huagang (legal representative of the Company), Gong Wei (chief financial officer of the Company) and Ying Ke (the person in charge of accounting department) hereby certify that the financial report set out in the annual report is true, accurate and complete.**
- V. **Proposal of profit distribution or proposal of capitalizing capital reserves for the reporting period resolved and adopted by the Board**

Proposal of profit distribution for the reporting period are examined and reviewed by the Board: to declare a cash dividend of RMB8.04 per 10 shares (tax inclusive) to all shareholders based on the total number of shares held on record date and after deducting the repurchased shares from the repurchase account upon the execution of distribution proposal, with proposed distribution amounting to RMB7,471,472,992.22 (tax inclusive). The proportion of cash distribution is 45.02% of the net profit attributable to shareholder of parent company of the Company for the year. If there is any change in the total share capital of the Company during the period from the date of this report to the record date of the equity distribution, the total distribution amount will be remained unchanged with corresponding adjustment to the proportion of distribution per share.

VI. Disclaimer in respect of forward-looking statements

☒ Applicable ☐ Not Applicable

Forward-looking statements such as future plans, development strategies as set out in this report do not constitute the Company's substantial commitment to investors. Investors are advised to pay attention to investment risks.

VII. Is there any fund occupation by controlling shareholders and other related parties for non-operational purposes?

No

VIII. Is there any provision of external guarantee in violation of the prescribed decision-making procedures?

No

Important Notice

IX. Are there more than half of the Directors who are unable to guarantee the truthfulness, accuracy and completeness of the annual report disclosed by the Company?

No

X. Important Risk Warnings

For the possible risks which the Company may encounter, please refer to the relevant information set out in the section of 'MANAGEMENT DISCUSSION AND ANALYSIS' in this report.

XI. Others

☐ Applicable ☒ Not Applicable

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DOCUMENTS AVAILABLE FOR INSPECTION	(I)	Financial statements with signatures and seals of the legal representative, chief accountant and person in charge of accounting department.
	(II)	Original audit report with seals of accounting firm, signatures and seals of registered accountants.
	(III)	Originals of all documents and announcements of the Company which have been publicly disclosed on the newspaper designated by China Securities Regulatory Commission during the reporting period.

Letter to shareholders

The pandemic might seem to be a thing of the past; however slowdown in the property sector took its toll on demand for appliances in China throughout last year. High interest rate and inflation weighed on sentiment as well as residential construction and remodelling activity in the US and Europe, resulting in more consumers postponing purchases of appliances. Haier Smart Home made resolute effort to implement premium brand strategy and accelerated digital transformation to deliver another year of unprecedented performance amid these challenges.

In 2023, Haier Smart Home achieved a global revenue of RMB261.428 billion, marking a year-on-year growth of 7.3%. Our net profit attributable to shareholders grew 12.8% to RMB16.597 billion; the net profit attributable to shareholders deducting non-recurring items under PRC GAAP amounted to RMB15.824 billion, a growth of 13.3% year-on-year.

Through the year, our entire management honoured their faith in the founding principle of “RenDanHeYi” (人单合一), as they went above and beyond to achieve quality growth with innovative product despite macro challenges. On the other hand, our organization has become leaner, more agile, and more efficient with growth in sales revenue and profitability. The management also became more aware of what paves ways towards profitable growth and greater return on investments is user-centric and profit-driven digitalization.

Haier Smart Home provides over 100 million units of home appliances in more than two hundred countries and regions in 2023 including major appliances, HVAC products, water heaters, and small appliances. Rather than chasing short-term gains, we prioritise sustainable growth through a relentless focus on stakeholder experiences — be it our distributors, suppliers, consumers, or employees. In the domestic market, we nurture strong bonds with distribution partners, I also spend a great deal of time listening to our distributors who share our inspiration in building a more competitive ecosystem. We started to evaluate sales network using sell-through figures, to minimize inefficient short-term stock piling. In 2023, the Company generated a net cash flow of RMB25.262 billion from operating activities, a growth of 24.7% year-on-year, leveraging digital management system that improves turnovers and enhances transparency in rebate policies to enhance store performance.

This year, we have developed a logistics and inventory management system with suppliers, to make delivery schedules more predictable and our distributors' resource allocation more efficient. Leveraging on digital delivery and service dispatch systems, we minimised waiting time of logistics service providers, thus improving service and installation efficiency, all of which aim at elevating logistics and service experiences while reducing our selling and administrative expense ratios.

We are currently undertaking numerous initiatives on R&D, manufacturing and marketing integration and digitalised procurement management. We intend to replicate what we have learned from transforming domestic business to overseas operations soon. I believe our sustainable development will remain intact against macro downturn as long as we focus on improving experience and enhancing profitability, which should better position us in the competition when the market turns around.

Haier Smart Home continued to be named as the Most Admired Company by Fortune Magazine in 2023, and GE Appliances, our subsidiary in the US was once again recognised as the Great Place to Work. We strive to build a place that inspires young Gen Z to take pride in generating amazing value for our users without bureaucracy. At Haier Smart Home, employees are listened to, as we believe their satisfaction generates significant operational benefits.

Looking ahead to 2024, I have full confidence in Haier Smart Home's positioning and growth potential.

Let's take a closer look at our businesses.

Strengthening leadership

We have over 40% domestic market share in refrigerators and washing machines. Future growth depends on product innovation. Our built-in refrigerators provide users with a whole new experience by seamlessly blending in with home décor, catalysing a surge in demand for product upgrades. Additionally, our washer-dryer combo disruptively solves users' pain points and leads the industry in the US. We have made some progress in Europe and Southeast Asia, although we are yet to become one of the top three. Significant potential could be unlocked by leveraging on our global R&D platform with local supply chain.

Haier's dishwasher business is poised to accelerate with growing market penetration, which is only 4% in China. The complementary nature of dryers and washers has laid down solid foundation for the strong momentum to continue leveraging on our strengths in washing machines.

In the white goods category, Haier Smart Home has established a leading position with technological platform and innovative system. Starting from 2024, Haier will focus on breaking down organisational barriers and integrating our global planning platforms to introduce more competitive products and implement more efficient market strategy.

Gearing up

Another important pillar is HVAC and water heaters. Our residential and commercial air conditioning businesses currently rank among second-tier players in domestic market while water heaters have become domestic market leader with little overseas exposure. I believe substantial growth potential could be unlocked in these sectors.

In the home air conditioner business, in the past two years, we have been making efforts to address absence and shortage of components. By establishing a compressor joint venture and developing proprietary computer boards, we improved integration efficiency of R&D and manufacturing to increase profitability. We also accelerated MRV units and residential air conditioner business with expansions in distribution network.

In commercial air conditioners, we continue to draw inspirations from original technologies that are future-proof and pioneer the industry in high-efficiency magnetic levitation air conditioners. Moreover, we were the industry's first to adopt air suspension technology, which gives our systems a lifespan of 30 years with little maintenance required.

We run a highly profitable water appliance business with the largest share in both gas and electric water heater, and a steadily growing purifiers unit in China. Our next step is to expand into the global arena, particularly in emerging markets with investments committed in HVAC and water heater to grow market share and profitability.

Investing in Future

Our Company's strategic vision is to become the number one choice for smart home solutions. In the IoT era, Haier Smart Home is positioned to capitalise on the integration of smart home appliances and furnishing on one hand, and small appliances equipped with smart capabilities on the other hand. Our strategic approach entails providing integrated design solutions leveraging on San Yi Niao's platform, while promoting smart small appliances supported by brand, ecosystem, and technologies.

In 2023, we made the strategic decision to acquire the commercial refrigeration business of Carrier Global Corporation, who is also our joint venture partner in China. The food refrigeration and commercial cold chain sectors present opportunities that could be unlocked by technological advancement and digital transformation. Carrier's commercial refrigeration business has a strong customer base, established operational systems, leading engineering expertise, and experienced management team. Following the completion of the transaction, we will make further investment to grow cold chain business leveraging on supply chain advantages in China and Haier's 'RenDanHeYi (人单合一)' management approach.

Since Haier Smart Home's IPO, our dividend payout ratio has increased gradually as planned. In the financial year 2023, the cash dividend pay out ratio will reach 45.02%, and a total of RMB1.6 billion were used to buy back A and H shares. Starting from financial year 2024, we will raise dividend payout continuously, and in for financial years 2025 and 2026, the cash dividend payout ratio will not be less than 50%.

What we achieved in 2023 was merely a beginning. Our board of directors is committed to enhancing consumer experience and improving profitability by consolidating existing advantages and unlocking new potentials while laying down foundations for long term development. The management and employees are confident that we could take the business to new heights.

Section I Definitions

I. DEFINITIONS

Unless otherwise stated in the context, the following terms should have the following meanings in this report:

Definition of frequently used terms

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
The Company, Haier Smart Home	Haier Smart Home Co., Ltd., its original name is 'Qingdao Haier Co., Ltd.', and the original short name is 'Qingdao Haier'.
Four Major Securities Newspapers	<i>China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily</i>
Haier Electrics, 1169	Haier Electronics Group Co., Ltd. (a company originally listed in Hong Kong, stock code: 01169.HK), a subsidiary as accounted for in the consolidated statement of the Company. Haier Electrics has been privatized by way of H shares issuance on 23 December 2020 and became a wholly owned subsidiary of the Company since then.
GE Appliances	Household appliances assets and business of General Electric Group, have currently been owned by the Company.
FPA	Fisher & Paykel Appliances Holdings Limited (Chinese name: 斐雪派克), was established in 1934 and is known as the national appliance brand of New Zealand, the global top-level kitchen appliance brand and the famous luxury brand of the world. It has products including ventilator, gas stove, oven, dishwasher, microwave oven, built-in freezer, washing machine, clothes dryer and etc. Its business covers over 50 countries/regions across the world. FPA is a wholly-owned subsidiary of the Company.
Candy	Candy Group (Candy S.p.A), is an international professional appliances manufacturer from Italy. Since its establishment in 1945, it has been committed to enabling the global users to enjoy a higher quality of life through innovative technologies and quality services. Candy Group has been prestigious in the global market with users all over the world via its ten self-owned professional household appliance brands. In January 2019, Candy became a wholly-owned subsidiary of the Company.
CMM	China Market Monitor Co., Ltd., as an authoritative market research institute in Chinese household appliances area, was established in 1994 and has been focusing on research of retail sales in China consumption market ever since.

Section I Definitions

Euromonitor	Euromonitor, established in 1972, is the leading strategic market information supplier and has over 40 years of experience in respect of publishing market report, commercial reference data and on-line database. They create data and analysis on thousands of products and services around the world.
Gfk	Gfk Group, the world's leading market research company. After a long period of development and accumulation, Gfk Group's global market research business covers consumer durables research, consumer research, media research, healthcare market research and special studies.
All View Cloud	All View Cloud (AVC) is a big data integrated solution provider to the smart home field, providing enterprises with big data information services, regular data information services and special data services.
IEC	The International Electrotechnical Commission, founded in 1906, is the world's first organization for the preparation and publication of international electrotechnical standardization and is responsible for international standardization for electrical engineering and electronic engineering. The goals of the commission include: to effectively meet the needs of the global market; to ensure that the standards and conformity assessment programs are applied globally in a prioritized manner and to the greatest extent; to assess and improve the quality of products and services involved in its standards; to create conditions for the common use of complicated systems; to improve the effectiveness of the industrialization process; to improve human health and safety, and to protect the environment.
IEEE	The Institute of Electrical and Electronics Engineers, an international association of electronic technology and information science engineers, is currently the largest non-profit professional technology society in the world. It is committed to the development and research of electrical, electronic, computer engineering and science-related fields, and has now developed into an international academic organization with great influence in terms of the fields of space, computer, telecommunications, biomedicine, power and consumer electronics.
Model of RenDanHeYi	The concept of 'Achieving win-win via RenDanHeYi' is the guarantee of Haier's sustainable operation and the driving force of the Company featuring a self-motivated and empowering corporate culture. "Ren" is an employee who has the spirit of entrepreneurship and innovation; "Dan" is to create value for users. The "RenDanHeYi" management model encourages employees to create value for users with an entrepreneurial mindset, and to achieve self-value in line with the those of the Company and its shareholders.

Section II General Information of the Company and Key Financial Indicators

I. INFORMATION OF THE COMPANY

Chinese name	海尔智家股份有限公司
Chinese short name	海尔智家
English name	Haier Smart Home Co., Ltd.
English short name	Haier Smart Home
Legal representative	Li Huagang

II. CONTACT PERSON AND CONTACT INFORMATION

	Secretary to the Board	Representative of securities affairs	Company Secretary (D/H shares)	Others
Name	Liu Xiaomei	Liu Tao	Ng Chi Yin, Trevor	Global Customer Service Hotline
Address	Department of Securities of Haier Smart Home Co., Ltd., Haier Science and Technology Innovation Ecological Park, No.1 Haier Road, Qingdao City	Department of Securities of Haier Smart Home Co., Ltd., Haier Science and Technology Innovation Ecological Park, No.1 Haier Road, Qingdao City	Unit 1908, 19th Floor, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong	/
Tel	0532-88931670	0532-88931670	+852 2169 0000	4006 999 999
Fax	0532-88931689	0532-88931689	+852 2169 0880	/
Email	finance@haier.com	finance@haier.com	ir@haier.hk	/

Section II General Information of the Company and Key Financial Indicators

III. SUMMARY OF THE GENERAL INFORMATION

Registered Address	Haier Industrial Park, Laoshan District, Qingdao City (now known as Haier Science and Technology Innovation Ecological Park, Laoshan District, Qingdao City)
Historical Changes to the Registered Address	Prior to the Company's listing in 1993, the registered address of the Company was No.165 Xiaobaigan Road, Sifang District, Qingdao City, Shandong Province, and has changed to the current address since 1994, during which the address name was adjusted in line with the change of name of the industrial park but the actual site remains unchanged.
Business address	Haier Science and Technology Innovation Ecological Park, Laoshan District, Qingdao City
Postal code of the business address	266101
Website	https://smart-home.haier.com/cn/
Email	9999@haier.com

IV. PLACE FOR INFORMATION DISCLOSURE AND DEPOSIT

Newspapers and websites for annual report disclosure	<i>Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily</i>
Stock Exchange Website for annual report disclosure as designated by the CSRC	www.sse.com.cn
Other websites for annual report disclosure	https://smart-home.haier.com/cn/ , www.xetra.com , www.dgap.de , https://www.hkexnews.hk
Deposit place of annual report	Department of Securities of Haier Smart Home Co., Ltd., Haier Science and Technology Innovation Ecological Park, No.1 Haier Road, Qingdao City

V. SUMMARIZED INFORMATION OF SHARES OF THE COMPANY

Summarized information of shares of the Company				
Type of Shares	Stock Exchange of Shares Listed	Stock Short Name	Stock Code	Stock Short Name Before Variation
A-shares	Shanghai Stock Exchange	Haier Smart Home	600690	Qingdao Haier
D-shares	Frankfurt Stock Exchange	Haier Smart Home	690D	Qingdao Haier
H-shares	Hong Kong Stock Exchange	Haier Smart Home	6690	/

Section II General Information of the Company and Key Financial Indicators

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	Hexin Certified Public Accountants LLP
	Business Address	24th Floor, Century Building, No.39 Donghai Road West, Qingdao City
	Name of signing accountant	Zhao Bo, Li Xiang Zhi
Accounting firm engaged by the Company (overseas)	Name	HLB Hodgson Impey Cheng Limited
	Business address	31st Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong Special Administrative Region
	Name of signing accountant	Jack, Tia Sun Kit

Note:

Accounting firm engaged by the Company (domestic and overseas): Pursuant to the motion for the appointment of an auditor approved at the Company's 2022 Annual Shareholders' Meeting, the Company engaged Hexin Certified Public Accountants LLP and HLB Hodgson Impey Cheng Limited to issue the China Accounting Standards and International Accounting Standards auditing report respectively for the Company's 2023 annual report.

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS IN THE RECENT THREE YEARS

(I) Key accounting data

Unit and Currency: RMB

Key accounting data	2023	2022		Yoy change (%)	2021
		After adjustment	Before adjustment		
Operating revenue	261,427,783,050.10	243,578,924,958.47	243,513,563,670.73	7.33	227,105,817,641.69
Net profit attributable to shareholders of the listed company	16,596,615,045.87	14,712,054,763.24	14,710,923,491.99	12.81	13,078,840,517.10
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed company	15,824,164,161.43	13,962,931,853.78	13,962,931,853.78	13.33	11,831,272,558.29
Net cash flows from operating activities	25,262,376,228.30	20,256,557,145.86	20,153,505,783.35	24.71	23,235,380,690.95

Section II General Information of the Company and Key Financial Indicators

	At the end of 2023	At the end of 2022		Yoy change (%)	At the end of 2021
		After adjustment	Before adjustment		
Net assets attributable to shareholders of the listed company	103,514,153,535.04	93,459,437,602.44	93,422,647,664.43	10.76	79,985,092,528.06
Total assets	253,379,859,977.97	236,017,821,177.50	235,842,254,826.77	7.36	217,741,133,577.31

(II) Key financial indicators

	2023	2022		Yoy change (%)	2021
Key financial indicators		After adjustment	Before adjustment		
Basic earnings per share (RMB/share)	1.79	1.58	1.58	13.29	1.41
Diluted earnings per share (RMB/share)	1.78	1.57	1.57	13.38	1.40
Basic earnings per share after deducting non-recurring profit or loss (RMB/share)	1.71	1.50	1.50	14.00	1.27
Weighted average return on net assets (%)	16.85	16.80	16.81	Increased by 0.05 percentage points	17.26
Weighted average return on net assets after deducting non-recurring profit or loss (%)	16.06	15.95	15.95	Increased by 0.11 percentage points	15.65

Explanation of the key accounting data and financial indicators of the Company as at the end of the reporting period for the previous three years

☐ Applicable ☒ Not Applicable

VIII. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

(I) Differences in net profit and net asset attributable to shareholders of listed company in financial report disclosed in accordance with International Accounting Standards and China Accounting Standards

☐ Applicable ☒ Not Applicable

There is no difference between the net profit and net assets attributable to shareholders of the listed company presented in the consolidated financial statements disclosed in accordance with International Accounting Standards and China Accounting Standards.

(II) Differences in net profit and net asset attributable to shareholders of the listed company in financial statements disclosed in accordance with overseas accounting standards and China Accounting Standards

☐ Applicable ☒ Not Applicable

Apart from the financial statements prepared in accordance with International Accounting Standards, the Company did not prepare any financial statements in accordance with other overseas accounting standards.

(III) Explanation on the difference between the domestic and overseas accounting standards:

☐ Applicable ☒ Not Applicable

IX. KEY FINANCIAL DATA OF 2023 BY QUARTER

Unit and Currency: RMB

	Q1 (January-March)	Q2 (April-June)	Q3 (July-September)	Q4 (October-December)
Operating revenue	65,066,477,648.79	66,560,103,857.77	67,030,721,048.16	62,770,480,495.38
Net profit attributable to shareholders of the listed Company	3,971,103,084.94	4,992,772,914.90	4,185,343,372.78	3,447,395,673.25
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed Company	3,699,833,649.61	4,904,144,114.97	4,116,766,925.02	3,103,419,471.83
Net cash flows from operating activities	1,354,792,344.20	5,435,738,118.34	6,412,585,338.25	12,059,260,427.51

Explanation on the difference between quarterly data and disclosed regular reporting data

☐ Applicable ☒ Not Applicable

Section II General Information of the Company and Key Financial Indicators

X. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNT

Non-recurring profit and loss items	Amount in 2023	Amount in 2022
Profit or loss from disposal of non- current assets, including the write-off of provision for asset impairment	-97,873,276.66	209,436,774.95
Government subsidies included in current profit or loss, except for government subsidies that are closely related to the Company's normal business operations, conformed to requirements of state policies and granted according to specific criteria, and have a sustained impact on the Company's profit or loss	1,093,584,406.07	766,426,467.17
Profit or loss arising from changes in fair value of financial assets and financial liabilities held by non-financial entities, and profit or loss arising from disposal of financial assets and financial liabilities, except for effective hedging activities related to the Company's normal business operations	20,829,305.37	-23,321,060.42
Net profit or loss of subsidiaries arising from business combinations under common control of the current period from the beginning of the period to the date of consolidation	-2,581,701.76	14,065,886.76
Other non-operating income and expenses apart from the aforesaid items	-71,400,519.77	-29,750,173.25
Less: Effect of income tax	150,225,774.23	167,413,005.22
Effect of minority interests (after tax)	19,881,554.58	20,321,980.53
Total	772,450,884.44	749,122,909.46

For the Company's recognition of items that are not listed in the "Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 — Non-recurring Profit or Loss" as non-recurring profit or loss items and the amount of which is significant, and for non-recurring profit or loss items as illustrated in the "Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 — Non-recurring Profit or Loss" designated as recurring profit or loss items, reasons shall be specified.

☐ Applicable ☒ Not Applicable

Section II General Information of the Company and Key Financial Indicators

XI. ITEMS MEASURED BY FAIR VALUE

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance	Affected amount	
			Changes in the current period	to profit of current period
Wealth management products	14,638,968.26	487,936,101.81	473,297,133.55	52,484,639.54
Investment in other equity instruments	5,851,882,930.20	6,403,694,954.77	551,812,024.57	58,671,224.25
Investment in trading equity instruments	336,843,065.02	243,224,439.64	-93,618,625.38	-20,876,582.33
Investment funds	168,430,847.63	222,803,002.38	54,372,154.75	38,833,850.27
Derivative financial instruments	61,674,330.75	-101,059,175.53	-162,733,506.28	54,086,291.94
Total	6,433,470,141.86	7,256,599,323.07	823,129,181.21	183,199,423.67

XII. OTHERS

☐ Applicable ☒ Not Applicable

Section III Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS ON OPERATIONS

The Company's revenue for the 2023 financial year amounted to RMB261.428 billion, representing an increase of 7.3% from 2022. The growth was driven by: multi-brand strategy and extensive product offerings which captured opportunities in different market segments; enhanced retail capabilities and product premiumization; more competitive water heater, HVAC and kitchen appliances contributed strong revenue growth in China; enhanced user values from San Yi Niao's improved scenario-based suite products; development of new categories including tumble dryers, dishwashers, home cleaning robots and heat pumps to capture opportunities in quality living and the low-carbon economy.

For the financial year ended 31 December, 2023, the net profit attributable to shareholders of the Company was RMB16.597 billion, representing a 12.8% increase from 2022. The net profit attributable to shareholders of the Company after deducting non-recurring items amounted to RMB15.824 billion, representing a growth of 13.3% compared to the same period in 2022.

The Company's gross profit margin reached 31.5% in 2023, up 0.2 percentage points compared to the same period in 2022. Margin improvement in domestic market was driven by lower commodity prices, digitalisation in procurement and R&D, development of a digitalised production and sales coordination system, and improved product mix. In overseas markets, benefits from better product mix and production capacity utilisation were partly offset by intensified competition in key regions, resulting in a year-on-year decline in gross profit margin.

The selling expense ratio was 15.7% in 2023, a reduction of 0.2 percentage points compared to the same period in 2022, selling expense ratio has improved resulting from digitally enhanced efficiency in resource allocation, logistics and fulfilment in China. On the other hand, overseas selling expense ratio went up due to intensified competition, increased spending in network expansion, promotions, and store upgrades.

The administrative expense ratio went down by 0.1 percentage points to 4.4% in 2023, driven by optimised business processes and improved organisational efficiency through digitalisation.

The finance expense ratio was 0.2% ("+" as expenses, "-" as income) in 2023, representing an increase of 0.3 percentage points compared to 2022, mainly because increases in interest payment as a result of overseas interest rate hike, offsetting interest income generated from improved capital management.

In 2023, the Company's net cash flow from operating activities was RMB25.262 billion, an increase of RMB5.006 billion year-on-year.

I. Household Food Storage and Cooking Solutions

(1) Refrigerator business

In 2023, the refrigerator business of the Company remained committed to leading the global industry in the IoT era. By constantly innovating freshness preservation and built-in technologies, expanding high-end products, and accelerating retail transformation, the Company was able to strengthen its leadership in the industry. In 2023, sales revenue of the global refrigerator business was RMB81.910 billion, a growth of 5.2% compared to the same period in 2022.

According to Gfk, the Company's share of retail revenue reached 45.2% offline and 40.3% online in China in 2023, up 1.3 and 1.1 percentage points year-on-year, respectively. According to Euromonitor, the Company held a 14.1% share of retail volume overseas.

The domestic market

The Company has significantly increased its share in the high-end market. Casarte built-in refrigerator achieved a remarkable 120% year-on-year volume growth. Haier refrigerator expanded Boguan (博观) series with full-space freshness preservation technology and compartmentalised storage design, dominating the market in the price range above RMB20,000 per unit. According to CMM, the share of offline retail with unit price of RMB10,000 and above reached 52.8%, an increase of 4 percentage points year-on-year.

Enhancing retail capabilities has been a key focus. By strengthening network coverage in underserved areas, leveraging digital marketing to improve customer acquisition, and upgrading end-user experience, the Company enhanced efficiency in customer engagement and improved conversion by 8%.

The Company also prioritised end-to-end cost reduction and efficiency improvement. To scale up production and in-house manufacturing of basic components, the first phase of Shanghe Refrigeration Park was put into operation in 2023, adding 1.5 million units in capacity. Manufacturing efficiency has improved by over 10% via integrating advanced manufacturing technologies and digitalising manufacturing, inspection, and logistics.

Overseas markets

The Company remained committed to high-end brand strategy and synergising global resources to strengthen product leadership and enhance user experience. In North America, we launched the integrated Built-in French Door refrigerator with Monogram and Café brand, Internal Dispenser Multi-door refrigerator with Profile and Café brand. In Europe, our clean ice-making technology and grade-a silent operation elevated user experiences and captured the largest market share in high-end multi-door refrigerators. Haier also raised price index to 122. In the Japanese market, upgrade in product and brand portfolio contributed to the strong growth of ultra-large refrigerators.

Section III Management Discussion and Analysis

On 14 December 2023, the Company announced the acquisition of Carrier Refrigeration Benelux B.V., the commercial refrigeration business of Carrier Global Corporation, for approximately USD 640 million in cash. This move signified the Company's expansion from residential into commercial refrigeration, opening the door to new growth opportunities. The acquisition will enhance the Company's foothold in the European market and strengthen global competitiveness, while capturing opportunities in China and Asia Pacific. The transaction is expected to close in 2024.



(2) Kitchen appliance business

In 2023, the Company focused on becoming the global leader in high-end smart kitchen by enhancing in-store experience of smart product suites and introducing product innovations, built-in technologies, and scenario-based solutions. In 2023, the kitchen appliance business recorded global revenue of RMB41.654 billion, up 6.9% compared to the same period in 2022.

According to Gfk, the Company's offline retail sales accounted for 8.8% of market sales, up 0.5 percentage points year-on-year, ranking third in China, where our share of high-end built-in products reached 17.9%. Online retail sales accounted for 4.3%, up 0.8 percentage points year-on-year. According to Euromonitor, our shares continued to perform well in key markets overseas: we achieved double-digit growth in Europe despite industry downturn; and grew market share by 3 percentage points in Australia through the dual-brand strategy of FPA and Haier.

Section III Management Discussion and Analysis

The domestic market

Sales revenue grew over 10% with sequential improvement every quarter in 2023 by seizing opportunities in product upgrades, kitchen renovations and property completions, developing partnerships with cabinet and home improvement companies, and increasing presence in home improvement channels.

Casarte kitchen appliances focused on increasing product competitiveness. The launch of ultra-slim built-in retractable range hoods, ultra-slim built-in five-ring stoves, and humidity-controlled ovens led to a 30% increase in retail sales, driving high-end market share to 10%.

Haier's smart kitchen appliance factory in Laiyang was the first to win the ROI-EFESO Industry 4.0 Award since 2013, a recognition of our substantial improvement in supply chain competitiveness. The Company enhanced cost competitiveness by increasing in-house component manufacturing from 30% to 54% and establishing a digitalised material cost model.

Overseas markets

In North American market, in collaboration with eco-partners such as Google Cloud, the Company uses a generative AI platform to help users generate customized recipes based on the food in their kitchens. In Australia and New Zealand, FPA brand elevated retail experience by launching sleek, minimalist oven suites and enhancing in-store product displays. In the commercial sector, the Company focused on providing high-end design solutions, establishing partnerships with designers to drive growth.



Section III Management Discussion and Analysis

II. Household Laundry Management Solutions

The laundry business aimed to become number one choice globally during the IoT era and strived to maintain leadership through innovations in garment care, integration of home appliances and furnishing, energy efficiency, and eco-friendly technologies, while expanding new categories including tumble dryers. In 2023, the laundry business achieved a global revenue of RMB61.491 billion, representing an increase of 6.2% from 2022.

According to Gfk, the Company's retail market share went up 1.5 percentage points year-on-year to 47.5% offline in China, while remaining unchanged at 40.4% online. Euromonitor ranked us number one in ten countries, including Australia, New Zealand, and Vietnam.

The domestic market

Consumers' desire for quality living has created demand for specialized products such as tumble dryers, wall-mounted washing machines, and fabric care cabinets. The Company proactively shifted from selling individual washing machine to providing laundry solutions, encompassing washing machines, tumble dryers, and fabric care cabinets. This upgrade aimed to offer a more refined and professional laundry experience to enhance user value. In 2023, the completion of tumble dryer factory in Shanghai added capacity of 2 million units. Tumble dryer revenue grew 20% year-on-year in 2023. According to Gfk, the Company topped the retail market with 40.4% share offline, and 34% share online.

The Company pressed ahead with retail transformation, and enhanced capabilities by directing distributors to focus on improving in-store experiences to improve user acquisition and conversion, while attracting younger consumers and increasing user recognition with innovative content on new social media platforms such as douyin and Xiaohongshu.

A series of end-to-end cost reduction and efficiency improvements were implemented, including discontinuing low-efficiency models, and increasing the proportion of mid to high-end products to enhance competitiveness.

Overseas markets

The Company focused on implementing high-end brand strategies, leveraging on local market insights and global R&D strengths to enrich product pipeline and grow market share.

In North America, the Company introduced Combo with washer and dryer all-in-one machine, it disruptively solves users' pain points through one machine by completing a full load of wash and dry within two hours, and leads in the industry. In Western Europe, the launch of Haier's highly differentiated IPRO helped increase in market share by 4 percentage points for products with unit price above EUR 599. In India, market share in selected channels grew from 4% to 16% with price index increasing from 89 to 101 leveraging on improved in-store display and brand recognition.



III. Air Solutions

During the reporting period, the Company's air solution business achieved revenue of RMB46.104 billion, up 13.1% year-on-year.

(1) Home air conditioner business

In 2023, the home air conditioner business concentrated on implementing smart and healthy air solution strategy via innovating user-centred scenarios, enhancing technological capabilities, developing retail-end capabilities and end-to-end digitalisation, to boost market competitiveness.

The domestic market

Focusing on providing air solutions with outstanding quality, taste, and performance, the home air conditioner business ramped up R&D investment to attract top talents, deploy technological resources and enhanced competitiveness in core functions. The innovative Variable Shunt Technology has earned the Energy Saving and Emission Reduction Science and Technology Progress Award from China Energy Conservation Association. In 2023, we introduced the Casarte Nebula (星云) series, the industry's first integrated high-powered air conditioner, 110,000 units have been sold since their first introduction, driving us to the first place in the market segment priced above RMB10,000 with 37% share.

Section III Management Discussion and Analysis

We continued to enhance network coverage and develop omnichannel retail and marketing capabilities. We prioritised franchised sales networks and increased store count offline, while promoting best-sellers, creating new social media content, and improving monetization online. During the reporting period, we ranked among top 10 best-sellers for the first time. In the commercial channel, we developed an operating framework integrating customer service, technical support, and installation management to improve conversion efficiency, contributing to contract revenue exceeding RMB10 billion.

The Company focused on improving supply chain and boosting in-house component manufacturing to strengthen cost competitiveness. In March 2023, our computer board factory in Zhengzhou commenced mass production with an annual capacity of 2 million sets and potential cost savings of over RMB10 million. The Company's compressor joint venture with Shanghai Highly is expected to begin production in the first quarter of 2024, contributing to overall supply chain capabilities.

Overseas markets

The home air conditioner business aims to provide health-conscious, smart, and energy-efficient products tailored to meet local demand and promote sustainability in the global market. In the European market, we expanded the lineup of R290 with the use of eco-friendly refrigerant to address growing environment concerns. In Pakistan, our solar-powered air conditioners tackled rising electricity prices by reducing daytime billing to zero, fulfilling demand for affordable energy-efficiency. We also built a new factory in Egypt and enhanced manufacturing capabilities in India, Pakistan, and Thailand, leveraging first-mover advantage in the global supply chain.

In 2023, the Company became number one in Pakistan and Thailand, and grew retail market share in Southeast Asia and Western Europe.



(2) Smart building business

In 2023, the smart building business strategically focused on developing smart low-carbon building solutions. By leveraging existing HVAC business, the Company expanded into heat pumps, energy management, and smart building management, thus seizing the opportunities from energy efficiency standard upgrade and growing demand for clean energy. In 2023, the global revenue of smart building business increased by over 14% compared to the same period in 2022, with revenue in the domestic market exceeding RMB5 billion. According to China IoL, our domestic market share rose 0.8 percentage points to 9.5%, ranking fourth in the industry in 2023.

The domestic market

Leveraging technological advantages in magnetic levitation, air suspension, and high-efficiency heat exchange, the Company strengthened its leadership in high-speed variable-frequency and smart IoT technologies, while creating efficient HVAC workshop solutions. We were world's first to implement static pressure air suspension technology on central air conditioning systems that could last for a period of 30 years and require little maintenance while saving up to 50% energy. The MX-super IoT-based multi-split system was the industry's first smart solution for large spaces, utilizing four units of 24 HP modules running in parallel to maximize output of 96 HP, effectively reducing floor space by 50% while improving energy efficiency.

The Company's heat pump business captured industrial demand for clean energy with expanded product application to achieve sales growth of 20%. The new variable frequency high-temperature heat pump could provide hot water up to 90°C. It has been widely used by clients from electroplating, slaughterhouses, petroleum, food processing, textile printing and dyeing industries, as well as on existing housing renovation projects.

To accelerate the transition towards one-stop low-carbon solution provider, the Company completed the acquisition of Tongfang Energy Technology Development Company in September 2023, which is expected to enhance our integrated heating and cooling services, clean energy, and waste heat recycling solutions.

Overseas markets

The smart building business centred on expanding product portfolio and upgrading product mix. For example, we received over RMB100 million orders from clients in the Middle East for T3 variable frequency series that could operate under high-temperature. In Europe, we focused on the integration of heat pump products with Haier Smart hOn platform of local storage data and energy storage systems, accelerating the transition from single product to multiple energy source solutions to smart energy management.

Section III Management Discussion and Analysis

We also accelerated the development of store network integrating consumer experience, product display and marketing, as well as staff training to enhance design and installation capabilities.



IV. Household Water Solutions

In 2023, the water heater and purifier business strategically focused on becoming the global leader in household water heating, cooling, and purification solutions. We achieved steady growth in water purifiers, softeners and filters leveraging innovations to create health-conscious, high capacity and comfortable experience. In 2023, the global water heater and purifier revenue was RMB15.336 billion, representing an increase of 8.5% from 2022.

The domestic market

To address concerns of ageing products, water quality and additional demand from families with two children, the Company focused on product iterations and grew sales revenue to over RMB12 billion in 2023. The Company's Casarte Crystal Tank electric water heater seamlessly moulded aerospace-grade crystal fibres and industrial-grade polymer materials to deliver a mineral spring experience with water that is rich in strontium. Our gas water heaters pioneered the use of gas-electric hybrid constant temperature technology, automatically switching between two energy sources to reduce heating time and stabilize water temperature, sales revenue recorded a compounded annual growth of over 20% from 2021 to 2023.

On the market side, we also captured replacement demand by cleaning ageing products in existing neighbourhoods, capturing demands through showcasing solutions in new buildings, while accelerating commercial business with comprehensive water purification and heating/cooling solutions.

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We promoted end-to-end cost reduction and efficiency improvement by strengthening vertical supply chain integration to grow in-house manufacturing by 10% and reduce cost with additional 19 module components. Meanwhile, we enhanced proportion of shared modules to enhance efficiency in R&D and improve average contribution per SKU.

Overseas markets

Water heater and purifier business has significant potential in overseas market where the current exposure remains limited. The Company remained committed to meeting consumer demand with improving product offerings to cater for local tastes. We have made several breakthroughs in the more mature markets including North America where we introduced gas storage water heater and in Europe we offered gas water heaters and boilers. The Company also grew revenue by developing comprehensive solutions and enhancing presence in specialists' channels for building materials, bathroom fixtures and installation.



V. China operation: Driving brand transformation, optimising distribution network, and winning recognition from users.

During the reporting period, the Company strengthened multi-brand strategic transformation and improved user experiences to enhance traffic acquisition and conversion. Our home appliances market share in China amounted to 28% in 2023, up 1 percentage point year-on-year.

The Company implemented a series of digital transformation initiatives to improve distributors' operational efficiency, marketing, and promotional resource deployment, while enhancing decision-making capabilities using big data tools, all of which aimed at effectively showcasing smart scenario-based solutions in stores and promoting local community outreach campaigns at zero distance to boost user experience and recognition.

Section III Management Discussion and Analysis

In addition, the Company also strengthened omnichannel presence and enhanced operating capabilities. In first and second-tier markets, we targeted shopping malls and home improvement channels to capitalise on user traffic. In third and fourth-tier markets, we transformed stores from selling individual products to offering scenario-based solutions, while assisting and encouraging distributors to actively engage users online instead of waiting for customers in store, thus grew sales revenue and enhanced resource utilisation. The Company created social media releases containing product information and engaged customers across multiple platforms, to improve conversion while cutting the cost of acquiring traffic by 7%. In 2023, the Company achieved double-digit growth in retail sales revenue online. Leveraging on digital platform, we were able to customize scenario-based solutions for corporate clients. We also set up a task force specializing in collaborating with enterprises, and leading local companies, to increase penetration in these markets.

The Company actively adopted a multi-brand operation strategy to cater to different segments. An upgrade plan has been launched under high-end Casarte brand to achieve stable growth of 14% in retail revenue in 2023. During the reporting period, the Company associated our brands with smart & quality living, by enriching product portfolio, strengthening social media presence, and upgrading store experiences. In 2023, Casarte ranked first in brand awareness on Xiaohongshu. 240 experience stores have been set up in shopping malls all over the country. We also built the Casarte Art Centre inside the prestigious Deji Plaza in Nanjing to create brand new shopping experience by combining home appliances with artistic home improvement. Leveraging on local market advantages, the Company was able to accelerate the development of luxury home appliance brand Fisher & Paykel. By targeting designers, equestrians, and food enthusiasts, a series of brand communication strategies were implemented to craft its luxurious image. In 2023, five experiential stores were opened in high-end building materials market and shopping malls, highlighting ultra-high-end scenario solutions including social kitchen and personal care.

In 2023, San Yi Niao focused on enhancing its design platform and store digitalisation to improve scenario-based solutions and sales capabilities. Retail sales surged 84% year-on-year, with product suites accounting for over 60% of total sales. The Company's proprietary Nesting Interior Design Platform consists of over 500 3D-modules of home appliance designs, and floor plans covering 90% of residential districts across the country. Nearly 1,500 new outlets were added, facilitating product suite sales growth by localized scenario solutions and professional finishing standard.

VI. Overseas markets: Harnessing global resources to develop high-end brands, outgrowing the industry.

In 2023, the Company's revenue from overseas market amounted to RMB136.412 billion, up 7.6% from 2022. The increase in revenue is attributed to the Company's commitment to high-end brand and strengthened market leadership by integrating global R&D, introducing original technologies; continuous upgrade of product mix which drove up price indices; and diversified portfolio encompassing high-end, mid-range and entry-level products to meet diverse demands. In terms of market development, the Company optimised user experience and enhanced brand reputation by expanding retail presence, increasing visibility in mainstream channels, and establishing professional HVAC sales channels. Efforts have also been made to strengthen production capacity in countries along the Belt and Road Initiative to grasp development opportunities.

1. North America

GE Appliances continued outperforming the industry and gained share in core appliances in 2023. In 2023, sales revenue went up by 4.1% reaching RMB79.751 billion.

The Company persists in promoting its leadership in premium brands and products and has successfully launched innovative core appliances, such as Profile Combo with heat pump washer and dryer, integrated Built-in French Door refrigerator with Monogram and Café brand, Internal Dispenser Multi-door refrigerator with Profile and Café brand, high-end customized Range Hood with Monogram brand, and the next generation stainless steel dishwasher with GE and Profile brand, to fully meet the needs of local users. Take Combo with washer and dryer all-in-one machine as an example, it disruptively solves users' pain points through one machine by completing a full load of wash and dry within two hours, and leads in the industry. As a result, it has been honoured with dozens of awards, including the Best Product Award — Best Home Technology Product in 2023 KBIS/IBS, the Sustainable Product of the Year 2023, and the CES Innovation Award of Home Appliance.

The Company has earned the house share in Big Box and Costco and gained Lowe's "Partner of the Year" award due to innovative products and win-win solutions.

The Company persists in laying out new industries and channels. At AHR Show of 2023, the Company launched Air & Water solutions with Unitary/DFS/VRF and gas storage water heater, which were widely recognized by professional channels.

The Company is actively exploring smart ecosystem transformation to enhance users' experience. In collaboration with eco-partners such as Google Cloud, it uses a generative AI platform to help users generate customized recipes based on the food in their kitchens. It also provides optimal energy management solutions for Net Zero homes. The Company was recognized as IoT Breakthrough's "Smart Appliance Company of the Year" for sixth consecutive year.

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The Company continually implements RenDanHeYi to activate employees' vitality , thus achieving zero distance from the users. The Company received a score of 100 on the Human Rights Campaign Foundation's 2023-2024 Corporate Equality Index (CEI) for sixth consecutive year. CEI is the premier benchmark survey and report in the United States, measuring corporate policies and practices related to LGBTQ and workplace equality. And once again it was selected for Fortune Manufacturing and Production TM The Best Workplace List, meanwhile received the "Best Workplace for Innovators" award from Fast Company.



2. Europe

In the European market, the Company recorded sales revenue of RMB28.544 billion, up 23.9% year-on-year, with retail volume share increased by 1 percentage point to 9.1%. Dedicated efforts have been made to enhance product and supply chain competitiveness. The Company established strategic partnership with local testing centres including LGA, CTTN and Intertek, repositioned R&D facilities in Nuremberg to promote German design.

The Company launched New Candy Project to raise brand positioning, leveraging global cooperations in developing new modules and products, including Chef@Home refrigerator with large screen, smart oven with smart recipe recognition, dish washer with industry's fastest programme setting, 959/979 washing machine series with class A energy efficiency that grew price index from 118 to 127. On the distribution front, we strengthened partnerships with leading retailers across Europe including Boulanger and Darty.

Thanks to high profile sport events sponsorship including Roland-Garros tournament, Haier brand's price index grew to 131 with 3.1 percentage points increase in brand awareness.

3. Australia and New Zealand

Amid weak consumer sentiment in Australia and New Zealand, the Company still managed to increase market share through product innovation, retail transformation and dual-brand operation. In Australia, the Company's market sales in sales volume grew by 1 percentage point while sales revenue market share grew by 0.7 percentage points. In New Zealand, market share of kitchen appliance and dish washers grew by 4% and 2%, respectively. The growth was achieved by continuing launching of innovative products including Haier H600 T door refrigerator which helped our market share in unit with capacity of 500–600L grow to 15.2%, Series 11 high-end washing machines strengthened FPA's luxury market leadership, Haier introduced first top-loading washing machine with auto dispenser in the industry.

4. South Asia

During the period, revenue from South Asia grew 14.9% year-on-year to RMB9.521 billion. In India, our high-end market share increased by 4 percentage points supported by innovations such as the five-star inverter air conditioner. Targeting vegetarian consumers in India, we introduced T-door refrigerator, over 30,000 units have been sold, ranking us first in terms of local market share. We strengthened network coverage, particularly in the western and northern regions, to enhance touchpoints and product promotion to solidify our market position. We improved automation and product competitiveness through end-to-end upgrade and optimisation of manufacturing and sales coordination at Northern Industrial Park.

Despite inflation and currency fluctuations in Pakistan, we managed to grow sales revenue by 20% and added more than 300 franchised stores, both of which helped us maintain leadership with 40% market share.

5. Southeast Asia

During the reporting period, sales revenue grew 11.6% to RMB5.78 billion in the Southeast Asian market.

By adjusting product mix, we successfully increased price indices and boosted competitiveness in Vietnam and Thailand, where our air conditioners ranked number one leveraging product mix upgrade and introduction of new series with sterilisation technologies. In Vietnam, the Color AI washing machine was well received for its colour touch screen and smart washing features. The new unit has a price index of 150 which helped us rank first in the industry with over 20% market share.

We developed franchise channels by adding 150 new exclusive brand zones in Indonesia and the Philippines and opening 15 new franchised stores in Malaysia. We also raised brand profile through product launches and sponsoring top sports games, while using targeted marketing strategies online and offline to deepen user engagement, positioning us as the most dynamic brand in the market.

Section III Management Discussion and Analysis

6. Japan

During the period, sales revenue amounted to RMB3.662 billion, up 2.6% year-on-year, or 5.1% in Japanese Yen.

In response to demand for large refrigerators and washers, we launched TX ultra-slim large refrigerator and the large-volume heat pump front-load washer which helped volume market share grow in those two categories. We also established presence in all mainstream channels and secured prime shelf space by differentiating product display and in-store experience. Leveraging product iterations and IoT technology upgrade, Installed base of smart appliance from community laundry business exceeded 53,000 units, with more than 2 million active users. In addition, we enhanced profitability through implementing end-to-end cost reduction measures.

VII. Digital transformation

During the reporting period, the Company strategically tackled challenges in the transformation, to enhance market operations, R&D efficiency, cost competitiveness, and turnovers.

To improve market competitiveness, the Company launched an experience cloud platform that enabled real-time monitoring of the entire customer journey, starting from purchase to delivery, installation, usage, and service. The platform boosted business competitiveness through a structured feedback mechanism, resulting in a 24% reduction in user complaints. We helped distributor improve the management of distribution, inventory, and store operations using digital distribution systems and customer analysis tools. As a result, our digital retail sales increased by 22% year-on-year.

To enhance R&D competitiveness, the Company established an integrated R&D platform, enabling efficient collaboration in terms of planning, development, and procurement. This resulted in a 19% increase in revenue contribution of individual models in the domestic market. By promoting the share of common component parts, total number of components was reduced by 8%, thereby increasing the procurement scale per component and cut down purchasing costs.

To enhance manufacturing competitiveness, the Company centred on precise and efficient order execution. By streamlining information flow between material planning and logistic dispatch planning, we established a digitalized production model with unified scheduling system. This enabled transparent operations and smart scheduling throughout the manufacturing process, resulting in a 4% reduction of manufacturing cost and a 16% increase in output per worker.

To improve product turnover efficiency, our focus was on rapid order delivery and efficient inventory turnover. We accelerated order models upgrade and established end-to-end digital capabilities by integrating marketing, production, procurement, and logistics planning. By leveraging data models, we were able to review orders, optimise assignments and resource allocation, resulting in an 8% improvement in domestic DIO (days inventory outstanding).

II. INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD

(I) Industry Overview for 2023

1. The domestic market

In 2023, the Chinese household appliance industry experienced steady growth. According to AVC data, the retail sales of household appliances in China¹ (excluding 3C & digital products) reached RMB849.8 billion in 2023, marking a year-on-year increase of 3.6%. Demand for traditional products like refrigerators, washing machines, and air conditioners remained stable, while categories with lower penetration rates such as tumble dryers and dishwashers maintained rapid growth.

Home air conditioning industry: Benefiting from hot weather, fulfilment of pent-up demand for renovation and installation during the pandemic, and low industry inventory levels, growth of the air conditioning outperformed the rest in the market. Annual retail volume reached 60.85 million units, up 6.5% year-on-year; retail sales amounted to RMB211.7 billion, an increase of 7.5% year-on-year.

Refrigerator industry: Consumers' increasing demand for large-capacity, freshness preservation, and built-in features, along with advancements in related technologies, has fuelled the rapid growth of built-in refrigerator products and a steady rise in average prices. Retail volume of the refrigerator industry reached 38.31 million units, a 1.5% year-on-year increase; retail revenue amounted to RMB133.3 billion, representing a 7% year-on-year growth.

Laundry care industry: The rising consumer demand for high-quality laundry has fuelled the adoption of tumble dryers, leading to an increased share of washer-dryer combo suites and revitalising the industry's recovery. In 2023, the total retail sales of the laundry industry reached RMB106.2 billion, a year-on-year increase of 7.7%. Specifically, (1) the washing machine sector recorded a retail volume of 40.05 million units, up 3.4% year-on-year, with retail sales amounting to RMB93.3 billion, representing a 5.8% increase. (2) the tumble dryer sector recorded a retail volume of 2.17 million units, up 16.4% year-on-year, with retail sales reaching RMB12.9 billion, a growth of 23.8% year-on-year.

Kitchen appliance industry: Benefitting from the release of pent-up demand during the pandemic and product mix upgrades, retail sales of range hoods, stoves, and disinfection cabinets reached RMB52.5 billion, up 5.1% year-on-year. Integrated stoves, impacted by the downturn in the third and fourth-tier real estate markets, recorded a retail revenue of RMB24.9 billion, a decrease of 4.0% year-on-year. The growing consumer emphasis on convenience and health has propelled the sustained popularity of dishwashers. In 2023, retail sales in the dishwasher industry amounted to RMB11.2 billion, marking a 9.6% increase year-on-year.

¹ Including refrigerator, freezer, washing machine, dryer, air-conditioner, kitchen appliances (range hoods, stoves, and disinfection cabinets), integrated range hoods, electric water heater, gas water heater, small home appliances, televisions, dishwasher, microwave oven, electric oven, vacuum cleaner, air purifier, water purifier, electric fans, electric heater, etc.

Section III Management Discussion and Analysis

Water heater industry: Driven by increased demand for gas water heaters, energy efficiency upgrades, and a rise in demand for large-volume water heaters, the water heater industry experienced steady growth. In 2023, the industry's retail sales totalled RMB50.5 billion, up 7.4% year-on-year. Specifically, retail sales of electric water heaters amounted to RMB23.3 billion, up 4.0% year-on-year, while retail sales of gas water heaters reached RMB27.2 billion, a growth of 10.4% year-on-year.

Water purifier industry: Benefitting from the recovery of the offline market and product mix upgrades of POU (point of use) water purifiers, retail sales continued to grow, with revenue reaching RMB20.5 billion, an increase of 10.7% year-on-year.

In 2023, consumer purchasing power and willingness to spend have recovered. Due to differences in purchasing power and attitudes among consumer groups, there was a noticeable segmentation in the home appliance market. Driven by innovative experiences brought about by the integration of home appliances and furnishing, design aesthetics, smart features, and health-conscious options, the high-end home appliance market outperformed the industry average, with a continuous increase in market share. According to GfK's 2023 retail data, refrigerators priced above RMB10,000 per unit accounted for 38% of total retail revenue, up 2.9 percentage points from 2022; washing machines priced above RMB10,000 per unit accounted for 13.8% of total retail revenue, up 0.1 percentage points from 2022, and dishwashers priced above RMB8,000 per unit accounted for 42.5% of total retail revenue, a 3.4 percentage point increase from 2022.

Distribution network has become increasingly diversified, with emerging channels gaining a larger share of traffic. This trend posed challenges to existing distribution networks and operational models for businesses, while also fuelling innovation in user management and unlocking new development opportunities. As consumers became more accustomed to shopping online, along with enhanced integration of online and offline services, the share of online sales volume continued to rise. At the same time, live streaming in offline experiential stores facilitated the integration of online and offline channels. The combination of online traffic and offline experience has become the future direction of retail development. Short video/content sharing platforms such as Douyin, Kuaishou, and Xiaohongshu were rapidly developing, playing an increasingly significant role in user acquisition and education. According to AVC retail data, retail revenue on Douyin surged 121% for refrigerators and 164% for air conditioners in 2023.

In 2023, commodity prices in the domestic market substantially declined compared to 2022. Meanwhile, market competition in the white goods industry became more rational and prices were more stable. These factors collectively contributed to an improvement in the profitability of the industry.

2. Overseas markets

According to Euromonitor, global home appliances retail revenue (including major appliances and small appliances) totalled USD 530.106 billion in 2023, representing a 1.5% increase year-on-year. Of this total, the retail revenue of major appliances reached USD 287.023 billion, at the same level as the previous year; while the retail revenue of small home appliances amounting to USD 243.084 billion, up 3.3% year-on-year. The surge in demand for home appliances in developed countries during the pandemic eventually subsided in the post-pandemic period. Additionally, in a high-interest-rate environment, real estate loan rates continued to rise, resulting in reduced willingness in buying homes, further dampening demand in the home appliance market.

By market:

- (1) **The U.S.:** Impacted by high interest rates, new home construction and home sales declined. According to data from the Association of Home Appliance Manufacturers (AHAM), core appliance shipments in 2023 remained flat year-on-year. Intensified competition within the industry led to lower unit prices.
- (2) **Europe:** According to Gfk data, consumer confidence remained low amid high interest rates and inflation, leading to a 3.8% decline in industry sales volume year-on-year. Due to the frequent occurrence of extreme hot weather resulted in air conditioner industry outperforming the overall home appliance industry, and more consumers are looking for health-conscious and energy-efficient products.
- (3) **South Asia:** ① In India, consumer demand became more segmented. Growth was stable but slowed in the mid-range to high-end market. As purchasing power in the third- and fourth-tier markets slowly recovered, demand for energy-saving entry-level products increased. Chain retailers expanded rapidly across the country, and the market share of e-commerce channels continued to climb. The sales volume of the home appliance industry increased by 4.6%. ② In Pakistan, consumer purchasing power declined due to inflation and exchange rate fluctuations, resulting in a 25% drop in the home appliance industry volume, and an increasing demand for low-end budget-friendly products.
- (4) **Southeast Asia:** According to Gfk data, the Thai market recorded a sales volume growth of over 20% in air conditioners as driven by hot weather, while refrigerators and washing machines experienced a slight decline. In the Vietnamese market, export demand decreased due to weakened global economy, coupled with intensified industry competition, resulting in a 4.5% decline in sales volume. In the Indonesian market, consumer spending levels decreased in 2023, leading to an 8.2% decline in sales volume for the home appliance industry.
- (5) **Australia & New Zealand:** Performance of the home appliance market in Australia and New Zealand fell short of expectations due to adverse effects from the global economic slowdown and inflation. Both markets have shown varying degrees of decline.

Section III Management Discussion and Analysis

- (6) **Japan:** The white goods market was sluggish in Japan due to inflation and currency depreciation. Annual sales volume of refrigerators, freezers and washing machines dropped by 5.1% year-on-year. Consumer demand for high value-added products such as large capacity and energy-saving options was on the rise.

(II) Industry Outlook for 2024

1. The domestic market

The domestic home appliance industry has shifted into a new phase driven by replacement demand. According to data from the China Household Electric Appliance Research Institute, the total ownership of air conditioners, refrigerators, and washing machines in China in 2022 amounted to 780 million, 580 million, and 550 million units respectively, underscoring the existence of a massive replacement market. The 2024 Government Work Report advocated and incentivised the replacement of old appliances to unleash consumer spending power, promote energy conservation, and mitigate safety risks associated with outdated appliances. The government is committed to promoting large-scale recycling and reuse of home appliances, strengthen the development of a new “replace + recycle” logistics system, and coordinate central finance and local government efforts to support the implementation to benefit consumers.

At present, China’s leading home appliance companies are dedicated to enhancing the safe recycling, eco-friendly processing, and resource reuse of outdated appliances. Trade-in programs not only drive the market sales of energy-efficient and eco-friendly products but also facilitate the recycling of metals and other materials to minimise waste pollution. Relevant national policies will further mobilize collective societal efforts to stimulate replacement demand, promote a circular economy, and bring new vitality into the industry’s sustainable growth.

2. Overseas markets

In 2024, developed countries are expected to enter a rate cut cycle, and the real estate market is expected to gradually rebound, thereby increasing demand for home appliances, and creating a more favourable market environment for home appliance exports. According to Euromonitor, global home appliances’ retail revenue (including major appliances and small appliances) will be USD 540.6 billion in 2024, up 2% year-on-year, of which, the retail revenue of major appliances is estimated to reach USD 292.5 billion, up 1.9% year-on-year, and the retail revenue of small home appliances amounting to USD 248.2 billion, up 2.1% year-on-year.

As IoT technologies progress and consumers continue to seek to improve their quality of life, the home appliance industry is trending towards smart and high-end products, amplifying the added value of home appliances. In addition, amidst the backdrop of energy scarcity, there is a growing consumer preference for energy-efficient products, which fuels the development of high-efficiency products such as heat pumps.

III. INTRODUCTION OF THE COMPANY'S BUSINESS DURING THE REPORTING PERIOD

Founded in 1984, the Company is committed to being an enterprise of the times. Through relentless innovation and iterations, we seize opportunities in the industry by continuously launching innovative products that steer market development. After more than 30 years, the Company has become a global leader in the major home appliance industry, as well as a pioneer in global smart home solutions.

- **Global leader of the major home appliance industry:** According to data from Euromonitor — an authoritative market researcher, the Company ranked first in terms of sales volume in global major appliance market for 15 consecutive years. The Company has a global portfolio of brands, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. From 2008 to 2023, Haier brand refrigerators and washing machines ranked first among global major home appliance brands in sales volume for 16 and 15 consecutive years respectively.
- **Pioneer of global smart home solutions:** Capitalizing on our full-range home appliances products, the Company is recognized by Euromonitor as one of the first in the industry to introduce smart home solutions. San Yi Niao remained committed to the mission of “providing smart home experience for a better home”, by enhancing three major capabilities in respect of design tools, store digitalisation and the Smart Home APP, we have been dedicated to providing customised and specialised smart home appliance solutions for users.



Over the years, the Company has established a business layout that includes smart solutions for food storage and cooking, laundry, air and water, the Overseas Home Appliance and Smart Home Business, and Other Business.

Section III Management Discussion and Analysis

The Company provides a full range of home appliance products and value-added services in global market through Haier Smart Home APP and San Yi Niao APP, supplemented by our offline experience centres, to cater for users' needs for different lifestyle scenarios. Smart Home Business comprises Household Food Storage and Cooking Solutions, Household Laundry Management Solutions, Air Solutions (Internet of Air), and Household Water Solutions (Internet of Water).

- **Household Food Storage and Cooking Solutions:** Through selling products such as refrigerators, freezers, kitchen appliances in global market, as well as providing one-stop smart kitchen scenario solutions and ecosystem solutions including smart cooking and nutrition planning, the Company fully addresses users' need for convenient, healthy and tasteful gourmet experiences.
- **Household Laundry Management Solutions:** Haier's washing machine focuses on applying original technologies to directly solve users' pain points in home living scenarios and create new experiences and value for users. With a product lineup of washing machines, tumble dryers, all-in-one laundry machines, garment care machines, and heated drying racks, the Company has evolved from selling individual products to providing scenario-based solutions and offering end-to-end laundry care services. For example, the Zhongzihemei (中子和美) three-in-one washer combines washing, drying, and fabric care functions into a single unit, and the Essence Wash washing machine reduces washing time and improves cleaning effectiveness by producing a highly concentrated detergent solution that can quickly soak into clothes through detergent pre-mixing and high pressure spraying.
- **Air Solutions (Internet of Air):**

Home air conditioners: Through worldwide sales, the Company provides products such as home air-conditioners and fresh air systems, as well as a comprehensive range of full-cycle solutions including coordination of multiple air-conditioners and purifiers, adaptive air flow, air quality monitoring and air disinfection, thereby delivering a healthy and comfortable experience at home and during commute that caters to the user needs in terms of air temperature, humidity and quality.

Smart buildings: The Company is committed to becoming a leader in efficient, sustainable and smart building solutions based on the state's "carbon peaking and carbon neutrality" strategy. Focusing on the business areas of smart control, environment, energy and system integration of buildings, the Company provides green and smart building solutions integrating "technology + experience + space" for government and commercial buildings, railways, schools, and hospitals.
- **Household Water Solutions (Internet of Water):** Through providing worldwide users with electric water heaters, gas water heaters, solar water heaters, air energy heat pump water heaters, POE water purifiers, POU water purifiers, water softening equipment, the Company offers smart water solutions including interactions between water heaters and purifiers, and between heating appliances and water heaters, so as to comprehensively cater to users' needs for water purification, softening and heating.

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The Company manufactures and sells a comprehensive portfolio of home appliance products and provides value-added services in more than 200 countries and regions, including North America, Europe, South Asia and Southeast Asia, Australia and New Zealand, Japan, Middle East and Africa.

In the overseas markets, the Company has been manufacturing and selling proprietary appliance products catering for local users' demands for more than 20 years. During the time, a number of acquisitions contributed to our growth including acquisition of Haier Group Corporation's overseas white goods business (Sanyo Electric Co., Ltd.'s white goods business in Japan and Southeast Asia) in 2015, home appliances of GE in the US in 2016, Fisher&Paykel in 2018, and Candy in 2019. The development of the Company's overseas businesses has been fuelled by synergies among our self-developed business and our acquired businesses.

At present, the overseas business of the Company has entered a stage of promising growth, having achieved a multi-brand, cross-product and cross-regional presence on a global basis. According to Euromonitor, the Company's share of the global market (retail volume) for major home appliances in key regions market share in 2023 is as follows: ranked first in Asia in terms of retail volume, with a market share of 26%; ranked second in America, with a market share of 15.8%; ranked first in Australia and New Zealand, with a market share of 14.6%. The Company ranked fourth in Europe with a market share of 8.8%.

Other Businesses

Building on our established smart home businesses, the Company has also developed small home appliances, cleaning robots, channel distribution and other businesses. In particular, the small home appliance business primarily involves small home appliances designed by the Company, produced by outsourced third-party manufacturers and sold under the Company's brands, which serve to enrich our smart home solutions product mix. The channel distribution business primarily offers distribution services for products such as televisions and user electronics for the Haier Group or third-party brands, which leverages the Company's sales network.

During the reporting period, the Company was once again listed among the Top 500 World's Companies and named again as the 2023 World's Most Admired Companies by the Fortune Magazine. We are the only company being selected in Europe and Asia in the home appliances industry and are the only selected company incorporated outside the US. Meanwhile, the Company is also the world's only Internet-of-Things (IoT) ecosystem brand being named again as BrandZ™ Top 100 Most Valuable Global Brands in 2023.

At the same time, the Company was named again among Fortune's China ESG Impact list and Forbes' The World's Best Employers 2023 list. The Company's ESG effort has also been recognized by external rating agencies, receiving an MSCI ESG rating of A, which is at leading levels within home appliance sector in China. Haier Smart Home was selected into the three major ESG indices of the Hang Seng Index, including the HSI ESG Enhanced Index, the HSI ESG Enhanced Select Index and the HSCEI ESG Enhanced Index.

IV. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

√ Applicable ☐ Not applicable

The Company has established a solid strategic presence and competitive advantage in global market. In China's major home appliance market, the Company has long maintained a leading position across all product categories. According to CMM's report, the Company has established a continued leading market position in key major home appliance categories in 2023. In overseas markets, the Company has adhered to its high-end brand creation strategy, building capacity to create leading sustainable growth, which has continuously improved its market share. Building on this foundation, the Company will further consolidate its leadership position in the industry by leveraging integrated synergies of its global unified platforms, through efficiency transformation driven by digitalization, and by leveraging its technological strength and innovative capabilities. As cornerstone for sustainable development, our "Rendanheyi (人单合一)" Model also provided management guidance to the Company and enabled us to replicate successful experiences. It is believed that the following advantages will help the Company to continue to strengthen its leading position:

(i) Building up excellent high-end brand operation capabilities and creating a well-recognized high-end brand through forward-looking layout and long-term investment in the global market to achieve a leading market position.

To better meet the need of consumers in pursuit of quality life, the Company has started to develop the high-end brand Casarte in the Chinese market more than 10 years ago. The creation of high-end brands requires not only focus, experience and patience, but also continuous innovation of technological standards and differentiated service capabilities to fulfil user demand for high-quality experiences. The Casarte brand combined the Company's global technological strengths, product development capabilities and manufacturing craftsmanship, as well as privilege marketing and differentiation services, which has won the trust of users in China's high-end market. According to data from CMM, the Casarte brand has assumed a definitive leading position in China's high-end major home appliance market in 2023, ranking first in the retail sales of refrigerator, washing machine and air conditioner categories in the high-end segment. Specifically, in terms of offline retail sales, shares of the Casarte brand of refrigerators and air conditioners reached 50% and 28% respectively in the market with product priced above RMB15,000 in China, while its share of washing machines priced above RMB10,000 in the China's market reached 84%.

In the North American market, the Company owns high-end brands such as Monogram, Café, and GE Profile. In collaboration with the Qingdao headquarters, we enhanced our high-end brand profile through launching leading products including Combo washers and dryers. Through the creation of luxurious, customizable and smart technology-enabled user experience, our high-end brands Monogram, Café and GE Profile have grown rapidly.

(ii) Providing users with specialised and customised smart household solutions through the San Yi Niao brand with cross-household design focusing on scenario-based experience to carry out the mission of “providing smart home experience for a better home”.

As users continued to demand for higher living quality, coupled with the development of technologies such as Internet of Things and big data, the industry has shown a smart and high-end development trend that prioritized product suites, based upon scenarios, and home appliances integrated with home furnishings. With leading user insights, extensive product coverage and technological accumulation from algorithms, big data models and IoT equipment technology, the Company enhanced its three major capabilities in respect of design tools, store digitalisation and the Smart Home APP to create a new home appliances sales method with cross-household design focusing on scenario-based experience, and develop high-end, package, and front-end sales capabilities. Focusing on the mission of “providing smart home experience for a better home”, the Company has been dedicated to providing customised and specialised smart home appliance solutions for users.

(iii) Extensive and solid global presence with localized operational capability

In respect of overseas markets, the Company seeks overseas expansion of its own brands as well as synergies with acquired brands to develop overseas markets. Such business strategy has guided the Company to establish R&D, manufacturing and marketing three-in-one structure across multiple brands, products and regions, as well as the model of self-development, interconnection and synergized operation.

The Company’s extensive global presence depends on its localized business teams as well as its flexible and autonomous management mechanisms established in various overseas markets, which have enabled the Company to gain rapid insights and respond swiftly to local user demands. The Company also proactively integrates into local markets and cultures and has established a corporate image that is recognized by local communities in the overseas regions where the Company operates.

In 2023, the Company established 10+N innovative ecosystems, 122 manufacturing centres, and 108 marketing centres around the world, and achieved a coverage of nearly 230,000 points of sales in global markets.

(iv) A comprehensive portfolio of proprietary brands recognised by users of all tiers

Through organic growth and acquisitions, the Company has formed seven brand clusters, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. To address the needs of users from different tiers in various markets around the world, the Company has adopted a differentiated multi-brand strategy in different regions that centred around users, to achieve an extensive and in-depth user coverage. For example, in the Chinese market: the three brands of Casarte, Haier and Leader achieved the coverage of high-end, mainstream and niche market groups respectively; in the U.S. market, the six major brands such as Monogram, Café, GE Profile, GE, Haier, Hotpoint comprehensively covered all segments of high-end, mid-range and low-end markets, thereby meeting the preferences and needs of different types of users.

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(v) Cross-border acquisition and synergy realisation capabilities

The Company has an excellent track record of acquisition and integration. The Company has acquired Haier Group Corporation's overseas white goods business, including Sanyo Electric Co., Ltd.'s white goods businesses in Japan and Southeast Asia in 2015, the home appliance business of General Electric in the US in 2016, the New Zealand company Fisher&Paykel (which has been entrusted by the Haier Group since 2015) in 2018, and the Italian company Candy in 2019. The Company's capability to perform acquisition and integration is reflected in the following: First of all, the Company implements the 'Rendanheyi (人单合一)' Model in the acquired companies, which is a value-added sharing mechanism for the whole-process team under a common goal. Such model can motivate the acquired companies and their employees and enable them to generate more value. Secondly, the Company made use of its global platform to empower the acquired companies in terms of strategic planning, R&D and procurement in order to enhance their competitiveness. Thirdly, the Company's open and inclusive corporate culture can support the acquired companies in establishing a flexible and autonomous management mechanism, which can easily earn recognition from the acquired companies and is conducive to the promotion of integration.

(vi) Comprehensive and in-depth global collaborations and empowerment

The Company has made full use of its global collaborative platform, as well as its integrated functions of R&D, product development, procurement, supply chain, sales and brand marketing. It was able to share and expand development experience to various markets around the world. By strengthening the synergies among its global businesses, the Company has created a strong driving force for its future development.

- **Global collaborative R&D:** The Company has a global collaborative R&D system and has established global technology R&D mechanisms to share common modules, utilize common technologies, and share patents within the scope of compliance. For example, the Company's R&D team in China joined hands with FPA's and CANDY's R&D teams to develop the H2O spray technology, which has been applied to freestanding and built-in dishwashers of Haier, Fisher&Paykel, CANDY and HOOVER, hence strengthening the Company's product leadership.
- **Global collaborative product development:** The Company has established a global product development mechanism to facilitate regional collaboration and supplementation across product categories. For example, the R&D teams in South Asia and China embarked on a 10-month collaboration, breaking away from the traditional product development model by innovating on team organisation, quality control, product testing and cost control leveraging complementary local resources, in order to develop the HRT-683 refrigerator which has become a mainstream high-end product in the local market.

- **Global collaborative procurement:** The Company has established a global procurement committee to coordinate procurement activities. The committee has built a digital sourcing platform that brought together partners across industries and regions to develop an autonomous and controlled global supply chain ecosystem. The committee also created a global database of preferred suppliers and materials to achieve cost reduction by aggregating resources at the Company level. By unifying procurement rules and processes, the Company established a standardised operating system with differentiated procurement strategies to enhance efficiency while lowering risks. We have also developed a Company-level digital procurement platform to enhance shared capabilities through connecting “materials, businesses, people and mechanisms” to the platform, thereby improving the resilience of our global supply chain.
- **Global collaborative supply chain:** The Company has built an end-to-end digital management system for the global supply chain that spanned from marketing to suppliers to production and logistics. Using intelligent algorithms, the system enabled real-time flexible deployment of production capacity, and factories across the globe could share and develop smart manufacturing technologies to boost competitiveness.
- **Global collaborative marketing and brand promotion:** The Company operates a multi-level brand portfolio with collaborative brand promotions. The Company also promotes and introduces successful marketing strategies among regional markets. For example, the Company successfully replicated its sales and marketing model of China's third and fourth-tier markets to markets such as India, Pakistan, and Thailand, strengthening the company's brand image and regional market competitiveness.

(vii) Industry-leading R&D and technological capabilities

Haier Smart Home delves into technological innovation to expedite the development of innovation-driven productivity that aims for high-end, smart and green upgrade. Leveraging on our industry-leading and comprehensive R&D presence, we constantly provide global users with home appliances that meet their needs and customise their smart and convenient way of living, thus enriching users' life experience as well as cementing our leading position in high-end brands, scenario brands and ecosystem brands.

- **Leadership in original technologies:**

In 2023, Haier Smart Home adopted an user-oriented approach to tackle users' pain points with continuous innovation efforts, and achieved a series of technological innovations: successfully researched and developed the magnetically-controlled chilled technology that saw us become the first to create a full-coverage, even and constant magnetic space within the freezer, bridging the gap in the industry; originated the first 3D see-through drying technology that can directly penetrate cloth surface to gauge the dryness level inside the machine and stop drying when the clothes are dry; unveiled the X11 washing machine with the highest energy efficiency standards in Europe, with an energy efficiency standard of A-40%; created the first vertical domain model for smart home that scooped the highest industry rating of “Double 4+”.

Section III Management Discussion and Analysis

- **Certification from authorities:**

As of the end of 2023, the Company received a total of 16 State Science and Technology Progress Award, more than any other company in the industry. The Company won the Disruptive Technology Innovation Competition of the Ministry of Science and Technology for two consecutive years, the highest accolade in the industry.

- **Leadership in patent quality:**

As of the end of 2023, Haier Smart Home has accumulated more than 103,000 patents applications globally, including more than 67,000 invention patents. The Company also accumulated 12 state patent gold awards, ranking first in the domestic market. In the 'Global Smart Home Invention Patent Ranking' in 2023, Haier Smart Home once again topped the list with 6,152 published patent applications, ranking first in the world for the tenth consecutive times.

- **Leadership in international standards:**

As of the end of 2023, Haier Smart Home has cumulatively led and participated in the drafting of 97 international standards and 678 state/industrial standards. We are the only company in the industry to have participated in smart home standards from international organizations including the IEC, ISO, IEEE, OCF and Matter. We are also the only enterprise in the world to serve on both the IEC Board and the IEC Market Strategy Board, which have enabled the Company to stay actively involved in the formulation of international standards.

- **Leadership in experience design:**

Haier won over 600 accolades, including international design awards such as the German IF Design Award and the Red Dot Design Award. The Company won the most international design gold awards in the industry with six in total and won 3 China Excellent Industrial Design Gold Awards from the Ministry of Industry and Information Technology, which is the only enterprise in China that have earned three consecutive gold awards.

(viii) Sustainability

- ① **Global ESG governance structure:** Haier Smart Home has established a global ESG governance structure, including the ESG Committee of the Board of Directors, the ESG Global Executive Office, and the Global ESG Executive Working Group, which provides organisational support for the in-depth practice of ESG.
- ② **Green development and low-carbon operation:** Haier Smart Home has formulated the “6 Green” strategy of green management throughout the entire life cycle, which includes “green design, green manufacturing, green marketing, green recycling, green disposal, and green procurement”, and promotes green actions throughout the entire life cycle. Haier Smart Home has integrated low-carbon, recycling, energy saving and emission reduction into its daily operations to promote green upgrading of the industry.
- ③ **Social responsibility and charity work:** Haier Smart Home actively participates in public welfare projects such as the Hope Project, rural revitalisation, and emergency relief on a global scale, and continues to give back to society through donations and volunteer services.
- ④ **Leading ESG rating:** Haier Smart Home has the leading rating among its peers in China in respect of the ESG ratings issued by three major organizations, namely CSI, MSCI and Wind, which demonstrates its excellent performance in environmental, social responsibility and corporate governance.

(ix) Staying committed to the principle of ‘value of people comes first’

‘Value of people comes first’ has always been a guiding principle for Haier’s development. From the autonomous operation team at the start of the venture to the current ‘Rendanheyi’ (人单合一) model, Haier encourages every employee to maximize their own values while creating values for users. In Haier’s ‘Rendanheyi’ (人单合一) model, ‘Ren’ refers to creators; ‘Dan’ refers to user value; ‘Heyi’ refers to the integration of values realized by employees and the values created for users. ‘Value of people comes first’ is the highest purpose of the ‘Rendanheyi’ (人单合一) model.

Haier Smart Home adheres to the values of recognizing users’ demand as priority and denying our own perceptions and is committed to the ‘two creative spirits’ of entrepreneurship and innovation. We turned employees into creators, implementers into entrepreneurs, and transformed enterprises into open ecosystem platforms, which have supported the Company to become a global leader of smart home in the Internet of Things era.

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V. MAJOR OPERATIONS DURING THE REPORTING PERIOD

Please refer to “I. DISCUSSION AND ANALYSIS ON OPERATIONS” and “III. INTRODUCTION OF THE COMPANY’S BUSINESS DURING THE REPORTING PERIOD” under this section.

(I) Analysis of principal business

1. Table of movement analysis on the related items in income statement and cash flow statement

Unit and Currency: RMB

Items	Amount for current period	Amount for corresponding period of last year	Change (%)
Operating revenue	261,427,783,050.10	243,578,924,958.47	7.33
Operating cost	179,053,959,580.31	167,263,342,432.05	7.05
Selling expenses	40,978,039,605.37	38,600,298,275.47	6.16
Administrative expenses	11,489,640,885.88	10,846,346,796.51	5.93
Financial expenses	514,155,779.97	-241,752,219.47	N/A
R&D expenses	10,221,013,589.28	9,507,384,787.81	7.51
Net cash flow from operating activities	25,262,376,228.30	20,256,557,145.86	24.71
Net cash flow from investing activities	-17,085,065,181.85	-8,925,734,712.45	N/A
Net cash flow from financing activities	-7,841,032,853.05	-3,900,450,140.92	N/A
Other income	1,558,864,654.36	1,070,103,842.60	45.67
Gains on changes in fair value	19,753,663.05	-122,442,933.65	N/A
Credit impairment loss	-242,642,129.31	-431,377,480.82	N/A
Gains on disposal of assets	-15,342,697.67	206,742,815.79	-107.42
Non-operating expenses	295,802,566.43	190,706,969.79	55.11
Profit or loss attributable to minority shareholders	135,454,728.88	21,258,126.54	537.19

Reasons for significant changes in certain indicators:

- (1). Reasons for the changes in financial expenses: the increase of 312.68% in financial expenses over the corresponding period was mainly due to the additional interest expenses incurred overseas as a result of higher interest rates on borrowings due to interest rate hikes during the current period;
- (2). Reasons for the changes in other income: the increase of 45.67% in other income over the corresponding period was mainly due to the year-on-year increase in government grants;

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- (3). Reasons for the changes in the gains on changes in fair value: the increase of 116.13% in gains on changes in fair value over the corresponding period was mainly due to the year-on-year increase in fair value change of forward contracts;
- (4). Reasons for changes in credit impairment loss: the decrease of 43.75% in credit impairment loss over the corresponding period was mainly due to the decrease in the provision for bad debts of receivables during the current period;
- (5). Reasons for changes in non-operating expenses: the increase of 55.11% in non-operating expenses over the corresponding period was mainly due to the year-on-year increase in expenses incurred during the current period that were not directly related to the Company's ordinary operation;
- (6). Reasons for changes in profit or loss attributable to minority shareholders: the increase of 537.19% in profit or loss attributable to minority shareholders over the corresponding period was mainly due to the increase in earning of some subsidiaries with minority interest during the current period.

Detailed explanation of significant changes in the operation types and the components of profit or sources of profit of the company during the current period

☐ Applicable ☒ Not Applicable

2. Analysis of Income and Cost

☒ Applicable ☐ Not Applicable

(1). Principle Operating Activities by Sector, Product, Region and Sales Mode

Unit and Currency: RMB

Principal operating activities by product						
By Product	Operating revenue	Operating cost	Gross profit	Operating revenue	Operating cost	Gross profit
			margin (%)	increased/ decreased yoy (%)	increased/ decreased yoy (%)	margin increased/ decreased yoy (%)
Air conditioner	45,659,954,167.67	32,250,291,838.55	29.37	13.98	12.77	0.76
Refrigerator	81,640,696,197.18	55,335,233,549.67	32.22	5.16	4.64	0.34
Kitchen appliances	41,588,961,234.83	28,293,408,033.92	31.97	7.42	8.03	-0.39
Water Appliances	15,010,842,426.77	8,089,006,857.41	46.11	8.88	8.67	0.10
Washing Machine	61,272,315,753.28	40,872,967,073.73	33.29	6.15	5.93	0.14
Equipment parts and channel						
integrated services	15,119,945,331.23	13,816,209,393.14	8.62	3.74	5.22	-1.29

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Principal operating activities by region						
By region	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue	Operating cost	Gross profit
				increased/ decreased yoy (%)	increased/ decreased yoy (%)	margin increased/ decreased yoy (%)
Domestic	124,614,230,011.11	79,297,163,609.40	36.37	7.06	6.20	0.52
Overseas	135,678,485,099.85	99,359,953,137.02	26.77	7.60	7.81	-0.15

Principal operating activities by sales mode						
Sale mode	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue	Operating cost	Gross profit
				increased/ decreased yoy (%)	increased/ decreased yoy (%)	margin increased/ decreased yoy (%)
Domestic – direct sale customers	12,071,968,855.83	6,481,694,994.39	46.31	8.90	7.60	0.65
Domestic – distribution and others	112,542,261,155.28	72,815,468,615.01	35.30	6.87	6.07	0.48
Overseas – direct sale customers	5,384,503,473.21	4,677,974,737.53	13.12	14.68	11.86	2.19
Overseas – trading companies sales	130,293,981,626.64	94,681,978,399.49	27.33	7.32	7.62	-0.20

Explanation of principle operating activities by sector, product, region and sales mode

(2). Table of production and sales analysis

✓ Applicable ☐ Not Applicable

Main products	Units	Production		Production volume		Sales volume	Inventory
		volume	Sales Volume	Inventory	increased/ decreased yoy (%)	increased/ decreased yoy (%)	increased/ decreased yoy (%)
Home Appliance	10,000s units/sets	11,927	11,978	2,458	4.7	6.4	-1.7

(3). Performance of major purchase contracts and major sales contracts

☐ Applicable ✓ Not Applicable

Section III Management Discussion and Analysis

(4). Table of cost analysis

Unit: RMB10,000

		By sector				Percentage of change of the amount for the current period compared to the corresponding period of last year (%)
By sector	Cost component	Amount for the current period	Percentage of the amount for the current period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	
Home Appliance Industry	Primary operation costs	16,491,091	100.00	15,372,381	100.00	7.28
	Raw materials	14,110,764	85.6	13,135,824	85.5	7.42
	Labor	1,122,334	6.8	950,481	6.2	18.08
	Depreciation	280,770	1.7	254,004	1.7	10.54
	Energy	65,982	0.4	81,621	0.5	-19.16
	Others	911,241	5.5	950,450	6.2	-4.13

(5). Change of consolidation scope due to changes on shareholdings of major subsidiaries during the reporting period

☐ Applicable ☒ Not Applicable

(6). Relevant information on significant changes or adjustments in the Company's business, products or services during the reporting period

☐ Applicable ☒ Not Applicable

(7). Major distributors and major suppliers

A. Major distributors of the Company

☒ Applicable ☐ Not Applicable

Revenue from the top five distributors was RMB60,945.63 million, representing 23.3% of the total sales for the year; among the revenue from the top five distributors, the revenue from related parties was RMB0 million, representing 0% of the total sales for the year.

The proportion of sales to a single distributor exceeded 50% of the total during the reporting period, and new distributor or depending heavily on a few distributors were seen among the top five distributors.

☐ Applicable ☒ Not Applicable

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B. Major suppliers of the Company

☒ Applicable ☐ Not Applicable

The purchase amount from the top five suppliers amounted to RMB41,251.38 million, representing 23.6% of the total purchase amount for the year; among the purchase amount from the top five suppliers, the purchase amount from related parties was RMB18,643.33 million, representing 10.6% of the total purchase amount for the year.

The proportion of purchase from a single supplier exceeded 50% of the total during the reporting period, and new supplier or depending heavily on a few suppliers were seen among the top five suppliers.

☐ Applicable ☒ Not Applicable

3. Expenses

☒ Applicable ☐ Not Applicable

The increase of 312.68% in financial expenses over the corresponding period was mainly due to the additional interest expenses incurred overseas as a result of higher interest rates on borrowings due to interest rate hikes during the current period.

4. R&D expenditure

(1). Table of R&D expenditure

☒ Applicable ☐ Not Applicable

Unit: RMB

Expensed R&D expenditure for the current period	10,219,284,796
Capitalized R&D expenditure for the current period	601,960,544
Total R&D expenditure	10,821,245,340
Total R&D expenditure as a percentage in operating revenue (%)	4.14
Proportion of capitalization of R&D expenditure (%)	5.56

(2). Table of R&D Personnel

☒ Applicable ☐ Not Applicable

Number of R&D personnel	23,889
Percentage of R&D personnel took up in the total employees (%)	21

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Educational structure of R&D personnel	
Categories of educational structure	Number of personnel
Doctor's degree	130
Master's degree	4,508
Bachelor's degree	12,936
College Diploma	4,605
High School diploma or below	1,710

Age structure of R&D personnel	
Categories of age structure	Number of personnel
Under 30 years old (not including 30)	8,139
30–40 years old (including 30 and not including 40)	10,244
40–50 years old (including 40 and not including 50)	4,306
50–60 years old (including 50 and not including 60)	1,057
60 years old and above	143

(3). Explanation

√ Applicable ☐ Not Applicable

Haier Smart Home always focuses on user experience. Under the guidance of adhering to the strategy of original technology, it has continuously increased its innovation investment, established a global leading R&D system, and has seen a continuous emergence of innovative achievements. Original technologies have supported the overall industry-leading positions of the Company's high-end brands, scenario brands and ecosystem brands. In terms of products, in 2023, the Company created a series of excellent solutions that were beyond users' expectations with lifestyle embodied in technology, such as flat-back refrigerator, Casarte's Zhongzi (中子) F2 washer-dryer combo, variable split air conditioner, and seamless build-in lifting ultra-thin range hood, etc. In the next step, we will continue to increase investment in basic research and subversive technology research. In terms of intelligence promotion: focusing on all-scenario solutions such as whole house intelligence, we have constructed smart living scenarios based on user demand. In terms of green and dual-carbon: we will undertake the national dual-carbon strategy and actively implement the ESG concept. In 2023, the Company strived to enhance the sustainability of its products and solutions by integrating low carbon and energy saving into the whole life cycle of products, remaining its efforts in promoting technological and product innovation and developing green and low-carbon products extended from commodity to industry, with a view to driving the green and high-quality development of the whole industry chain.

Section III Management Discussion and Analysis

(4). Reason for significant change in the composition of R&D personnel and its impact on the future development of the Company

☐ Applicable ☒ Not Applicable

5. Cash flow

☒ Applicable ☐ Not Applicable

- (1). The increase of 91.41% in net cash outflow from investing activities over the corresponding period was mainly due to an increase in cash payments for the investment and construction and purchase of fixed assets, intangible assets, and other long-term assets during the current period;
- (2). The increase of 101.03% in net cash outflow from financing activities over the corresponding period was mainly due to the increase in cash payments for dividend distribution or interest payments and the additional borrowings during the current period.

(II) Explanation for major changes in profit caused by non-principal businesses

☐ Applicable ☒ Not Applicable

(III) Analysis of assets and liabilities

☒ Applicable ☐ Not Applicable

1. Assets and liabilities

Unit: RMB

Name of Item	Amount at the End of Current Period	Percentage of Amount at the End of Current Period to Total Assets (%)	Amount at the End of Previous Period	Percentage of Amount at the End of Previous Period to Total Assets (%)	Change in the Amount at the end of Current Period to the End of Previous Period (%)	Description
Trading financial liabilities	953,963,543.83	0.38	519,912,880.91	0.22	83.49	Mainly due to the increase in short-term wealth management products measured at fair value
Derivative financial assets	67,565,829.44	0.03	183,185,160.51	0.08	-63.12	Mainly due to the fluctuation in fair value of forward foreign exchange contracts
Debt investments	8,841,233,078.66	3.49	1,034,222,222.22	0.44	754.87	Mainly due to the new long-term deposits
Construction in progress	5,403,469,596.76	2.13	4,094,712,417.61	1.73	31.96	Mainly due to the increase in factory under construction and equipment
Development expenses	266,490,235.10	0.11	154,480,515.67	0.07	72.51	Mainly due to the investment in development projects

Section III Management Discussion and Analysis

Name of Item	Amount at the End of Current Period	Percentage of Amount at the End of Current Period to Total Assets (%)	Amount at the End of Previous Period	Percentage of Amount at the End of Previous Period to Total Assets (%)	Change in the Amount at the end of Current Period to the End of Previous Period (%)	Description
Derivative financial liabilities	168,625,004.97	0.07	104,594,040.66	0.04	61.22	Mainly due to the fluctuation in fair value of forward foreign exchange contracts
Non-current liabilities due within one year	3,732,550,549.23	1.47	6,294,750,667.08	2.67	-40.70	Mainly due to the repayment of long-term borrowings due within one year
Long-term borrowings	17,936,302,925.77	7.08	13,590,866,873.43	5.76	31.97	Mainly due to the replacement of long-term borrowings due within one year and new borrowing
Treasury stock	5,034,065,107.42	1.99	3,857,807,196.38	1.63	30.49	Mainly due to the share repurchase by the Company
Minority interest	2,397,589,814.47	0.95	1,290,895,044.45	0.55	85.73	Mainly due to the capital contribution by minority shareholders of certain subsidiaries

2. Overseas Assets

√ Applicable ☐ Not Applicable

(1) Scope of assets

Among the assets, overseas assets amounted to 11,771,244 (unit and currency: RMB10,000), representing 46.5% of the total assets.

(2) Explanation of high percentage of overseas assets

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Name of overseas asset	Reason for Formation	Operating mode	Operating revenue during the reporting period	Net profit of the reporting period
Overseas Home Appliance and Smart Home Business	Overseas mergers & acquisitions and the Company's own development	Localized Operations with the integration of R&D, manufacturing and marketing	136,411,896,001	6,370,417,298

Note: Net profit stated in the above table represents operating profit.

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3. Restrictions on major assets as of the end of reporting period

☐ Applicable ☒ Not Applicable

4. Other Explanations

☐ Applicable ☒ Not Applicable

(IV) Analysis of industry operating information

☐ Applicable ☒ Not Applicable

(V) Analysis of investment

Overall analysis on external equity investment

☒ Applicable ☐ Not Applicable

During the reporting period, the Company made investments in respect of the establishment of a compressor joint venture and the acquisition of the commercial refrigeration business of Carrier Global Corporation. For details, please refer to the Indicative Announcement of Haier Smart Home Co., Ltd. on Establishment of A Compressor Joint Venture disclosed on 20 January 2023 and the Voluntary Announcement of Haier Smart Home Co., Ltd. on Acquisition of The Commercial Refrigeration Business of Carrier Global Corporation disclosed on 14 December 2023 by the Company.

1. Significant equity investment

☐ Applicable ☒ Not Applicable

2. Significant non-equity investment

☐ Applicable ☒ Not Applicable

Section III Management Discussion and Analysis

3. Items measured at fair value

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Asset Type	Opening Balance	Profits or Losses of Changes in Fair Value during the period	Cumulative Changes in Fair Value Included in equity	Provision for Impairment of during the Period	Purchases during the period	Sold/Redeemed Amount during the period	Other Changes	Closing Balance
Wealth management products	14,638,968.26	3,105,706.34			1,093,550,000.00	623,358,572.79		487,936,101.81
Investment in other equity instruments	5,851,882,930.20		550,686,416.89		5,738,403.78	23,115,128.61	18,502,332.51	6,403,694,954.77
Investment in trading equity instruments	336,843,065.02	7,973,424.95				72,742,043.05	-28,850,007.28	243,224,439.64
Investment funds	168,430,847.63	38,833,850.27			30,275,372.74	152,296,171.11	492,548.85	222,803,002.38
Derivative financial instruments	61,674,330.75	-58,026,743.85	-117,694,592.98				12,987,830.55	-101,059,175.53
Total	6,433,470,141.86	-8,113,762.29	432,991,823.91	0	1,129,563,776.52	734,445,361.56	3,132,704.63	7,256,599,323.07

Investment in securities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Type of securities	Securities code	Securities abbreviation	Initial investment cost	Sources of funding	Carrying amount at the beginning of the Period	Profit and loss arising from changes in fair value during the Period	Accumulated fair value changes included in equity	Purchases during the Period	Disposals during the Period	Investment profit or loss during the period	Carrying amount at the end of the Period	Accounting items
Stock	601328	Bank of Communications	1,803,769.50	Self-funding	6,457,074.48		1,362,252.00				7,819,326.48	Investments in other equity instruments
Stock	600827	Bailian Group	154,770.00	Self-funding	477,382.56		-103,590.44				373,792.12	Investments in other equity instruments
Stock	300183	Neusoft Carrier	18,713,562.84	Self-funding	9,419,316.30		2,376,325.44				11,795,641.74	Investments in other equity instruments
Stock	000959	Beijing Shougang		Self-funding	70,074,347.20	29,925,649.60			71,149,989.52	-28,850,007.28		Trading financial assets
Stock	688455	KENGIC	29,450,000.00	Self-funding	157,181,890.00	-10,393,845.80					146,788,044.20	Trading financial assets
Total	/	/	50,122,102.34	/	243,610,010.54	19,531,803.80	3,634,967.00	-	71,149,989.52	-28,850,007.28	166,776,804.54	/

Explanation of investment in securities

☐ Applicable √ Not Applicable

Private equity investment

√ Applicable ☐ Not Applicable

Section III Management Discussion and Analysis

By the end of the reporting period, the Company has historically invested in private equity funds as follows: the Company invested 63.13% share in Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership); Qingdao RRS Huitong Investment Management Co., Ltd. (青岛日日顺汇通投资管理有限公司), a subsidiary of the Company, invested 49% share in Guangzhou Heying Investment Partnership (Limited Partnership); Qingdao Haishang Chuangzhi Investment Co., Ltd. (青岛海尚创智投资有限公司), a subsidiary of the Company, invested 30% share in Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership), a private equity fund, and 50% equity of Qingdao Ririshun Huizhi Investment Co., Ltd., a managing partner of funds; Qingdao Haier Technology Investment Co., Ltd. (青岛海尔科技投资有限公司), a subsidiary of the Company, invested in private equity funds: 1.265% share in Beijing-Tianjin-Hebei Industrial Coordinated Development Investment Fund (Limited Partnership) (京津冀产业协同发展投资基金(有限合伙)), 14.85% share in Shenzhen TopoScend Capital Phase I Fund (Limited Partnership) (深圳市投控东海一期基金(有限合伙)), 24% share in Qingdao Haimu Smart Home Investment Partnership (Limited Partnership), and invested in fund management companies: 5.01% equity of CMG-SDIC Capital Co., Ltd. (国投招商投资管理有限公司), 15% equity of Shenzhen TopoScend Capital Co., Ltd. (深圳市投控东海投资有限公司), 49% equity of Qingdao Haimu Investment Management Co., Ltd.

Derivative investment

√ Applicable □ Not Applicable

(1). Derivatives investments for hedging purposes during the reporting period

√ Applicable □ Not Applicable

Unit and Currency: RMB10,000

Type of derivatives investment	Initial investment amount	Opening amount	Gains or losses on fair value changes for the current period	Accumulative changes in fair value included in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Closing amount	Proportion of closing amount to net assets of the Company at the end of the reporting period (%)
Forward foreign exchange contracts	1,247,880	1,247,880	-5,631.26	-12,508.67			1,178,657	11.39
Forward commodity contracts	20,806	20,806	-171.41	739.21			11,009	0.11
Total	1,268,686	1,268,686	-5,802.67	-11,769.46			1,189,666	11.49
Explanation on any significant changes in the accounting policies and specific accounting and auditing principles for the hedging business during the reporting period as compared to the last reporting period	Accounting principles are based on the Accounting Standards for Business Enterprises. The Company carried out the accounting treatment for its business in accordance with the relevant regulations of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting", "Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments" and "Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement" published by the Ministry of Finance and its guidance, to reflect the relevant items in the balance sheet and the statement of profit or loss, which are consistent with those of the previous reporting period.							

Section III Management Discussion and Analysis

Type of derivatives investment	Initial investment amount	Opening amount	Gains or losses on fair value changes for the current period	Accumulative changes in fair value included in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Closing amount	Proportion of closing amount to net assets of the Company at the end of the reporting period (%)
Explanation on actual profit or loss during the reporting period	The actual profit and loss for the reporting period amounted to RMB112.5567 million.							
Explanation on the effect of hedging	Under the premise of ensuring normal production and operation, the Company carried out hedging business to reduce the impact of exchange rate fluctuations on the Company's production and operation and to realize the Company's long-term stable development.							
Source of funds for derivative investments	Self-owned funds							
Risk analysis and explanations on risk control measures for positions in derivatives during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	<p>I. Foreign exchange hedging business</p> <p>1. Risk Analysis</p> <p>The Company and its holding subsidiaries conduct foreign exchange derivatives business in accordance with the principle of stability, and do not conduct the foreign exchange transaction for speculative purposes. All foreign exchange funds businesses are based on normal production and operation and rely on specific business operations to avoid and prevent exchange rate risks. However, there are also certain risks in conducting foreign exchange funds business:</p> <p>(1) Market risk: Forward settlement of foreign exchange: the Company will determine whether to sign a forward contract based on the cost of the product (basically consisting of RMB) and market risk. Signing the contract equals to fixing the price of currency exchange. It is effective to resist market fluctuation risk and ensure a reasonable and stable profit level of the Company through forward settlement of foreign exchange.</p> <p>Forward purchase of foreign exchange: according to the import contract entered with the customer and exchange rate risk, the future currency exchange cost will be fixed through the unilateral forward purchase of foreign exchange. Although there is a certain risk of loss, the forward purchase of foreign exchange will effectively reduce the market fluctuation risk and fix procurement costs.</p> <p>Other NDF and options businesses are mainly carried out when failed to sign the ordinary forward settlement/purchase of foreign exchange or the costs are too high, only serving as the supplement of the above businesses.</p> <p>Exchange rate fluctuation risk in currency swap business is avoided by adjusting the currency of assets and liabilities in order to match the currency of the assets with the currency of liabilities. Interest rate fluctuation risk in interest rate swap business is avoided by transfer the floating-rate business to fix-rate business or transfer the fixed-rate business to floating-rate business when the rate is going downward to reduce the costs. All of the above businesses have a real business background and there is no speculation.</p>							

Section III Management Discussion and Analysis

Type of derivatives investment	Initial investment amount	Opening amount	Gains or losses on fair value changes for the current period	Accumulative changes in fair value included in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Closing amount	Proportion of closing amount to net assets of the Company at the end of the reporting period (%)
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(2) Exchange rate fluctuation risk: After the Company fixing the forward exchange rate according to the foreign exchange management strategy, if the actual trend of the foreign exchange rate deviates significantly from the direction of the Company's fixed exchange rate fluctuation, the cost of the Company after fixing the exchange rate expenditure may exceeds the cost of not fixing the exchange rate, thus forming a loss of the Company. When the foreign exchange rate changes greatly, if the fluctuating direction of the Company's fixed foreign exchange hedging contract is inconsistent with that of the foreign exchange rate, the foreign exchange loss will be formed; if the exchange rate does not fluctuate in the future, the vast deviation from the foreign exchange hedging contract will also form a foreign exchange loss.

(3) Internal control risk: The foreign exchange derivatives business is highly specialized and complex so it may cause risks due to imperfect internal control systems.

(4) Transaction default risk: In the event of a default in the counterparty of foreign exchange derivative transaction, the Company would not be able to obtain hedging profits as agreed to hedge the Company's actual exchange losses, resulting in a loss of the Company.

(5) Customer default risk: The overdue of customer's accounts receivable and the customer's order adjustment will make the actual payment inconsistent with the expected payment, which may result in the actual cash flow could not match the carried out foreign exchange derivative business term or amount completely, leading to a loss of the Company.

2. Risk Control Measures Taken by the Company

(1) The Company may not engage in any foreign exchange derivative transactions except those carried out for the purpose of avoiding exchange rate risks, and only for foreign exchange operations related to the Company's import and export business and overseas asset/liability management.

(2) The Company implemented approval process in strict compliance with the Foreign Exchange Risk Management Policy and the Foreign Exchange Derivatives Transaction Management Rules. The general meeting of shareholders of the Company and the Board of Directors delegate the President/President Office to take responsibility for the operation and management of the foreign exchange derivatives business, the Treasury Department shall act as the handling department, and finance department shall act as the daily review department.

(3) The Company conducts foreign exchange derivatives business with financial institutions such as large banks with legal qualifications. The financial department timely tracks the changes in the transaction and strictly controls the occurrence of closing default risk.

(4) The Company conducts foreign exchange derivatives business must base on the Company's cautious forecast on the foreign currency receipts and payments and actual business exposure. The delivery date of the foreign exchange derivatives business must match with the Company's predicted receipt time, deposit time or payment time of the foreign currency, or match with the corresponding redemption term of the foreign currency bank borrowing.

II. Bulk Hedging Business

1. Risk Analysis

(1) Market risk: The futures and derivatives market itself has certain systematic risks, while hedging requires certain level of price trend prediction. If the price prediction is directionally incorrect, it may cause losses to the Company.

(2) Policy risk: Significant changes in laws and regulations of the futures and derivatives markets may cause market fluctuations or make trading impossible, which may result in risks.

Section III Management Discussion and Analysis

Type of derivatives investment	Initial investment amount	Opening amount	Gains or losses on fair value changes for the current period	Accumulative changes in fair value included in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Closing amount	Proportion of closing amount to net assets of the Company at the end of the reporting period (%)
<p>(3) Funding risk: Due to the strict margin system and daily mark-to-market system in the futures market, there may be corresponding funding floating loss risks. The Company will reasonably allocate its own funds for hedging business, control the scale of funds, and conduct funding projections while formulating trading plans to ensure sufficient funds. In the process of business operations, the Company will plan and utilize margins reasonably, and adjust funds appropriately to avoid risks.</p> <p>(4) Operational risk: There may be cases in which suppliers violate their agreements and cancel or delay deliveries, resulting in a mismatch between the actual hedging quantity and period, causing losses to the Company.</p> <p>(5) Internal control risk: Futures and derivatives transactions are more specialized and complex, which may give rise to risks caused by inadequate internal control systems or human errors in operations. The Company has formulated the Management Measures for Hedging Business of Bulk Raw Materials, which contains clear provisions on the authorization scope, approval procedures, risk management and other aspects of hedging transactions. The Company shall strengthen internal control management and improve professionalism, implement risk prevention measures and improve the management standard of hedging business.</p>								
2. Risk control measures adopted by the Company								
(1) Matching hedging business with the Company's production and operation to maximize hedging against the risk of market fluctuations.								
(2) Strictly control the scale of hedging funds and reasonably plan and use margins. The Company will reasonably allocate its own funds for hedging business, and will not use raised funds directly or indirectly for hedging.								
(3) The Company has formulated the Management Measures for Hedging Business of Bulk Raw Materials, which contains clear provisions on the organizational structure and its responsibilities, business processes, risk management, file management, etc. The Company will strictly follow the provisions of the internal control system to control all aspects of the business, and will implement the Management Measures in accordance with the established regulations.								
(4) The Company will strengthen the training of relevant personnel to enhance their professionalism and overall quality; strengthen research on the futures and derivatives market to grasp market changes and design specific operational plans for trading business.								
(5) The internal audit department of the Company will conduct regular and irregular inspections of hedging trading business, supervise hedging trading business personnel in the implementation of the risk management system and risk management procedures, and prevent operational risks in the business in a timely manner.								
Changes in market price or fair value of invested derivatives during the reporting period, where specific methodology used and the settings of relevant assumptions and parameters should be disclosed in the fair value analysis of derivatives	In respect of changes in market prices or fair value of products, gains or losses actually realized from the invested derivatives amounted to RMB112.5567 million during the reporting period. As for the specific methodology used and the related assumptions and parameter settings: Foreign exchange and interest rate swap forward quotations from financial institutions were used.							
Litigation case (if applicable)	Nil							

Section III Management Discussion and Analysis

Type of derivatives investment	Initial investment amount	Opening amount	Gains or losses on fair value changes for the current period	Accumulative changes in fair value included in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Closing amount	Proportion of closing amount to net assets of the Company at the end of the reporting period (%)
Disclosure date of announcement in relation to the consideration and approval of derivatives investment by the Board (if any)	30 March 2023							
Disclosure date of announcement in relation to the consideration and the approval of derivatives investment by shareholders' general meeting (if any)	26 June 2023							

- (2). Derivatives investments for investment purposes during the reporting period
☐ Applicable ☒ Not Applicable

4. Detailed progression of material asset regrouping and integration during the reporting period

- ☐ Applicable ☒ Not Applicable

(VI) Sale of material assets and equity

- ☐ Applicable ☒ Not Applicable

(VII) Analysis on major subsidiaries and Investees

- ☒ Applicable ☐ Not Applicable

For details, please refer to the relevant contents of “(2) Explanation of high percentage of overseas assets” under “(III) Analysis of assets and liabilities” in this section.

(VIII) Structured entities controlled by the Company

- ☐ Applicable ☒ Not Applicable

VI. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

(I) Setup and trend of the industry

☒ Applicable ☐ Not Applicable

For details, please refer to the relevant contents of “II. INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD” under “Section III Management Discussion and Analysis” in this report.

(II) Development strategy of the Company

☒ Applicable ☐ Not Applicable

The Company is committed to become a user-oriented digital enterprise in the IoT era, and become the world's first IoT-based smart home ecosystem brand.

(1) Consumer appliance business

- Refrigerators and washing machines: The Company is committed to driving technological innovation and refining scenario-based solutions to strengthen and expand our leading position in the domestic market. We will enhance competitiveness in local markets overseas to increase our market share and profitability globally.
- Kitchen appliances: In overseas markets, we aim to maintain and expand our leading positions in the United States, Australia, and New Zealand. Domestically, we plan to rapidly increase our market share by enhancing the Casarte product line and optimising home improvement channels.
- Emerging product categories: We will accelerate R&D as well as marketing efforts for new product categories such as tumble dryers and dishwashers. We are determined to enter into new business areas, such as lifestyle appliances and cleaning appliances, to keep up with the growing consumer demand for high-quality living.

(2) Heating, Ventilation and Air Conditioning (HVAC) business

- Air conditioners: The Company will enhance the R&D of core technologies and refine our product lineup to establish professional solution capabilities that lead the industry. By fostering integration within the industrial chain and streamlining production processes, we will lower costs and improve operational efficiency. In addition, we will strengthen the development of our professional sales channels to deliver more convenient and effective customer service.
- Water heaters and purifiers: By leveraging our leading position in the water heater industry, we are actively expanding into new product lines, such as whole-house water purification and whole-house heating and cooling systems, to provide comprehensive household water solutions. In overseas markets, we will accelerate business expansion globally by developing products that cater to local market demands, expanding professional sales channels, and establishing localised production bases.

Section III Management Discussion and Analysis

(III) Business plan

☒ Applicable ☐ Not Applicable

In 2024, the Company will continue to advance digital transformation. By innovating business models, operational mechanisms, and organisational platforms, we aim to enhance user experience and operational efficiency and achieve leadership objectives.

In established businesses such as refrigerators, washing machines, and water heaters, we will concentrate on product iteration, innovation of scenario-based solutions, and market transformation to expand our competitive edge in the domestic market; while introducing new high-end products and reinforcing local market presence to increase market share and enhance profitability in overseas markets.

For growing businesses such as air conditioners, kitchen appliances, and smart buildings, we will enhance competitiveness by establishing industry-leading R&D systems, improving industrial chain integration, and actively expanding professional sales channels, to lay a solid foundation for the Company's long-term stability and growth.

To enhance our ability to acquire user traffic in the domestic market, we will strengthen our distribution networks and retail capabilities to boost sales, while establishing an effective system to acquire and monetize traffic on emerging media platforms like Douyin. We will also roll out the warehouse-to-consumer model to improve supply chain and ensure prompt fulfilment of consumer demands. The Casarte brand will undergo a brand enhancement, expand into niche markets, and strengthen its capabilities in product innovation, retail, marketing, and top-notch services. The objective is to strengthen Casarte's position as a leader in the domestic high-end market, increase brand influence, and capture a larger market share.

We will strengthen the SAN YI NIAO model as our core offering, continuously improving its user experience on home appliance and home furnishing integration, end-to-end digital services, and smart living features. We aim to boost its sales of home appliance product suites, which would result in higher average ticket prices and market conversion rates.

For overseas markets, we will focus on driving growth in market share and profitability across different regions. (1) Develop product iteration systems tailored to local consumer needs, achieving continuous innovation and upgrades, enhancing competitiveness in high-end markets, and improving price indices and gross profit margins. (2) Accelerate the localisation of regional supply chains by optimising local production, warehousing, and logistics processes, to lower costs and increase responsiveness. (3) Drive retail transformation in distribution networks by enhancing efficiency through digitalisation, and harness cutting-edge technologies such as big data and artificial intelligence to streamline business operations and enhance user experience. (4) Foster global collaboration across branding, R&D, procurement, supply chain, and logistics to optimise global resource allocation, reduce costs and boost efficiency, and bolster global competitiveness.

(IV) Potential risks of the Company

√ Applicable ☐ Not Applicable

- 1. Risk of decreasing market demand due to macroeconomic slowdown.** Sales of white goods as durable consumer appliances are subject to users' income levels and their expectations of future income growth which will have a certain impact on their willingness to purchase products. A slowdown in macroeconomic growth causing a decline in users' purchasing power will have a negative impact on industry growth. In addition, a slowdown in real estate market will also have a negative impact on market demand, which will indirectly affect end-user demand for home appliances.
- 2. Risk of price war caused by intensified industry competition.** The white goods industry is highly competitive with a high degree of product homogeneity. While industry concentration has been on the rise in recent years, certain sub-sectors may face increased inventory levels due to supply-demand imbalance, potentially leading to risks such as price wars. Additionally, rapid technological advancements, a shortage of industry talent, shortened product life cycles and ease of imitation are making it increasingly challenging to generate profit. Although new products, services and technologies often command higher selling prices, the Company finds itself compelled to invest more in R&D. The Company will actively invest in R&D to introduce innovative products and services, thereby attracting more users and establishing a lasting brand influence.
- 3. Risk of fluctuations in raw material prices.** The Company's products and core components use metal raw materials such as steel, aluminium, and copper, as well as commodities such as plastics and foam. If raw materials prices continue to rise, it will put certain pressure on the Company's production and operations. Additionally, the Company relies on third party manufacturers and suppliers for key raw materials, components, manufacturing equipment, and OEM suppliers. Any disruption in supply or significant price increases by these suppliers will have a negative impact on the Company's business. As a leader in the industry, the Company will take measures including volume & price adjustment mechanism as well as hedging to reduce the risk of raw material fluctuations on its operations.
- 4. Operational risks in overseas business.** The Company has steadily developed its global business and has established production bases, R&D centres, and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year by year. Overseas markets are subject to local political and economic situations (including events such as military conflicts and wars), legal systems and regulatory regimes of those countries and regions. Significant changes in these factors will pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impacts, including collaborating with suppliers and distributors, improving production efficiency to offset the impact on the overall cost of sales, potentially expanding the Company's supply resources to other countries, and adopting safety measures to protect its people and assets.

Section III Management Discussion and Analysis

5. **Risk of exchange rate fluctuations.** As the Company expands its global footprint, the import and export of the Company's products involve the exchange of foreign currencies such as the U.S. dollar, the Euro, and the Japanese yen. If the exchange rates of the relevant currencies fluctuate, it will have a certain impact on the Company's financial position and increase its financial costs. In addition, the Company's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of their primary economic environment in which the entity operates and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.
6. **Risk of policy changes.** The home appliance industry is closely related to the consumer market and the real estate market. Changes in macroeconomic policies, consumption investment policies, real estate policies and relevant laws and regulations will affect product demand from distributors, which in turn will affect product sales of the Company. The Company will closely monitor changes in the relevant policies, laws, and regulations, and make forecasts of market changes, to ensure further development of the Company.
7. **Credit risk.** There is possibility that the Company will be unable to collect all trade receivables from its distributors, or distributors are not able to settle the Company's trade receivables in a timely manner, in which the Company's business, financial status, and operation performance may be affected. In relation to this risk, the Company will maintain flexibility by offering credit period of 30 to 90 days to certain distributors based on their credit history and transaction amount.
8. **Inventory risk.** Excess inventory might occur as the Company cannot always accurately predict trends and events and maintain appropriate inventory levels; thus, the Company may be forced to offer discounts or promotions to manage the slow-moving inventory. On the other hand, a shortage of inventory may lead to loss of sales opportunities for the Company. However, the Company will manage its inventory and adjust according to market situation and will conduct regular impairment assessment of its inventory.

(V) Others

☐ Applicable ☒ Not Applicable

VII. EXPLANATION OF CIRCUMSTANCES AND REASONS FOR NON-DISCLOSURE BY THE COMPANY IN CONSIDERATION OF INAPPLICABLE REGULATIONS, STATE SECRETS AND COMMERCIAL SECRETES

☐ Applicable ☒ Not Applicable

Section IV Corporate Governance

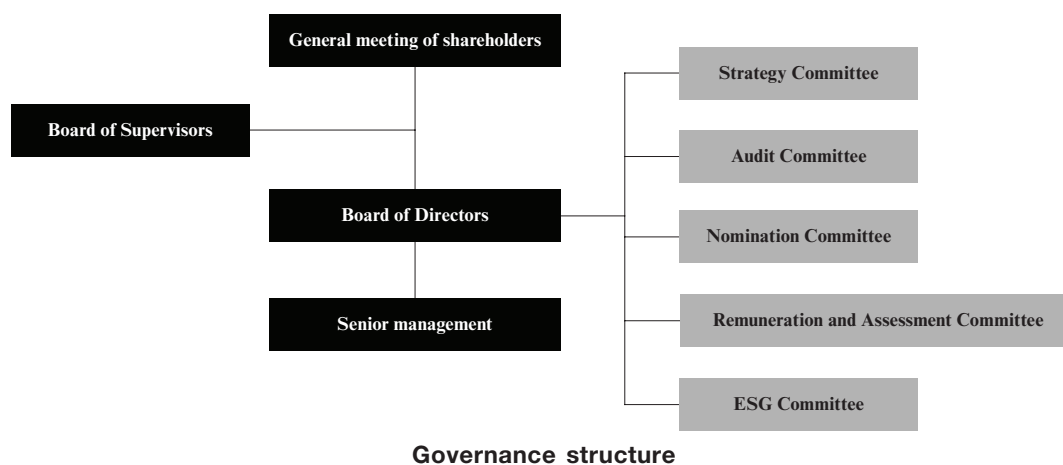
I. EXPLANATION OF CORPORATE GOVERNANCE

√ Applicable ☐ Not Applicable

During the reporting period, the Company has strictly complied with the requirements of the relevant laws and regulations, including the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Code of Corporate Governance of Listed Companies and the listing rules of its listed jurisdictions. While maintaining high quality development in terms of performance, the Company has been continuously improving its governance structure, regulating its operation, enhancing the transparency and quality of its information disclosure, treating various investors fairly, focusing on shareholder return, implementing its equity incentive mechanism and upgrading the level of its corporate governance.

1. Improving the governance structure

The Company has set up a standardized and orderly corporate governance structure composed of the general meeting of shareholders, the Board of Directors and its special committees (including the Strategy Committee, Audit Committee, Nomination Committee, Remuneration and Assessment Committee and ESG Committee (i.e. Environmental, Social and Governance Committee)), the Board of Supervisors, and the senior management. We have established a governance mechanism with clear lines of authority and responsibility, mutual coordination and checks and balances, which has guaranteed efficient and compliant corporate governance.



During the reporting period, the Company has convened a total of four general meeting of shareholders, five Board meetings, five meetings of the Board of Supervisors, one meeting of the Strategy Committee, five meetings of the Audit Committee, five meetings of the Remuneration and Assessment Committee, one meeting of the Nomination Committee and two meetings of the ESG Committee. All meetings and voting procedures complied with relevant provisions specified in laws and regulations, the Articles of Association and rules of negotiation, and all voting results were legal and valid. These laid a solid foundation for the Company's standardized operation.

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2. General meetings

The Company has strictly complied with the provisions of the Articles of Association and the Rules of Procedure for the General Meetings in convening and holding general meetings. General meetings are witnessed by lawyers on site and legal opinions are issued on their legality. The Company has established and improved effective channels of communication between shareholders and the Board of Directors to ensure the shareholders' right to information, participation and voting in respect of any significant issues of the Company. During the reporting period, the Company has held a total of four general meetings.

3. Board of Directors

The Board of Directors is mainly responsible for deciding the Company's operational and investment plans, formulating the Company's annual financial budget and final account plans, formulating the Company's profit distribution plan and loss recovery plans, formulating the Company's plans for the increase or reduction of registered capital, issuance of bonds or other securities and listing, as well as the powers as stipulated in other laws and regulations and the Articles of Association. During the reporting period, the Board of Directors has held 5 meetings. The Board of Directors operated in accordance with rules and were able to perform their duties under Articles of Association and relevant laws and regulations and practically implement relevant decisions at the general meetings. The decision-making procedure and particulars of the resolutions of the Board of Directors were in compliance with Articles of Association and relevant requirements under laws and regulations, and the resolutions made were legal and valid.

(1) Board Diversity

The Company is fully aware that board diversity will help to improve the efficiency in decision-making of the Board of Directors, reduce management risks, and make better decisions for the sustainable and healthy development of the Company. In determining the composition of the Board of Directors, the Company took full account of the diversity of the members of the Board, including but not limited to gender, age, culture, education background, industry experience, professional skills, knowledge, term of service and other relevant factors. The Nomination Committee is responsible for reviewing the effectiveness and implementation of the Board Diversity Policy and conducting regular annual diversity assessments.

During the reporting period, the Board of Directors of the Company consists of 9 directors, including 2 executive directors, 3 non-executive directors and 4 independent directors. 2 directors are female, accounting for 22.2% of the Board of Directors, representing an increase of 13.2% as compared with the previous Board of Directors (9%); 4 of whom are independent directors, accounting for 44.4% of the Board of Directors, representing an increase of 8.1% as compared with the previous Board of Directors (36.3%). The members of the Board of Directors have extensive knowledge and experience in industry experience, Internet of Things, corporate governance, global market experience, financial management and risk management, which will help the Board of Directors to make the best decisions and promote the sustainable and healthy development of the Company.

(2) Board Independence

The independent directors of the Company are all senior professionals with expertise in accounting, finance and business management. During the reporting period, the independent directors of the Company performed specific duties in accordance with the Articles of Association and the listing rules of its listed jurisdictions, including participating in the meetings of each of the Company's special committees, providing advice to the Company on its operation and management; and providing independent opinion on connected transactions, profit distribution plans and other significant transactions of the Company. By performing their duties as mentioned above, the independent directors help protect the interests of the Company and the shareholders as a whole, and promote the development of the Company. The chairman of each of the Company's special committees (except the Strategy Committee and ESG Committee) are all independent directors. The number of independent directors present at the meetings of the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee accounted for at least one-half of the quorum of such meeting (inclusive).

4. Board of Supervisors

During the reporting period, the Board of Supervisors operated in accordance with rules and were able to perform their duties under Articles of Association and relevant laws and regulations. The number and composition of the members of the Board of Supervisors complied with requirements under laws and regulations. During the reporting period, the Supervisors of the Company performed their duties earnestly and supervised finance matters of the Company and performance of duty by the Company's director and senior management in accordance with requirements under Articles of Association and Rules of Procedure for the Board of Supervisors.

5. ESG Governance Structure

Good ESG governance is important in ensuring the stability of a company's operations, responding to unexpected crises and seizing development opportunities. The Company has formed an ESG governance structure comprising governance, management and execution covering its global business units. The ESG Committee has been established by the Board of Directors of the Company to conduct comprehensive supervision over the ESG related matters of the Company and perform relevant ESG governance duties on behalf of the Board of Directors. The ESG Executive Office and Working Group have been set up under the ESG Committee to take charge of specific ESG work of the Company.

The Company's overseas subsidiaries, GE APPLIANCES, FPA, CANDY and the subsidiary in India, have also established sustainable development management structures to promote the relevant ESG work in accordance with their applicable laws and regulations. For details, please refer to relevant information in 2023 Environmental, Social and Governance Report of Haier Smart Home Co., Ltd. published on the same date of this report.

6. Information disclosure

Haier Smart Home has strictly complied with the regulatory requirements on information disclosure in China and overseas and fulfilled its information disclosure obligations. During the reporting period, on the basis of improving the level of mandatory information disclosure, the Company increased voluntary disclosure on matters of key concern to domestic and overseas investors and the capital market, such as corporate strategy, strategic investment and acquisition project, corporate governance, ESG, so as to continuously enhance the quality and transparency of disclosure.

7. Treating various investors fairly and focusing on shareholder return

During the reporting period, the Company strengthened communication and exchange with investors in an active, open, innovative and professional manner so as to enhance investors' understanding and recognition of, among others, the Company's strategy and business operations and safeguard the legal rights of investors. In accordance with guideline of the Management System for Investor Relation, the Company integrated business and financial resources by the office of the Board of Directors and realized positive and all-around access to investors in a multi-layer and diversified format through introduction reference, annual investor conference, result announcement conference, and online forum. Meanwhile, the Company replied investors on a timely basis by ways of interview, e-mail, phone, fax and the website (<http://sns.sseinfo.com>) and enhanced interaction with investors, so as to respect and protect the interests of investors, with the aim of achieving harmonious and mutual success with the Company, staff and investors.

The Company has always applied a stable and sustainable profit distribution policy. During the reporting period, the Company strictly followed the requirements set out in the Articles of Association and in the Shareholder Return Plan for the Next Three Years of the Company in implementing the profit distribution policy. As at 31 December 2023, the Company had achieved cumulative cash dividends of approximately RMB29,700 million since the listing of A-share in 1993. During the reporting period, the Company repurchased a total of 63,980,252 shares in the A-share market, with a payment of RMB1,430 million; in the H-share market, a total of 8,483,600 shares were repurchased, with a payment of HK\$200 million.

8. Incentive mechanisms

The Company has been adhering to the management model of “RenDanHeYi”, and taking the “maximization of the value of people” as the core. In line with the global landscape of the capital market, the Company has established a short-term plus mid to long-term incentive system which aligns the interests of employees and all shareholders. During the reporting period, the Company has continued its incentive plan for the previous period and continued to introduce and implement domestic and overseas incentive plans with various appraisal cycle, multi-level and all-round benefits, including A-Share Core Employee Stock Ownership Plan, H-Share Core Employee Stock Ownership Plan, H-Share Overseas Trust Incentive Plan, and A-Share Option Incentive Scheme. The Company has also optimized its relevant assessment indicators according to the Company's situation to ensure a deeper and more effective alignment of interests between the participants and the Company.

Whether there is a significant difference between the corporate governance and requirements in respect of corporate governance of listed companies of laws, administrative regulations and the CSRC; if so, the reasons should be explained

☐ Applicable ☒ Not Applicable

II. SPECIFIED MEASURES ADOPTED BY THE CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS TO MAINTAIN INDEPENDENCE WITH RESPECT TO ASSETS, PERSONNEL, FINANCE, ORGANIZATION, BUSINESS, AND THE SOLUTIONS ADOPTED, WORKING PROGRESS AND SUBSEQUENT WORKING PLANS IN CASE OF THE COMPANY'S INDEPENDENCE BEING AFFECTED

☐ Applicable ☒ Not Applicable

Controlling shareholders, ultimate controllers and other parties controlled by them engaged in business that are same as or similar to the company, peer competition and impact of significant changes in peer competition on the company, solutions adopted, working progress and subsequent solution plans

☐ Applicable ☒ Not Applicable

III. BRIEF INTRODUCTION TO THE GENERAL MEETINGS OF SHAREHOLDERS

Meetings	Date	Index for details of websites designated for publishing resolutions	Date of disclosure	Resolutions approved
2022 Annual General Meeting	26 June 2023	For details, please refer to the Announcement on Resolutions Passed at the 2022 Annual General Meeting, 2023 First A Shares Class Meeting, 2023 First D Shares Class Meeting and 2023 First H Shares Class Meeting of Haier Smart Home Co., Ltd. (L2023-027) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities Newspapers.	27 June 2023	Considered and approved the resolutions related to annual report, internal control audit report, profit distribution proposal, reappointment of auditor, external guarantees, renewal of financial-related daily connected transactions, general mandate to additional issue/repurchase, employee stock ownership plans, etc.
2023 First A Shares Class Meeting				Considered and approved the resolutions for general mandate to repurchase
2023 First D Shares Class Meeting				
2023 First H Shares Class Meeting				

Preferred shareholders whose voting rights have been restored requested an extraordinary general meeting

☐ Applicable ☒ Not Applicable

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Explanation of Shareholders' general meeting

√ Applicable ☐ Not Applicable

The 2022 Annual General Meeting and the 2023 First A/D/H Shares Class Meetings of the Company was held in successive order by way of on-site voting, off-site voting and network voting by poll at Room B101, Haier RenDanHeYi Research Center, Haier Science and Technology Innovation Ecological Park, No.1 Haier Road, Qingdao, the PRC, in the afternoon on 26 June 2023, considering the annual report and other relevant resolutions. The total number of the shares of the Company carrying voting right amounted to 9,328,695,050 shares (of which 6,199,132,811 shares were A shares, 271,013,973 shares were D shares and 2,858,548,266 shares were H shares). 1,031 shareholders and proxies, representing 6,422,740,689 shares or 68.85% of the total number of the shares of the Company carrying voting right, were present at the 2022 Annual General Meeting. 955 shareholders and proxies, representing 4,126,409,131 shares or 66.56% of the total number of A shares of the Company carrying voting rights, were present at the 2023 First A Shares Class Meeting; 66 shareholders and proxies, representing 175,964,322 shares or 64.93% of the total number of D shares of the Company carrying voting rights, were present at the 2023 First D Shares Class Meeting; 9 shareholders and proxies, representing 2,122,075,173 shares or 74.24% of the total number of H shares of the Company carrying voting rights, were present at the 2023 First H Shares Class Meeting. The Directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the abovementioned four meetings. The abovementioned four meetings were convened by the Board of the Company, and Chairman Mr. Li Huagang presided over these meetings. The Company had 9 Directors, of whom 9 Directors attended the meetings; the Company had 3 supervisors, of whom 3 supervisors attended the meetings. The secretary of the Board of the Company attended the abovementioned meetings and other members of senior management of the Company were invited to attend the abovementioned meetings.

IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes of shareholding and remuneration of current and retired directors, supervisors and senior management during the reporting period

√ Applicable □ Not Applicable

Unit: share

Name	Title	Gender	Age	Appointment date	Expiration date of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Increase/decrease in shares for the year	Reason for increase/decrease	Total remuneration received from the Company during the reporting period (RMB'000) (before tax)	Whether receive remuneration from the Company's related party
Li Huagang	Chairman, president	Male	55	28 June 2022	27 June 2025	814,245	919,710	105,465	Employee stock ownership plan vested	256.63	NO
Shao Xinzhi	Vice Chairman	Female	54	28 June 2022	27 June 2025	101	101			Not paid by the Company	YES
Gong Wei	Director, Chief Financial Officer, vice president	Male	51	28 June 2022	27 June 2025	1,943,498	2,004,724	61,226	Employee stock ownership plan vested	195.02	NO
Yu Hon To	Director	Male	76	28 June 2022	27 June 2025					32	NO
Li Kam Fun	Director	Female	72	28 June 2022	27 June 2025					32	NO
Chien Da-chun	Independent director	Male	71	28 June 2022	27 June 2025					32	NO
Wong Hak Kun	Independent director	Male	68	28 June 2022	27 June 2025					32	NO
Li Shipeng	Independent director	Male	57	28 June 2022	27 June 2025					32	NO
Wu Qi	Independent director	Male	57	28 June 2022	27 June 2025					32	NO
Liu Dalin	Chairman of the Board of Supervisors	Male	44	28 June 2022	27 June 2025	11,470	36,676	25,206	Employee stock ownership plan vested	Not paid by the Company	YES
Ma Yingjie	Supervisor	Female	55	28 June 2022	27 June 2025	7,045	12,719	5,674	Employee stock ownership plan vested	28.2	NO
Yu Miao	Employee supervisor	Male	42	28 June 2022	27 June 2025	2,479	6,436	3,957	Employee stock ownership plan vested	40.4	NO
Xie Juzhi	Vice president	Male	58	28 June 2022	27 June 2025	33,695	101,641	67,946	Employee stock ownership plan vested	179.95	NO
Li Pan	Vice president	Male	48	28 June 2022	27 June 2025	567,225	598,480	31,255	Employee stock ownership plan vested	147.09	NO
Zhao Yanfeng	Vice president	Male	47	28 June 2022	27 June 2025	81,229	146,458	65,229	Employee stock ownership plan vested	259.66	NO
Li Yang	Vice president	Male	48	28 June 2022	27 June 2025	23,020	71,262	48,242	Employee stock ownership plan vested	168.03	NO
Song Yujun	Vice president	Male	49	28 June 2022	27 June 2025	130,345	191,182	60,837	Employee stock ownership plan vested	203.95	NO
Guan Jiangyong	Vice president	Male	46	28 June 2022	27 June 2025	95,609	163,555	67,946	Employee stock ownership plan vested	216.75	NO
Wu Yong	Vice president	Male	46	28 June 2022	27 June 2025	176,208	238,964	62,756	Employee stock ownership plan vested	198.01	NO
Huang Xiaowu	Vice president	Male	47	28 June 2022	27 June 2025	26,234	76,708	50,474	Employee stock ownership plan vested	111.72	NO
Liu Xiaomei	Secretary to the Board of Directors	Female	39	28 June 2022	27 June 2025	5,106	13,953	8,847	Employee stock ownership plan vested	43.44	NO
Total	/	/	/	/	/	3,917,509	4,582,569	665,060	/	2,240.85	/

Note: all the shares in the above table are A-shares.

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Name	Major working experience
Li Huagang	<p>Male, born in 1969. He graduated from Huazhong University of Science and Technology in 1991 with a Bachelor's degree of Economics, and from China Europe International Business School in 2014 with a degree of Executive Master of Business Administration (EMBA). He is currently chairman and president of Haier Smart Home Co., Ltd. Mr. Li Huagang joined Haier in 1991 and served as the sales head of the Marketing and Promotion Division of Haier (海尔商流本部销售事业部长) and the general manager of China operations of Haier Smart Home. From August 2017 to March 2019, he served as the chief executive officer of Haier Electronics. Since March 2019, Mr. Li Huagang has been appointed as an executive director of Haier Electronics. He has been an executive director and president of the Company since 2019. Mr. Li Huagang has extensive experience in the fields of corporate management, marketing, brand operation, and global business operation. Mr. Li Huagang was successively awarded 2015 China Home Appliance Marketing Leader, Award of Outstanding Contribution in 40-Years Development of China's Home Appliance Industry 2018, 2019 Person of the Year of China's Top Ten Brands, 2021 Taishan Industry Leading Talent and 2023 Model Worker in Shandong Province.</p>
Shao Xinzhi	<p>Female, born in 1970, holds a Master of Business Administration degree, and is a senior accountant. She currently serves as the vice president and Chief Financial Officer of Haier Group, as well as the vice chairman of Haier Smart Home. Ms. Shao adheres to the goal of innovation and value-enhancement, empowering the high-quality development of the industry, and comprehensively builds the group's financial ecosystem through financial strategy formulation, financial system construction and operation, asset management, capital operation and other financial full value chain management. In 2000, Ms. Shao served as the chief accountant of Haier Air Conditioning Division and the general manager of the strategy center of Haier Group's financial management department. In 2007, Ms. Shao established the first financial sharing center in the home appliance industry, pioneering the "cloud + end" financial management innovation model with Chinese characteristics to provide enterprises with comprehensive financial best solutions, becoming one of the industry benchmarks and winning the first prize of the National Enterprise Management Modernization Innovation Achievement. In 2019, Ms. Shao was appointed as the vice president of Haier Group and the operator of the Big Sharing Empowerment Platform. In 2020, Ms. Shao was appointed as vice president and Chief Financial Officer of Haier Group. Ms. Shao has been honored as "National Advanced Accounting Worker", "Qingdao Top Talent", "ACCA Outstanding Achievement Award" and "IMA Outstanding Contribution Leader in Management Accounting" over the years.</p>

Name	Major working experience
Gong Wei	Male, born in 1973. He graduated from the University of International Business and Economics in 2011, and obtained a degree of Executive Master of Business Administration. He also holds membership in the CIMA Chartered Institute of Management Accountants. Mr. Gong Wei served as the financial manager of Haier Smart Home Co., Ltd, the senior finance manager and senior financial analyst of Haier Group, the Chief Financial Officer of Haier Washing Machine Division, the Chief Financial Officer of Haier Air Conditioning Division, the Chief Financial Officer of Haier White Goods Group, with extensive experience in financial management. Mr. Gong Wei was granted honorary titles such as Young Post Expert in Qingdao City (青岛市青年岗位能手), Qingdao Top Talent (青岛市拔尖人才), Outstanding Accounting Workers in Shandong Province (山东省优秀会计工作者) and National Outstanding Accounting Workers (全国优秀会计工作者), and received several awards, including 2011 Top Ten CFO in China by “New Money” Magazine (《新理财杂志》), 2020 International Finance Leaders of the Year in China. He is currently a director, the Chief Financial Officer and vice president of Haier Smart Home Co., Ltd.
Yu Hon To	Male, born in 1948. He holds a Bachelor of Social Science degree from Chinese University of Hong Kong. He is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate Member of Hong Kong Institute of Certified Public Accountants. Mr. Yu is a chartered accountant with over 40 years’ experience in the fields of auditing, corporate finance (including advisory on IPO, mergers & acquisitions and financial restructuring), financial investigation and corporate governance. Mr. Yu was formerly a partner of a renowned international accounting firm with extensive experience in the corporate finance advisory assignments in Greater China for Hong Kong corporations, private equity groups and multinationals. He is currently a director of 11th session of the Board of Directors of Haier Smart Home Co., Ltd.

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Name	Major working experience
Li Kam Fun	<p>Female, born in 1952. She graduated from University of Hong Kong with Bachelor of Arts and Master of Business Administration degrees. She was conferred with the degree of Doctor of Business Administration, honoris causa, from the Hong Kong Metropolitan University in 2014. Ms. Li Kam Fun served as an independent non-executive director in the board of Haier Electronics Co., Ltd., from 2013 to 2020 and currently serves as a director of the 11th session of the Board of Directors of Haier Smart Home Co., Ltd. Prior to that, Ms. Li Kam Fun had a distinguished career that spanned 34 years with Amway Corporation. When she resigned in 2011, she held the concurrent positions of Executive Vice President of Amway Corporation and Executive Chairman of Amway China Co. Ltd. responsible for Amway Greater China & Southeast Asia Region. Four years later after her retirement from Amway, Ms. Li Kam Fun took up the role of president of Our Hong Kong Foundation in early 2015, and held the position until the end of 2022. Ms. Li Kam Fun had also been an independent non-executive director of numerous world-renowned business corporations including Nestle S.A, (a publicly listed company on the SIX Swiss Exchange) from 2012 to 2023, Amcor Limited (a company listed on the Australian Securities Exchange) from 2014 to 2019, Trinity Limited (a company listed on the Main Board of the Hong Kong Stock Exchange) from 2011 to 2020. Ms. Li Kam Fun's leadership was well recognised in the business community. She was twice named the "World's 100 Most Powerful Women" by Forbes Magazine in 2008 and 2009. CNBC awarded Ms. Li Kam Fun with the "China Talent Management Award" in its 2007 China Business Leaders Awards. Ms. Li Kam Fun currently serves as a member of the Election Committee of Hong Kong Special Administration Region ("HKSAR"), a member of the Social Development Expert Group of the Chief Executive's Policy Unit of HKSAR, an honorary special representative, a conference consultant and honorary president of All-China Women's Federation, a permanent honorary director of The Chinese General Chamber of Commerce, a court member of the Hong Kong Metropolitan University and a member of the advisory panel of the Xiqu Centre of the West Kowloon Cultural District Authority.</p>
Chien Da-chun	<p>Male, born in 1953. He served as Chief Executive Officer of IBM ASEAN/ South Asia, Chairman and Chief Executive of IBM Greater China region. He graduated from the Department of Mathematics of Tamkang University of Taiwan, and studied advanced management courses in the Institute of Business Administration of Harvard University, as well as the global senior manager courses of International Business Machines Corporation (IBM). He is currently an independent director of the 11th session of the Board of Directors of Haier Smart Home Co., Ltd, a director of ENN Group and professor of Management Practice at the School of Business of Renmin University of China/Academic Director of EE Centre.</p>

Name	Major working experience
Wong Hak Kun	Male, born in 1956. He received a Bachelor's of Social Science degree from University of Hong Kong. He has over 36 years of experience in auditing, assurance and management in Deloitte China. He has been a partner of Deloitte China since 1992 and served as a member of the board of directors of Deloitte China from 2000 to 2008. Prior to his retirement in May 2017, Mr. Wong was Deloitte China's National Managing Partner of Audit & Assurance. Mr. Wong is an associate of the Hong Kong Institute of Certified Public Accountants (HKICPA), an associate of the Association of Chartered Certified Accountants (ACCA), an associate of the Chartered Institute of Management Accountants (CIMA), an associate of The Chartered Governance Institute (previously known as "The Institute of Chartered Secretaries and Administrators"). He currently serves as an independent non-executive director of Yue Yuen Industrial Holdings (Limited), Lung Kee (Bermuda) Holdings Limited, Guangzhou Automobile Group Co., Ltd., Hangzhou SF Intra-City Industrial Co., Ltd. and Haier Smart Home Co., Ltd.
Li Shipeng	Male, born in 1967. He holds a bachelor's and Master's degree from University of Science and Technology of China, and a PhD degree from Lehigh University, USA. Mr. Li has extensive experience in Internet of Things technology and artificial intelligence. Mr. Li is currently a chair scientist at the International Digital Economy Academy and an executive director of the Low Altitude Economic Branch. Prior to that, he served as the Chief Researcher and Deputy Dean of Microsoft Research Asia, Chief Technology Officer of Cogobuy Group, Vice President of iFlytek Group, Executive President and Chief Scientist of Shenzhen Institute of Artificial Intelligence and Robotics. Mr. Li is a member of the International Eurasian Academy of Sciences and a fellow of the International Institute of Electrical and Electronics Engineers (IEEE fellow). He was listed as one of the world's top 1,000 computer scientists by Guide2Research and ranked top 20 in Mainland China in 2020. Mr. Li is a renowned expert in Internet, computer vision, cloud computing, Internet of Things and artificial intelligence. He is currently an independent director of the 11th session of the Board of Directors of Haier Smart Home Co., Ltd.

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Name	Major working experience
Wu Qi	<p>Male, born in 1967. He has 25 years of (New PCEBG) experience in world-class management and consulting companies. He is currently an independent director of the 11th session of the Board of Haier Smart Home Co., Ltd. He served as the vice president (Global) and vice chairman (Greater China) of Accenture, and the chairman of Shun Zhe Technology Development Co., Ltd. He was a member and the president (Greater China) of Roland Berger's Global Management Committee, a member of Roland Berger's Global Supervisory Board, a senior consultant for Foxconn's D sub-business group strategy and intelligent manufacturing and a consultant of Xnode, a famous accelerator for startups. He was awarded 2015 Outstanding Talent in Jing'an District, Shanghai. Mr. Wu Qi's experience in consulting industry involves transportation/logistics, high-tech manufacturing, tourism, finance, consumer goods, real estate, government departments and other industries. He has extensive experience in development strategy, organizational change, sales and brand strategy, corporate innovation, digital transformation and intelligent manufacturing, post-merger integration, regional industrial and economic development and upgrading. Mr. Wu Qi is a well-known expert in China in Industry 4.0, transportation and regional planning and development. He served as a consultant for Hangzhou Bay Development Planning, a member of the Intelligent Manufacturing Expert Committee of Municipal Government, deputy head of the 13th Five-Year Planning Expert Committee of Zhengzhou City, Henan Province, vice chairman of China Cold Chain Alliance.</p>

Name	Major working experience
Liu Dalin	Male, born in 1980, Chinese nationality with no right of permanent residency abroad. He graduated from the School of Mechanical Engineering of Jinan University and holds a Master's degree in Business Administration from Renmin University of China. He is a senior engineer. From August 2005 to September 2010, he served as a designer of water heater department of Heater Head Office at Haier Group, an assistant R&D engineer, a R&D engineer and a R&D model manager of the heater R&D center of the Heater Head Office of Haier Group successively. From September 2010 to October 2015, he was the deputy secretary of the Youth League Committee of Haier Group. From October 2015 to July 2020, he was the deputy secretary of the Disciplinary Committee of Haier Group. From July 2020 to March 2021, he was the executive deputy secretary of the Disciplinary Committee of Haier Group and the president of the Board of Supervisors of Gooday Supply Chain Technologies Co., Ltd. From March 2021 to June 2022, he served as the chairman of the Board of Supervisors, the secretary of Society and Community department and executive deputy secretary of the Disciplinary Committee of Haier Group. From June 2022 to date, he serves as a member of the Party Committee, chairman of the Board of Supervisors and head of the organization department of Haier Group. Mr. Liu has been the chairman of the Board of Supervisors of Haier Smart Home Co., Ltd. since June 2021.
Ma Yingjie	Female, born in 1969. She is a political engineer, once served as the secretary of the Youth League Committee of Haier Smart Home Co., Ltd., the secretary of the labour union of Haier Smart Home Co., Ltd., the contact person of the customer service department of Qingdao Haier Dishwasher Co., Ltd. Currently, she is the head of Society and Community department and the supervisor of the 11th session of the Board of Supervisors of Haier Smart Home Co., Ltd.
Yu Miao	Male, born in 1982, Chinese nationality. Mr. Yu holds a master's degree. He serves as the legal manager of Haier Smart Home Co., Ltd. since April 2012, and serves as the employee supervisor of Haier Smart Home Co., Ltd. since January 2019.

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Name	Major working experience
Xie Juzhi	<p>Male. He graduated from Shandong University of Finance and Economics in July 1989 with a Bachelor's degree, and joined Haier in the same year. Mr. Xie has experience in whole-process product management, product-wide services and product-wide marketing. Mr. Xie has held senior positions in Electrothermal Division of Haier Group and East China Marketing and Promotion Division of the Haier Group. Since August 2002, he has been the general manager of Haier Customer Service Company (海尔顾客服务公司). Since July 2012, he has been the Vice President of Haier Group in charge of the Group's integration of community sales services in first and second-tier cities, and developing the online and offline sales of new household products. Since December 2015, he has been managing the newly developed business segments of Haier Group, including water purification, logistics, Haier home and Gooday services. He is also in charge of the water heater business since 2019 and has been appointed as the Chief Executive Officer and an executive director of Haier Electronics since 27 March 2019. Since April 2021, he is responsible for supervising the smart living appliances segment. Mr. Xie was awarded honorary titles including the Gold Award of Outstanding Contribution Award of China's Home Appliance Services Industry (中国家电服务行业突出贡献奖金奖) and Outstanding Entrepreneur of Shandong Province (山东省优秀企业家). He is currently responsible for supervising the intelligent industrial platform and is the vice president of Haier Smart Home.</p>
Li Pan	<p>Male, born in 1976, is a senior engineer. He graduated from Wuhan University in 1997 and obtained the double degree in economics and international business administration. He obtained a Master's degree from China Europe International Business School in 2017. He joined Haier in 1997 and currently serves as the general manager of the overseas platform of Haier Smart Home. Mr. Li Pan has held various positions in Haier Group, including the assistant director of Asia-Pacific Division, the manager of the Haier ASEAN Center, the manager of the Overseas Brands Marketing Center, the manager of the Overseas Strategic Center and the director on the operation of overseas markets. He has held important positions of the overseas platform of Haier Group since 2004 with extensive frontline management experience in product planning, brand marketing, market exploration and corporate operation. He is currently the vice president of Haier Smart Home Co., Ltd.</p>

Name	Major working experience
Zhao Yanfeng	Male, born in 1977. He graduated from Tianjin Institute of Light Industry and obtained a Bachelor's degree in Mechanical and Electronic Engineering in 2001. He graduated from Renmin University of China and obtained an Executive Master degree in Business Administration in 2019. He is currently the vice president and general manager of the washing business of Haier Smart Home Co., Ltd. Mr. Zhao Yanfeng joined Haier in 2001 and served as the general manager of Haier Group's regional branch, general manager of the refrigeration business in China and general manager of the refrigeration business. He possesses whole-process management experience in product planning, research and development, manufacturing and marketing.
Li Yang	Male, born in 1976, is a senior engineer. He currently serves as the general manager of the integrated supply chain of Haier Smart Home and vice president of Haier Smart Home Co., Ltd. Mr. Li Yang graduated from Qingdao University of Science & Technology in 1998 and obtained a Bachelor's degree in Fine Chemical Engineering. He joined Haier in August of the same year. Mr. Li Yang has held positions of the head of the quality department of Haier Smart Home, the manufacturing director, the general manager of the internet of clothing platform, the general manager of the integrated supply chain. He has served as the general manager of the integrated supply chain of Haier Smart Home since 2023, and has been engaged in management concerning end-to-end process and digital transformation of the integrated supply chain of Haier Smart Home. He obtained a degree of Executive Master of Business Administration (EMBA) from Xi'an Jiaotong University in 2022. The ecological platform of the internet of clothing incubated under his leadership was awarded the first prize for "Innovation Results in Modern Management of National Light Industry Enterprises" (全国轻工业企业管理现代化创新成果) in 2019. Haier Smart Home was selected as one of the "2023 Intelligent Supply Chain Cases" (2023数智化供应链案例) by the Alliance of Industrial Internet, and he received the "Most Promising Entrepreneur in Qingdao in 2018" and the "Advanced Individual in Management Innovation of National Light Industry Enterprises".

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Name	Major working experience
Song Yujun	Male, born in 1975. He graduated from Shandong University of Technology with a bachelor's degree in equipment engineering and management in 1998, and received a degree of Executive Master of Business Administration from Tsinghua University in 2015. He joined Haier in 1998 and served as general manager of the Operation Department of Haier Overseas Promotion Headquarters, director and general manager of Haier Pakistan Company, executive director of Haier India Company, director of Haier Overseas businesses in South Asia and Southeast Asia region, and vice president of Haier Home Appliance Industry Group. Since 1998, he has held various important positions in Haier overseas companies and has rich experience in product, manufacturing, R&D and marketing. He was awarded the Labor Model of Qingdao City, the Outstanding Talent in Professional Technology in Qingdao City, Qingdao High-level Service Talent, the first prize of the 2023 Science and Technology Advancement Award of China National Light Industry Council (2023年度中国轻工业联合会科技进步奖) and the first prize of the Innovation Award 2023 of Energy Conservation Association (2023年节能协会创新奖) and other honorary titles. He is currently the general manager of Haier Air Industry Group and vice president of Haier Smart Home Co., Ltd.
Guan Jiangyong	Male, born in 1978. He graduated from Northeast Electric Power University in 2001 and obtained a Bachelor's degree in Management Information System. Mr. Guan Jiangyong joined Haier in 2001 and currently serves as the general manager of water heater and the internet of water platform. Mr. Guan Jiangyong has been responsible for product management, production and manufacturing, product marketing and industrial pipeline management and served as a regional general manager, the market director of the water heater business and the general manager of the internet of water platform and the water heater business. He possesses whole-process management experience in product manufacturing, marketing, corporate planning management and industrial platforms. He is currently the vice president of Haier Smart Home Co., Ltd.
Wu Yong	Male, born in 1978. He graduated from Tianjin College of Commerce in 2001 and obtained a Bachelor's degree in Heat Supply, Ventilation and Air-conditioning Engineering. He obtained the double degree of EMBA from the School of Economics and Management of Tsinghua University and the INSEAD in 2015. Mr. Wu Yong joined Haier Group in 2001 and currently serves as the general manager of the kitchen appliances of Haier Smart Home. Mr. Wu Yong has served as the general manager of the PRC Region on manufacturing and production of refrigerators, overseas marketing and the air-conditioning business since joining the Group and possesses whole-process management experience in high-end manufacturing, marketing and industrial platforms. He is currently the vice president of Haier Smart Home Co., Ltd.

Name	Major working experience
Huang Xiaowu	Male, born in 1977. He graduated from the College of Photoelectric Engineering, Chongqing University with a Bachelor's degree in engineering in 1998 and graduated from the Faculty of Business and Economics of the University of Hong Kong with a master's degree in business administration in 2004. Mr. Huang has many years of extensive working experience in commercial banking, strategic investment, industrial fund, corporate finance and capital market operation and management, and has participated in and led important strategic investment and financing projects involving numerous fields such as marketing channels, logistics, home appliances and technology industry. Mr. Huang was appointed as the vice president of the Company in 2021, responsible for, amongst others, investor relations, capital market, equity financing and strategic investment, and served as the Director of the ESG Executive Office of Haier. Prior to that, Mr. Huang worked as the deputy general manager of Haier Electronics Group Co., Ltd., a company listed on the Stock Exchange, which is controlled by the Company. Before joining Haier Group, Mr. Huang worked at the Ningbo branch and Shanghai branch of the Industrial and Commercial Bank of China, Investment Banking Division of Guosen Securities and Anglo Chinese Investment Banking Group (英高投资银行集团).
Liu Xiaomei	Female, born in 1985. She graduated from the Law School of Minzu University of China with a double bachelor's degree in law and literature in 2009, and graduated from the Department of International Law of the China Foreign Affairs University with a master's degree in international law in 2011, and is qualified to practice law in China. Ms. Liu joined the Company in June 2015 and has been in charge of legal and compliance matters of corporate governance, capital market, M&A and corporate finance at Haier Electronics Group Co., Ltd. and Haier Smart Home. She is currently the Board Secretary of the Company. Prior to joining the Company, Ms. Liu worked for Jingtian & Gongcheng in Beijing. Ms. Liu has accumulated extensive work experience in corporate governance, capital market, industrial fund, and investment and financing.

Other information

☐ Applicable ☒ Not Applicable

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(II) Appointment of current and departing of Directors, Supervisors and Senior Management during the reporting period

1. Appointment in shareholder units

√ Applicable ☐ Not Applicable

Name	Name of shareholder unit	Position	Start date of appointment	End date of appointment
Shao Xinzhi	Haier Group Corporation	Vice president and Chief Financial Officer of Haier Group	2020	
Shao Xinzhi	Qingdao Haier Venture & Investment Information Co., Ltd.	Supervisor		
Liu Dalin	Haier Group Corporation	Member of the Party Committee, chairman of the Board of Supervisors, head of the organization department	June 2022	
Explanation of appointment in shareholder units	Nil			

2. Appointment in other units

√ Applicable ☐ Not Applicable

Name	Name of other unit	Position	Start date of appointment	End date of appointment
Li Huagang	Qingdao Haier Multimedia Co Ltd.	Chairman		
Gong Wei	Pegasus Telecom (Qingdao) Co., Ltd.	Director		
Gong Wei	Pegasus Electronic (Qingdao) Co., Ltd.	Director		
Gong Wei	Qingdao Haier Communications Co., Ltd.	Director		
Gong Wei	Qingdao Haier Multimedia Co., Ltd.	Director		
Gong Wei	Haier Group Finance Co., Ltd.	Director		
Yu Hon To	Keck Seng Investments (Hong Kong) Limited	Independent non-executive director	April 2013	
Yu Hon To	MS Group Holdings Limited	Independent non-executive director	May 2018	
Yu Hon To	China Resources Gas Group Limited	Independent non-executive director	December 2012	
Yu Hon To	One Media Group Limited	Independent non-executive director	June 2005	

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Name	Name of other unit	Position	Start date of appointment	End date of appointment
Yu Hon To	Playmates Toys Limited	Independent non-executive director	May 2021	
Wong Hak Kun	Yue Yuen Industrial (Holdings) Limited	Independent director	June 2018	
Wong Hak Kun	Lung Kee (Bermuda) Holdings Limited	Independent director	June 2018	
Wong Hak Kun	Guangzhou Automobile Group Co., Ltd.	Independent director	May 2020	
Wong Hak Kun	Hangzhou SF Intra-City Industrial Co., Ltd.	Independent director	December 2021	
Li Shipeng	Applied Artificial Intelligence Research Center Of the Suzhou Industrial Technology Research Institute	Director (concurrently)	August 2020	To date
Li Shipeng	The Chinese University of Hong Kong (Shenzhen)	Visiting Professor (concurrently)	February 2021	February 2024
Li Shipeng	ENN Group Co., Ltd.	Director	September 2021	September 2024
Li Shipeng	International Digital Economy Academy (Futian)	Chair scientist	May 2022	To date
Li Shipeng	The Hong Kong University of Science and Technology (Guangzhou)	Part-time Professor (concurrently)	July 2022	July 2024
Li Shipeng	Communication University of Zhejiang	Director of the Engineering Department (concurrently)	February 2023	February 2026
Li Shipeng	Suzhou Beiang Technology Co., Ltd.	Independent director	March 2023	October 2023
Li Shipeng	Jiangsu Hichain Logistics Co., Ltd.	Chief Scientist (concurrently)	October 2023	To date
Huang Xiaowu	Qingdao Overseas Chinese Industrial Co., Ltd.	Director	October 2022	To date
Explanation of appointment in other units	Nil			

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(III) Compensation of Directors, Supervisors and Senior Management

√ Applicable ☐ Not Applicable

Decision-making process of compensation of Directors, Supervisors and Senior Management

The Remuneration and Assessment Committee of the Company shall formulate the standards, adjust principles, and assess and implement the principles of the remuneration of directors, supervisors and senior management personnel and submit to the Board of Directors for consideration and approval.

Directors abstain from discussions on their remuneration at the Board of Directors

Yes

The Remuneration and Assessment Committee or special meeting of independent directors provided recommendation on compensation of Directors, Supervisors and Senior Management

During the reporting period, the Remuneration and Assessment Committee of the Company considered and approved the 2022 Annual Report of Haier Smart Home Co., Ltd. on Incentives for Senior Management of the Company and Implementation of Remuneration Assessment for Directors and Senior Management, and considered that the incentive mechanism for senior management of the Company and the implementation of Remuneration Assessment for Directors and Senior Management of 2022 were effectively carried out in accordance with the principles and mechanisms established by the Board of Directors at the beginning of the year; the 2023 Annual Report of Haier Smart Home Co., Ltd. on Remuneration and Assessment Scheme of Directors and Senior Management was considered and approved and arrangements were made for the 2023 Remuneration and Assessment Scheme of Directors and Senior Management with proposed resolution submitted to the Board of Directors for consideration and approval.

Determining basis of matrix compensation of Directors, Supervisors and Senior Management	<p>The cash remuneration of executives in 2023 consists of monthly remuneration, bonuses and sharing, and is linked to orders triggered by the upgrade of the Company's Internet of Things from "high-end brands" to "scenario brands" to "ecological brands". Focusing on the rapid improvement of profitability and through digital transformation, the Company enhanced its competitiveness in the whole process, and achieved sharing of high added-value. Through the innovation of the mechanism, the Company encouraged its executives to achieve higher market goals, thus achieving a win-win situation for users, employees, enterprises and stakeholders. At the same time, the Company continues to promote the implementation of the employee stock ownership and other long-term incentive plans; multiple incentive tools will be effectively utilised to mobilise competent management, frontline managers and business and technical backbones on a wider scale, further aligning the interests of shareholders, the Company and incentive recipients, and bringing more efficient and sustainable returns to shareholders. After the approval by the general meeting, the allowance for directors is RMB320,000/year before tax. The travelling expenses of directors attending Board meetings and general meetings and the expenses required for performing their duties and according to the Articles of Association will be reimbursed.</p>
Actual compensation paid to Directors, Supervisors and Senior Management	Paid as prescribed
Total of actual compensation paid to all Directors, Supervisors and Senior Management at the end of the reporting period	RMB22,408,500

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(IV) Changes in of Directors, supervisors and senior management of the Company

☐ Applicable ☒ Not Applicable

(V) Explanation of penalties imposed by securities regulators in the past three years

☐ Applicable ☒ Not Applicable

(VI) Others

☐ Applicable ☒ Not Applicable

V. RELEVANT INFORMATION ON THE BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Meeting	Date	Resolutions approved
The 4th meeting of the Eleventh session of the Board of Directors	30 March 2023	Considered and approved the following resolutions: the 2022 Financial Statements of Haier Smart Home Co., Ltd., the 2022 Annual Report and Annual Report Summary of Haier Smart Home Co., Ltd., the 2022 Report on the Work of the Board of Directors of Haier Smart Home Co., Ltd., the 2022 Report on Internal Control Assessment of Haier Smart Home Co., Ltd., the Report on Internal Control Audit of Haier Smart Home Co., Ltd., the 2022 Profit Distribution Plan of Haier Smart Home Co., Ltd., the Resolution on the Re-appointment of PRC Accounting Standards Auditing Firm of Haier Smart Home Co., Ltd., the Resolution on the Re-appointment of International Accounting Standards Auditing Firm of Haier Smart Home Co., Ltd., the 2022 Risk Assessment Report on Haier Group Finance Co., Ltd. of Haier Smart Home Co., Ltd., the Resolution on Renewal and its Expected Related-Party Transaction Limit with Haier Group Corporation and Haier Group Finance Co., Ltd. of Haier Smart Home Co., Ltd., the Resolution on the Anticipated Guarantees' Amounts for Haier Smart Home Co., Ltd. and its Subsidiaries in 2023, the Resolution on Conduct of Foreign Exchange Fund Derivatives Business of Haier Smart Home Co., Ltd., the Feasibility Analysis Report on Conducting Foreign Exchange Fund Derivatives Business of Haier Smart Home Co., Ltd., the Resolution on Conducting Commodity Hedging Business of Haier Smart Home Co., Ltd., the Feasibility Analysis Report on Conducting Commodity Hedging Business of Haier Smart Home Co., Ltd., the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds in 2022 of Haier Smart Home Co., Ltd., the Resolution on Closing Investment Projects with Funds Raised from Convertible Corporate Bonds and Permanently Supplementing Working Capital with Surplus Proceeds of Haier Smart Home Co., Ltd., the Resolution on the Purchase of Liability Insurance for Directors, Supervisors and Senior Management of Haier Smart Home Co., Ltd., the 2022 Report on Environmental, Social and Governance of Haier Smart Home Co., Ltd., the Resolution on the Proposal to the General Meeting to Grant a General Mandate to the Board of Directors on Additional Issuance of A Shares of Haier Smart Home Co., Ltd., the Resolution on the Proposal to the General Meeting to Grant a General Mandate to the Board of Directors on Additional Issuance of H Shares of Haier Smart Home Co., Ltd., the Resolution on the Proposal to the General Meeting to Grant a General Mandate to the Board of Directors on Additional Issuance of D Shares of Haier Smart Home Co., Ltd., the Resolution on the Proposal to the General Meeting to Grant a General Mandate to the Board of Directors on the Repurchase of no more than 10% of the total H Shares issued of Haier Smart Home Co., Ltd., the Resolution on the Proposal to the General Meeting to Grant a General Mandate to the Board of Directors on the Repurchase of no more than 10% of the total D Shares issued of Haier Smart Home Co., Ltd., the Resolution on Convening the 2022 Annual General Meeting, 2023 1st A/D/H Shareholders' Class Meeting of Haier Smart Home Co., Ltd., the Report on Remuneration and Assessment Scheme for the Senior Management for 2023 of Haier Smart Home Co., Ltd.

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Meeting	Date	Resolutions approved
The 5th meeting of the Eleventh session of the Board of Directors	27 April 2023	Considered and approved the following resolutions: the 2023 First Quarter Report of Haier Smart Home Co., Ltd., the 2023 A Share Core Employee Stock Ownership Plan (draft) of Haier Smart Home Co., Ltd. and its Summary, the 2023 H Share Core Employee Stock Ownership Plan (draft) of Haier Smart Home Co., Ltd. and its Summary, the Resolution on Authorizing Haier Shareholdings (Hong Kong) Limited to Sign Agreements Related to the Restricted Share Unit Scheme on Behalf of the Company, the Resolution on Partial Cancellation of Share Options under the 2021 A-share Option Incentive Scheme of Haier Smart Home Co., Ltd., the Resolution on Partial Cancellation of Share Options under the 2022 A-share Option Incentive Scheme of Haier Smart Home Co., Ltd., the Resolution on the Repurchase Plan of a Portion of Public Shares of A Shares of Haier Smart Home Co., Ltd., the Resolution on Amendments to the Implementation Rules for the Remuneration and Assessment Committee Haier Smart Home Co., Ltd.
The 6th meeting of the Eleventh session of the Board of Directors	30 August 2023	Considered and approved the following resolutions: the 2023 Interim Ongoing Risk Assessment Report on Haier Group Finance Co., Ltd. by Haier Smart Home Co., Ltd., the Resolution on Partial Cancellation of Share Options under the First Grant of 2021 A-share Option Incentive Scheme of Haier Smart Home Co., Ltd., the 2023 Interim Report of Haier Smart Home Co., Ltd. and its Summary
The 7th meeting of the Eleventh session of the Board of Directors	30 October 2023	Considered and approved the following resolution: the 2023 Third Quarter Report of Haier Smart Home Co., Ltd.
The 8th meeting of the Eleventh session of the Board of Directors	13 December 2023	Considered and approved the following resolutions: the Resolution on Partial Cancellation of Share Options under the Reserved Grant of 2021 A-share Option Incentive Scheme of Haier Smart Home Co., Ltd.

VI. PERFORMANCE OF DUTIES BY DIRECTORS

(I) Attendance of board meetings and general meetings by directors

Name of director	Whether an Independent director or not	Attendance of Board meetings					Attendances at general meetings	
		Required attendances of Board meetings	Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Absence from two consecutive meetings in person or not	Number of attendance of general meetings
Li Huagang	NO	5	5	0	0	0	NO	4
Shao Xinzhi	NO	5	5	0	0	0	NO	4
Gong Wei	NO	5	5	0	0	0	NO	4
Chien Da-chun	YES	5	5	1	0	0	NO	4
Wong Hak Kun	YES	5	5	2	0	0	NO	4
Li Shipeng	YES	5	5	1	0	0	NO	4
Wu Qi	YES	5	5	2	0	0	NO	4
Yu Hon To	NO	5	5	3	0	0	NO	4
Li Kam Fun	NO	5	5	3	0	0	NO	4

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Explanation for absence from two consecutive Board meetings in person

☐ Applicable ☒ Not Applicable

Number of Board meetings held in the year	5
Of which: Number of on-site meetings	1
Number of meetings held by telecommunication	0
Number of meetings held both on site and by telecommunication	4

(II) Directors' objection to the relevant matters of the Company

☐ Applicable ☒ Not Applicable

(III) Others

☐ Applicable ☒ Not Applicable

VII. THE SPECIAL COMMITTEES OF THE BOARD

☒ Applicable ☐ Not Applicable

(I) Personnel of The Special Committees of the Board

Categories of The Special Committees		Name of Personnel
Audit Committee		Wong Hak Kun, Yu Hon To, Chien Da-chun, Wu Qi, Shao Xinzhi
Nomination Committee		Wu Qi, Li Shipeng, Li Huagang
Remuneration and Appraisal Committee		Chien Da-chun, Li Shipeng, Li Huagang
Strategy Committee		Li Huagang, Li Shipeng, Wu Qi, Gong Wei
ESG ("Environment, Society and Governance") Committee		Li Kam Fun, Chien Da-chun, Gong Wei

(II) The Company convened 5 Audit Committee meetings during the reporting period

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
28 March 2023	<p>Considered and approved the following resolutions: the 2022 Financial Statements of Haier Smart Home Co., Ltd., the 2022 Report on Internal Control Assessment of Haier Smart Home Co., Ltd., the 2022 Report on Internal Control Audit of Haier Smart Home Co., Ltd., the Resolution on the Re-appointment of PRC Accounting Standards Auditing Firm of Haier Smart Home Co., Ltd., the Resolution on the Re-appointment of International Accounting Standards Auditing Firm of Haier Smart Home Co., Ltd., the Resolution on the Anticipated Guarantees' Amounts for Haier Smart Home Co., Ltd. and its Subsidiaries in 2023, the 2022 Profit Distribution Plan of Haier Smart Home Co., Ltd., the 2022 Risk Assessment Report on Haier Group Finance Co., Ltd. of Haier Smart Home Co., Ltd., the Resolution on Renewal of the Financial Services Framework Agreement and its Expected Related-Party Transaction Limit with Haier Group Corporation and Haier Group Finance Co., Ltd. of Haier Smart Home Co., Ltd., the Resolution on Conduct of Foreign Exchange Fund Derivatives Business of Haier Smart Home Co., Ltd., the Feasibility Analysis Report on Conducting Foreign Exchange Fund Derivatives Business of Haier Smart Home Co., Ltd., the Resolution on Conducting Commodity Hedging Business of Haier Smart Home Co., Ltd., the Feasibility Analysis Report on Conducting Commodity Hedging Business of Haier Smart Home Co., Ltd., the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds in 2022 of Haier Smart Home Co., Ltd., the Resolution on Closing Investment Projects with Funds Raised from Convertible Corporate Bonds and Permanently Supplementing Working Capital with Surplus Proceeds of Haier Smart Home Co., Ltd., the 2022 Report on Performance of Duties of the Audit Committee of the Board of Haier Smart Home Co., Ltd.</p>	No objections	Nil

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Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
26 April 2023	Considered and approved the following resolution: the 2023 First Quarter Financial Report of Haier Smart Home Co., Ltd.	No Objections	Nil
28 August 2023	Considered and approved the following resolutions: the 2023 Interim Financial Report of Haier Smart Home Co., Ltd., the 2023 Interim Ongoing Risk Assessment Report on Haier Group Finance Co., Ltd. by Haier Smart Home Co., Ltd.	No Objections	Nil
26 October 2023	Considered and approved the following resolution: the 2023 Third Quarter Financial Report of Haier Smart Home Co., Ltd.	No Objections	Nil
12 December 2023	Considered and approved the following resolution: the 2023 Annual Report on Audit Work Plan of Haier Smart Home Co., Ltd.	No Objections	Nil

(III) The Company convened 1 Nomination Committee meeting during the reporting period

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
29 March 2023	Considered and approved the following resolutions: the Report of the Nomination Committee of the Board of Directors of Haier Smart Home Co., Ltd. on the Performance of Duty of Current Directors, Supervisors and Senior Management, the 2022 Annual Report on the Performance of Duty of the Nomination Committee of the Board of Haier Smart Home Co., Ltd.	No Objections	Nil

(IV) The Company convened 5 Remuneration and Appraisal Committee meetings during the reporting period

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
29 March 2023	Considered and approved the following resolutions: the 2022 Annual Report of Haier Smart Home Co., Ltd. on Incentives for Senior Management of the Company and Implementation of Remuneration Assessment for Directors and Senior Management, the 2023 Annual Report of Haier Smart Home Co., Ltd. on Remuneration and Assessment Scheme of Directors and Senior Management, the 2022 Annual Report of Haier Smart Home Co., Ltd. on Performance of Duties of the Remuneration and Appraisal Committee of the Board	No Objections	Nil
23 April 2023	Considered and approved the following resolutions: the 2023 A Share Core Employee Stock Ownership Plan (draft) of Haier Smart Home Co., Ltd. and its Summary, the 2023 H Share Core Employee Stock Ownership Plan (draft) of Haier Smart Home Co., Ltd. and its Summary, the Resolution on Authorizing Haier Shareholdings (Hong Kong) Limited to Sign Agreements Related to the Restricted Share Unit Scheme on Behalf of the Company, the Resolution on Partial Cancellation of Share Options under the 2021 A-share Option Incentive Scheme of Haier Smart Home Co., Ltd., the Resolution on Partial Cancellation of Share Options under the 2022 A-share Option Incentive Scheme of Haier Smart Home Co., Ltd.	No Objections	Nil
21 July 2023	Considered and approved the following resolution: the Resolution on the Vesting of the First Phase of the 2022 A Share and H Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd.	No Objections	Nil
29 August 2023	Considered and approved the following resolution: the Resolution on Partial Cancellation of Share Options under the First Grant of 2021 A-share Option Incentive Scheme of Haier Smart Home Co., Ltd.	No Objections	Nil
8 December 2023	Considered and approved the following resolution: the Resolution on Partial Cancellation of Share Options under the Reserved Grant of 2021 A-share Option Incentive Scheme of Haier Smart Home Co., Ltd.	No Objections	Nil

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(V) The Company convened 1 Strategy Committee meeting during the reporting period

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
30 March 2023	Considered and approved the following resolution: the 2022 Annual Report on the Performance of Duties of the Strategy Committee of the Board of Haier Smart Home Co., Ltd.,	No Objections	Nil

(VI) The Company convened 2 ESG Committee meetings during the reporting period

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
28 March 2023	Considered and approved the following resolutions: the 2022 Corporate Environmental, Social and Governance Report of Haier Smart Home Co., Ltd., 2022 Annual Report on the Performance of Duties of the ESG Committee of Haier Smart Home Co., Ltd.	No Objections	Nil
31 August 2023	Theme Sharing and Presentation: Business Opportunities Brought by Sustainable Development, Short, Medium and Long-Term Planning for Green Products of the Company	No Objections	Nil

(VII) Details of Disagreements

☐ Applicable ☒ Not Applicable

VIII. BOARD OF SUPERVISORS EXPLANATION ON RISKS ABOUT THE COMPANY

☐ Applicable ☒ Not Applicable

Board of Supervisors had no objections to the supervising items during the reporting period.

IX. INFORMATION ON STAFF OF THE PARENT COMPANY AND PRINCIPAL SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

(I) Staff Information

Number of staff of the parent company	58
Number of staff of Principal subsidiaries	112,400
Total number of staff	112,458
Number of employees whose retirement expenses are borne by the parent company and the principal subsidiaries	0

Breakdown by Function

Function	Number
Production	66,120
Sales	18,424
Technical	23,889
Financial	1,769
Administrative	2,256
Total	112,458

Breakdown by Education Background

Education	Number (person)
Bachelor and above	36,813
College Diploma	30,140
Secondary vocational training diploma and below	45,505
Total	112,458

(II) Remuneration policies

☒ Applicable ☐ Not Applicable

Under the guidance of the “RenDanHeYi” management model, the Company adheres to the remuneration philosophy of uniting user pay, value creation and value sharing, and provides employees with a short, medium and long-term remuneration incentive system that combines labour income, super-profit sharing and capital gain, as well as all-rounded welfare policies and employee caring schemes. The Company encourages its employees to work with an entrepreneurial mindset, aligning employee value with company value and shareholder value, continuously improving user experience and achieving a win-win development for both the Company and its employees.

The Company has established a rich and multi-dimensional incentive mechanism and continues to implement the “A+H” global incentive system covering both domestic and overseas employees to attract, motivate and stabilise the Company’s core talent.

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(III) Personnel Training

☒ Applicable ☐ Not Applicable

The Company puts high priority on talent cultivation and has set up a hierarchical system for talent training accordingly. By providing employees with rich learning resources through diversified methods such as course training, special training and temporary exchange, the Company promotes talent growth in multiple dimensions for employees with different needs, thus assisting them in improving their professionalism, expertise and leadership skills. In 2023, the Company organized a number of trainings with courses covering corporate culture, office management, professional skills and other contents, and adopted live broadcast, community forums and other learning methods.

For details, please refer to relevant information in 2023 Environmental, Social and Governance Report of Haier Smart Home Co., Ltd. published on the same date of this announcement.

(IV) Labor Outsourcing

☐ Applicable ☒ Not Applicable

X. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION OF CAPITAL RESERVE

(I) Formulation, implementation or adjustment of the cash dividend policies

☒ Applicable ☐ Not Applicable

The Company's 2022 profit distribution plan was passed on its 2022 Annual General Meeting held on 26 June 2023: based on the Company's total existing shares (deducting the repurchased shares) of 9,344,557,950 (including 6,214,995,711 A shares, 271,013,973 D shares and 2,858,548,266 H shares), it was proposed that the Company would distribute cash dividends of RMB5.6692 (tax inclusive) per 10 shares to all shareholders, with a total amount before tax of RMB5,297,529,553.10 (tax inclusive). The plan was implemented and completed in August 2023. Details were set out in the Announcement on Implementation of Rights and Interests Distribution of A-shares for 2022 of Haier Smart Home Co., Ltd. (No: L2023-041) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 19 August 2023 and relevant announcements in respect of dividend distribution of D shares and H shares published on the Company's website, Hong Kong Stock Exchange and other publication platforms.

The Company has always applied a stable and sustainable profit distribution policy. During the reporting period, the Company strictly followed the requirements set out in the Articles of Association and in the Shareholder Return Plan for the Next Three Years of the Company. During the formulation of the profit distribution plan, the Company took full account of return for investors, the long-term interests of the Company, overall interests of all shareholders and sustainable development of the Company, and continued to implement the stable dividend distribution policy to provide investors an opportunity to share the growth of value, so that investors could form the expectation of a stable return. The procedures and mechanisms for decision-making such as Articles of Association and planning of return of shareholders implemented by the Company were complete in compliance with laws and regulations. The process was open and transparent while the standard and ratio of dividends was clear. Responsibilities of independent directors were clear during the policy-making process, and independent directors were given the opportunities to play their roles. Minority shareholders were also given the opportunity to fully express their views and demands, and the legitimate interests of minority shareholders were adequately protected.

The dividend distribution plan of 2023 of the Company: based on the total number of shares after deducting the repurchased shares on equity interest record date for future profit distribution, it is proposed that the Company will distribute cash dividend of RMB8.04 per 10 shares (tax inclusive) with cash dividend of RMB7,471,472,992.22. The retained undistributed profit will be mainly used for project construction, foreign investment, R&D investment and daily operation related to the Company's principal business in order to maintain sustainable and stable development and to create more value for investors. The proportion of this distribution is 45.02% of the net profit attributable to owners' parent company in 2023 (In 2023, the Company spent RMB1.430 billion and HK\$200 million on the purchase of A shares and H shares; if this is included in cash dividends, the ratio of cash dividends to net profit attributable to owners' parent company for the year would be over 54.7%). 100% dividend is paid in cash. If there is any change in the total share capital of the Company during the period from the date of this report to the record date of the equity distribution, the total distribution amount will remain unchanged with corresponding adjustment to the proportion of distribution per share.

(II) Notes to the cash dividend policies

☒ Applicable ☐ Not Applicable

Whether in compliance with regulations of the Articles of Association and requirements of the resolutions of the general meeting ☒ Yes ☐ No

Whether the standard and ratio of dividends were clear ☒ Yes ☐ No

Whether relevant procedures and mechanisms for decision-making were complete ☒ Yes ☐ No

Whether independent directors performed their duties and responsibilities ☒ Yes ☐ No

Whether minority shareholders were given the opportunity to fully express their views and demands, and whether their legitimate interests were adequately protected ☒ Yes ☐ No

Section IV Corporate Governance

(III) The Company made profits and the profits for distribution to the owners' Parent Company was positive during the reporting period, but no cash profit distribution plan was proposed; the Company should disclose the reasons in detail and the purpose of undistributed profits

☐ Applicable ☒ Not Applicable

(IV) Plan for profit distribution and conversion of capital reserve into share capital for the reporting period

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Number of shares to be distributed for every ten shares (share)	/
Amount to be distributed for every ten shares (RMB) (tax inclusive)	8.04
Number of shares to be converted into share capital for every ten shares (share)	/
Amount of cash dividend (tax inclusive)	7,471,472,992.22
Net profit attributable to ordinary shareholders of listed company in the consolidated financial statement during the year of distribution	16,596,615,045.87
Percentage of the net profit attributable to the ordinary shareholders of the listed companies in the consolidated financial statement (%)	45.02
Repurchase of shares by cash included in the amount of cash dividend	1,613,104,573.271
Total dividend amount (tax inclusive)	9,084,577,565.50
Percentage of total dividend amount to the net profit attributable to the ordinary shareholders of the listed companies in the consolidated financial statement (%)	54.74

Note: The above share repurchases involving foreign currencies were converted at a uniform exchange rate at the end of 2023.

XI. THE COMPANY'S SHARE OPTION INCENTIVE SCHEME, EMPLOYEE SHAREHOLDING PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND ITS INFLUENCE

(I) Matters disclosed in temporary announcements and without any subsequent progress or change

√ Applicable ☐ Not Applicable

Summary of matters	Query index
<p>Cancellation of certain 2021 and 2022 equity incentive options: In view of the fact that the second exercise period of the first/ reserved grant portion of the 2021 A-share Option Incentive Scheme and the first exercise period of the 2022 A-share Option Incentive Scheme of the Company did not meet the exercise conditions, and due to the resignation of some of the participants, the Company cancelled the corresponding 11,391,979 share options and 27,934,987 share options that had been granted but had not yet been exercised.</p>	<p>For details, please refer to the Announcement of Haier Smart Home Co., Ltd. on the Cancellation of Certain Share Options Granted under the 2021 A-share Option Incentive Scheme, the 2022 A-share Option Incentive Scheme disclosed by the Company on 28 April 2023, the Announcement of Haier Smart Home Co., Ltd. on the Completion of Cancellation of Certain Share Options Granted under the 2021 A-share Option Incentive Scheme, the 2022 A-share Option Incentive Scheme and relevant contents disclosed by the Company on 31 May 2023.</p>
<p>Introduction of New Phase of A Share and H Share Employee Stock Ownership Plan: In order to further improve the governance mechanism of the Company, create shareholder value and promote the comprehensive implementation of the Company's IoT smart home ecological brand strategy, the Company considered and introduced the 2023 H Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd. (Draft) and the 2023 A Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd. (Draft) at the 5th meeting of the 11th session of the Board of Directors held by the Company on 27 April 2023 and the 2022 Annual General Meeting held by the Company on 26 June 2023. During the reporting period, the Company completed the position opening for the abovementioned employee stock ownership plans.</p>	<p>For details, please refer to the 2023 A Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd. (Draft), the 2023 H Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd. (Draft) disclosed by the Company on 28 April 2023, the Announcement of Resolutions at the General Meeting disclosed by the Company on 27 June 2023 and the Announcement of Completion of Share Purchase and relevant contents disclosed by the Company in July 2023.</p>

Summary of matters	Query index
<p>Vesting of interests in the Core Employee Stock Ownership Plan: During the reporting period, certain conditions for vesting of interests in the Company's 2021 A Share/H Share Core Employee Stock Ownership Plan and 2022 A Share/H Share Core Employee Stock Ownership Plan were satisfied, and the Company has completed relevant vesting matters.</p>	<p>For details, please refer to relevant contents in the Announcement of Haier Smart Home Co., Ltd. on Vesting of Interests in Core Employee Stock Ownership Plan disclosed by the Company on 1 August 2023.</p>
<p>Cancellation of certain share options granted under the first grant of the 2021 Share Option Incentive Scheme: Since there was no suitable exercise window period for shares corresponding to the first exercise period of certain share options granted under the first grant of the 2021 Share Option Incentive Scheme, the Company cancelled the corresponding 9,047,052 share options granted but not yet exercised.</p>	<p>For details, please refer to relevant contents in the Announcement of Haier Smart Home Co., Ltd. on the Cancellation of Certain Share Options Granted under the First Grant of the 2021 A-share Option Incentive Scheme disclosed by the Company on 31 August 2023.</p>
<p>Cancellation of certain share options granted under the reserved grant of the 2021 Share Option Incentive Scheme: Since there was no suitable exercise window period for shares corresponding to the first exercise period of certain share options granted under the reserved grant of the 2021 Share Option Incentive Scheme, and due to the resignation of some of the participants, the Company cancelled the corresponding 860,072 share options granted but not yet exercised.</p>	<p>For details, please refer to relevant contents in the Announcement of Haier Smart Home Co., Ltd. on the Cancellation of Certain Share Options Granted under the Reserved Grant of the 2021 A-share Option Incentive Scheme disclosed by the Company on 14 December 2023.</p>

(II) Incentive events not disclosed in provisional announcements or with subsequent development

Equity incentive

☐ Applicable ☒ Not Applicable

Other explanations

☐ Applicable ☒ Not Applicable

Employee stock ownership plan

☐ Applicable ☒ Not Applicable

Other Incentives

☐ Applicable ☒ Not Applicable

(III) Share option granted to directors and senior management during the reporting period

☒ Applicable ☐ Not Applicable

Unit: 10,000 shares

Name	Position	Number of stock options held at the beginning of the year	Number of new stock options granted during the reporting period	Exercisable shares during the reporting period	Shares subject to stock option exercised during the reporting period	Stock options exercise price (RMB)	Number of stock options held at the end of the reporting period	Market value at the end of the reporting period (RMB)
Li Huagang	Chairman, President	91.39		18.28	-36.56	25.63	54.83	21.00
Gong Wei	Director, Chief Financial Officer, Vice President	45.70		9.14	-18.28	25.63	27.42	21.00
XieJuzhi	Vice President	91.39		18.28	-36.56	25.63	54.83	21.00
Li Pan	Vice President	45.70		9.14	-18.28	25.63	27.42	21.00
Song Yujun	Vice President	31.21		6.24	-12.49	25.63	18.72	21.00
Zhao Yanfeng	Vice President	46.82		9.36	-18.73	25.63	28.09	21.00
Huang Xiaowu	Vice President	45.70		9.14	-18.28	25.63	27.42	21.00
Wu Yong	Vice President	22.85		4.57	-9.14	25.63	13.71	21.00
Li Yang	Vice President	45.70		9.14	-18.28	25.63	27.42	21.00
Guan Jiangyong	Vice President	22.85		4.57	-9.14	25.63	13.71	21.00
Liu Xiaomei	Secretary to the Board of Directors	11.65		2.91	-2.91	23.86	8.74	21.00
Total	/	500.96		100.77	-198.65	/	302.32	/

(IV) Establishment and implementation of appraisal and incentive mechanism for senior management during the reporting period

☒ Applicable ☐ Not Applicable

The cash remuneration of executives in 2023 consists of monthly remuneration, bonuses and sharing, and is linked to orders triggered by the upgrade of the Company's Internet of Things from "high-end brands" to "scenario brands" to "ecological brands". Focusing on the rapid improvement of profitability and through digital transformation, the Company enhanced its competitiveness in the whole process, and achieved sharing of high added-value. Through the innovation of the mechanism, the Company encouraged its executives to achieve higher market goals, thus achieving a win-win situation for users, employees, enterprises and stakeholders. At the same time, the Company continues to promote the implementation of the employee stock ownership and other long-term incentive plans; multiple incentive tools will be effectively utilised to mobilise competent management, frontline managers and business and technical backbones on a wider scale, further aligning the interests of shareholders, the Company and incentive recipients, and bringing more efficient and sustainable returns to shareholders.

XII. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

In accordance with the “Rules for the Preparation and Reporting of Information Disclosure by Listed Issuers of Securities No. 21— General Provisions on the Annual Internal Control Assessment Report” jointly issued by the China Securities Regulatory Commission and the Ministry of Finance, the “Guidelines for Self-regulation of Listed Companies on the Shanghai Stock Exchange No. 1 — Regulation of Operations”, the “Guidelines for Self-Regulation of Listed Companies on the Shanghai Stock Exchange No. 2 — Business Handling” and other relevant guidelines and requirements, the Company has conducted a self-assessment of its internal control work. Based on the identification of significant deficiencies in the Company’s internal control of financial reporting, no significant deficiencies in the Company’s internal control of financial reporting were identified as at the basis date of the internal control assessment report, and the Company had maintained effective internal control of financial reporting in all material respects in accordance with the requirements of the internal control regulatory system and relevant regulations. Based on the identification of significant deficiencies in the Company’s internal control of non-financial reporting, no significant deficiencies in the Company’s internal control of non-financial reporting were identified as at the basis date of the internal control assessment report. No events have occurred between the basis date of the internal control assessment report and the date of issuance of the internal control assessment report that would affect the effectiveness of the internal control assessment.

For details, please refer to the 2023 Internal Control Assessment Report of Haier Smart Home Co., Ltd. disclosed on the same day of this report.

Explanations on material defects found in internal control during the reporting period

☐ Applicable ☒ Not Applicable

XIII. CONTROL OVER MANAGEMENT OF SUBSIDIARIES DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

The listed company established an internal control and management system covering all subsidiaries within the scope of consolidated statement, which included four major areas of strategy, finance, operation and compliance with a total of 22 primary business processes and control metrics. In particular:

1. Unified control environment, such as strategy and culture, risk management system, internal control manual, Rendanheyi remuneration system, unified accounting and information system in the financial sharing center, etc.

2. The company has clear selection methods and terms of reference in respect of appointment of directors, supervisors and important senior management to their controlling subsidiaries. Meanwhile, relevant departments of the parent company stipulate the criteria and scope of authorization for major decision and important events, formulate the approval procedure for major decision and important events beyond the scope of authorization. The management of subsidiaries at different levels shall exercise their authority and take responsibility within the scope of authorization.
3. Management of major events of subsidiaries: The relevant authority of the parent company of the listed company stipulates the criteria and scope of authorization for major decision and important events, formulate the approval procedure for major decision and important events beyond the scope of authorization. If the Company and its subsidiaries provide external guarantees, the total amount of which shall propose for consideration at the general meetings after approval by the Board. Subject to the authorization by the general meetings, the Board decides the Company's external investment, acquisition and disposal of assets, external guarantees, entrusted wealth management, related-party transactions and other events.
4. Management of budget: The finance and budget center formulates the budget preparation policy and guidance for the following year at the end of each year, and distributes them to each subsidiary together with the budget template, requiring the preparation of a comprehensive budget in accordance with the unified budget preparation policy and guidance, which contains details of the preparation principles, explanation of filling the template, submission process and examination. Each subsidiary has prepared a comprehensive budget in accordance with the unified budget preparation policy and guidance. Annual budgeting of the following year is commenced in the third quarter every year by making profit and loss budgets for each industry and subsidiaries based on market forecasts to ensure accurate estimation in advance. The execution and adjustment of budgets are regularly monitored and evaluated.

For non-fixed assets investment projects, the person in charge of fund of each subsidiary will summarize the actual investment situation and report it to the manager of the investment, financing and fund management department of Haier Smart Home. The manager of the investment, financing and fund management department will monitor the execution of the budget of investment and financing by comparing the report with the corresponding budget of the investment plan.

5. Operation analysis and performance evaluation: The Company regularly convenes global and industry-specific performance and operations meetings to discuss the operations and performance and carries out performance evaluation.

Section IV Corporate Governance

6. Information transmission: The Company widely collects macroeconomic and industry development information, market information, regulatory compliance and other external information through various channels, and analyzes and organizes the collected information into research reports every month, which are submitted to different levels of management after review. The management of the parent company holds regular meetings with industries and segments to convey the management requirements of the parent company and to be aware of the operation status of subsidiaries in a timely manner. At the same time, the Company has formulated the information security and internal report confidentiality system, which specifies the confidentiality content, confidentiality measures, confidentiality level and transmission scope to prevent the disclosure of commercial secrets.
7. Test and audit of internal control: During the reporting period, the parent company conducts test and audit of internal control for subsidiaries, which account for more than 93% and 92% of revenue and assets of the parent Company in aggregate, respectively, to identify problems in a timely manner and facilitate the closed-loop rectification of problems.

During the reporting period, there were no new significant subsidiaries.

XIV.RELEVANT EXPLANATIONS ON THE AUDIT REPORT OF INTERNAL CONTROL

☒ Applicable ☐ Not Applicable

The Company's auditor Hexin Certified Public Accountants LLP has audited the efficiency of internal control relating to the financial report of the Company, and has issued its standard unqualified audit report for the Company's internal control (He Xin Shen Zi (2024) No.000187).

For the details of Audit Report of Internal Control of Haier Smart Home Co., Ltd., please refer to relevant announcements published on the website of Shanghai Stock Exchange (www.sse.com.cn) on the same day of this report.

Whether to disclose the audit report on internal control: Yes

Type of opinion on the audit report on internal control: Standard unqualified opinion

XV. RECTIFICATION OF THE SELF-ASSESSMENT PROBLEMS UNDER THE GOVERNANCE SPECIAL ACTION OF THE LISTED COMPANY

Not Applicable

XVI.OTHERS

☐ Applicable ☒ Not Applicable

Section V Environmental and Social Responsibilities

I. ENVIRONMENTAL INFORMATION

Established environmental protection related mechanism or not	Yes
Environmental protection funds invested during the Reporting Period (Unit: RMB10,000)	55,200

Note: During the reporting period, environmental protection funds were invested in aspects of R&D of environmental protection technology, clean production, environmental protection equipment purchase and renovation, pollution control, ecological protection, environmental management expenditure, etc.

(II) Explanation of the environmental protection status of companies and their important subsidiaries that are key emission units announced by the environmental protection department

☒ Applicable ☐ Not Applicable

1. Information on pollutant discharge

☒ Applicable ☐ Not Applicable

The Company's direct/indirect non-wholly owned subsidiaries Hefei Haier Refrigerator Co., Ltd. ("Hefei Refrigerator"), Qingdao Haier Special Refrigerator Co., Ltd. ("Qingdao Special Refrigerator"), Wuhan Haier Water Heater Co., Ltd. ("Wuhan Water Heater"), Wuhan Haier Freezer Co., Ltd ("Wuhan Freezer"), Wuhan Haier Electronics Holding Co., Ltd. ("Wuhan Air-Conditioning"), Zhengzhou Haier Air-conditioning Co., Ltd. ("Zhengzhou Air-Conditioning"), Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited ("Jiaozhou Air-Conditioning"), are among the key emission units announced by the local environmental protection department. The main information on pollutant discharge is as follows:

(1) *Hefei Refrigerator*

① Main pollutants :

Wastewater. According to the Integrated Wastewater Discharge Standard (GB8978-1996), Hefei Refrigerator should apply for a pollutant discharge permit and detect 9 types of pollutants (including specific pollutants), namely, total nitrogen (as N), total phosphorus (as P), rate of flow, suspended solids, PH, chemical oxygen demand (COD), ammonia nitrogen (NH₃-N), five-day biochemical oxygen demand (BOD₅), and animal and vegetable oils.

Exhaust gas. According to Emission Standard of Pollutants for Synthetic Resin Industry (GB 31572-2015), Hefei Refrigerator should apply for a pollutant discharge permit and detect pollutants. Main types of atmospheric pollutants: particle matter, non-methane hydrocarbon, styrene, toluene, ethylbenzene

② Way of discharge: continuous discharge

③ Number and distribution of discharge outlets: 1 for sewage, at the north entrance of the Refrigerator Park; 20 for exhaust gas, at the Refrigerator Block A (9), Block B (8) and Phase III Factory (3)

Section V Environmental and Social Responsibilities

④ Concentration of discharge and discharge standard:

According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount (2023 data) are as follows:

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	70.35 mg/L	37.76 tons	/	No
2	Ammonia nitrogen	9.52 mg/L	5.71 tons	/	No
3	Total nitrogen	19 mg/L	10.77 tons	/	No
4	Total phosphorus	1.48 mg/L	0.82 tons	/	No

⑤ Pollutant discharge standards implemented: Integrated Wastewater Discharge Standard (GB8978-1996)

(2) **Qingdao Special Refrigerator**

① Main Pollutants :

Exhaust gas. According to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (HJ 978-2018), Qingdao Special Refrigerator should apply for a pollutant discharge permit and detect the primary type of pollutant in the atmosphere, namely non-methane hydrocarbon (VOC), with the maximum concentration of discharge not exceeding 60mg/m³. A qualified third-party testing unit is commissioned to conduct organic exhaust gas concentration testing and issue a report on a quarterly basis.

Wastewater: There is no wastewater generated by the business department, and the domestic wastewater is discharged into the municipal sewage network through the sewage pipes in Haier Industrial Park.

② Way of discharge: continuous emission

③ Number and distribution of discharge outlets: two in total, one for absorption exhaust port at the west side of the Special Refrigerator plant roof, which the exhaust gas treatment facilities were updated, installed and put into use in 2023, with the upgrading and adoption of activated carbon adsorption and desorption + regenerative combustion process; and one for foam exhaust port at the west side of the Special Refrigerator plant roof.

Section V Environmental and Social Responsibilities

- ④ Concentration and total amount of discharge and approved total amount of discharge:

According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	Non-methane hydrocarbon	6.62 mg/m ³	1.43 tons	No control regarding the total amount of discharge	No

- ⑤ Pollutant discharge standards implemented: Volatile Organic Compounds Discharge Standards Part 7: Other Industries in Shandong Province (DB37/2801.7-2019)

(3) **Wuhan Water Heater**

- ① Main Pollutant :

Wastewater. According to the Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial) (HJ 978-2018), Wuhan Water Heater should apply for a pollutant discharge permit and detect 9 types of pollutants (including specific pollutants), namely, COD, total zinc, suspended solids, ammonia nitrogen (NH₃-N), five-day biochemical oxygen demand (BOD₅), PH, anionic surface active agent, total phosphorus, and animal and vegetable oils.

- ② Way of discharge: indirect discharge
- ③ Number and distribution of discharge outlets: one, on the southwest of the wastewater treatment plant, pipeline discharge

Section V Environmental and Social Responsibilities

- ④ Concentration and total amount of discharge and approved total amount of discharge:

According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	13.74 mg/L	1.988 tons	9.075 tons	No
2	Ammonia nitrogen	0.07 mg/L	0.204 tons	0.9075 tons	No
3	Total phosphorus	0.09 mg/L	0.032 tons	/	No

- ⑤ Pollutant discharge standards implemented: Wastewater Quality Standards for Discharge to Municipal Sewers (GBT 31962-2015)

(4) **Wuhan Freezer**

- ① Main pollutants :

Wastewater. According to the Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial) (HJ 978-2018), Wuhan Freezer should apply for a pollutant discharge permit and detect 9 types of pollutants (including specific pollutants), namely, COD, total zinc, suspended solids, ammonia nitrogen (NH₃-N), five-day biochemical oxygen demand (BOD₅), PH, anionic surface active agent, total phosphorus, and animal and vegetable oils.

- ② Way of discharge: indirect discharge
- ③ Number and distribution of discharge outlets: one, on the south of the wastewater treatment plant, pipeline discharge

Section V Environmental and Social Responsibilities

- ④ Concentration and total amount of discharge and approved total amount of discharge:

According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	23 mg/L	0.56 tons	4.35 tons	No
2	Ammonia nitrogen	0.67 mg/L	0.02 tons	0.435 tons	No
3	Total phosphorus	0.12 mg/L	0.003 tons	/	No

- ⑤ Pollutant discharge standards implemented: Wastewater Quality Standards for Discharge to Municipal Sewers (GBT 31962-2015)

(5) Wuhan Air-Conditioning

- ① Main Pollutants :

Organic exhaust gas. Exhaust gas pollutant discharge refers to the Integrated Emission Standard of Air Pollutants, and the primary type of pollutant in the atmosphere detected are namely non-methane hydrocarbon (VOC), with the maximum concentration of discharge not exceeding 120 mg/m³. A qualified third-party testing unit is commissioned to conduct organic exhaust gas concentration testing and issue a report on a half-yearly basis.

- ② Way of discharge: continuous discharge
- ③ Number and distribution of discharge outlets: five in total, one degreasing exhaust port at the south side of the plant roof, three stamping exhaust ports at the south side of the plant roof and one spraying exhaust port at the north side of the spraying workshop roof.

Section V Environmental and Social Responsibilities

- ④ Concentration and total amount of discharge and approved total amount of discharge: No control regarding the total amount of discharge of organic exhaust gas

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	VOC	2.27 mg/m ³	0.04464 tons	No control regarding the total amount of discharge	No

- ⑤ Pollutant discharge standards implemented: Implementation of Grade 2 standards according to Table 2 indicated in the national Integrated Emission Standard of Air Pollutants (GB16297-1996)

(6) Zhengzhou Air-Conditioning

- ① Main Pollutant :

Wastewater. According to the Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial) (HJ 978-2018), Zhengzhou Air-Conditioning should apply for a pollutant discharge permit and detect 9 types of pollutants (including specific pollutants), namely, COD, total zinc, suspended solids, ammonia nitrogen (NH₃-N), five-day biochemical oxygen demand (BOD₅), PH, total phosphorus, and animal and vegetable oils.

- ② Way of discharge: indirect discharge
- ③ Number and distribution of discharge outlets: one, on the north side of the air-conditioning wastewater treatment plant, pipeline discharge

Section V Environmental and Social Responsibilities

- ④ Concentration and total amount of discharge and approved total amount of discharge:

According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	40.72 mg/L	0.22 tons	/	No
2	Ammonia nitrogen	6.16 mg/L	0.033 tons	/	No

(7) Jiaozhou Air-Conditioning

- ① Main pollutants :

Hazardous waste. According to the national directory, 9 types of hazardous waste detected are namely: waste oil, sludge, computer boards, activated carbon, cotton filters, lightning tubes, soldering flux buckets, paint buckets and forklift battery.

- ② Way of discharge: Hazardous waste is transferred to a qualified hazardous waste disposal unit for disposal
- ③ Total amount of discharge and approved total amount of discharge:

No.	Name of hazardous waste	Total amount of transfer (tons)	Total amount of managed plan (tons)	Whether it is excessive discharge
1	Cotton filters	0.15	0.5	No
2	Waste oil	16.98	35	No
3	Soldering flux buckets	0.68	1.5	No
4	Forklift battery	18.36	22	No
5	Sludge	41.42	45	No
6	Paint buckets	1.02	5	No
7	Activated carbon	3.62	8	No
8	Computer Boards	17.76	30	No
9	Lightning tubes	0.006	0.5	No

- ④ Pollutant discharge standards implemented: Directory of National Hazardous Wastes (Version 2021), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste

Section V Environmental and Social Responsibilities

2. Construction and operation of pollution prevention and treatment facilities:

☒ Applicable ☐ Not Applicable

Jiaozhou Air-conditioning, Zhengzhou Air-conditioning, Wuhan Freezer, Wuhan Water Heater, have one, one, one and two wastewater treatment plants with a designed treatment capacity of 300 tonnes/day, 550 tonnes/day, 360 tonnes/day, 300 tonnes/day and 260 tonnes/day, respectively. The construction, maintenance and daily operation of all wastewater treatment facilities are conducted in accordance with the requirements of national and local environmental laws and regulations. Information on all wastewater discharge is subject to 24-hour online monitoring and such monitored information is transmitted to environmental authorities in a real-time manner. All equipment is operating normally, and the discharge of wastewater is steady and in compliance with standards. In addition, the Company fully promotes all plants to install exhaust treatment facilities and VOCs online monitoring facilities. All equipment is operating normally and exhaust produced is treated by the prevention and treatment facilities before compliant release and is monitored.

3. Environmental impact assessment of construction projects and other environmental protection administrative permits

☒ Applicable ☐ Not Applicable

The Company and its subsidiaries execute construction project implementation and production in accordance with the requirements of laws and regulations and strictly comply with the three simultaneous requirements of environmental protection for construction projects in the process of environmental impact assessment, and have passed environmental assessment acceptance and are not involved in any environmental illegal conducts such as construction before approval.

4. Emergency plans for environmental incidents

☒ Applicable ☐ Not Applicable

The Company and its subsidiaries have formulated Emergency Plans for Environmental Incidents in accordance with the requirements of laws and regulations and organized drills, and continue to improve and upgrade the plans based on drill results.

Section V Environmental and Social Responsibilities

5. Self-monitoring environmental programs

☒ Applicable ☐ Not Applicable

All pollutants of the Company are tested regularly, of which the discharge complies with national and local environmental standard requirements. Wastewater collected is subject to standard treatment and is released in a compliant manner. It is under real-time monitoring through the automatic online wastewater monitoring system, which shares its information with Haier Smart Energy System. In March 2017, the Company passed the upgraded certification in relation to ISO14001 environment management system; In May 2021, a professional certification firm was appointed to conduct a review and audit on the operation of ISO14001 system in 2020, where satisfactory results were obtained to demonstrate its good operating condition; In May 2022, a second review and audit was conducted on the operation of system in 2021; In May 2023, a third review and audit was conducted on the operation of system in 2022.

6. Administrative penalty due to environmental issues during the Reporting Period

☐ Applicable ☒ Not Applicable

7. Other environmental information that should be disclosed

☐ Applicable ☒ Not Applicable

(II) *Explanation on environmental protection of companies other than major pollutant emission units*

☒ Applicable ☐ Not Applicable

1. Administrative penalty due to environmental issues

☐ Applicable ☒ Not Applicable

2. Other environmental information disclosure with reference to major pollutant emission units

☒ Applicable ☐ Not Applicable

All divisions of the Company execute construction project implementation and production in accordance with the requirements of laws and regulations and strictly comply with the three simultaneous requirements of environmental protection for construction projects in the process of environmental impact assessment, and have passed environmental assessment acceptance and are not involved in any environmental illegal conducts such as construction before approval.

Section V Environmental and Social Responsibilities

Through Haier Smart Energy Center, an industry leading energy big data analysis system, the Company implements centralized dynamic monitoring and digitalized management in respect of major energy consumption, such as water, electricity and gas, of all plants across the country by utilizing automatized and informationalized technology and an integrated management model. It automatically collects precise information on energy resources and completes prediction and analysis of energy consumption information to optimize energy adjustment, reduce energy consumption per unit production to achieve low-carbon production.

3. Reasons for failure to disclose other environmental information

☐ Applicable ☒ Not Applicable

(III) Relevant information favorable to ecological protection, pollution prevention and control and environmental responsibility fulfillment

☒ Applicable ☐ Not Applicable

During the reporting period, Hefei Refrigerator actively participated in the declaration of “Zero-Waste factory” organized by the environmental protection department of the local government. With the goal of “energy conservation, consumption reduction, pollution reduction and efficiency enhancement”, it remained steadfast in ecological and green development. The Company and its subsidiaries have been committed to implementing national “dual carbon” strategy by integrating low-carbon, recycling, energy conservation and emission reduction into daily operation and actively exploring a model for achieving carbon reduction throughout the product lifecycle. We continuously promoted green technologies upgrading in the industry by capitalizing on our industrial leading role in green technologies, worked together to move towards a greener, win-win and sustainable future, and jointly protected our home.

(IV) Measures taken during the Reporting Period to reduce its carbon emission and their effectiveness

Whether carbon reduction measures were implemented	Yes
Reduction of carbon dioxide equivalent emission (unit: tonnes)	8,965.68
Types of carbon reduction measures (such as using clean energy for power generation, using carbon reduction techniques in the production process, developing and producing new products which help reduce carbon emission, etc.)	The Company actively cooperates with parties along the upstream and downstream industrial chain, from raw material manufacturers to logistics enterprises, from consumers to recycling and dismantling factories, in order to explore carbon reduction throughout the product lifecycle centering around “R&D, raw materials, production, packaging and transportation, and product recycling” Carbon reduction.

Section V Environmental and Social Responsibilities

For details of the above-mentioned measures, please refer to relevant information in 2023 Environmental, Social and Governance Report of Haier Smart Home Co., LTD. published on the same date of this report.

Note: The scope of the aforementioned CO2 equivalent emission reduction statistics is the scope 1 and scope 2 data for the Company's domestic operations.

Specifications

☐ Applicable ☒ Not Applicable

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES

(I) Whether the social responsibility report, sustainable development report or ESG report is disclosed individually

☒ Applicable ☐ Not Applicable

Haier Smart Home has actively participated in health education, rural construction, voluntary service, and other community public charity while striving to create social value and practising social responsibility in order to make its contribution to promoting the construction of a fairer and better society wholeheartedly and sincerely.

1. Caring about education and health

Over the years, Haier Smart Home has paid attention to the growth and development of young people by helping young people and children of different ages receive quality education, and continuously improving the quality of fundamental education and the health level of children. In 2023, we launched the "Ocean Exploration Program" and the "Seed Inspiring Program" with the aim of providing more children with deep spiritual care and wisdom enlightenment, in order to continue to pass on the concept of green, healthy and intelligent life to society.

2. Supporting rural construction in multiple ways

Haier Smart Home has been deeply involved in the cause of rural revitalization, establishing an in-depth collaboration with the rural areas encompassing industry, employment, education, health and other aspects. It also contributes to the construction of beautiful villages and improvement of rural production and living standards with its own technical and knowledge advantages.

3. Helping relief enthusiastically

In the face of extreme climate and natural disasters, Haier Smart Home has actively participated in disaster rescue and relief actions to help the affected people overcome difficulties as soon as possible. In 2023, the Company's operating regions at home and abroad donated materials and cash to public welfare organizations and charitable activities in many regions, demonstrating the fulfilment of responsibility of Haier Smart Home with actual actions.

Section V Environmental and Social Responsibilities

4. Volunteering to serve the society

All members of the Company from operating regions at home and abroad insist on practicing voluntary service activities with sincerity, devoting themselves to public undertakings with professional skills and enthusiasm, and giving back to the society with love.

For details, please refer to the 2023 Environment, Social and Governance Report of Haier Smart Home Co., Ltd. disclosed on the date of this report.

(II) Details of social responsibility works

☒ Applicable ☐ Not Applicable

External donation, public welfare projects	Quantity/Content
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Total Contribution (RMB10,000)	626.97
Among which: Funds (RMB10,000)	626.97

Specifications

☒ Applicable ☐ Not Applicable

For details, please refer to the 2023 Environment, Social and Governance Report of Haier Smart Home Co., Ltd. disclosed on the date of this periodic report.

III. PARTICULARS ON THE EFFORTS TO CONSOLIDATE AND EXPAND ITS ACHIEVEMENTS IN POVERTY ALLEVIATION AND RURAL AREA INVIGORATION

☒ Applicable ☐ Not Applicable

Poverty alleviation and rural revitalization projects	Quantity/Content
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Total Contribution (RMB10,000)	58.14
Among which: Funds (RMB10,000)	58.14
Forms of assistance (such as poverty alleviation through industry development, poverty alleviation through employment, poverty alleviation through education, etc.)	poverty alleviation through industry development, poverty alleviation through education

Specifications

☒ Applicable ☐ Not Applicable

In accordance with the national targeted poverty alleviation plan and documents requirements, the Company emphasizes poverty alleviation and conducts targeted poverty alleviation within the authority granted on the general meeting in respect of, among others, donations.

Section V Environmental and Social Responsibilities

For years, the Company has made genuine contributions to education to improve the basic cultural quality of people in poverty and skills of families in poverty, with an emphasis on shoring up the weak link of the education sector and stopping inter-generational poverty. As of now, the Company, Haier Group Companies (the effective controller of the Company) and its subordinate enterprises (hereafter, the “Haier Group”) have constructed over 300 hope primary schools and hope secondary schools, covering 26 provinces, municipalities and autonomous regions in the PRC. It also offers continuous resource assistance to such schools every year to effectively boost the base education capacity in poverty regions and improve education quality. At the same time, in the face of natural disasters, the Company actively participated in disaster rescue and relief actions: In August 2023, Haier Smart Home Heilongjiang Branch joined hands with local Haier franchised stores to rush to severely affected areas such as Wuchang City and Shangzhi City in Harbin to provide emergency aid materials and help affected people overcome difficulties, taking up social responsibilities voluntarily. In addition, the Company continues to launch effective measures to assist rural revitalization: In December 2023, Haier Smart Home franchised stores, in collaboration with the Shanxi Provincial Government and the Retailer Industry Association, successfully held the “Haier Franchised Store Better Life Sales — Large Scale Technology Assisted Agriculture Live Broadcast China Tour” in Taiyuan. Haier Smart Home stores fully leveraged the advantages of nationwide store layout to promote local specialty agricultural products to the whole country.

In 2023, the Company's capital expenditure in targeted poverty alleviation amounted to approximately RMB6.85 million, primarily attributable to poverty alleviation through industry development, poverty alleviation through education, etc., to proactively respond to the government's call for social responsibility fulfillment.

Section VI Significant Events

I. FULFILLMENT STATUS OF UNDERTAKINGS

(I) The undertakings made by the ultimate controller, shareholders, related parties, acquirer as well as the Company and other relevant parties during or up to the reporting period

√ Applicable □ Not Applicable

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date of undertakings	Any deadline for performance	Term of undertakings	Whether performed in a timely and strict way
Undertaking related to significant reorganization	Eliminate the right defects in land property etc.	Haier Group Corporation	During the period from September 2006 to May 2007, the Company issued shares to Haier Group Corporation ("Haier Group") to purchase the controlling equity in its four subsidiaries, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Holding Co., Ltd. (武汉海尔电器股份有限公司), Guizhou Haier Electronics Co., Ltd. (贵州海尔电器有限公司). With regard to the land and property required in the operation of three companies, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Holding Co., Ltd. (武汉海尔电器股份有限公司) (the "Covenantees"), Haier Group made an undertaking (the "2006 Undertaking"). According to the content of 2006 Undertaking and current condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the unavailability of such land and property (Note).	27 September 2006	Yes	Long-term	Yes
	Address peer competition	Haier Smart Home Co., Ltd.	Prior to the Transaction (hereinafter "the Transaction" refers to the transaction in relation to the privatization of Haier Electronics by Haier Smart Home), Haier Electric was a controlling subsidiary of the Company and did not have peer competition with the Company; after the completion of the Transaction, Haier Electric became a wholly-owned or controlling subsidiary of the Company and no new peer competition with the Company existed or will arise. There is no new peer competition or potential competition between the Company and other related parties controlled by the controlling shareholders or the de facto controller of the Company.	31 July 2020	Yes	Long-term	Yes

Section VI Significant Events

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date of undertakings	Any deadline for performance	Term of undertakings	Whether performed in a timely and strict way
	Address connected transactions	Haier Group Corporation	1. The Transaction constitutes a connected transaction and the connected transaction procedures performed under the Transaction are in compliance with the relevant regulations. The pricing of the connected transaction is fair and there are no circumstances under which the interests of the listed company and the non-connected shareholders are prejudiced. 2. Upon completion of the Transaction, the Company and its affiliates will take lawful and effective measures to minimize and regulate the connected transactions with the listed company, take the initiative to safeguard the interests of the listed company and all shareholders, and refrain from taking advantages of connected transactions for improper benefits. 3. Provided that there is no conflict with laws and regulations, if connected transactions between the Company and its affiliates and the listed company occur or exist which cannot be avoided or for which there are reasonable reasons, the Company and its affiliates will legally enter into a transaction agreement with the listed company to ensure strict compliance with the procedures of connected transactions required by the laws, regulations, regulatory documents and the articles of association of the Company, conduct transactions in accordance with the principles of marketability and fair prices to ensure the fairness and compliance of connected transactions, and refrain from taking advantages of such connected transactions to engage in any acts that are detrimental to the interests of the listed company or its minority shareholders, and at the same time, comply with the information disclosure obligations in accordance with relevant regulations.	29 July 2020	Yes	Long-term	Yes

Section VI Significant Events

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date of undertakings	Any deadline for performance	Term of undertakings	Whether performed in a timely and strict way
	Address peer competition	Haier Group Corporation	<p>1. The Company and its controlling subsidiary, Haier COSMO Co., Ltd., were principally engaged in investment business during the reporting period, and the Company and its controlling subsidiary, Haier COSMO Co., Ltd. (including its subsidiaries and entities with more than 30% shareholding), have no real or potential peer competition with Haier Smart Home; 2. the domestic and overseas white goods businesses and assets held by the Company (including the Company's subsidiaries and entities with more than 30% shareholding) have been injected into Haier Smart Home through asset consolidation and equity transfer in accordance with the commitments made by the Company in January 2011 and the requirements for adjusting such commitments as considered and approved by Haier Smart Home at its 2014 annual general meeting; 3. Since the acquisition of 100% of Haier New Zealand Investment Holding Company Limited (which holds 100% of the shares in Fisher & Paykel Appliances Holdings Limited) by Haier Smart Home's offshore subsidiary, Haier Singapore Investment Holding Co., Ltd., following the completion in July 2018, the Company (including the Company's subsidiaries and entities with more than 30% shareholding) and Haier Smart Home do not have any peer competing relationship in any business areas both within and outside the PRC. During the reporting period, the Company (including the Company's subsidiaries and entities with more than 30% shareholding) did not have any new peer competition with Haier Smart Home; 4. Upon completion of the Transaction, the Company (including the Company's subsidiaries and entities with more than 30% shareholding) and its affiliates do not have any new or potential peer competition with Haier Smart Home; 5. During the period when the company is the controlling shareholder of Haier Smart Home and the shares of Haier Smart Home are listed on the Hong Kong Stock Exchange, the company and its other subsidiaries and entities with more than 30% shareholding will not operate any business that competes with the business engaged by Haier Smart Home and will not engage in real or potential peer competition with Haier Smart Home.</p>	29 July 2020	Yes	Long-term	Yes

Section VI Significant Events

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date of undertakings	Any deadline for performance	Term of undertakings	Whether performed in a timely and strict way
	Others	Haier Group Corporation	<p>Upon completion of the Transaction, the company will strictly comply with the Company Law, the Securities Law, the relevant regulations of the China Securities Regulatory Commission, the Shanghai Stock Exchange and the articles of association of Haier Smart Home, etc., fairly exercise shareholders' rights and fulfill shareholders' obligations, refrain from taking advantage of its shareholding position for improper benefits, ensure the listed company will continue to be completely separate from the company and other enterprises on which the company exercises control and exerts significant influence in terms of management, personnel, assets, finance, organization and business operations, and maintain the continued independence of the listed company in terms of management, personnel, assets, finance, organization and business operations. Upon completion of the Transaction, the company will comply with the provisions of the Notice on Several Issues concerning Regulating Fund Transactions between Listed Companies and Their Affiliates and the External Guarantee of Listed Companies and the Circular of China Securities Regulatory Commission and China Banking Regulatory Commission on Regulating the External Guaranties Provided by Listed Companies to regulate the external guarantees by listed companies and their subsidiaries, and will not misappropriate the funds of the listed company and their subsidiaries. The company undertakes to strictly fulfill the above commitments. In the event that the interests of the listed company are damaged as a result of any breach of the above commitments by the company and other enterprises on which the company exercises control and exerts significant influence, the company will legally bear the corresponding liability for damage.</p>	29 July 2020	Yes	Long-term	Yes

Section VI Significant Events

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date of undertakings	Any deadline for performance	Term of undertakings	Whether performed in a timely and strict way
	Address connected transactions	HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	1. The Transaction constitutes a connected transaction and the connected transaction procedures performed under the Transaction are in compliance with the relevant regulations. The pricing of the connected transaction is fair and there are no circumstances under which the interests of the listed company and the non-connected shareholders are prejudiced. 2. Upon completion of the Transaction, the company and other enterprises on which the company exercises control will take lawful and effective measures to minimize and regulate the connected transactions with the listed company, take the initiative to safeguard the interests of the listed company and all shareholders, and refrain from taking advantages of connected transactions for improper benefits. 3. Provided that there is no conflict with laws and regulations, if connected transactions between the company and other enterprises on which the company exercise control and the listed company occur or exist which cannot be avoided or for which there are reasonable reasons, the company and other enterprises on which the company exercises control will legally enter into a transaction agreement with the listed company to ensure strict compliance with the procedures of connected transactions required by the laws, regulations, regulatory documents and the articles of association of the company, conduct transactions in accordance with the principles of marketability and fair prices, and refrain from taking advantages of such connected transactions to engage in any acts that are detrimental to the interests of the listed company or its minority shareholders, and at the same time, comply with the information disclosure obligations in accordance with relevant regulations. 4. Any covenants and arrangements between the company and other enterprises on which the company exercise control and the listed company in relation to connected transactions shall not prevent the other party from conducting business or dealing with any third party for its own benefit and on equal competitive terms in the market.	29 July 2020	Yes	Long-term	Yes

Section VI Significant Events

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date of undertakings	Any deadline for performance	Term of undertakings	Whether performed in a timely and strict way
Undertaking related to refinancing	Eliminate the right defects in land property and etc.	Haier Group Corporation	Haier Group Corporation undertakes that it will assure Haier Smart Home and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that Haier Smart Home or any of its subsidiaries suffers any economic loss due to the fact that leased property has no relevant ownership certificate, Haier Group Corporation will make compensation to impaired party in a timely and sufficient way and take all reasonable and practicable measures to support the impaired party to recover to normal operation before the occurrence of loss. Upon the expiration of relevant leasing period, Haier Group Corporation will grant or take practicable measures to assure Haier Smart Home and its subsidiaries of priority to continue to lease the property at a price not higher than the rent in comparable market at that time. Haier Group Corporation will assure Haier Smart Home and its subsidiaries of the constant, stable, free and unobstructed use of self-built property and land of the Group. In the event that Haier Smart Home or any of its subsidiaries fails to continue to use self-built property according to its own will or in original way due to the fact that self-built property has no relevant ownership certificate, Haier Group Corporation will take all reasonable and practicable measures to eliminate obstruction and impact, or will support Haier Smart Home or its affected subsidiary to obtain alternative property as soon as possible, if Haier Group Corporation anticipates it is unable to cope with or eliminate the external obstruction and impact with its reasonable effort. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.	24 December 2013	Yes	Long-term	Yes

Section VI Significant Events

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date of undertakings	Any deadline for performance	Term of undertakings	Whether performed in a timely and strict way
Undertakings related to Equity incentive	Others	Haier Smart Home Co., Ltd.	The Company will not provide loans or any other forms of financial assistance, including guaranteeing their loans, to any incentive recipient for acquiring relevant stock options under this incentive plan.	15 September 2021/28 June 2022	Yes	The completion of equity incentive implementation	Yes
Other undertakings	Asset injection	Haier Group Corporation	Inject the assets of Haier Photoelectric to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2025. For more details, please refer to the Announcement of Haier Smart Home Co., Ltd. on the Changes of Some Commitments on Asset Injection (L2020- 024) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 30 April 2020.	December 2015	Yes	June 2025	Yes

Note: As at the date of this report, the undertaking was fulfilled since all Covenantees of the undertaking has obtained the real property ownership certificates.

(II) The Company's explanation on whether the earnings forecast on assets or projects was met and its reasons in the situation that earnings in the Company's assets or projects have a forecast, and the period of which includes the reporting period.

☐ Reached ☐ Not Reached ☒ Not Applicable

(III) Completion of performance commitments and their impact on the impairment test of goodwill

☐ Applicable ☒ Not Applicable

II. NON-OPERATING UTILIZATION OF FUNDS BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD

☐ Applicable ☒ Not Applicable

III. INFORMATION ON NON-COMPLIANCE GUARANTEES

☐ Applicable ☒ Not Applicable

IV. EXPLANATION OF THE BOARD OF THE COMPANY ON THE 'NON-STANDARD AUDIT REPORT' ISSUED BY THE ACCOUNTING FIRM

☐ Applicable ☒ Not Applicable

V. EXPLANATION OF THE COMPANY'S ANALYSIS ON REASONS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS

(I) Explanation of the Company's analysis on reasons and effects of changes in accounting policies and accounting estimates

☒ Applicable ☐ Not Applicable

Particulars of and reasons for changes in accounting policies	Date of issue	Date of adoption
Accounting Standards for Business Enterprises Interpretation No. 16 ("Interpretation No. 16")	November 2022	1 January 2023

The Company and its subsidiaries have adopted the standard of the Interpretation No. 16 on 1 January 2023. For deferred tax assets and liabilities recognised in respect of the lease liabilities and right-of-use assets related to a single transaction at the beginning of the earliest period when the Interpretation No. 16 was adopted for the presentation of the financial statements, the net amount of the deferred tax assets and liabilities after offsetting was equal to the amounts originally recognised on a net basis, with no impact on the consolidated balance sheet items presented at the net amount after offsetting. The impact of the changes in accounting policies on deferred tax assets and deferred tax liabilities before offsetting as at 1 January 2023 was as follows:

Item	Before policy changes	Impact of changes	After policy changes
Deferred tax assets before offsetting	4,038,915,158.86	868,657,062.49	4,907,572,221.35
Deferred tax liabilities before offsetting	4,673,734,789.63	868,657,062.49	5,542,391,852.12
Offset amount	-2,314,874,230.44	-868,657,062.49	-3,183,531,292.93
Deferred tax assets after offsetting	1,724,040,928.42		1,724,040,928.42
Deferred tax liabilities after offsetting	2,358,860,559.19		2,358,860,559.19

(II) Explanation of the Company's analysis on reasons and effects of correction of significant accounting errors

☐ Applicable ☒ Not Applicable

(III) Communication with former accounting firm

☐ Applicable ☒ Not Applicable

(IV) Approval processes and other explanations

☐ Applicable ☒ Not Applicable

Section VI Significant Events

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit and Currency: RMB10,000

Current appointment	
Name of domestic accounting firm	Hexin Certified Public Accountants LLP
Remuneration of domestic accounting firm	655
Audit period of domestic accounting firm	11 years
Names of certified public accountants of domestic accounting firm	Zhao Bo, Li Xiang Zhi
Number of accumulative years of audit services of certified public accountants in domestic accounting firms	11 years, 2 years
Name of overseas accounting firm	HLB Hodgson Impey Cheng Limited
Remuneration of overseas accounting firm	389
Audit period of overseas accounting firm	4 years

	Name	Remuneration
Accounting firm for Internal control audit	Hexin Certified Public Accountants LLP	223

Explanation of appointment and dismissal of accounting firm

☐ Applicable ☒ Not Applicable

Explanation of change of accounting firm during the auditing period

☐ Applicable ☒ Not Applicable

Explanation of audit fees falling by more than 20% (inclusive) compared with the previous year

☐ Applicable ☒ Not Applicable

VII. POSSIBILITY OF DELISTING

(I) Reasons of warning for delisting risks

☐ Applicable ☒ Not Applicable

(II) Response measures to be taken by the Company

☐ Applicable ☒ Not Applicable

(III) Circumstances and reasons for termination of listing

☐ Applicable ☒ Not Applicable

VIII. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

☐ Applicable ☒ Not Applicable

IX. MATERIAL LITIGATION AND ARBITRATION MATTERS

☐ Material litigation and arbitration matters during the year

☒ No material litigation and arbitration matters during the year

X. PUNISHMENT AND CORRECTION ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS DUE TO SUSPECT OF LAW VIOLATIONS AND THE ISSUE OF RECTIFICATION

☐ Applicable ☒ Not Applicable

XI. EXPLANATION OF THE INTEGRITY STATUS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLER DURING THE REPORTING PERIOD

☐ Applicable ☒ Not Applicable

XII. SIGNIFICANT RELATED-PARTY TRANSACTIONS

(I) Related-party transactions from daily operation

1. **Matters that have been disclosed in temporary announcements and with no subsequent progress or change**
☐ Applicable ☒ Not Applicable
2. **Matters that have been disclosed in temporary announcements and with subsequent progress or change**
☒ Applicable ☐ Not Applicable

Pursuant to the “Product and Materials Procurement Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation” (《海尔智家股份有限公司与海尔集团公司之产品及物料采购框架协议》) and the “Services Procurement Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation” (《海尔智家股份有限公司与海尔集团公司之服务采购框架协议》) considered and approved at the 28th meeting of the 10th session of the Board of Directors and the 2021 Annual General Meeting, and the “Resolution of Haier Smart Home Co., Ltd. on Renewing the Framework Agreement on Financial Services with Haier Group Corporation and Estimated Amount of Connected Transactions” (《海尔智家股份有限公司关于与海尔集团公司续签〈金融服务框架协议〉暨预计关联交易额度的议案》) considered and approved at the 18th meeting of the 10th session of the Board of Directors and the 2020 Annual General Meeting, the Company has made estimation on the connected transactions for the next three years, as detailed in the aforesaid announcements regarding the resolutions of the meetings.

For the actual performance of the Company’s connected transactions in the year of 2023, please refer to “XII. Related parties and related-party transactions “under Section X — Financial and Accounting Report set out in this regular report.

3. **Matters not disclosed in temporary announcements**
☐ Applicable ☒ Not Applicable

(II) Related-party transactions regarding acquisition or disposal of assets/equity

1. **Matter disclosed in temporary announcements and with no subsequent progress or change**
☐ Applicable ☒ Not Applicable
2. **Matters that have been disclosed in temporary announcements and with subsequent progress or change**
☐ Applicable ☒ Not Applicable
3. **Matters not disclosed in temporary announcements**
☐ Applicable ☒ Not Applicable
4. **If performance agreement is involved, the performance achieved during the reporting period shall be disclosed**
☐ Applicable ☒ Not Applicable

(III) Significant related-party transactions of joint external investment

1. **Matters that have been disclosed in temporary announcements and with no subsequent progress or change**
☐ Applicable ☒ Not Applicable
2. **Matters that have been disclosed in temporary announcements and with subsequent progress or change**
☐ Applicable ☒ Not Applicable
3. **Matters not disclosed in temporary announcements**
☐ Applicable ☒ Not Applicable

(IV) Amounts due to or from related parties

1. **Matters that have been disclosed in temporary announcements and with no subsequent progress or change**
☐ Applicable ☒ Not Applicable
2. **Matters that have been disclosed in temporary announcement and with subsequent progress or change**
☐ Applicable ☒ Not Applicable
3. **Matters that haven't been disclosed in temporary announcements**
☐ Applicable ☒ Not Applicable

(V) Financial business between the Company and the finance company with which it has a related relationship, or it is the company's controlling finance company and related parties

☒ Applicable ☐ Not Applicable

1. Deposit business

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Related party	Relationship	Maximum daily deposit limit	Range of deposit interest	Balance as at the beginning of the period	Amount for the current period		Balance as at the end of the period
					Total amount deposited during the current period	Total amount withdrawn during the current period	
Haier Finance Co., Ltd.	Subsidiary of Haier Group	34 billion	0.00012% to 5.32%	31,433,124,152.44	570,895,505,808.96	568,674,387,426.90	33,654,242,534.50
Total	/	/	/	31,433,124,152.44	570,895,505,808.96	568,674,387,426.90	33,654,242,534.50

Section VI Significant Events

2. Lending business

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Related party	Relationship	Loan limit	Range of loan interest	Balance as at the beginning of the period	Amount for the current period		Balance as at the end of the period
					Total loan amount for the current period	Total repayment amount for the current period	
Haier Finance Co., Ltd.	Subsidiary of Haier Group	10 billion	0-4.5%	60,000,000.00		60,000,000.00	
Total	/	/	/	60,000,000.00		60,000,000.00	

3. Credit business or other finance businesses

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Related party	Relationship	Type of business	Total amount	Actual amount of occurrence
Haier Finance Co., Ltd.	Subsidiary of Haier Group	Foreign exchange derivatives products	5.5 billion	3,054,405,905.60
Haier Finance Co., Ltd.	Subsidiary of Haier Group	Service charge	80 million	23,618,778.66

4. Other explanations

☐ Applicable ☒ Not Applicable

(VI) Others

☐ Applicable ☒ Not Applicable

XIII.SIGNIFICANT CONTRACTS AND THEIR EXECUTION

(I) Trusteeship, contracting and leasing

1. Trusteeship

☐ Applicable ☒ Not Applicable

During the reporting period, the Company had no material escrow matters. Up to now, the following entrusted assets that have been approved by the Company's shareholders' meeting are still in effect:

According to Haier Group's commitment in 2011 on further supporting the development of Qingdao Haier and resolving peer competition to reduce connected transactions, based on the fact that Qingdao Haier Optoelectronics Co., Ltd. (青岛海尔光电有限公司) and its subsidiaries, the main body of Haier Group engaging in the color television business, are still in a period of transformation and integration, and their financial performance has not yet met the Company's expectations, Haier Group is unable to complete the transfer before the aforesaid commitment period. Haier Group intends to entrust the Company with the operation and management of the escrow assets and pay the Company an annual escrow fee of RMB1 million during the escrow period.

2. Contracting

☐ Applicable ☒ Not Applicable

3. Leasing

☐ Applicable ☒ Not Applicable

Section VI Significant Events

(II) Guarantee

√ Applicable ☐ Not Applicable

Unit and Currency: RMB10,000

External guarantees provided by the Company (excluding guarantees for subsidiaries)														
Guarantor	Relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Date of occurrence of the guarantee	Commencement date of guarantee	Expiration date of guarantee	Type of guarantee	Collateral (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether there is a counter-guarantee	Whether related-party	Relationship
				(date of agreement)									guarantee or not	
Total amount of guarantee occurred during the reporting period (excluding guarantees for subsidiaries)														
Total balance of guarantee at the end of the reporting period (A) (excluding guarantees for subsidiaries)														
Guarantees provided by the Company for subsidiaries														
Total amount of guarantees for subsidiaries occurred during the reporting period														1,384,017
Total balance of guarantees for subsidiaries at the end of the reporting period (B)														1,228,647
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)														
Total amount of guarantee (A + B)														1,228,647
Ratio of total amount of guarantees to net assets of the Company (%)														11.9
Including:														
Amount of guarantees for shareholders, ultimate controllers and their related parties (C)														0
Amount of debt guarantees provided directly or indirectly for the secured party with asset-liability ratio exceeding 70% (D)														15,923
The amount of total amount of guarantee in excess of 50% of net assets (E)														0
Total amount of the above three guarantees (C + D + E)														15,923
Explanation of possibly bearing related discharge duty for premature guarantees														Nil
Explanation of guarantee status														Nil

(III) Entrusted others to manage cash assets

1. Entrusted wealth management

(1) Overall of entrusted wealth management

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Type	Sources of funds	Amount	Premature balance	Past due uncollected amount
Others	Self-owned funds (Asset management account for employee stock ownership)	14,638,968	14,638,968	
Wealth management in banks	Self-owned funds	8,942,000,000	1,988,000,000	

Others

√ Applicable ☐ Not Applicable

Section VI Significant Events

By the end of the reporting period, the balance of the Company's entrusted wealth management amounted to RMB2,002 million, including two parts:①Temporarily-idle funds wealth management by certain subsidiaries of the Company: Under the premise of ensuring sufficient capital required by the principal operating activities and daily operations, some subsidiaries of the Company purchased some short-term principal-guaranteed wealth management products and structured deposits from major commercial banks to improve the yield of temporarily-idle funds and the return for shareholders within the authority of the president's office meeting and under the condition of ensuring fund safety. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB1,988 million; ②Idle funds in the asset management account of the Employee Stock Ownership Scheme: the asset management institution purchased cash products such as money funds according to the liquidity of the products with some idle funds in the asset management account of the Employee Stock Ownership Scheme of the Company. The balance of cash assets amounted to RMB15 million.

(2) Individual entrusted wealth management

Trustee	Type of entrusted wealth management	Commencement		Expiration date of entrusted wealth management	Sources of funds	Investment	Whether there are restrictions	Determination of return	Annualized yield	Expected return (if any)	Actual gains or losses	Undue amount	Past due uncollected amount	Whether approved by due process	Any future plan for entrusted wealth management	Amount of provision for impairment (if any)
		Amount of entrusted wealth management	date of entrusted wealth management													
Asset management account of Industrial Bank CO., LTD.	Short-term wealth management	14,638,968										14,638,968		YES	YES	
Qingdao Sub-branch of Bank of China	Linked structured deposit	200,000,000	2023/12/15	2024/4/18	Self-owned funds				2.60%			200,000,000		YES	YES	
Qingdao Sub-branch of China Merchants Bank	Linked structured deposit	65,000,000	2023/11/27	2024/2/27	Self-owned funds				2.55%					YES	YES	
Qingdao branch of Bank of Communications	Linked structured deposit	66,000,000	2023/10/18	2024/1/22	Self-owned funds				3.05%			66,000,000		YES	YES	
Haier Road sub-branch of Construction Bank	Linked structured deposit	400,000,000	2023/10/13	2024/1/13	Self-owned funds				2.90%			400,000,000		YES	YES	
Qingdao branch of Bank of Communications	Linked structured deposit	1,000,000,000	2023/10/18	2024/1/22	Self-owned funds				3.05%			1,000,000,000		YES	YES	
Qingdao branch of Bank of Communications	Linked structured deposit	257,000,000	2023/10/18	2024/1/22	Self-owned funds				3.05%			257,000,000		YES	YES	

Others

☐ Applicable ☒ Not Applicable

(3) Provisions for impairment of entrusted wealth management

☐ Applicable ☒ Not Applicable

Section VI Significant Events

2. Entrusted loans

(1) Overall entrusted loans

☐ Applicable ☒ Not Applicable

Others

☐ Applicable ☒ Not Applicable

(2) Individual entrusted loans

☐ Applicable ☒ Not Applicable

Others

☐ Applicable ☒ Not Applicable

(3) Provisions for impairment of entrusted loans

☐ Applicable ☒ Not Applicable

3. Others

☐ Applicable ☒ Not Applicable

(IV) Other Major Contracts

☐ Applicable ☒ Not Applicable

XIV.EXPLANATION OF PROGRESS IN USE OF PROCEEDS

☐ Applicable ☒ Not Applicable

XV. EXPLANATION OF OTHER SIGNIFICANT MATTERS THAT HAVE A SIGNIFICANT IMPACT ON THE VALUE JUDGMENTS AND INVESTMENT DECISIONS OF INVESTORS

☐ Applicable ☒ Not Applicable

Section VII Changes in Shares and Information about Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of Changes in shares

1. Table of Changes in shares

Unit: share

	Prior to the change		Increase and decrease of the change (+,-)					After the change	
	Number	Percentage (%)	New shares issued	Bonus shares	Shares converted from reserve	Others	Subtotal	Number	Percentage (%)
I. Shares with selling restrictions									
1. Shares held by the state									
2. Shares held by the state-owned legal entities									
3. Shares held by other domestic investors									
Including:									
shares held by Domestic non-state-owned legal entities									
Shares held by domestic individuals									
4. Shares held by foreign investors									
Including:									
shares held by foreign legal entities									
Shares held by foreign individuals									
II. Tradable shares without selling restrictions	9,446,598,493	100.00				-8,483,600	-8,483,600	9,438,114,893	
1. RMB ordinary shares	6,308,552,654	66.78						6,308,552,654	
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	3,138,045,839	33.22				-8,483,600	-8,483,600	3,129,562,239	
4. Others									
III. Total shares	9,446,598,493	100.00				-8,483,600	-8,483,600	9,438,114,893	

Section VII Changes in Shares and Information about Shareholders

2. Statement on the changes in shares

☒ Applicable ☐ Not Applicable

Cancellation of H share repurchase: On 28 June 2022, the 2021 Annual General Meeting, the First Class Meeting of 2022 for A shares, the First Class Meeting of 2022 for D shares and the First Class Meeting of 2022 for H shares of the Company considered and approved the Resolution on Proposing the General Meeting to Grant the General Mandate to the Board of Directors to Repurchase not more than 10% of the Total Number of H shares of the Company in Issue of Haier Smart Home Co., Ltd., in which the Company intends to repurchase H shares and cancel them within the agreed period. During the reporting period, the Company repurchased a total of 8,483,600 H shares, which have been cancelled. As such, during the reporting period, the share capital of the Company was changed from 9,446,598,493 shares at the beginning of the reporting period to 9,438,114,893 shares.

3. Effect of changes in shares on the financial indicators such as earnings per share and net assets per share (if any) over the last year and the last reporting period

☒ Applicable ☐ Not Applicable

In 2023, the Company achieved net profit attributable to shareholders of the Parent Company of RMB16,596,615,045.87, equity attributable to owners of the Parent Company of RMB103,514,153,535.04 at the end of the reporting period, in terms of total share capital of 9,446,598,493 shares at the beginning of the period, profit per share was RMB1.757 and net asset was RMB10.958 per share accordingly; in terms of total share capital of 9,438,114,893 shares at the end of the period, profit per share was RMB1.758 and net asset was RMB10.968 per share accordingly.

4. Other disclosure deemed necessary by the Company or required by securities regulatory authorities

☐ Applicable ☒ Not Applicable

(II) Changes in shares with selling restriction

☐ Applicable ☒ Not Applicable

II. ISSUANCE AND LISTING OF SECURITIES

(I) Issuance of securities as of the reporting period

☐ Applicable ☒ Not Applicable

Details of issuance of securities as of the reporting period (please specify separately for bonds with different interest rates within the duration):

☐ Applicable ☒ Not Applicable

(II) Changes in total shares and shareholder structure as well as assets and liabilities structure of the Company

☒ Applicable ☐ Not Applicable

For the total number of ordinary shares of the Company and changes in shareholder structure, please refer to the relevant explanations in 'I. Changes in share capital' and 'III. Information on shareholder and ultimate controllers' in this section. For the impact of the aforesaid changes on 'Paid-in capital (or share capital)' in the Company's balance sheet and other items, please refer to the relevant content in 'Section X Financial Report' of this report.

(III) Information on existing shares specifically issued for staff

☐ Applicable ☒ Not Applicable

III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLERS

(I) Total number of shareholders

Total number of ordinary shareholders up to the end of the reporting period	158,300
Total number of ordinary shareholders as at the end of the last month prior to the disclosure day of the annual report	130,921

Section VII Changes in Shares and Information about Shareholders

(II) Table of top ten shareholders, top ten common shareholders (or the shareholders not subject to selling restrictions) by the end of the reporting period

Unit: share

Shareholdings of top ten shareholders (excluding the lending of shares under refinancing)

Name of shareholder (full name)	Increase/ decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Status of shares pledged, marked or frozen		Nature of shareholder
					Status	Number	
HKSCC NOMINEES LIMITED (Note)	-9,009,310	2,230,825,242	23.64		Unknown		Unknown
Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)		1,258,684,824	13.34		None		Domestic non-state- owned legal entity
Haier Group Corporation		1,072,610,764	11.36		None		Domestic non-state- owned legal entity
Hong Kong Securities Clearing Co., Ltd.	-112,719,932	593,802,929	6.29		None		Unknown
HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED		538,560,000	5.71		None		Foreign legal entity
China Securities Finance Corporation Limited		182,592,654	1.93		None		Unknown
Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询 有限公司)		172,252,560	1.83		None		Domestic non-state- owned legal entity
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青岛海创智管 理咨询企业(有限合伙))	13,168,642	133,791,058	1.42		None		Domestic non-state- owned legal entity
ALIBABA INVESTMENT LIMITED		83,823,993	0.89		None		Foreign legal entity
National Social Security Fund Portfolio 113	45,931,264	64,298,139	0.68		None		Unknown

Section VII Changes in Shares and Information about Shareholders

Shareholdings of top ten shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares without selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	2,230,825,242	Overseas listed foreign shares	2,230,825,242
Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)	1,258,684,824	RMB ordinary	1,258,684,824
Haier Group Corporation	1,072,610,764	RMB ordinary	1,072,610,764
Hong Kong Securities Clearing Co., Ltd.	593,802,929	RMB ordinary	593,802,929
HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	538,560,000	Overseas listed foreign shares	538,560,000
China Securities Finance Corporation Limited	182,592,654	RMB ordinary	182,592,654
Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司)	172,252,560	RMB ordinary	172,252,560
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青岛海创智管理咨询企业(有限合伙))	133,791,058	RMB ordinary	133,791,058
ALIBABA INVESTMENT LIMITED	83,823,993	Overseas listed foreign shares	83,823,993
National Social Security Fund Portfolio 113	64,298,139	RMB ordinary	64,298,139
Explanation on repurchase account of top ten shareholders	The Company's repurchase account held a total of 125,155,995 shares.		

Section VII Changes in Shares and Information about Shareholders

Name of shareholder	Number of tradable shares without selling restrictions	Class and number of shares	
		Class	Number
Explanation on delegated voting rights, entrusted voting rights, abstained voting rights of the aforesaid shareholders		Nil	
Related parties or parties acting in concert among the aforesaid shareholders	(1)	Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司) is a holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Each of Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司), HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED and Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青岛海创智管理咨询企业(有限合伙)) is a party acting in concert with Haier Group Corporation;	
	(2)	The Company is not aware of the existence of any connections of other shareholders.	
Explanation of preferential shareholders with restoration of voting rights and their shareholdings	Not Applicable		

Note: HKSCC NOMINEES LIMITED is the Banking Collection Account for the shareholders of the Company's H-shares, which is the original data provided by China Hong Kong securities registration agency to the Company after the merger according to local market practices and technical settings, not representing the ultimate shareholder.

Top ten shareholders participating in the lending of shares under the refinancing business

☐ Applicable ☒ Not Applicable

Section VII Changes in Shares and Information about Shareholders

Changes in the top ten shareholders compared with the previous period

☒ Applicable ☐ Not Applicable

Unit: share

Changes in the top ten shareholders compared with the end of the previous period

Name of shareholder (full name)	Addition/exit during the reporting period	Number of shares lent under refinancing at the end of the period that have not been returned		Shareholdings held through ordinary account and credit account at the end of the period and number of shares lent under refinancing that have not been returned	
		Total number	Percentage (%)	Total number	Percentage (%)
China Merchant Bank Co., Ltd. —Yifangda Consumer Industry Equity Securities Investment Fund	Exit			48,380,584	0.51
National Social Security Fund Portfolio 113	Addition			64,298,139	0.68

Number of shares held by the top ten shareholders with selling restrictions and selling restrictions

☐ Applicable ☒ Not Applicable

(III) Strategic investors or general legal persons who became the top ten shareholders due to placing of new shares

☐ Applicable ☒ Not Applicable

IV. CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

(I) Status of controlling shareholder

1 Legal person

☒ Applicable ☐ Not Applicable

Name	Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)
Person in charge of the Company or legal representative	Zhou Yunjie (周云杰)
Establishment date	1988-06-30
Principal business	Information technology integration and Internet of Things technology services: industrial automation technology research and development, technical consulting; research and development and manufacturing of electrical appliances, electronic products, mechanical products, communication equipment and related accessories, industrial automation control equipment, computer hardware and software and auxiliary equipment; import and export business (operated within the scope approved by MOFCOM); wholesale and retail: domestic commerce (except for merchandises prohibited by the state); investment in medical industry; investment advisory services; enterprise management consulting. (For projects subject to approval, business activities can only be carried out after the approval by relevant departments)
Shareholding of other controlling and participating domestic and overseas listed companies in the reporting period	Indirect controlling/participating Company: 'Qingdao Haier Biomedical Co., Ltd.' (青岛海尔生物医疗股份有限公司) (stock name: 'Haier Biomedical', stock code: 688139), Yingkang Life Technology Co., Ltd. (盈康生命科技股份有限公司)(stock name: 'Yingkang Life', stock code: 300143), 'Qingdao Bank Co., Ltd.' (青岛银行股份有限公司) (stock name: 'Bank of Qingdao', stock code: 002948 and 3866.HK), 'China International Capital Corporation Limited' (stock name: 'CICC', stock code: 601995 and 3908.HK) etc.
Other explanation	Nil

2 Natural person

☐ Applicable ☒ Not Applicable

3 Explanation on the absence of controlling shareholders of the Company

☐ Applicable ☒ Not Applicable

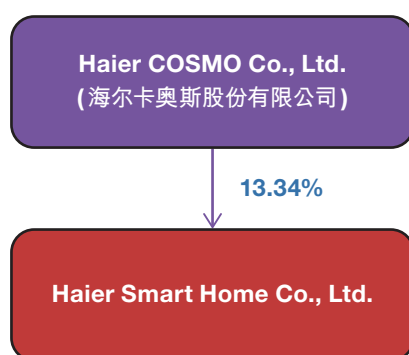
4 Explanation on the change in controlling shareholders during the reporting period

☐ Applicable ☒ Not Applicable

Section VII Changes in Shares and Information about Shareholders

5 Framework of the ownership and controlling relationship between the Company and its controlling shareholder

√ Applicable ☐ Not Applicable



(II) Status of the ultimate controller

1 Legal person

√ Applicable ☐ Not Applicable

Name	Haier Group Corporation
Person in charge of the Company or legal representative	Zhou Yunjie (周云杰)
Establishment date	1980-03-24
Principal business	Technology development, technology consultation, technology transfer and technology services (including industrial Internet, etc.); data processing; digital technology, intelligent technology, software technology; research and development, sales and after-sales service of robots and automation equipment products; logistics information service; research and development and sales of software technology for smart home products and solutions systems; manufacturing of household appliances, electronic products, communication equipment, electronic computers and accessories, general machinery, kitchen utensils, industrial robots; wholesale and retail of domestic commerce (except for the national dangerous prohibition franchise exclusive control merchandises); import and export business (see the foreign trade enterprise finalized certification for details); economic and technological consultation; research and development and transfer of technological achievements; rental of owned properties. (For projects subject to approval, business activities can only be carried out after the approval by relevant departments)

Section VII Changes in Shares and Information about Shareholders

Name	Haier Group Corporation
Shareholding of other controlling and participating domestic and overseas listed companies in the reporting period	Indirect controlling/participating Company: 'Qingdao Haier Biomedical Co., Ltd.' (青岛海尔生物医疗股份有限公司) (stock name: 'Haier Biomedical', stock code: 688139), Yingkang Life Technology Co., Ltd. (盈康生命科技股份有限公司) (stock name: 'Yingkang Life', stock code: 300143), 'Qingdao Bank Co., Ltd.' (青岛银行股份有限公司) (stock name: 'Bank of Qingdao', stock code: 002948 and 3866.HK), China International Capital Corporation Limited' (stock name: 'CICC', stock code: 601995 and 3908.HK), 'Qingdao Thunderobot Technology Co., Ltd.' (stock name: 'THUNDEROBOT', stock code: 872190) etc.
Other explanation	Nil

2 Natural person

☐ Applicable ☒ Not Applicable

3 Explanation on the absence of ultimate controller of the Company

☐ Applicable ☒ Not Applicable

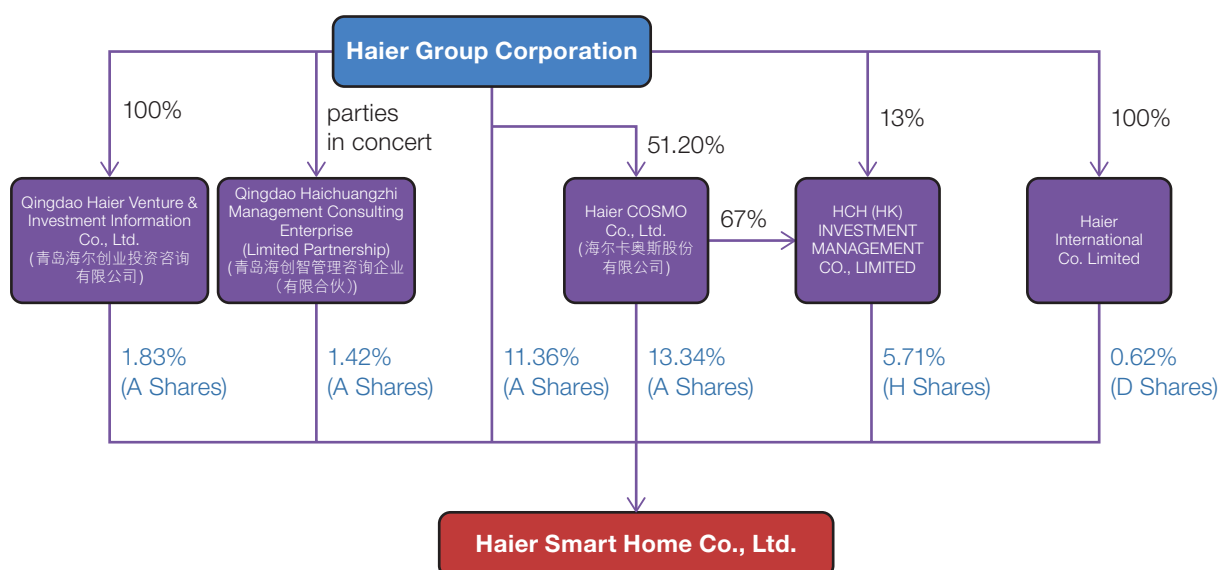
4 Explanation on the change in control over the Company during the reporting period

☐ Applicable ☒ Not Applicable

Section VII Changes in Shares and Information about Shareholders

5 Framework of ownership and controlling relationship between the Company and the ultimate controllers

√ Applicable ☐ Not Applicable



6 The ultimate controller controls the Company by way of Trust or other assets management

☐ Applicable √ Not Applicable

(III) Introduction of controlling shareholders and ultimate controllers

√ Applicable ☐ Not Applicable

Haier Group Company is registered as a joint-stock enterprise. According to the statement issued by the State-owned Assets Management Office of Qingdao on 1 June 2002, it is believed that the enterprise nature of Haier Group Company is a collective owned enterprise.

Section VII Changes in Shares and Information about Shareholders

V. THE PROPORTION OF THE ACCUMULATED NUMBER OF SHARES PLEDGED BY THE CONTROLLING SHAREHOLDERS OR THE LARGEST SHAREHOLDER OF THE COMPANY, TOGETHER WITH THE PARTIES ACTING IN CONCERT WITH THEM, TO THE NUMBER OF SHARES OF THE COMPANY HELD BY THEM AMOUNTS TO MORE THAN 80%

☐ Applicable ☒ Not Applicable

VI. OTHER CORPORATE SHAREHOLDERS WITH A SHAREHOLDING PERCENTAGE OVER 10%

☐ Applicable ☒ Not Applicable

VII. EXPLANATION OF RESTRICTIONS ON SHAREHOLDING REDUCTION

☐ Applicable ☒ Not Applicable

VIII. SPECIFIC IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Name of share repurchase plan	Haier Smart Home Co., Ltd.'s public share proposal in relation to the partial repurchase of A Shares
Date of disclosure of the share repurchase plan	31 March 2022
Number of shares proposed to be repurchased and its percentage to the total share capital (%)	42.86 million shares to 85.71 million shares, 0.45 to 0.91
Proposed amount of repurchase	RMB1.5–3 billion
Proposed period of repurchase	31 March 2022–30 March 2023
Purpose of repurchase	Used for employee stock ownership plans
Amount repurchased (share)	712,900
Repurchased amount as a percentage to the underlying shares covered by the equity incentive scheme (%) (if any)	Not Applicable
Progress of the Company's reduction of its holdings of repurchased shares by way of centralised bidding	Not Applicable

Note: The above-mentioned "amount repurchased" only refers to the number of repurchases implemented during the period in 2023. As at 31 January 2023, the implementation of the repurchase plan during the period was completed. During the entire repurchase period, a total of 59,768,139 shares were repurchased during the period, and the amount of repurchase paid was RMB1.510 billion.

Section VII Changes in Shares and Information about Shareholders

Name of share repurchase plan	Haier Smart Home Co., Ltd.'s public share proposal in relation to the partial repurchase of A Shares
Date of disclosure of the share repurchase plan	28 April 2023
Number of shares proposed to be repurchased and its percentage to the total share capital (%)	46.88 million shares to 93.75 million shares, 0.50 to 0.99
Proposed amount of repurchase	RMB1.5 –3 billion
Proposed period of repurchase	28 April 2023–27 April 2024
Purpose of repurchase	Used for employee stock ownership plans
Amount repurchased (share)	63,267,352
Repurchased amount as a percentage to the underlying shares covered by the equity incentive scheme (%) (if any)	Not Applicable
Progress of the Company's reduction of its holdings of repurchased shares by way of centralised bidding	Not Applicable

Note: During the reporting period, the Company also implemented the H-share repurchase scheme. For details, please refer to "2. Statement on the changes in shares" under "Section VII Changes in Shares and Information about Shareholders" of this report and the Announcement on the Changes in Shares of Overseas Listed Foreign Shares (H Shares) of Haier Smart Home Co., Ltd. (《海尔智家股份有限公司关于境外上市外资股 (H股) 股份变动情况的公告》) (No.: Lin 2023-029) disclosed by the Company on 1 July 2023.

Section VIII Relevant Information of Preference Shares

☐ Applicable ☒ Not Applicable

Section IX Relevant Information of Bonds

I. ENTERPRISE BOND, CORPORATE BOND, AND NON-FINANCIAL CORPORATE DEBT FINANCING INSTRUMENTS

☐ Applicable ☒ Not Applicable

II. CONVERTIBLE CORPORATE BOND

☐ Applicable ☒ Not Applicable

Section X Financial Report

I. AUDIT REPORT

☒ Applicable ☐ Not Applicable

Audit Report

He Xin Shen Zi. (2024) No.000186

To all shareholders of Haier Smart Home Co., Ltd.:

I. AUDIT OPINION

We have audited the financial statements of Haier Smart Home Co., Ltd. (hereinafter referred to as the 'Haier Smart Home Co.'), which comprise the Consolidated and the Company's Balance Sheet as at 31 December 2023, the Consolidated and the Company's Income Statement, the Consolidated and the Company's Cash Flow Statement, the Consolidated and the Company's Statement of Changes in Shareholders' Equity for the year 2023, and notes related to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Consolidated and the Company's financial position of the Haier Smart Home Co as at 31 December 2023, and the Consolidated and the Company's financial performance and cash flow for the year 2023 in accordance with the requirements of Accounting Standards for Business Enterprises.

II. BASIS OF OUR AUDIT OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in Auditor's responsibilities for the Audit of Financial Statements section of the report. We are independent of Haier Smart Home Co in accordance with the CICPA's Code of Ethics for Professional Accountants (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identify the following matters as the key audit matters that need to be communicated in the audit report:

Key Audit Matters	Audit Response
(I) Provision for impairment of goodwill and intangible assets with indefinite useful lives	
<p>Relevant disclosures are included in Note V. 30 Other significant accounting policies and accounting estimates and Note V.20 Impairment of long-term assets to the financial statements.</p> <p>As of 31 December 2023, the book value of goodwill was RMB24.290 billion, and the book value of intangible assets with indefinite useful lives was RMB2.688 billion, without any provision for asset impairment. Whether the provision for impairment of long-term assets was sufficient had great influence to the financial statements.</p> <p>Significant management judgments are involved in calculation of asset group's recoverable amount, such as revenue growth rate, gross margin, discount rate, etc.</p> <p>Provision for impairment of goodwill and intangible assets with indefinite useful lives is considered as the key audit matter due to the significant amount and management judgement involved in calculation.</p>	<p>We mainly implemented the following audit procedures on the provisions for the impairment of goodwill and intangible assets with indefinite useful life:</p> <ol style="list-style-type: none"> (1) Compared the actual operating results of the related assets group with previous year's forecasted figures, to assess the reliability of the management forecast on cash flow; (2) Compared the input of cash flow forecast with historical data, approved budget and business plan; (3) Tested the calculation accuracy of the discounted cash flow model; (4) Assessed the appropriateness of parameters in the cash flow conversion model, such as the discount rate and the perpetual growth rate. The assessment is based on our understanding of the Company's businesses and the industry.

Section X Financial Report

Key Audit Matters	Audit Response
(II) Provision for impairment of inventory	
<p>Relevant disclosures are included in Note VII.8 Inventory to the financial statements.</p> <p>The Company's inventories are measured at the lower of cost and net realizable value. As of 31 December 2023, the inventory balance was RMB41.005 billion, and the provision for impairment of inventory was RMB1.481 billion and the book value was RMB39.524 billion. Whether the provision for the impairment of inventories was sufficient and accurate had great influence to the financial statements.</p> <p>The Company determines the net realizable value of inventory based on the estimated selling price minus the estimated selling expenses and related taxes.</p> <p>Management estimates the selling price based on the status of inventory. The estimation process involves significant management judgments such as inventory status, repair rate, discount rate, etc.</p> <p>Provision for inventories is considered as the key audit matter due to the significant amount and management judgement involved in calculation.</p>	<p>We mainly implemented the following audit procedures on the provision for impairment of inventories:</p> <ol style="list-style-type: none"> (1) Obtained the calculation table for provision for impairment of inventory of the Company, and reviewed the conditions and aging of the products models stated in the table to see whether they are consistent with the information obtained through physical inventory on a sample basis; (2) Compared the major parameters estimated by management with historical data, and assessed the appropriateness; (3) Assessed the selling price estimated by the management, and checked the inventory against the actual selling price after the balance sheet date on a sample basis; (4) Assessed selling expenses and related tax estimated by management and compared with actual amounts incurred.

Key Audit Matters	Audit Response
(III) Product warranty	
<p>Relevant disclosures are included in Note VII. 31 Non-current liabilities due within one year and Note VII. 37 Estimated liabilities to the financial statements.</p> <p>Estimated liabilities of the Company are mainly accrued due to current obligations arising from product warranty. As of 31 December 2023, the balance of the estimated liabilities and non-current liabilities due within one year related to product warranty was RMB3.809 billion, and whether the provision for warranty was sufficient and accurate had great influence to the financial statements.</p> <p>Estimated liabilities for product warranty of the Company were measured in accordance with the best estimate of the cost to fulfill the relevant current obligations.</p> <p>Calculation of the product warranty involves management's significant judgments based on historical experience, such as: replacement rate, repair rate, and loss due to disassemble product.</p> <p>Estimated liabilities are considered as the key audit matters due to the significant amount and management judgement involved in calculation.</p>	<p>We mainly implemented the following audit procedures on the estimated liabilities:</p> <ol style="list-style-type: none"> (1) Obtained the calculation table on provisions of the management; (2) Compared the main parameters estimated by management with historical data; (3) Tested the accuracy of the calculation on estimated liabilities; (4) Compared and analyzed the calculation results of the estimated liabilities and the Company's actual operation;

IV. OTHER INFORMATION

The management of Haier Smart Home Co (hereinafter referred to as the “Management”) is responsible for other information. Other information includes the information covered in the 2023 annual report of Haier Smart Home Co, but does not include the financial statements and our audit reports.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the requirements as set out in the Accounting Standards for Business Enterprises, and for such internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management are responsible for assessing the ability of Haier Smart Home Co to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Haier Smart Home Co or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Haier Smart Home Co.

VI. AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following tasks:

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (III) Evaluate the appropriateness of accounting policies used by the Management and the reasonableness of accounting estimates and related disclosures made by the Management.
- (IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the ability of Haier Smart Home Co to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the auditing standards to draw attention in our audit report to the related disclosures in the financial statements or; if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause Haier Smart Home Co to cease to continue as a going concern.
- (V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Haier Smart Home Co to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Section X Financial Report

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the financial statements of the current period and therefore constitute the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hexin Certified Public Accountants LLP
Certified Public Accountant: Zhaobo (Engagement Partner)
Certified Public Accountant: Li Xiang Zhi
Jinan, China
27 March 2024

II. FINANCIAL STATEMENTS

Consolidated Balance Sheet

31 December 2023

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	31 December 2023	31 December 2022
Current assets:			
Monetary funds	VII.1	54,486,452,841.14	54,162,212,155.31
Provision of settlement fund			
Funds lent			
Financial assets held for trading	VII.2	953,963,543.83	519,912,880.91
Derivative financial assets	VII.3	67,565,829.44	183,185,160.51
Bills receivable	VII.4	8,621,434,831.39	9,624,191,838.15
Accounts receivable	VII.5	20,268,099,436.43	15,886,748,811.81
Financing receivables			
Prepayments	VII.6	1,238,294,930.51	1,110,507,870.61
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VII.7	2,649,558,985.05	2,401,113,902.55
Including: Interest receivables		748,496,020.24	513,320,376.79
Dividends receivables			
Financial assets purchased under resale agreements			
Inventories	VII.8	39,524,006,616.33	41,587,786,307.53
Contract assets	VII.9	260,939,408.73	309,930,359.25
Assets held for sale			
Non-current assets due in one year			
Other current assets	VII.10	4,550,167,668.68	4,693,309,967.86
Total current assets		132,620,484,091.53	130,478,899,254.49

Section X Financial Report

Items	Notes	31 December 2023	31 December 2022
Non-current assets:			
Loans and advances granted			
Debt investments	VII.11	8,841,233,078.66	1,034,222,222.22
Other debt investments			
Long-term receivables		350,409,496.85	305,070,001.45
Long-term equity investments	VII.12	25,546,793,450.20	24,527,800,290.84
Investments in other equity instruments	VII.13	6,403,694,954.77	5,851,882,930.20
Other non-current financial assets			
Investment properties	VII.14	98,631,080.77	103,041,751.52
Fixed assets	VII.15	29,603,936,822.78	27,158,348,424.28
Construction in progress	VII.16	5,403,469,596.76	4,094,712,417.61
Biological assets for production			
Oil and gas assets			
Right-of-use assets	VII.17	4,367,081,679.74	3,795,225,353.89
Intangible assets	VII.18	11,006,230,700.93	10,505,881,377.21
Development cost		266,490,235.10	154,480,515.67
Goodwill	VII.19	24,289,726,694.80	23,643,595,643.87
Long-term prepaid expenses	VII.20	741,745,517.64	759,883,174.20
Deferred income tax assets	VII.21	1,805,945,632.16	1,724,040,928.42
Other non-current assets	VII.22	2,033,986,945.28	1,880,736,891.63
Total non-current assets		120,759,375,886.44	105,538,921,923.01
Total assets		253,379,859,977.97	236,017,821,177.50

Items	Notes	31 December 2023	31 December 2022
Current liabilities:			
Short-term borrowings	VII.23	10,318,351,841.88	9,672,223,522.36
Borrowings from central bank			
Funds borrowed			
Financial liabilities held for trading			
Derivative financial liabilities	VII.24	168,625,004.97	104,594,040.66
Bills payable	VII.25	22,215,726,721.62	25,098,557,730.06
Accounts payables	VII.26	47,061,789,173.62	41,885,313,890.79
Receipts in advance			
Contract liabilities	VII.27	7,731,916,491.54	9,353,173,914.03
Disposal of repurchased financial assets			
Absorbing deposit and deposit in inter-bank market			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Payables for staff remuneration	VII.28	5,077,517,828.50	4,050,464,754.37
Taxes payable	VII.29	2,841,215,524.73	2,876,496,090.84
Other payables	VII.30	19,181,569,184.83	17,585,198,629.13
Including: Interest payables			
Dividends payables		1,880,719.69	1,246,573.35
Fees and commissions payable			
Reinsurance Accounts payables			
Liabilities held for sale			
Non-current liabilities due within one year	VII.31	3,732,550,549.23	6,294,750,667.08
Other current liabilities	VII.32	1,651,239,151.52	1,850,426,442.49
Total current liabilities		119,980,501,472.44	118,771,199,681.81

Section X Financial Report

Items	Notes	31 December 2023	31 December 2022
Non-current liabilities:			
Deposits for insurance contracts			
Long-term borrowings	VII.33	17,936,302,925.77	13,590,866,873.43
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VII.34	3,286,801,426.17	2,824,477,670.61
Long-term payables	VII.35	57,113,422.78	44,240,087.94
Long-term payables for staff remuneration	VII.36	1,085,454,839.18	1,010,547,202.34
Estimated liabilities	VII.37	1,935,014,042.24	1,611,029,220.17
Deferred income	VII.38	1,050,319,606.44	948,935,134.05
Deferred income tax liabilities	VII.21	2,028,390,554.20	2,358,860,559.19
Other non-current liabilities		108,218,339.24	107,332,101.07
Total non-current liabilities		27,487,615,156.02	22,496,288,848.80
Total liabilities		147,468,116,628.46	141,267,488,530.61
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII.39	9,438,114,893.00	9,446,598,493.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII.40	23,762,354,684.05	23,882,037,324.76
Less: treasury stock	VII.41	5,034,065,107.42	3,857,807,196.38
Other comprehensive income	VII.42	1,969,724,027.01	1,990,683,498.45
Special reserve			
Surplus reserve	VII.43	4,842,338,543.80	4,014,190,623.24
General risk provisions			
Undistributed profits	VII.44	68,535,686,494.60	57,983,734,859.37
Total equity attributable to owners (or shareholders) of the Parent Company		103,514,153,535.04	93,459,437,602.44
Minority interests		2,397,589,814.47	1,290,895,044.45
Total owners' equity (or shareholders' equity)		105,911,743,349.51	94,750,332,646.89
Total liabilities and owners' equity (or shareholders' equity)		253,379,859,977.97	236,017,821,177.50

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Balance Sheet of the Parent Company

31 December 2023

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	31 December 2023	31 December 2022
Current Assets:			
Monetary funds		7,579,640,524.79	5,747,356,591.19
Financial assets held for trading			
Derivative financial assets			
Bills receivable			
Accounts receivable	XIX.1	1,625,777,099.03	913,643,071.06
Financing receivables			
Prepayments		3,212,938.83	3,116,793.21
Other receivables	XIX.2	23,649,977,816.57	14,387,031,657.57
Including: Interest receivables		117,439,655.79	29,783,516.95
Dividends receivables		570,000,000.00	1,015,840,000.00
Inventories		5,400,498.27	9,245,507.97
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		1,530,274,566.66	1,642,423,149.85
Total current assets		34,394,283,444.15	22,702,816,770.85
Non-current assets:			
Debt investments		2,884,204,032.25	1,034,222,222.22
Other debt investments			
Long-term receivables			
Long-term equity investments	XIX.3	55,828,696,006.06	52,744,139,527.87
Investments in other equity instruments		1,619,260,874.04	1,618,513,056.48
Other non-current financial assets			
Investment properties			
Fixed assets		154,588,551.47	167,043,774.16
Construction in progress		6,054.40	2,667,680.62
Biological assets for production			
Oil and gas assets			
Right-of-use assets			357,996.03
Intangible assets		41,307,540.86	48,239,513.12
Development cost			
Goodwill			
Long-term prepaid expenses		3,777,722.63	3,910,065.39
Deferred income tax assets			
Other non-current assets		1,501,734,455.48	1,302,773,743.02
Total non-current assets		62,033,575,237.19	56,921,867,578.91
Total assets		96,427,858,681.34	79,624,684,349.76

Section X Financial Report

Items	Notes	31 December 2023	31 December 2022
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable			
Accounts payables		1,120,671,258.40	521,733,555.60
Receipts in advance			
Contract liabilities		22,930,469.11	13,084,442.85
Payables for staff remuneration		28,602,784.57	9,696,654.18
Taxes payable		5,590,668.41	7,479,878.13
Other payables		45,012,683,942.96	32,659,845,830.05
Including: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		134,000,000.00	
Other current liabilities		12,486,915.31	5,876,886.89
Total current liabilities		46,336,966,038.76	33,217,717,247.70
Non-current liabilities:			
Long-term borrowings		3,779,500,000.00	2,195,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term payables for staff remuneration			
Estimated liabilities			
Deferred income		12,973,300.00	12,355,000.00
Deferred income tax liabilities		420,053,312.58	420,805,600.57
Other non-current liabilities			
Total non-current liabilities		4,212,526,612.58	2,628,160,600.57
Total liabilities		50,549,492,651.34	35,845,877,848.27

Items	Notes	31 December 2023	31 December 2022
Owners' equity (or Shareholders' equity):			
Paid-in capital (or share capital)		9,438,114,893.00	9,446,598,493.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		27,263,651,777.44	27,300,899,019.76
Less: treasury stock		3,175,293,942.36	2,308,138,558.42
Other comprehensive income		630,674,691.95	602,091,349.74
Special reserve			
Surplus reserve		4,237,192,318.35	3,409,044,397.79
Undistributed profits		7,484,026,291.62	5,328,311,799.62
Total owners' equity (or shareholders' equity)		45,878,366,030.00	43,778,806,501.49
Total liabilities and owners' equity (or shareholders' equity)		96,427,858,681.34	79,624,684,349.76

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Section X Financial Report

Consolidated Profit Statement

January-December 2023

Unit and Currency: RMB

Items	Notes	2023	2022
I. Total operating revenue		261,427,783,050.10	243,578,924,958.47
Including: Operating revenue	VII.45	261,427,783,050.10	243,578,924,958.47
Interest income			
Insurance premiums earned			
Fee and commission income			
II. Total cost of operations		243,273,007,696.61	226,789,500,960.55
Including: Operating cost	VII.45	179,053,959,580.31	167,263,342,432.05
Interest expenses			
Fee and commission expenses			
Insurance withdrawal payment			
Net payment from indemnity			
Net provisions withdrew for insurance contract liability			
Insurance policy dividend paid			
Reinsurance cost			
Taxes and surcharges	VII.46	1,016,198,255.80	813,880,888.18
Selling expenses	VII.47	40,978,039,605.37	38,600,298,275.47
Administrative expenses	VII.48	11,489,640,885.88	10,846,346,796.51
R&D expenses	VII.49	10,221,013,589.28	9,507,384,787.81
Financial expenses	VII.50	514,155,779.97	-241,752,219.47
Including: Interest expenses		2,109,996,018.29	988,036,369.52
Interest income		1,486,196,698.91	855,213,183.91
Add: Other income	VII.51	1,558,864,654.36	1,070,103,842.60
Investment income			
(losses are represented by '—')	VII.52	1,909,917,817.25	1,832,656,952.60
Including: investment income of associates and joint ventures		1,786,573,842.34	1,582,178,829.86
Income generated from the derecognition of financial assets measured at amortized cost			
Exchange gain (losses are represented by '—')			

Items	Notes	2023	2022
Gains on net exposure hedges (losses are represented by '—')			
Gains on changes in fair value (losses are represented by '—')	VII.53	19,753,663.05	-122,442,933.65
Loss on credit impairment (losses are represented by '—')	VII.54	-242,642,129.31	-431,377,480.82
Loss on assets impairment (losses are represented by '—')	VII.55	-1,505,153,026.02	-1,499,859,761.26
Gain from disposal of assets (losses are represented by '—')	VII.56	-15,342,697.67	206,742,815.79
III. Operating profit (losses are represented by '—')		19,880,173,635.15	17,845,247,433.18
Add: non-operating income	VII.57	127,886,961.44	136,595,298.10
Less: non-operating expenses	VII.58	295,802,566.43	190,706,969.79
IV. Total profit (total losses are represented by '—')		19,712,258,030.16	17,791,135,761.49
Less: income tax expense	VII.59	2,980,188,255.41	3,057,822,871.71
V. Net profit (net losses are represented by '—')		16,732,069,774.75	14,733,312,889.78
(1) Classification by continuous operation			
1. Net profit from continuous operation (net losses are represented by '—')		16,732,069,774.75	14,733,312,889.78
2. Net profit from discontinued operation (net losses are represented by '—')			
(2) Classification by ownership of the equity			
1. Net profit attributable to shareholders of the Parent Company (net losses are represented by '—')		16,596,615,045.87	14,712,054,763.24
2. Profit or loss attributable to minority shareholders (net losses are represented by '—')		135,454,728.88	21,258,126.54

Section X Financial Report

Items	Notes	2023	2022
VI. Other comprehensive income, net of tax	VII.60	-35,551,610.31	3,164,841,092.31
(I) Other comprehensive income attributable to owners of the Parent Company, net of tax		-20,959,471.44	3,167,199,045.79
1. Other comprehensive income that cannot be reclassified into the profit or loss		503,462,953.84	-103,425,450.86
(1) Changes arising from re-measurement of defined benefit plans		40,317,053.23	33,063,471.15
(2) Other comprehensive income that cannot be transferred into profit or loss under equity method			
(3) Changes in fair value of investments in other equity instruments		463,145,900.61	-136,488,922.01
(4) Changes in fair value of credit risks of the enterprise			
2. Other comprehensive income to be reclassified into the profit or loss		-524,422,425.28	3,270,624,496.65
(1) Other comprehensive income that can be transferred into profit or loss under equity method		-104,019,712.68	99,921,599.99
(2) Changes in fair value of other debt Investments			
(3) Reclassified financial assets that are credited to other comprehensive income			
(4) Credit impairment provision for other debt investments			
(5) Reserve for cash flow hedging		-98,556,869.01	2,308,423.98
(6) Exchange differences on translation of financial statements denominated in foreign currencies		-321,845,843.59	3,168,394,472.68
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax		-14,592,138.87	-2,357,953.48

Items	Notes	2023	2022
VII.Total comprehensive income		16,696,518,164.44	17,898,153,982.09
(I) Total comprehensive income attributable to the owners of Parent Company		16,575,655,574.43	17,879,253,809.03
(II) Total comprehensive income attributable to the minority shareholders		120,862,590.01	18,900,173.06
VIII.Earnings per share:			
(I) Basic earnings per share (RMB/share)	XXI.1	1.79	1.58
(II) Diluted earnings per share (RMB/share)	XXI.1	1.78	1.57

For business combination under common control occurring in the current period, the net profit of the acquiree before the combination was RMB-2,581,701.76, and the net profit of the acquiree for the previous period was RMB1,131,271.25.

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Section X Financial Report

Profit Statement of the Parent Company

January-December 2023

Unit and Currency: RMB

Items	Notes	2023	2022
I. Operating revenue	XIX.4	720,992,484.07	424,661,926.32
Less: operating cost	XIX.4	626,285,718.42	370,625,212.62
Taxes and surcharges		5,260,953.75	3,356,878.04
Selling expenses		14,931,713.80	2,255,208.68
Administration expenses		629,589,430.69	844,381,395.30
R&D expenses		20,148,355.05	19,067,424.89
Financial expenses		-194,423,911.53	-137,417,983.20
Including: interest expenses		81,607,850.71	33,870,759.40
Interest income		287,121,435.40	158,040,013.89
Add: other income		10,186,535.00	32,862,065.58
Investment income (losses are represented by '—')	XIX.5	8,651,024,353.84	6,431,738,015.98
Including: investment income of associates and joint ventures		147,523,868.11	71,408,243.76
Derecognition income on financial assets measured at amortized cost			
Gains on net exposure hedges (losses are represented by '—')			
Gains on changes in fair value (losses are represented by '—')			
Loss on credit impairment (losses are represented by '—')		74,824.58	-3,315,122.80
Loss on assets impairment (losses are represented by '—')			
Gain from disposal of assets (losses are represented by '—')		34,882.70	102,421,078.92
II. Operating profit (losses are represented by '—')		8,280,520,820.01	5,886,099,827.67
Add: non-operating income		99,051.41	209,515.11
Less: non-operating expenses		78,702.83	149,806.55
III. Total profit (total losses are represented by '—')		8,280,541,168.59	5,886,159,536.23
Less: income tax expenses		-938,036.98	130,412,402.20
IV. Net profit (net losses are represented by '—')		8,281,479,205.57	5,755,747,134.03
(I) Net profit from continuous operations (net losses are represented by '—')		8,281,479,205.57	5,755,747,134.03

Items	Notes	2023	2022
(II) Net profit from discontinued operations (net losses are represented by '—')			
V. Other comprehensive income, net of tax		28,583,342.21	-19,211,595.09
(I) Other comprehensive income that cannot be reclassified into the profit or loss		560,863.17	2,297,267.67
1. Changes arising from re- measurement of defined benefit plans			
2. Other comprehensive income that cannot be transferred into profit or loss under equity method			
3. Changes in fair value of investments in other equity instruments		560,863.17	2,297,267.67
4. Changes in fair value of credit risks of the enterprise			
(II) Other comprehensive income to be reclassified into the profit or loss		28,022,479.04	-21,508,862.76
1. Other comprehensive income that can be transferred into profit or loss under equity method		28,022,479.04	-21,508,862.76
2. Changes in fair value of other debt investments			
3. Reclassified financial assets that are credited to other comprehensive income			
4. Credit impairment provision for other debt investments			
5. Reserve for cash flow hedging			
6. Exchange differences on translation of financial statements denominated in foreign currencies			
7. Others			
VI. Total comprehensive income		8,310,062,547.78	5,736,535,538.94
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Section X Financial Report

Consolidated Cash Flow Statement

January-December 2023

Unit and Currency: RMB

Items	Notes	2023	2022
I. Cash flow from operating activities:			
Cash received from the sale of goods and rendering services		275,380,453,881.77	258,307,895,412.14
Net increase in distributor and inter-bank deposits			
Net increase in borrowing from the central bank			
Net cash increase in borrowing from other financial institutes			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Cash received from interest, fee and commissions			
Net increase in cash borrowed			
Net increase in cash received from repurchase operation			
Net cash received from customer deposits for trading in securities			
Refunds of taxes		1,863,779,679.64	2,047,675,601.66
Cash received from other related operating activities	VII.61	2,502,260,865.46	1,670,029,049.93
Sub-total of cash inflows from operating activities		279,746,494,426.87	262,025,600,063.73
Cash paid on purchase of goods and services		184,741,840,867.86	179,426,790,100.90
Net increase in loans and advances of distributors			
Net increase in deposits in the PBOC and inter bank			
Cash paid for compensation payments under original insurance contract			
Net increase in cash lent			
Cash paid for interest, bank charges and commissions			
Cash paid for insurance policy dividend			

Items	Notes	2023	2022
Cash paid to and on behalf of employees		29,275,161,426.81	27,244,686,728.12
Cash paid for all types of taxes		14,556,605,211.44	10,825,779,042.33
Cash paid to other operation related activities	VII.61	25,910,510,692.46	24,271,787,046.52
Sub-total of cash outflows from operating activities		254,484,118,198.57	241,769,042,917.87
Net cash flow from operating activities	VII.62	25,262,376,228.30	20,256,557,145.86
II. Cash flow from investing activities:			
Cash received from recovery of investments		8,146,370,206.35	12,147,228,999.62
Cash received from return on investments		825,794,185.05	686,445,555.44
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		168,067,958.90	228,856,132.92
Net cash received from disposal of subsidiaries and other operating entities			18,224,929.86
Other cash received from investment activities			
Sub-total of cash inflows from investing activities		9,140,232,350.30	13,080,755,617.84
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		9,906,927,817.57	8,209,786,230.64
Cash paid for investments		16,162,057,602.71	13,538,237,214.16
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities	VII.62	156,312,111.87	40,026,037.55
Other cash paid on investment activities			218,440,847.94
Sub-total of cash outflows from investing activities		26,225,297,532.15	22,006,490,330.29
Net cash flow from investing activities		-17,085,065,181.85	-8,925,734,712.45
III. Cash flow from financing activities:			
Cash received from capital contributions		945,787,071.73	987,339,004.94
Including: cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		19,957,867,383.54	18,378,512,304.41
Other cash received from financing activities			1,000,000.00
Sub-total of cash inflows from financing activities		20,903,654,455.27	19,366,851,309.35
Cash paid on repayment of loans		18,423,980,786.96	14,766,271,845.92
Cash paid on distribution of dividends, profits or repayment of interest expenses		7,224,378,853.72	5,153,227,150.11
Including: dividend and profit paid to minority shareholders by subsidiaries			
Other cash paid to financing activities	VII.61	3,096,327,667.64	3,347,802,454.24

Section X Financial Report

Items	Notes	2023	2022
Sub-total of cash outflows from financing activities		28,744,687,308.32	23,267,301,450.27
Net cash flow from financing activities		-7,841,032,853.05	-3,900,450,140.92
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		248,822,600.22	760,094,284.39
V. Net increase in cash and cash equivalents		585,100,793.62	8,190,466,576.88
Add: balance of cash and cash equivalents at the beginning of the period	VII.62	53,392,209,857.41	45,201,743,280.53
VI. Balance of cash and cash equivalents at the end of the period	VII.62	53,977,310,651.03	53,392,209,857.41

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Cash Flow Statement of the Parent Company

January-December 2023

Unit and Currency: RMB

Items	Notes	2023	2022
I. Cash flow from operating activities:			
Cash received from the sale of goods and rendering of services		87,985,716.98	72,931,789.11
Refunds of taxes			19,008,796.07
Other cash received from operating activities		161,504,582.95	373,367,957.93
Sub-total of cash inflows from operating activities		249,490,299.93	465,308,543.11
Cash paid on purchase of goods and services		1,410,519.44	147,652.63
Cash paid to and on behalf of employees		33,473,832.54	30,719,560.38
Cash paid for all types of taxes		23,469,049.21	9,583,573.15
Other cash paid to operation activities		166,310,707.28	35,896,845.76
Sub-total of cash outflows from operating activities		224,664,108.47	76,347,631.92
Net cash flow from operating activities		24,826,191.46	388,960,911.19
II. Cash flow from investing activities:			
Cash received from recovery of investments		7,310,000,000.00	4,072,370,000.00
Cash received from return on investments		9,221,548,256.67	9,114,011,850.11
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets			35,206,354.85
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from investment activities		38,509,682.22	792,521,903.31
Sub-total of cash inflows from investing activities		16,570,057,938.89	14,014,110,108.27
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		11,225,015.05	29,560,476.49
Cash paid for investments		12,184,423,958.00	6,790,729,807.20
Net cash paid on acquisition of subsidiaries and other operating entities			

Section X Financial Report

Items	Notes	2023	2022
Other cash paid on investment activities	1,228,069,045.00	2,862,532,098.24	
Sub-total of cash outflows from investing activities	13,423,718,018.05	9,682,822,381.93	
Net cash flow from investing activities	3,146,339,920.84	4,331,287,726.34	
III.Cash flow from financing activities:			
Cash received from capital injections		940,041,004.94	
Cash received from borrowings	1,938,000,000.00	2,200,000,000.00	
Other cash received from financing activities	3,933,896,501.13		
Sub-total of cash inflows from financing activities	5,871,896,501.13	3,140,041,004.94	
Cash paid on repayment of borrowings	219,500,000.00	5,000,000.00	
Cash paid on distribution of dividends, profits or repayment of interest expenses	5,383,785,133.91	4,344,971,295.80	
Other cash paid on financing activities	1,614,517,322.60	1,826,254,269.50	
Sub-total of cash outflows from financing activities	7,217,802,456.51	6,176,225,565.30	
Net cash flow from financing activities	-1,345,905,955.38	-3,036,184,560.36	
IV.Effect of fluctuations in exchange rates on cash and cash equivalents	7,023,776.68	19,756,778.54	
V. Net increase in cash and cash equivalents	1,832,283,933.60	1,703,820,855.71	
Add: balance of cash and cash equivalents at the beginning of the period	5,747,356,591.19	4,043,535,735.48	
VI.Balance of cash and cash equivalents at the end of the period	7,579,640,524.79	5,747,356,591.19	

Person in charge of the Company: Li Huagang
Person in charge of accounting function: Gong Wei
Person in charge of accounting department: Ying Ke

Consolidated Statement of Changes in Owner's Equity

January-December 2023

Unit and Currency: RMB

2023															
Equity attributable to owners of the Parent Company															
Other equity instruments															
Items	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
I. Closing balance for the previous year	9,446,538,493.00				23,882,037,324.76	3,857,807,196.38	1,990,683,498.45		4,014,190,623.24	-	57,976,944,921.36		93,422,647,664.43	1,290,885,044.45	94,713,542,708.88
Add: changes in accounting policies															
Error correction for prior period															
Business combination under common control															
Others					30,000,000.00						6,789,938.01		36,789,938.01		36,789,938.01
II. Opening balance for the current year	9,446,538,493.00				23,882,037,324.76	3,857,807,196.38	1,990,683,498.45		4,014,190,623.24		57,983,734,699.37		93,459,437,602.44	1,290,885,044.45	94,750,332,646.89
III. Increase/decrease for the current period (decrease is represented by "-")	-8,463,600.00				-119,882,640.71	1,176,257,911.04	-20,959,471.44		838,147,920.56		10,551,951,635.23		10,054,715,932.60	1,105,694,770.02	11,161,410,702.62
(I) Total comprehensive income							-20,959,471.44				16,586,616,045.87		16,575,655,574.43	120,862,590.01	16,696,516,164.44
(II) Capital injection and reduction by owners	-8,463,600.00				-119,882,640.71	1,176,257,911.04							-1,304,424,151.75	1,010,544,184.01	-293,879,967.74
1. Ordinary shares invested by owners															
2. Capital contribution by holders of other equity instruments															
3. Share-based payment included in owners' equity															
4. Others	-8,463,600.00				179,238,533.70	1,176,257,911.04							179,238,533.70		179,238,533.70
(III) Profit distribution					-298,921,174.41						-6,082,384,047.78		-1,483,662,686.45		-1,483,662,686.45
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provision													-5,254,436,127.22	-24,712,004.00	-5,279,148,131.22
3. Distribution to owners (or shareholders)															
4. Others															
(IV) Internal transfer of owner's equity															
1. Transfer of capital reserves into capital (or share capital)															
2. Transfer of surplus reserves into capital (or share capital)															
3. Surplus reserves used for remedying loss															
4. Charges in defined benefit plans carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserve															
1. Withdrawal for the period															
2. Utilization for the period															
(VI) Others															
IV. Closing balance for the period	9,438,114,893.00				23,762,354,684.05	5,034,036,107.42	1,969,724,027.01		4,842,338,543.80		37,920,637.14		37,920,637.14	2,397,558,814.47	37,920,637.14
											68,535,066,094.60		103,514,153,535.04		103,514,153,535.04

Section X Financial Report

2022															
Equity attributable to owners of the Parent Company															
Other equity instruments															
Items	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
I. Closing balance for the previous year Add: changes in accounting policies Error correction for prior period Business combination under common control	9,388,704,530.00			118,017,507.59	22,665,374,739.46	2,424,038,819.70	-1,176,651,693.92		3,438,615,939.84		47,965,270,360.79		79,965,092,528.06	1,289,500,808.72	81,274,593,336.78
Others					30,000,000.00						20,658,666.76		50,658,666.76		50,658,666.76
II. Opening balance for the current year III. Increase/decrease for the current period (decrease is represented by "-")	9,388,704,530.00			118,017,507.59	22,695,374,739.46	2,424,038,819.70	-1,176,651,693.92		3,438,615,939.84		47,985,929,027.55		80,035,751,194.82	1,289,500,808.72	81,325,252,003.54
(decrease is represented by "-")	47,833,993.00			-118,017,507.59	1,186,662,595.30	1,433,766,376.68	3,167,535,196.37		575,574,713.40		9,997,803,831.82		13,423,686,407.62	1,394,235.73	13,425,080,643.35
(I) Total comprehensive income							3,167,193,045.79				14,712,054,763.24		17,879,253,899.03	18,900,773.06	17,898,153,992.09
(II) Capital injection and reduction by owners	47,833,993.00			-118,017,507.59	1,333,547,865.69	1,433,766,376.68					-150,344,055.58		-150,344,055.58	1,810,303.91	-148,533,151.67
1. Ordinary shares issued by owners	41,413,600.00				888,627,404.94						940,041,004.94		940,041,004.94	1,810,303.91	941,851,908.85
2. Capital contribution by holders of other equity instruments															
3. Share-based payment included in owners' equity	21,450,560.00			-118,017,507.59	457,962,768.76						361,385,824.17		361,385,824.17		361,385,824.17
4. Others	-14,970,200.00				683,835,462.71						683,835,462.71		683,835,462.71		683,835,462.71
(III) Profit distribution					-986,877,170.72	1,433,766,376.68					-2,145,616,347.40		-2,145,616,347.40		-2,145,616,347.40
1. Withdrawal of surplus reserves									575,574,713.40		-4,872,209,534.61		-4,296,634,791.21		-4,315,951,632.45
2. Withdrawal of general risk provision									575,574,713.40		-575,574,713.40				
3. Distribution to owners (or shareholders)															
4. Others															
(IV) Internal transfer of owner's equity															
1. Transfer of capital reserves into capital (or share capital)															
2. Transfer of surplus reserves into capital (or share capital)									575,574,713.40						
3. Surplus reserves used for remedying loss									575,574,713.40						
4. Changes in defined benefit plans carried forward to related earnings															
5. Other comprehensive income carried forward to related earnings															
6. Others															
(V) Special reserve															
1. Withdrawal for the period							336,152.39				157,960,573.19				-6,588,554.62
2. Utilization for the period							1,990,663,498.45				57,995,734,659.37				
(VI) Others									4,014,190,622.24				93,559,437,802.44	1,290,885,044.45	94,750,332,646.89
IV. Closing balance for the period	9,446,538,493.00				-166,885,280.39	3,857,807,196.38	336,152.39		4,014,190,622.24		57,995,734,659.37		-8,588,554.62		-6,588,554.62
					23,882,037,324.76		1,990,663,498.45								

Statement of Changes in Owners' Equity of the Parent Company

January-December 2023

Unit and Currency: RMB

Items	2023										Total owners' equity
	Paid-in capital (or share capital)	Preference shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
I. Closing balance for the previous year	9,446,598,493.00				27,300,899,019.76	2,308,138,558.42	602,091,349.74		3,409,044,397.79	5,328,311,799.62	43,778,806,501.49
Add: changes in accounting policies											
Error correction for prior period											
Others											
II. Opening balance for the current year	9,446,598,493.00				27,300,899,019.76	2,308,138,558.42	602,091,349.74		3,409,044,397.79	5,328,311,799.62	43,778,806,501.49
III. Increase/decrease for the current period (decrease is represented by "-")	-8,483,600.00				-37,247,242.32	867,155,383.94	28,583,342.21		828,147,920.56	2,155,714,492.00	2,099,559,528.51
(I) Total comprehensive income	-						28,583,342.21			8,281,479,205.57	8,310,062,547.78
(II) Capital injection and reduction by owners	-8,483,600.00				-37,247,242.32	867,155,383.94					-912,886,226.26
1. Ordinary shares invested by owners											
2. Capital contribution by holders of other equity instruments											
3. Share-based payment included in owners' equity					135,995,049.35						135,995,049.35
4. Others	-8,483,600.00				-173,242,291.67	867,155,383.94					-1,048,881,275.61
(III) Profit distribution									828,147,920.56	-6,125,764,713.57	-5,297,616,793.01
1. Withdrawal of surplus reserves									828,147,920.56	-828,147,920.56	-
2. Distribution to owners (or shareholders)											
3. Others										-5,297,616,793.01	-5,297,616,793.01
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4. Changes in defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others											
IV. Closing balance for the period	9,438,114,893.00				27,263,651,777.44	3,175,293,942.36	630,674,691.95		4,237,192,318.35	7,484,026,291.62	45,878,366,030.00

Section X Financial Report

Items	2022										Total owners' equity
	Paid-in capital (or share capital)	Preference shares	Other equity instruments	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
I. Closing balance for the previous year	9,398,704,530.00				25,802,279,483.13	1,495,170,675.08	621,302,944.83		2,833,469,684.39	4,468,575,626.52	41,629,161,593.79
Add: changes in accounting policies											
Error correction for prior period											
Others											
II. Opening balance for the current year	9,398,704,530.00				25,802,279,483.13	1,495,170,675.08	621,302,944.83		2,833,469,684.39	4,468,575,626.52	41,629,161,593.79
III. Increase/decrease for the current period (decrease is represented by "-")	47,893,963.00				1,496,619,536.63	812,967,883.34	-19,211,595.09		575,574,713.40	859,736,173.10	2,149,644,907.70
(I) Total comprehensive income							-19,211,595.09			5,755,747,134.03	5,736,535,538.94
(II) Capital injection and reduction by owners	47,893,963.00				1,559,004,664.94	812,967,883.34					793,930,744.60
1. Ordinary shares invested by owners	41,413,600.00				898,627,404.94						940,041,004.94
2. Capital contribution by holders of other equity instruments	21,450,563.00				339,945,261.17						361,395,824.17
3. Share-based payment included in owners' equity					639,163,385.88						639,163,385.88
4. Others	-14,970,200.00				-318,731,387.05	812,967,883.34					-1,146,669,470.39
(III) Profit distribution									575,574,713.40	-4,896,010,960.93	-4,320,436,247.53
1. Withdrawal of surplus reserves									575,574,713.40	-575,574,713.40	-
2. Distribution to owners (or shareholders)									-	-4,320,436,247.53	-4,320,436,247.53
3. Others											-
(IV) Internal transfer of owner's equity											-
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4. Changes in defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others					-60,385,128.31						-60,385,128.31
IV. Closing balance for the period	9,446,598,493.00				27,300,899,019.76	2,308,138,558.42	602,091,349.74		3,409,044,397.79	5,328,311,799.62	43,778,806,501.49

Legal representative of the Company:
Li Huagang

Person in charge of accounting
function: Gong Wei

Person in charge of accounting
department: Ying Ke

III. GENERAL INFORMATION OF THE COMPANY

1. Overview of the Company

☒ Applicable ☐ Not Applicable

The predecessor of Haier Smart Home Co., Ltd (hereinafter referred to as the Company) was Qingdao Refrigerator Factory, which was established in 1984. As permitted to offering by People's Bank of China, Qingdao Branch on 16 December 1989, with the document of Qing Ti Gai [1989] No. 3 issued on 24 March 1989, based on the reconstruction of the original Qingdao Refrigerator Factory, a limited company was set up by directional fund raising of RMB150 million. In March and September 1993, as approved by the document of Qing Gu Ling Zi [1993] No. 2 and No. 9 issued by the pilot leading team of Qingdao joint stock company, the Company was converted from a directional offering company to a public subscription company and issued additional 50 million shares to the public and listed with trading on Shanghai Stock Exchange in November 1993. In October 2018, D-shares in issue of the Company were listed on the China Europe International Exchange AG. In December 2020, H-shares in issue of the Company were listed on the Stock Exchange of Hong Kong Limited by way of introduction.

The Company's registered office is located at the Haier Science and Technology Innovation Ecological Park of Laoshan District, Qingdao, Shandong Province, and the headquarters is located at the Haier Science and Technology Innovation Ecological Park of Laoshan District, Qingdao, Shandong Province.

The Company is mainly engaged in research and development, manufacturing and sales of home appliances including refrigerators/freezers, kitchen appliances, air-conditioners, laundry appliances and water appliances, and other smart home business, as well as providing smart home packaged solutions.

The ultimate controlling parent company of the Company is Haier Group Corporation.

These financial statements have been approved for publication by the Board of the Company on 27 March 2024.

2. Scope of consolidated statements

For details of changes in the scope of consolidated financial statements for the current period, please refer to 'IX. Changes in Consolidation Scope' and 'X. Interest in Other Entities' of this note.

IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements of the Company were prepared on the going concern basis according to the transactions and matters actually occurred, in accordance with the Accounting Standards for Enterprises — Basic Standards published by the Ministry of Finance, specific accounting standards, and guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (hereinafter collectively referred to as the 'Accounting Standards for Enterprises') which issued subsequently, and in combination with the disclosure provisions of the Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No. 15: General Provisions for Financial Report (Revised in 2023) of CSRC as well as the following significant accounting policies and accounting estimation.

2. Going Concern

☒ Applicable ☐ Not Applicable

The Company has ability to continue its operation for at least 12 months since the end of the reporting period and there are no significant events affecting its ability to continue as a going concern.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

☒ Applicable ☐ Not Applicable

According to the characteristics of its production and operation, the Company formulated a series of specific accounting policies and accounting estimates, including the provisions for impairment for accounts receivable (Note V.11); the measurement of inventories (Note V.12); the depreciation and amortization of the investment properties (Note V.15); the depreciation of fixed assets (Note V.16), the amortization of intangible assets (Note V.19), the criterion for determining of long-term assets impairment (Note V.20); and the date of revenue recognition (Note V.26), etc.

1. Statement of compliance with Accounting Standards for Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Enterprises, which accurately and completely reflected information relating to the financial position, results of operations, changes in shareholders' equity and cash flows of the Company.

2. Accounting period

The accounting year of the Company is from 1 January each year to 31 December of the same year in solar calendar.

3. Operating period√ Applicable ☐ Not Applicable

The Company takes the period from the acquisition of assets for processing to the ultimate realization of cash or cash equivalents as a normal operating cycle. The Company takes 12 months as an operating period, which is also the classification basis for the liquidity of its assets and liabilities.

4. Recording currency

Renminbi is the recording currency of the Company

5. Materiality criteria determination method and selection basis√ Applicable ☐ Not Applicable

Case	Materiality criteria
Material receivables for which bad debt provision is individually assessed	The amount of provision on an individual basis accounts for more than 10% of the total bad debt provisions for various types of receivables and is greater than RMB100 million
Material receivables and bad debt provisions which are recovered or reversed	The amount of recovery or reversal on an individual basis accounts for more than 10% of the total amount of various types of receivables and is greater than RMB100 million
Actual write-off of material accounts receivable	The amount of write-off on an individual basis accounts for more than 10% of the total bad debt provisions of various types of receivables and is greater than RMB100 million
Material prepayments aged more than one year	Prepayment aged more than 1 year on an individual basis accounts for more than 10% of the total prepayments and is greater than RMB100 million
Material projects under construction	The ending balance of a project on an individual basis is greater than RMB50 million
Material capitalized R&D projects	The ending balance of a project on an individual basis accounts for more than 10% of the ending balance of development expenditure and is greater than RMB100 million
Material accounts payable and other payables aged more than one year	Accounts payable/other payables with aged more than 1 year on an individual basis account for more than 10% of the total accounts payable/other payables and are greater than RMB100 million
Material contract liabilities aged more than one year	Contract liabilities aged more than 1 year on an individual basis account for more than 10% of the total contract liabilities and are greater than RMB100 million
Material non-wholly owned subsidiaries	The net assets of the subsidiaries account for more than 5% of the Company's net assets or the net profits and losses of the subsidiaries account for more than 10% of the Company's consolidated net profit.
Material joint ventures or associates	The book value of long-term equity investment in an individual invested unit accounts for more than 5% of the Company's net assets or the investment profits and losses under the long-term equity investment equity method account for more than 10% of the Company's consolidated net profit.

6. Accounting methods of business combinations under common control and not under common control

☒ Applicable ☐ Not Applicable

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations under common control and business combinations not under common control.

(1) Business combinations under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For business combination under common control, the party that obtains the control over the other parties on the combination date is the acquirer, and other parties involving in the business combination are the transferors. The combination date is the date on which the acquiring party effectively obtains the control over the party being acquired.

For business combination under common control, the transferor's assets and liabilities obtained by the Company (as the acquirer) in a business combination are accounted for at the carrying amount of the transferor in the ultimate controller's consolidated financial statements as at the date of combination, except for adjustments due to differences in accounting policies. The difference between the carrying amount of the combination consideration paid by the Company (or the aggregate nominal value of shares issued) and the carrying amount of net assets obtained in a business combination shall be adjusted to capital reserve, in case the capital reserve is insufficient for the elimination, the retained earnings shall be adjusted.

Intermediary fees (such as audit, legal services and valuation consultancy) and other relevant management fees incurred in the business combination by the Company (as the acquirer) are credited in profit or loss in the period when they occurred. Trading expenses in direct relation to the issuance of equity instrument as the consideration for the combination is written down to the capital reserve (share premium), where the capital reserve (share premium) is insufficient, and to surplus reserves and undistributed profits in order. Trading expenses in direct relation to the issuance of debt instrument as the consideration for the combination is included in the initial recognition amount of the debt instrument.

(2) Business combinations involving entities not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For business combination not under common control, the party that obtains the control of the other parties at the combination date is the acquirer; other parties involving in the business combination are the transferors. The combination date is the date on which the acquirer effectively obtains control of the transferors.

In business combination involving entities not under common control, the cost of combination of the Company (as the acquirer) shall be the sum of the assets paid, obligations incurred or assumed and the fair value of the equity securities issued by the Company for obtaining control of the transferor at the date of acquisition. Intermediary fees (such as audit, legal services and valuation consultancy) and other relevant management fees incurred by the Company for the purpose of business combination are credited in profit or loss in the period when they occurred. Transaction fees for the equity instruments or debt instruments issued by the Company as combination consideration is included in the initial recognition amount of such equity instruments or debt instruments. Contingent consideration involved shall be recorded as the combination cost based on its fair value on the acquisition date. Should any new or further evidence arise within 12 months after the acquisition date and makes it necessary to adjust the contingent consideration on the acquisition date, the goodwill arising from the business combination shall be amended accordingly.

The cost of combination and identifiable net assets obtained by the Company (as the acquirer) in a business combination involving entities not under common control are measured at fair value on the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the transferor's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the transferor's identifiable net assets, the difference is initially recognized in profit or loss for the current year after the Company conducted a review of computation for the identifiable assets, liabilities or fair value of contingent liabilities and combination cost, and where the combination cost is still lower than the fair value of the identifiable net assets of the transferor obtained during the course of combination, then the difference is recorded in the profit and loss.

7. Judgement Criteria for Control and Preparation of Consolidated Financial Statements

☒ Applicable ☐ Not Applicable

Judgement Criteria for Control:

The scope of consolidation of consolidated financial statements is on the basis of control. Control means that the Company has the power over the investee, enjoys variable returns by participating in relevant activities of the investee, and has the ability to use its power over the investee to influence the amount of its return. Control refers to the Company's right over the investee to enjoy variable returns through involvement in the investee and have the ability to exert the right to affect those returns. The Company will reassess when changes in relevant facts and circumstances result in changes in the relevant elements involved in the definition of control.

Preparation method of consolidated statements:

(1) *Scope of consolidated financial statements*

The Company incorporated all subsidiaries under its control (including the separate entities controlled by the Company) into the scope of consolidation financial statements, including the enterprises under the Company's control, divisible part in the investees and structured entities. Control refers to the Company having power over the investee and is entitled to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of those return.

(2) *To unify the accounting policies, balance sheets date and accounting periods of the Company and subsidiaries*

When preparing consolidated financial statements, adjustments are made if subsidiaries' accounting policies or accounting periods are different from that of the Company, in accordance with the Company's accounting policies and accounting periods.

(3) Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared by the Company on the basis of the financial statements of the Company and subsidiaries and based on other relevant information. In preparing the consolidated financial statements, all significant balances, transactions and unrealized profits between the Company and subsidiaries and among subsidiaries are eliminated. In preparing the consolidated financial statements, the Company treats the entire enterprise group as one accounting entity and reflects the overall financial position, operating results and cash flows of the Group in accordance with the requirements for recognition, measurement and presentation of relevant accounting standards for enterprises and consistent accounting policies. The owner's equity of the subsidiaries not attributable to the Company shall be presented separately as 'minority equity' under the owner's equity item in the consolidated balance sheet. The minority equity attributable to net profit or loss of subsidiaries in the current period shall be presented as 'minority interest' under the 'net profit' item in the consolidated profit statement. Where the amount of loss of a subsidiary attributable to the minority shareholders exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against minority equity. The long-term equity investment of the Company held by the subsidiaries, deemed as treasury stock of the corporate group as well as the reduction of owners' equity, shall be presented as 'Less: Treasury stock' under the owner's equity item in the consolidated balance sheet.

(4) Accounting treatment of subsidiaries acquired from combination

For subsidiaries acquired from business combination under common control of the Company, the opening amount of the consolidated balance sheet is adjusted, as if the business combination has taken place since the ultimate controller began its control. The income, expenses and profits of subsidiaries or business combinations from the beginning of the current period to the end of the reporting period are included in the consolidated profit statement. The cash flows from the beginning of the current period to the end of the reporting period of a subsidiary or business combination are included in the consolidated cash flow statement, and the related items in the comparative statements are adjusted. Where control can be exercised over the investee under the same control due to additional investment and other reasons, the Company shall deem the parties participating in the business combination to have made adjustments in their current status when the ultimate controller began its control. Equity investments held by the Company before control of the transferor are recognised for profit or loss, other comprehensive income and other changes in net assets between the later of the date on which the original equity interest is acquired and the date on which the Company and the transferor are under the same control and the date of combination, which are offset against the opening retained earnings or current profit or loss, respectively, in the period of the comparative statements.

For subsidiaries acquired from business combination under non-common control, the opening amount of the consolidated balance sheet is not adjusted. The income, expenses and profits of the subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated profit statement. The cash flows of the subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated statement of cash flows. Where control can be exercised over an investee that is not under the same control due to additional investment or other reasons, the Company remeasures the equity interest of the investee held before the purchase date based on the fair value of the equity interest at the purchase date, and the difference between the fair value and its carrying amount is included in the current investment income. Where the equity interest in the transferor held before the purchase date relates to other comprehensive income under the equity method and other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution, other comprehensive income and other changes in owner's equity relating thereto are transferred to investment income of the current period as at the purchase date, except for other comprehensive income arising from the remeasurement of net liabilities or changes in net assets of defined benefit plans by the investee.

(5) *Dispose of equity interests in subsidiaries achieved in stages until losing control*

① General treatment

During the Reporting Period, when the Company disposes of a subsidiary or business, the income, expenses and profits of that subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated income statement of the Company; The cash flows from the beginning of the period to the disposal date of the subsidiary or operation are included in the consolidated statement of cash flows of the Company.

When control over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company remeasures the remaining equity investment after disposal at its fair value at the date when control is lost. The difference between the sum of the consideration obtained on disposal of the equity interest and the fair value of the remaining equity interest, less the sum of the share of the net assets of the original subsidiary calculated by the Company based on the original shareholding ratio and goodwill calculated on a continuing basis from the date of purchase or consolidation, is included in investment income in the period in which control is lost and goodwill is written off. The Company converts other comprehensive income relating to the equity investment in the original subsidiary, etc to investment income in the current period when control is lost.

② Disposal of subsidiaries step by step

Where the Company disposed of equity investment in a subsidiary step by step through multiple transactions until control is lost, for example, the terms, conditions and economic impact of each transaction that disposes of the equity investment in a subsidiary meet one or more of the following conditions, the Company accounts for multiple transactions as a single transaction:

- i. The transactions were entered into simultaneously or with mutual influence in mind;
- ii. The transactions as a whole are capable of achieving a complete commercial outcome;
- iii. The occurrence of one transaction depends on the occurrence of at least one other transaction;
- iv. The transaction is uneconomical by itself but economic when considered in conjunction with other transactions.

Where each transaction that disposes of an equity investment in a subsidiary until control is lost is a blanket transaction, the Company accounts for each transaction as a transaction that disposes of the subsidiary and loses control; However, the Company recognises the difference between each disposal price before the loss of control and the share of net assets of the subsidiary corresponding to the disposal of the investment as other comprehensive income in the consolidated financial statements and is transferred to profit or loss in the period in which control is lost when control is lost.

Where each transaction that disposes of an equity investment in a subsidiary until the loss of control is not a blanket transaction, the relevant policy for partial disposal of an equity investment in a subsidiary without loss of control is accounted for before the loss of control by the Company; When control is lost, accounting is performed in the same manner as would be done for a disposal subsidiary.

(6) Purchase of minority interests in subsidiaries

The difference between the Company's costs of newly acquired long-term equity investment resulting from the purchase of minority interests and the share of net assets attributable to the subsidiary calculated on an ongoing basis from the date of purchase (or the date of combination) based on the newly increased shareholding ratio, the equity premium in the capital reserve in the consolidated balance sheet is adjusted, and if the equity premium in the capital reserve is insufficient to offset, the retained earnings is adjusted.

(7) *Partial disposal of equity investments in subsidiaries without loss of control*

The Company adjusts the equity premium in the capital reserve in the consolidated balance sheet for the difference between the disposal price obtained from the partial disposal of the long-term equity investment in the subsidiary without loss of control and the share of the net assets of the subsidiary that would continue to be calculated from the purchase date or the combination date corresponding to the disposal of the long-term equity investment, or adjust the retained earnings if the equity premium in the capital reserve is insufficient to offset.

8. Classification of joint arrangement and accounting methods of joint operations

☒ Applicable ☐ Not Applicable

A joint arrangement refers to an arrangement jointly controlled by two or more parties. In accordance with the Company's rights and obligations under a joint arrangement, the Company classifies joint arrangements into joint operations and joint ventures.

(1) Joint operations

Joint operations refer to a joint arrangement in which the Company is a party and is entitled to relevant assets and obligations of this arrangement.

The Company recognizes the following items in relation to its interest in a joint operation, and accounts the same in accordance with relevant accounting standards for business enterprises: ① recognize the assets held solely by the Company, and recognize assets held jointly by the Company in appropriation to the share of the Company; ② recognize the obligations assumed solely by the Company, and recognize obligations assumed jointly by the Company in appropriation to the share of the Company; ③ recognize revenue from disposal of joint operations in appropriation to the share of the Company; ④ recognize revenue from disposal of joint operations in appropriation to the share of the Company; ⑤ recognize fees solely occurred by the Company and recognize fees from joint operations in appropriation to the share of the Company.

When the Company, as a joint venture, invests or sells assets to or purchase assets (the assets do not constitute a business, the same below) from joint operations, the Company shall only recognize the part of profit or lost from this transaction attributable to other parties of joint operations before these assets are sold to a third party. In case of an impairment loss incurred on these assets which meets the requirements as set out in Accounting Standards for Business Enterprises No. 8 — Asset Impairment, the Company shall full recognize the amount of this loss in relation to its investment in or sale of assets to joint operations or recognize the loss according to the Company's share of commitment in relation to the its purchase of assets from joint operations.

(2) Joint ventures

Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement. Investment in joint venture is accounted for using the equity method according to the accounting policies referred to under '12. Long-term equity investment' of Note V.

9. Recognition standard for cash and cash equivalents

Cash recognized in the cash flow statements represents the cash on hand and deposits available for payment of the Company at any time.

Cash equivalents recognized in the cash flow statements refer to short-term, highly liquid investments held by the Company that are readily convertible to known amounts of cash and which are subject to an insignificant risk on change in value.

10. Foreign currency businesses and translation of foreign currency statements

☒ Applicable ☐ Not Applicable

(1) Foreign currency transactions

If foreign currency transactions occur, they are translated into the amount of functional currency by applying the exchange rate at the transaction date.

Monetary items denominated in foreign currencies are translated by the Company into functional currencies at the rates of exchange ruling at the balance sheet date. All foreign exchange difference are credited in the profit or loss of the current period, except those arising from the funds denominated in foreign currency specially borrowed for the establishment of the qualifying assets are treated based on the principal of capitalization of borrowing costs.

Non-monetary items in foreign currency measured at historical cost are translated by the Company using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences between the translated and original amounts of functional currencies are recognized in the statement of profit or loss or other comprehensive income as changes in fair value (including changes in exchange rate).

(2) Translation of foreign currency financial statements

If the functional currencies used as the bookkeeping base currency by the subsidiaries, joint ventures and associates under the control of the Company are different from that of the Company, their financial statements denominated in foreign currencies shall be translated to perform accounting and prepare the consolidated financial statements.

The assets and liabilities of the foreign currency balance sheet of the Company are translated using the spot exchange rate at the balance sheet date; all items except for 'undistributed profits' of the owner's equity are translated at the spot exchange rate on the transaction date. The revenue and expenses in the foreign currency income statement of the Company are translated using the approximate rate of the spot exchange rate on the transaction date. Exchange differences on translation of financial statements denominated in foreign currencies are presented as the 'other comprehensive income' in the owner's equity of the balance sheet.

Foreign currency cash flow and cash flows of a foreign subsidiary of the Company is translated using the approximate rate of the spot exchange rate on the date of the cash flows. The impact of exchange rate changes on cash amount is regarded as a reconciliation item and reflected separately in the cash flow.

When disposing overseas operations, the translation difference in the foreign currency financial statements as shown in the owner's equity of the balance sheet and related to the overseas operation shall be transferred from owner's equity to profit or loss in the current period of disposal. If part of the overseas operations is disposed of, the translation difference in the foreign currency financial statements of the disposal part shall be calculated based on the proportion of the disposal and transferred to profit or loss in the current period of disposal.

11. Financial instruments

☒ Applicable ☐ Not Applicable

A financial instrument refers to any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or financial liability and equity instrument is recognized when the Company becomes a party to the contract of a financial instrument.

(1) Classification, recognition and measurement of financial assets

On initial recognition of a financial asset, according to the business model for managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies financial assets into: Financial assets measured at amortized cost; financial assets measured at fair value through other comprehensive income; financial assets measured at fair value through profit or loss of the current period.

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value through profit and loss of the current period, related transaction costs are directly included in profit and loss of the current period; for other types of financial assets, related transaction costs are included in their initial recognized amounts. For the accounts receivable or bills receivable arising from the sale of products or the provision of labor services that do not contain or consider the significant financing components, etc, the Company shall take the consideration amount entitled to be received as the initial recognized amount.

1) The debt instruments held by the Company:**① Financial assets measured at amortized cost**

The Company's business model for managing such financial assets is: With the aim of obtaining contractual cash flow, the contractual cash flow characteristics of such financial assets shall be consistent with the basic lending arrangements, that is, the cash flow generated on a specific date is only the payment for the principal and the interest based on the outstanding principal amount. For such financial assets, the Company recognizes the interest income in accordance with the effective interest method. Such financial assets are subsequently measured at amortised cost. The gains or losses arising from amortisation or impairment are recognised in profit or loss of the current period. Such financial assets of the Company mainly include cash and cash equivalents, bills receivable, accounts receivable, other receivables, creditor's right investment and long-term receivables. The Company lists the creditor's rights investments and long-term receivables matured within one year (including one year) from the balance sheet date as non-current assets matured within one year; the creditor's rights investments matured within one year (including one year) when being obtained are listed as other current assets.

- ② Financial assets measured at fair value through other comprehensive income
The Company's business mode for managing such financial assets is: With the aim of obtaining contractual cash flow and selling the financial assets, the contractual cash flow characteristics of such financial assets shall be consistent with the basic lending arrangements. Such financial assets are measured at fair value through other comprehensive income, but impairment gains and losses, exchange gains and losses, and interest income calculated by the effective interest method are included in profit and loss of the current period. Such financial assets of the Company mainly include financing receivables and other creditor's rights investments. The Company lists other creditor's rights investments matured within one year (including one year) from the balance sheet date as non-current assets matured within one year; other creditor's rights investments matured within one year (including one year) when being obtained are listed as other current assets.
- ③ Financial assets measured at fair value through profit or loss of the current period
The Company classifies financial assets other than those above measured at amortized cost and those measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss of the current period. In addition, at the time of initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company designated some financial assets as financial assets measured at fair value through profit or loss of the current period. Such financial assets are subsequently measured at fair value and changes in fair value are included in profit or loss of the current period. Such financial assets that are matured more than one year and are expected to be held for more than one year from the balance sheet date are listed as other non-current financial assets.

2) *Equity instrument investments of the Company:*

The Company classifies equity instrument investments that have no control, joint control and significant influence on itself as financial assets measured at fair value through profit or loss of the current period; investments that are expected to be held for more than one year from the balance sheet date are listed as other non-current financial assets.

In addition, the Company designated some non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income, which are listed as other equity instrument investments. Such designation cannot be revoked once made. The Company includes the relevant dividends and interest income of such financial assets in profit and loss of the current period, and changes in fair value are included in other comprehensive income. When the financial asset is derecognised, the Company transfers the cumulative gain or loss previously included in other comprehensive income directly to retained earnings and is not included in profit or loss of the current period.

(2) Classification, recognition and measurement of financial liabilities

On initial recognition, financial instruments or their components issued by the Company are classified into financial liabilities or equity instruments based on the contractual terms of the financial instruments and the economic nature, rather than solely on its legal form, together with the definition of financial liability and equity instruments.

The Company classifies financial liabilities as financial liabilities at fair value through profit and loss of the current period and other financial liabilities at initial recognition.

Financial liabilities at fair value through profit and loss of the current period are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any interest expenses related to the financial liabilities are recognized in profit or loss of the current period. The financial liabilities at fair value through profit and loss of the current period of the Company mainly consist of financial liabilities held for trading.

Other financial liabilities are subsequently measured at amortized costs using effective interest method. Other financial liabilities of the Company are financial liabilities measured at amortized cost, including bills payable, accounts payable, other payables, borrowings, bonds payable, etc. Such financial liabilities are recognized initially at fair value less transaction costs and subsequently measured using the effective interest method. Financial liabilities with a maturity of less than one year (including one year) are listed as current liabilities; those with maturity of more than one year but are mature within one year from the balance sheet date (including one year) are listed as non-current liabilities due within one year; the rest are presented as non-current liabilities.

(3) Classification and treatment of financial liabilities and equity instruments

The Company classifies financial liabilities and equity instruments on the following principles: (1) Where the Company is unable to unconditionally avoid delivering cash or another financial asset to fulfil a contractual obligation, the contractual obligation meets the definition of a financial liability. Although some financial instruments do not explicitly include the terms and conditions imposing the contractual obligation to deliver cash or another financial asset, they may indirectly give rise to the contractual obligation through other terms and conditions. (2) Where a financial instrument shall or may be settled in the Company's own equity instrument, consideration shall be given to whether the Company's own equity instrument as used to settle the instrument is a substitute of cash or another financial asset or the residual interest in the assets of the Company after deducting all of its liabilities. In the former case, the instrument shall be the Company's financial liability; in the latter case, the instrument shall be the equity instrument of the Company. Under certain circumstances whereby a financial instrument contract stipulates that the Company shall or may use its own equity instrument to settle the financial instrument, and the amount of the contractual right or obligation equal to the number of its own equity instruments to be received or delivered multiplied by their fair value at the time of settlement, the contract shall be classified as a financial liability, regardless of whether the amount of the contractual right or obligation is fixed, or fluctuates in full or in partly in response to changes in a variable other than the market price of the Company's own equity instruments (for example an interest rate, a commodity price or a financial instrument price).

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When classifying a financial instrument (or a component thereof) in consolidated financial statements, the Company shall consider all terms and conditions agreed between members of the Group and the holders of the financial instrument. If the Group as a whole has an obligation in respect of the instrument to settle it by delivering cash or another financial asset or in such a way that it would be a financial liability, such instrument shall be classified as a financial liability.

If the financial instrument or its component is attributable to the financial liability, the relevant interests, dividends, gains or losses, and gains or losses arising from redemption or refinancing, shall be recorded in the profit or loss of the current period.

If the financial instrument or its component is attributable to equity instrument, the Company treats it as change in equity when it is issued (including refinanced), repurchased, sold or cancelled. Changes in fair value of equity instrument is not recognized by the Company. Transaction costs related to equity transactions are deducted from equity. The Company recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

(4) Recognition and measurement on transfer of financial assets

A financial asset shall be de-recognized when one of the following conditions is met: ① the contractual right for receiving cash flows from the financial asset is terminated; ② the financial asset is transferred, and the risk and rewards of ownership of the financial asset have been substantially transferred to the transferee; and ③ the financial asset is transferred; the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but ceases the control over the financial asset. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and the control over the financial asset is not ceased, the financial asset and the related financial liabilities should be recognized based on the degree of continuing involvement. The degree of continuing involvement means the level of risks borne by the Company resulting from the change in value of the financial asset.

On de-recognition of other equity instruments investment, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognized directly in other comprehensive income is recognized in the retained earnings. On de-recognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognized directly in other comprehensive income is recognized in current profit or loss.

For financial assets that are sold with recourse or endorsement, the Company needs to determine whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial asset shall be derecognized. If the risk and rewards of ownership of the financial asset have been substantially retained, the financial asset shall not be de-recognized. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company shall assess whether the control over the financial asset is retained, and the financial assets shall be accounted for according to the above paragraphs.

(5) Derecognition of financial liabilities

If the current obligation of a financial liability (or part of it) has been discharged, the Company derecognizes the financial liability (or part of the financial liability). The Company (borrower) enters into an agreement with the lender to replace the original financial liability in the form of a new financial liability, and if the new financial liability is substantially different from the original financial liability, the original financial liability is derecognized and the new financial liability is recognized. If the Company makes substantial changes to the contractual terms of the original financial liability (or a part thereof), the original financial liability is derecognized and the new financial liability is recognized in accordance with the revised terms.

If the financial liability (or a part thereof) is derecognized, the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognized in current profit or loss.

(6) Offsetting financial assets and financial liabilities

When the Company has the legal right to offset recognized financial assets and financial liabilities, and the legal right can be executed at present, and the Company has a plan to settle the financial assets and financial liabilities at the same time or at net amount, the financial assets and financial liabilities can be presented in the balance sheet at net amount after offsetting. Except for the above circumstances, financial assets and financial liabilities cannot be offset and shall be presented separately in the balance sheet.

(7) Determination of fair value of financial assets and financial liabilities

Fair value is the amount at which an asset could be sold or a liability could be transferred between willing parties in an orderly transaction on a measurement date. The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. Quoted price in the active market represents quoted price which can be easily obtained periodically from exchange market, brokers, industry associations or pricing services agency, etc., which is the transactions amount in arm's length transactions. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, discounted cash flow analysis and option pricing models, etc. During the valuation, the Company adopts an applicable valuation technique under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and the Company should maximize the use of relevant observable inputs. When related observable inputs can't be acquired or are not feasible to be acquired, then use unobservable inputs.

In summary, the Company categorizes inputs for fair value measurement into three levels and uses the inputs by the order of Level 1, Level 2 and Level 3. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: unobservable inputs for the asset or liability.

(8) Impairment of financial assets

For financial assets measured at amortized cost and debt instrument investments measured at fair value through other comprehensive income, contract assets and financial guarantee contracts, the Company recognizes the loss provision based on the expected credit losses.

The Company considers reasonable and reliable information about past events, current conditions and forecasts of future economic conditions, and takes the risk of default as a weight, and calculates the probability-weighted amount of the present value of the difference between the cash flow receivable and the cash flow expected to be received of the contract to confirm the expected credit losses.

On each balance sheet date, the Company measures the expected credit losses of financial instruments in different phases. If the credit risk has not increased significantly since the initial recognition, the financial instruments are in the first phase. The Company measures the loss provision according to the expected credit losses in the next 12 months; if credit risk has increased significantly but credit impairment has not yet occurred since the initial recognition, the financial instruments are in the second phase. The Company measures the loss provision according to the expected credit losses of the instruments during the entire duration; if credit impairment has occurred since the initial recognition, the financial instruments are in the third phase. The Company measures the loss provision according to the expected credit losses of the instruments during the entire duration.

For financial instruments with lower credit risk on the balance sheet date, the Company measures the loss provision according to the expected credit losses in the next 12 months, assuming that its credit risk has not increased significantly since the initial recognition.

For financial instruments in the first phase and second phase and financial instruments with relatively lower credit risk, the Company calculates interest income based on their book balance before the deduction of provisions and effective interest rate. For financial instruments in the third phase, the Company calculates interest income based on their amortized cost after the impairment provision has been deducted from the book balance and effective interest rate.

For bills receivable, accounts receivable and contract assets, whether there exist significant financing components, the Company measures loss provision based on expected credit loss over the entire duration.

The Company classifies accounts receivable into groups on the basis of shared credit risk characteristics, and calculates the expected credit losses on groups, the bases of group determination are as follows:

For each group of bills receivable, the Company applies exposure at default and expected credit losses rate over the entire duration to calculate the expected credit losses by taking into account the historical credit losses experience, the existing conditions and forecast of future economic conditions.

For each group of accounts receivable, the Company makes the comparison of expected credit losses rates of accounts receivable in overdue days and over the entire duration to calculate the expected credit losses by taking into account the historical credit losses experience, the existing conditions and forecast of future economic conditions.

For each group of other accounts receivable, the Company applies exposure at default and expected credit losses rate within the next 12 months or over the entire duration to calculate the expected credit losses by taking into account the historical credit losses experience, the existing conditions and forecast of future economic conditions.

The Company recognizes the loss impairment provision or reversed in profit or loss of the current period. For held debt instruments at fair value through other comprehensive income, the Company recognizes loss/gain on impairment in profit or loss of the current period, and adjusts other comprehensive income at the same time.

12. Inventory

☒ Applicable ☐ Not Applicable

(1) Classification of inventory

☒ Applicable ☐ Not Applicable

Inventory refers to finished products and commodities held by the Company in daily activities for sale, products in progress, materials and supplies consumed in the process of production or provision of labour services, including mainly raw materials, turnover materials, materials for commissioned processing work, packaging materials, products in progress, semi-finished products through in-house manufacturing, finished products (products in stock) and project construction, among others.

(2) Pricing of dispatch of inventory

The actual cost of inventories upon delivery is calculated using the weighted average method.

(3) Impairment provision for inventory

At the balance sheet date, inventory is measured at the lower of cost and net realisable value.

The net realisable value of inventories that can be directly put to sale, including finished products, commodities and materials for sale is determined as the estimated selling price of such inventory less estimated selling expenses and related tax expenses; the net realisable value of or inventories held for production, is determined as the estimated selling price of finished products manufactured less estimated cost incurred upon completion, estimated selling expenses and related tax expenses; the net realisable value of inventory held for the execution of sales contract or labour contract is computed on the basis of the contract price. If the quantity of inventories held by the Company is more than the quantity ordered under a sales contract, the net realisable value of the inventories in excess is computed on the basis of the general selling price.

Inventory impairment provision is made on the basis of individual inventory items, provided that if certain inventories are related to a series of products manufactured and sold in the same region with identical or similar end uses or purposes and are difficult to measure separately with other items, their cost and net realisable value may be measured on an aggregate basis. Inventories The cost and net realizable value of inventories in large quantity with low unit prices are measured according to inventory types.

At the balance sheet date, if the cost of inventory of the Company is higher than its net realisable value, impairment provision is made and charged to current profit or loss. If the factor causing the write-down of inventory value has been removed, the amount of write-down should be reversed and transferred out of the previous inventory impairment provision amount. The reversed amount is included in current profit or loss.

(4) Inventory system

The Company adopts the perpetual inventory system as its inventory system.

(5) Amortisation of low-value consumables and packaging materials

The Company adopts one-off amortisation of its low-value consumables and packaging materials.

13. Contract assets

☒ Applicable ☐ Not Applicable

Recognition method and criteria of contract assets

☒ Applicable ☐ Not Applicable

The Company presents the right of the Company to charge consideration from the customer unconditionally (i.e. only depends on the passage of time) as a receivable, while the consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is presented as a contract assets. If the Company sells two clearly distinguishable goods to the customer, and it has the right to receive payment because one of the goods has been delivered, but the receipt of such payment is conditioned on the delivery of another goods, the Company shall recognise such right to receive payment as contract asset.

For the determination and accounting treatment methods of the expected credit loss of contract assets, please see note V.11 "Impairment of financial assets".

14. Long-term equity investments

☒ Applicable ☐ Not Applicable

Long-term equity investments hereunder refer long-term equity investments in which the Company exercises control, joint control or significant influence over the investee.

(1) Determination of initial investment cost

- ① The initial cost of long-term equity investments acquired through business combination involving parties under common control should be recognised as the share of the carrying value of the owner's equity of the acquired party; the initial cost of long-term equity investments acquired through business combination involving parties not under common control should be recognised as the combination costs determined at the date of acquisition;

- ② The Company invested in other equity investment other than long-term equity investments acquired through combination, the initial investment cost of long-term equity investments acquired with cash payment is the acquisition price actually paid; the initial investment cost of long-term equity investments acquired with the issuance of equity-based securities is represented by the fair value of equity-based securities; the initial investment cost of long-term equity investments acquired through debt restructuring is determined in accordance with relevant provisions under “Accounting Standards for Business Enterprises No.12 — Debt Restructuring”; the initial investment cost acquired in exchange for non-monetary assets shall be determined in accordance with relevant provisions of the standard.

(2) Subsequent measurement and recognition of profit or loss

① **Cost method**

Long-term equity investments in which the Company is able to exercise control over the investee is accounted for using the cost method. Under the cost method, the carrying value of long-term equity investments, other than additional investment or recouped investment, shall remain constant. The Company declared the distribution of profit or cash dividend to the investee and calculated the portion of entitlement, which is recognised as investment income.

② **Equity method**

The equity method is used by the Company to account for long-term equity investments in associates and joint ventures. Under the equity method, the initial investment cost is not adjusted for any excess of the initial investment cost over the share of the net fair value of the investee’s identifiable assets. When the initial investment cost is less than the share of the fair value of the investment’s identifiable net assets, the difference is recognised in current profit or loss and the cost of long-term equity investment is adjusted accordingly.

Under the equity method, share of net profit or losses and other comprehensive income of the investee are recognised by the Company as investment income and other comprehensive income, respectively, and the carrying amount of the long-term equity investment is adjusted accordingly. Share of profit or cash dividend declared by the investee is charged against the carrying value of the long-term equity investment; changes in owners’ equity of the investee other than net profit or loss, other comprehensive income and profit distribution are adjusted against the carrying value of long-term equity investment and included in capital reserve. Share of net profit or loss of the investee is recognised by the Company on the basis of the fair value of the identifiable assets of the investee when the investment is acquired and adjusted against the net profit of the investee. If the accounting policy and accounting period of the investee are inconsistent with those of the Company, the financial statements of the investee is adjusted to align with the accounting policy and accounting period of the Company, and investment income and other comprehensive income is recognised accordingly.

Net losses of the investee is recognised by the Company by deducting the carrying value of the long-term equity investment together with long-term equity that in substance forms part of the net investment in the investee until it reaches zero. Moreover, if the Company has incurred obligations to assume additional losses of the investee, estimated liabilities are recognised according to the obligation expected to be assumed and charged to current investment loss. If the investee records net profit in future periods, the Company shall recognise its share of gains after applying such share of gains to make up for the unrecognised share of loss.

(3) Change of accounting method for long-term equity investment

- ① Change from fair value measurement to the equity method: If an equity investment in the investee not previously affording control, joint control or significant influence and accounted for in accordance with the standard for recognition and measurement of financial instruments becomes capable of affording joint control or significant influence over the investee as a result of increased shareholding following additional investment, the accounting method should be changed to the equity method, and the fair value of the original equity investment determined according to the standard for recognition and measurement of financial instruments plus the fair value of consideration paid for the acquisition of the new investment shall be changed the initial investment cost under the equity method.
- ② Change from fair value measurement or equity method to cost method: if an equity investment previously held in the investee not previously affording control, joint control or significant influence and accounted for in accordance with the standard for recognition and measurement of financial instruments, or a long-term equity investment previously held in associates or joint ventures becomes capable of affording control over the investee, it is accounted for long-term equity investment formed through business combination.
- ③ Change from equity method to fair value measurement: if a long-term equity investment previously held in the investee affording joint control or significant influence ceases to afford joint control or significant influence as a result of decrease in shareholding percentage following partial disposal, the remaining equity investment is recognised in accordance with the standard for recognition and measurement of financial instruments, and the difference between the fair value at the date of loss of joint control or significant influence and the carrying value is included in current profit or loss.

- ④ Change from cost method to equity method or fair value measurement: when preparing separate financial statements, if the Company loses control over an investee due to disposal of some equity-based investment and other reasons, the Company accounts for the remaining equity affording joint control or significant influence over an investee as a result of disposal based on the equity method, and the remaining equity will be adjusted as if it is accounted for using the equity method from the date of acquisition; for the remaining equity not affording joint control or significant influence over an investee as a result of disposal, it is accounted for in accordance with relevant requirements of Accounting Standards for Business Enterprises No. 22— Recognition and measurement of financial assets, and the differences between the fair value and book value on the date when control is lost are included in profit or loss. When preparing consolidated financial statements, it shall be accounted for in accordance with relevant requirements of Accounting Standards for Business Enterprises No.33— Consolidated financial statements.

(4) Bases for determining joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimous agreement from parties who share control. If all the parties or a group of parties must act in concert to decide on the relevant activities of certain arrangement, it can be considered that all parties or a group of parties have collective control over the arrangement. When determining if there is any joint control, it should first be determined if the arrangement is controlled collectively by all parties or a combination of parties, and then determined whether decisions about activities related to the arrangement must be made by the unanimous agreement of those parties who have collective control over the arrangement. If there are two or more party groups that can collectively control certain arrangement, it does not constitute joint control. When determining if there is any joint control, the relevant protection rights will not be taken into account.

Significant influence is the power of the investor to participate in the decision-making of an investee's financial and operational policies, but neither control nor jointly control the formulation of such policies with other parties. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held directly or indirectly and the potential voting rights held by the Company and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account by the Company.

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% of the voting shares of the investee, it is generally considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in the production and operational decisions of the investee and cannot pose significant influence in this situation.

The Company usually determines whether there is significant influence on the investee through the following one or several circumstances:

- ① Representation at the board or similar authority of the investee.
- ② Participation in the decision-making process of the investee's financial and operational policies.
- ③ Having important transactions with the investee.
- ④ Posting of management personnel at the investee.
- ⑤ Providing key technical data to the investee.

Having one or several of the above circumstances does not mean that the Company must have significant influence on the investee. The Company needs to comprehensively consider all the facts and circumstances to make an appropriate judgment.

(5) Methods for impairment test and impairment provision

At the balance sheet date, the Company inspects whether there are indications of possible impairment of a long-term equity investment. If there are indications of impairment, an impairment test should be performed to ascertain its recoverable amount, and an impairment provision equivalent to the margin by which the recoverable amount is lower than the carrying value should be made. Once recognised, impairment loss will not be reversed in subsequent accounting periods. The recoverable amount is determined as the higher of net fair value of the long-term equity investment on disposal and present value of estimated future cash flow.

(6) Disposal of long-term equity investments

Upon the Company's disposal of long-term equity investments, the difference between the carrying value and consideration actually acquired is included in current profit or loss. Upon disposal of long-term equity investment, the portion previously included in other comprehensive income is accounted for according to the relevant percentage on the same basis adopted in the direct disposal of the relevant assets or liabilities by the investee.

15. Investment properties

(1) Types and measurement models of investment properties

The Company's investment properties include the following types: leased land-use rights and leased buildings.

The Company's investment properties is initially measured at cost and subsequently on a cost basis.

(2) Adoption of cost model as accounting policy

Among the Company's investment properties, leased buildings are subject to depreciation on a straight-line basis in accordance with accounting policies identical with accounting policies for fixed assets. Leased land-use rights and land-use rights held for disposal after appreciation land-use rights in investment properties are amortised using the straight-line method in accordance with accounting policies identical with fixed asset accounting policies for intangible assets.

At the balance sheet date, the Company inspects whether there are indications of possible impairment of an investment property. If there are indications of impairment, an impairment test should be performed to ascertain its recoverable amount, and an impairment provision equivalent to the margin by which the recoverable amount is lower than the carrying value should be made. Once recognised, impairment loss will not be reversed in subsequent accounting periods.

Where the investment properties are sold, transferred, retired or damaged, the differences from disposal after deducting the carrying amount and related taxes are recognised in profit or loss for the current period by the Company. When the Company has evidence indicating the self-occupied houses and buildings are converted to leasing or leasing out its properties held for sale under operating leases, the carrying amount of such fixed assets, intangible assets or inventories before the conversion are transferred to investment properties. When the Company has evidence indicating the property held to earn rentals or for capital appreciation are converted to self-occupation or the property intended for operating lease purpose are open for sale, the carrying amount of such properties before the conversion are transferred to fixed assets, intangible asset or inventories.

16. Fixed assets

(1) Recognition criteria

☒ Applicable ☐ Not Applicable

Fixed assets of the Company refer to tangible assets held for the production of commodities, provision of labour services, lease or operational management with a useful life of more than one accounting year. Fixed assets are recognised if all of the following conditions are met:

- ① Economic benefits relating to such fixed assets are likely to flow into the Company;
- ② The cost of the fixed assets can be reliably measured.

Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets of the Company are initially measured at cost. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation costs and installation expenses. If the payment for a purchased fixed asset is deferred beyond the normal credit terms, the cost of the fixed asset shall be determined based on the present value of the instalment payments. The difference between the actual payment and the present value of the purchase price is recognised in profit or loss over the credit period, except for such difference that is capitalised according to Accounting Standard for Business Enterprises No. 17 — Borrowing Costs (ASBE No. 17).

(2) Classification and depreciation of fixed assets

The Company's fixed assets are mainly classified into: buildings, machinery equipment, transportation equipment and office and other equipment; depreciation is conducted on a straight-line basis. The useful life and estimated net residual value of fixed assets are determined based on the nature and use of the fixed assets. At the end of the year, the useful life and estimated residual value of and depreciation method for fixed assets are reviewed, and adjustment is made for any difference with the original estimated amount. Other than fully depreciated fixed assets which remain in use and the land which is separately priced and recorded, the Company measures depreciation for all fixed assets.

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The type, depreciation method, estimated useful lives, estimated residual values and yearly depreciation of the Company's fixed assets are as follows:

Type of assets	Depreciation method	Estimated useful lives (years)	Estimated residual values, net
Buildings	Life average method	8-40	0-5%
Machinery equipment	Life average method	4-20	0-5%
Transportation equipment	Life average method	5-10	0-5%
Office and other equipment	Life average method	3-10	0-5%

(3) Methods for impairment test and impairment provision for fixed assets

At the balance sheet date, the Company inspects whether there are indications of possible impairment of fixed assets. If there are indications of impairment, an impairment test should be performed to ascertain its recoverable amount, and an impairment provision equivalent to the margin by which the recoverable amount is lower than the carrying value should be made. Once recognised, impairment loss will not be reversed in subsequent accounting periods.

(4) Disposal of fixed assets

Fixed assets are derecognised upon disposal, or when no economic benefits are expected from use or disposal. The difference between gains on disposal, transfer, retirement or damage of fixed assets, net of their book value and related taxes, are included in profit and loss.

17. Construction in progress

☒ Applicable ☐ Not Applicable

(1) Measurement of construction in progress

The cost of the Company's construction in progress is recognised at actual construction expenses, including all necessary construction expenses incurred during the construction, and borrowing costs capitalized before the work reaches the expected conditions for use and other related costs.

(2) Criteria for and timing of the transfer of construction in progress to fixed assets

The Company's construction in progress is transferred to fixed assets when the work is completed and reaches the expected conditions for use. The criteria for judgement of expected conditions for use should meet one of the following:

- ① The physical construction (including installation) of fixed assets has been completed in full or substantially completed in full;
- ② Trial production or operation has commenced and the result indicates that the asset can operate normally or can manufacture compliant products in a consistent manner, or the trial operation indicates that it can operate or conduct business normally;
- ③ The amount of fixed asset expenditure of the construction is minimal or almost certain not be further incurred;
- ④ Fixed assets acquired have reached design or contractual requirements, or are essentially consistent with design and contractual requirements.

(3) Methods for impairment test and impairment provision for construction in progress

At the balance sheet date, the Company inspects whether there are indications of possible impairment of construction in progress. If there are indications of impairment, an impairment test should be performed to ascertain its recoverable amount, and an impairment provision equivalent to the margin by which the recoverable amount is lower than the carrying value should be made. Once recognised, impairment loss will not be reversed in subsequent accounting periods.

The recoverable amount is determined as the higher of net fair value of the asset less disposal cost and the present value of estimated future cash flow.

18. Borrowing costs

☒ Applicable ☐ Not Applicable

(1) Principle for recognition of capitalisation of borrowing cost

Borrowing costs incurred by the Company that can be directly attributed to the acquisition or production of assets qualified for capitalisation are capitalised and included in relevant asset costs; other borrowing costs are recognised as cost at the amount incurred at the time of incurrence and charged to current profit or loss. Assets qualified for capitalisation refer to fixed assets, investment properties and inventory that require a considerably long period of acquisition or production activities to reach the expected conditions for use or sale.

(2) Computation of capitalised amounts

Capitalisation period: from the point of time at which the capitalisation of borrowing costs begins to the point of time at which capitalisation ceases. The period of suspension of capitalisation of borrowing costs is not included.

Period of suspension of capitalisation: In case of abnormal disruption during the acquisition or production process for a consecutive period of more than 3 months, the capitalisation period for borrowing costs should be suspended.

Computation of capitalised amount: ① For specific borrowings, the amount is determined as interest expense incurred for the period in respect of the specific borrowing less interest income received through the deposit of unutilised borrowed funds or investment gains received through provisional investments; ② For general borrowings utilised, the amount is determined as the weighted average amount of the portion of cumulative asset expenses in excess of the asset expense of specific borrowings multiplied by the capitalisation rate for the general borrowings utilised, where the capitalisation rate is the weighted average interest rate of general borrowings; ③ where there is a discount or premium in the borrowings, the amortisation of such discount or premium for each accounting period is determined according to the effective interest rate and the interest amount for each period is adjusted accordingly.

19. Intangible assets

☒ Applicable ☐ Not Applicable

Intangible assets are the identifiable non-monetary assets which have no physical form and are possessed or controlled by the Company, and are recognized when the following conditions are met:

- ① it is probable that economic benefits attributable to the intangible assets will flow into the Company;
- ② the costs of the intangible assets can be measured reliably.

(1) Measurement of intangible assets

Intangible assets of the Company are initially recognized at costs. The actual costs of purchased intangible assets include the consideration and relevant expenses actually paid. For intangible assets contributed by investors, relevant actual costs are determined based on the value agreed in the investment contract or agreement. But if the value agreed in the investment contract or agreement is not a fair value, the actual costs should be determined based on the fair value. The cost of a self-developed intangible asset is the total expenditure incurred in bringing the asset to its intended use. Intangible assets acquired in a business combination not under common control that are owned by the acquiree but not recognised in its financial statements are recognised as intangible assets at fair value on initial recognition of the acquiree's assets.

Subsequent measurement of intangible assets of the Company: ①Intangible assets with finite useful lives are amortized on a straight-line basis; their useful lives and amortization methods are reviewed at the end of each year, and adjusted accordingly if there is any variance with the previous estimates; ②Intangible assets with indefinite useful lives are not amortized and their useful lives are reviewed at the end of each year. If there is an objective evidence that the useful life of an intangible asset is finite, an estimation should be made on the useful life and the intangible asset should be amortized using the straight-line method.

(2) Criterion of determining indefinite useful life

The useful life of an intangible asset is indefinite if the period in which the asset brings economic benefits for the Company is unforeseeable, or the useful life could not be ascertained.

Criterion of determining indefinite useful lives: ① the period is derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; ② the period in which the intangible assets generate benefits for the Company still could not be estimated after considering the industrial practice or relevant expert opinions.

At the end of each year, the Company reviews the useful lives of the intangible assets with indefinite useful lives. The assessment is primarily reviewed by relevant departments that use the intangible assets, using the down-to-top approach, to determine if there are changes to the determination basis of indefinite useful lives.

(3) Methods of test and provision for impairment of intangible assets

At the balance sheet date, the Company reviews intangible assets to check whether there is any sign of impairment. If yes, the recoverable amount is recognized through an impairment test and provision for impairment is made based on the difference between the carrying value and the recoverable amount.

Impairment loss will not be reversed in subsequent accounting periods once provision is made for it. The recoverable amount of intangible assets should be based on the higher of the net fair value of the assets less the disposal expense and the present value of estimated future cash flow of the assets.

(4) Basis for research and development phases for internal research and development project and basis for capitalization of expenditure incurred in development stage

As for an internal research and development project, expenditure incurred in the research stage is recognized in the profit or loss as incurred. Expenses incurred in the development stage are capitalized only if all of the following conditions are met: ①the technical feasibility of completing the intangible assets so that they will be available for use or for sale; ②the intention to complete the intangible assets for use or for sale; ③ how the intangible assets will generate economic benefits, including there is evidence that the products produced by the intangible assets has a market or the intangible assets themselves have a market; if the intangible assets are for internal use, there is evidence that there exists usage for the intangible assets; ④ the availability of adequate technical, financial and other resources to complete the development and gain the ability to use or sell the intangible assets; ⑤ the capability to reliably measure the expenditures attributable to the development stage of the intangible assets.

Specific standards for distinguishing research stage and development stage of an internal research and development project: the Company refers to the research stage as the stage of planned investigation and search for obtaining new technology and knowledge, which features planning and exploration; before commercial production or other uses, the Company regards the stage of applying the research achievements and other knowledge in a plan or design to produce new or substantially improved materials, equipment and products as development stage, which features pertinence and is very likely to form results.

All the expenditures incurred on research and development which cannot be distinguished between research stage and development stage are recognized in the profit or loss.

20. Impairment of long-term assets

☒ Applicable ☐ Not Applicable

Long-term equity investment, investment properties measured based on cost model, fixed assets, construction in progress, intangible assets and other long-term assets are tested for impairment if there is any sign of impairment at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the assets is less than the carrying amount, a provision for impairment will be made based on the difference and will be recorded in impairment loss. The recoverable amount is the higher of the net fair value of the assets less the disposal expense and the present value of estimated future cash flow of the assets. Provision for asset impairment is calculated and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs is determined. An asset group is the smallest asset portfolio that can generate cash inflows independently.

Goodwill arising from a business combination and an intangible asset with an indefinite useful life is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

When the Company carries out impairment test of the goodwill, the carrying amount of the goodwill, arising from business combination, shall be allocated to the related asset groups on reasonable basis since the acquisition date, or to the related asset group portfolios if it is difficult to be allocated to the related asset groups. When the carrying amount of the goodwill is allocated to the related asset groups or asset group portfolios, it shall be allocated in the proportion of the fair value of each asset group or asset group portfolio against the total fair value of related asset groups or asset group portfolios. If it is difficult to measure the fair value reliably, it shall be allocated in the proportion of the carrying amount of each asset group or asset group portfolio against the total carrying amount of related asset groups or asset group portfolios.

When impairment test is made by the Company to the related asset groups or asset group portfolios including goodwill, if there is a sign that the related asset groups or asset group portfolios are prone to impair, the Company shall first conduct impairment test on the asset groups or asset group portfolios excluding goodwill, calculate the recoverable amount and recognize the corresponding impairment loss by comparing with its carrying amount. The Company shall then conduct impairment test on the asset groups or asset group portfolios including goodwill and compare the carrying amount (including the carrying amount of allocated goodwill) of related asset groups or asset group portfolios with the recoverable amount thereof. Impairment loss shall be recognized in accordance with the differences when the recoverable amount of the related asset groups or asset group portfolios is lower than the carrying amount thereof. The amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the above impairment loss on assets is recognized, it shall not be reversed by the Company in any subsequent accounting period.

21. Long-term prepaid expense

☒ Applicable ☐ Not Applicable

Long-term prepaid expenses of the Company are expenditures which have incurred but the benefit period of which is more than one year (exclusive). They are amortized by installments over the benefit period based on each item under the expenses. If items under the long-term pre-paid expenses are no longer beneficial to the subsequent accounting periods, the amortized value of such unamortized items is then fully transferred to the profit or loss.

22. Contract liabilities

☒ Applicable ☐ Not Applicable

A contract liability represents the Company's obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer has already paid the contract consideration before the Company transfers goods to the customer or the Company has obtained the unconditional collection right, the Company will recognise such amount received or receivable as contract liabilities at earlier of the actual payment by the customer or the amount payable becoming due. Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

23. Staff remuneration

Staff remunerations are all forms of compensation and other relevant expenditure given by the Company in exchange for services rendered by employees, including short-term remunerations, post-employment benefits, termination benefits and other long-term benefits.

(1) Accounting treatment of short-term remunerations

☒ Applicable ☐ Not Applicable

Short-term remunerations provided by the Company include short-term salaries, bonus, allowance, subsidies, employee welfare, housing provident fund, labor union fee and education fee, medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums, short-term compensated leave, short-term profit-sharing plans, etc. During the accounting period when employees render services, the Company shall recognize short-term remunerations that actually incurred as liabilities and credited into the current profit or loss or the cost of relevant assets on an accrual basis by the benefit objects.

(2) Accounting treatment of post-employment benefits√ Applicable ☐ Not Applicable

Post-employment benefits mainly include the basic pension insurance, enterprise annuity, etc., In accordance with the risks and obligations undertaken by the Company, the post-employment benefits are classified as defined contribution plans and defined benefit plans.

Defined contribution plans: the Company shall recognize the sinking funds paid on the balance sheet date to individual entities in exchange for services from employees in the accounting period as liabilities, and shall credit such funds into the profit or loss or the cost of relevant assets in accordance with the benefit objects.

Defined benefit plans: the Company determines the cost for providing benefits using the expected cumulative welfare unit method, with actuarial valuations being carried out by independent actuary at the interim and annual balance sheet date. The costs for staff remunerations incurred by the defined benefit plans of the Group are categorized as follows: (1) service cost, including current period service cost, past service cost and settlement profit or loss. Specifically, current period service cost means the increase of the present value of defined benefit obligations resulted from the current period services offered by employees. Past service cost means the increase or decrease of the present value of defined benefit obligations resulted from the revision of the defined benefit plans related to the prior period services offered by employees; (2) interest expenses of defined benefit plans; (3) changes caused by the remeasurement of liabilities for defined benefit plans. Unless other accounting standards require or permit the credit of the costs for employee welfare into the cost of assets, the Company will credit (1) and (2) above into the profit or loss; and recognize (3) above as other comprehensive income and will not transfer it back to the profit or loss in subsequent accounting periods.

(3) Accounting treatment of termination benefits√ Applicable ☐ Not Applicable

Termination benefits are the indemnity proposal provided by the Company for employees for the purpose of terminating labor relations with employees before expiry of the labor contracts or encouraging employees to accept downsizing voluntarily. When the Company could not unilaterally withdraw the termination benefits provided as a result of plan for termination of labor relations or the redundancy offer, or upon recognition of costs or expenses related to a restructuring involving the payment of termination benefits, whichever is earlier, the staff remuneration liabilities arising from such termination benefits are recognized and included in current profit or loss.

24. Estimated liability

☒ Applicable ☐ Not Applicable

(1) Criterion for determining of estimated liability

If an obligation in relation to contingencies such as external guarantees, discounting of commercial acceptance bills, pending litigation or arbitration and product quality assurance is the present obligation of the Company and the performance of such obligation is likely to lead to an outflow of economic interests and its amount can be reliably measured, such obligation shall be recognized as an estimated liability.

(2) Measurement of estimated liability

The estimated liability shall be initially measured according to the best estimate of the necessary expenses for the performance of the present obligation. If there is a continuous range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined according to the middle estimate within the range.; if there are two or more items involved, the best estimate should be determined according to all possible outcomes and relevant probabilities.

At the balance sheet date, the carrying value of estimated liabilities should be reviewed. If there is objective evidence that the carrying value could not reflect in the current best estimate, the carrying value shall be adjusted to reflect the current best estimate.

If all or part of the expense necessary for settling the provisions is expected to be compensated by the third party, the amount of compensation is separately recognized as an asset when it is basically determined to be recoverable, and the recognized amount of the compensation shall not exceed the carrying amount of the provisions.

25. Share-based payments

☒ Applicable ☐ Not Applicable

Share-based payments of the Company are transactions in which equity instruments are granted to employees in exchange for services rendered by employees or for the assumption of liabilities based on equity instruments. Share-based payments of the Company are equity-settled share-based payments and cash-settled share-based payments.

For equity-settled share-based payment transaction in return for services from employees, it shall be measured at the fair value of equity instruments granted to the employees at the date of grant by the Company. On each balance sheet date within the vesting period, the Company makes the best estimation of the number of vested equity instruments based on subsequent information such as the updated changes in the number of employees who are granted to vest and the achievement of specified performance conditions. Based on the above results, the services received in the current period are included in the relevant cost or expenses based on the fair value on the date of grant, with the increase in the capital reserve accordingly. The recognized relevant cost or expenses and the total amount of owners' interest shall no longer be adjusted after the vesting date. However, equity instruments vested immediately after the date of grant shall be included in the relevant cost or expenses based on its fair value on the date of grant, with the increase in the capital reserve accordingly.

The cash-settled share-based payment shall be measured at the fair value of liability assumed by the Company, which is determined based on the shares or other equity instruments. For the cash-settled share-based payment that may be exercised immediately after the grant, the fair value of the liability assumed by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment that may be exercised if services are fulfilled during the vesting period or the specified performance condition is achieved, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of exercise, be recognized in relevant costs or expenses at the fair value of the liability assumed by the Company, and the liabilities shall be adjusted correspondingly. At each balanced sheet date and the settlement date prior to the settlement of liabilities, the fair value of the liability is re-measured with its change consolidated in profit/loss.

When there is changes to the Company's share-based payment plans, if the modification increases the fair value of the equity instruments granted, corresponding recognition of service increase in accordance with the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognized as a corresponding increase in service achieved. Increase in the fair value of equity instruments refer to the difference between the fair values of the equity instrument on the modified date before or after the modification. If the Company modifies the vesting conditions in such manner conducive to the employees, including the shortening of the vesting period, change or cancellation of the performance conditions (rather than market conditions), the modified vesting conditions are considered upon the disposal of vesting conditions. If the modification reduces the total fair value of shares paid or the Company uses other methods not conducive to employees to modify the terms and conditions of share-based payment plans, the Company will continue to be accounted for the services obtained in the accounting treatment, as if the change had not occurred, unless the Company cancelled some or all of the equity instruments granted.

During the vesting period, if the Company cancel equity instruments granted which will be treated as accelerating the exercise of rights and any amount to be charged over the remaining vesting period should be recognized immediately in the profit or loss, while at the same time recognize the capital reserve. Employees or other parties can choose to meet non-vesting conditions, but for those that are not met in the vesting period, the Company will treat it as cancellation of equity instruments granted.

26. Revenue

☒ Applicable ☐ Not Applicable

Revenue is the total inflow of economic benefits formed by the Company and its subsidiaries during day-to-day operations which might lead to increase of shareholders' equity and be irrelevant to capital invested by shareholders.

The Company and its subsidiaries performed performance obligations stated in the contract, i.e., recognized revenue when the client obtains the control right of relevant goods or services.

Where the contract includes two or more performance obligations, during the starting date of the contract, the Company and its subsidiaries allocate transaction price to various single performance obligation in accordance with the relevant proportion of separate selling price of goods or services promised by various single performance obligation, and measure revenue in accordance with transaction price allocated to various single performance obligation.

Transaction price is the amount of consideration that the Company and its subsidiaries are expected to be entitled to collect due to transfer of goods and services transferred to the client, excluding the amount collected for any third party. The transaction price recognized by the Company and its subsidiaries does not exceed the amount of recognized revenue when relevant uncertainties are eliminated and might not incur material carrying back. The amount that is expected to be returned to the client is taken as liability of returned goods and is not recorded in transaction price.

When one of the following conditions is met, the Company and its subsidiaries perform performance obligations during a certain time horizon, otherwise, it belongs to fulfilling performance obligations at a certain time point:

- ① The client simultaneously obtains and consumes economic benefits as the Company and its subsidiaries perform the contract;
- ② The client is able to control goods under construction during the process of performance of the Company and its subsidiaries;
- ③ Goods produced by the Company and its subsidiaries during the process of performance have no alternative use, and the Company and its subsidiaries are entitled to collect the amount for the cumulative completed and performed portion to date during the entire contractual period.

For the performance obligations performed during a certain time horizon, the Company and its subsidiaries recognize revenue in accordance with the schedule of performance during such time horizon. When the schedule of performance can't be reasonably recognized, where the costs that have been incurred by the Company and its subsidiaries are estimated to be compensated, revenue shall be recognized in accordance with the amount of costs that has been incurred until the schedule of performance can be reasonably confirmed.

For performance obligations performed at a certain time point, the Company and its subsidiaries recognize revenue at the time point when the client obtains the control right of relevant goods or services. When judging whether the client has obtained control right over goods or services, the Company and its subsidiaries will consider the following signs:

- ① The Company and its subsidiaries enjoy the right of instant collection over such goods and services;
- ② The Company and its subsidiaries have transferred the material objects of such goods to the client;
- ③ The Company and its subsidiaries have transferred statutory ownership right of the goods or major risks and rewards of the ownership to the client;
- ④ The client has accepted such goods or service.

The right that the Company and its subsidiaries are entitled to collect the consideration for having transferred goods or services to the client (and such right depends on other factors other than time lapse) is presented as contractual asset, and contractual asset is provisioned impairment on the basis of expected credit losses. The right owned by and unconditionally collected from the client by the Company and its subsidiaries (only depend on time lapse) shall be presented as accounts receivable. Obligations that the Company and its subsidiaries have collected or shall collect consideration from the client and shall transfer goods or services to the client are presented as contractual obligations.

Specific accounting policies relating to major activities that the Company and its subsidiaries obtain revenue are described as follows:

(1) Sale of goods

Generally, contracts for sale of goods between the Company and its clients only include performance obligation of transferring the whole machine of home appliance. Generally, on the basis of taking into account the following factors comprehensively, the Company recognizes the revenue at the time point of transfer of control right of goods: the right of instant collection for obtaining goods, transfer of major risks and rewards on ownership of goods, transfer of statutory ownership of goods, transfer of assets of material objects of goods, the client's acceptance of such goods.

(2) Construction contract income

Construction contract between the Company and the client generally includes performance obligations of construction and installation of commercial air-conditioner and smart home, because the client is able to control goods under construction during the Company's performance process, the Company takes them as performance obligations performed during a certain time horizon, and recognizes revenue in accordance with the schedule of performance, and it is an exemption when the schedule of performance can't be reasonably confirmed. The Company confirms the schedule of performance of services provided in accordance with the input method. When the schedule of performance can't be reasonably confirmed, where the costs that have been incurred by the Company are estimated to be compensated, the revenue will be recognized in accordance with the amount of costs that has been incurred until the schedule of performance can be reasonably confirmed.

(3) Warranty obligations

According to contractual agreement and regulations of laws, the Company provides quality assurance for goods sold and project constructed. For guarantee-type quality assurance in order to ensure the client that goods sold comply with existing standards, the Company conducts accounting treatment in accordance with estimated liabilities. For service-type quality assurance in order to ensure the client that we also provide a separate service other than that the goods sold comply with existing standards, the Company takes it as a separate performance obligation, and allocates partial transaction price to service-type quality assurance in accordance with the relevant proportion of separate selling price of goods and service-type quality assurance, and recognizes revenue when the client obtains control right over services. When assessing whether quality assurance provides a separate service other than ensuring the client that the goods sold comply with existing standards, the Company shall consider factors such as whether such quality assurance is under statutory requirements or industrial practices, the term of quality assurance and the nature of the Company's commitment to perform the tasks.

27. Government grants

☒ Applicable ☐ Not Applicable

(1) Types of government grants

Government grants refer to the gratuitous monetary assets or non-monetary assets obtained by the Company from the government, excluding the capital invested by the government as an owner. The government grants are mainly divided into asset-related government grants and revenue-related government grants.

(2) Accounting treatment of government grants

Asset-related government grants shall be recognized as deferred income in current profit or loss on an even basis over the useful life of relevant assets; government grants measured at nominal amount shall be recognized directly in current profit or loss. Revenue-related government grants shall be treated as follows: ①those used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in current profit or loss when such expenses are recognized; ②those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in current profit or loss.

(3) Basis for determination of asset-related government grant and revenue-related government grant

If the government grant received by the Company is used for purchase, construction or other project that forms a long-term asset, it is recognized as asset-related government grant.

If the government grant received by the Company is not asset-related, it is recognized as revenue-related government grant.

Government grant received without clear objective shall be classified as asset-related government grant or revenue-related government grant by:

- ① Government grant subject to a certain project shall be separated according to the proportion of expenditure budget and capitalization budget, and the proportion shall be reviewed and modified if necessary on each balance sheet date;
- ② Government grant shall be categorized as revenue-related if its usage is described in general statement and no specific project is specified in the relevant government document.

(4) Amortization method and determination of amortization period of deferred revenue related to government grants

Asset-related government grant received by the Company is recognized as deferred revenue and is evenly amortized to the profit or loss in the current period over the estimated useful life of the relevant asset starting from the date when the asset is available for use.

(5) Recognition of government grants

Government grant measured at the amounts receivable is recognized at the end of the period when there is clear evidence that the relevant conditions set out in the financial subsidy policies and regulations are fulfilled and the receipt of such financial subsidy is assured.

Other government grants other than those measured at the account receivable is recognized upon actual receipt of such subsidies.

28. Deferred tax assets/deferred tax liabilities

☒ Applicable ☐ Not Applicable

Deferred income tax assets and deferred income tax liabilities of the Company are calculated and recognized based on the differences between the tax bases and the carrying amounts of assets and liabilities (temporary differences).

- (1) Deferred income tax assets are recognized by the Company to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. For deductible losses and tax credits that can be carried forward to future years, deferred income tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits. Save as the exceptions, deferred income tax liabilities shall be recognized for the taxable temporary differences.
- (2) Deferred income tax asset of the Company is recognized to the extent that there is enough taxable income for the deduction of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there will be enough taxable income in the future for the deduction of the deductible temporary difference, the deferred income tax asset not recognized in previous accounting period is recognized. If there is no sufficient evidence that there will be enough taxable income in the future for the deduction of the deferred income tax asset, the carrying value of the deferred income tax asset is reduced.
- (3) The Company recognizes deferred income tax liability for taxable temporary difference arising from investments in subsidiaries and associated companies, unless the Company could control the time of reversal of the temporary differences and the temporary differences would not be probably reversed in the foreseeable future. The Company recognizes deferred income tax asset for deductible temporary differences arising from investments in subsidiaries and associated companies, if the temporary difference will be very probably reversed in the foreseeable future and it is highly probable that taxable income will be available in the future to deduct the deductible temporary difference.
- (4) The Company does not recognize deferred income tax liability for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable income (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities of the Company are measured at the tax rates that apply to the period when the asset is expected to be recovered or the liability is expected to be settled.

- (5) Deferred income tax assets and deferred income tax liabilities are offset when:
- 1) deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity within the Company; and
 - 2) such taxable entity within the Company has a legally enforceable right to settle current income tax assets and current income tax liabilities on a net basis.

29. Leases

☒ Applicable ☐ Not Applicable

Lease is a contract in which the Company transfers or obtains the right of use of an identified asset or several identified assets under control for the exchange or payment of consideration within a certain period of time. At inception of a contract, the Company assesses whether a contract is, or contains, a lease.

(1) The Company as the lessee

☒ Applicable ☐ Not Applicable

1) *Initial measurement*

On the commencement date of the lease term, the Company recognizes its right to use leased assets over the lease term as right-of-use assets and recognizes the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value leases. The lease payments are discounted using the implicit interest rate in the lease when calculating the present value of the lease payments. If that rate cannot be readily determined, the Company uses its incremental borrowing rate as the discount rate.

Right-of-use assets shall be initially measured at costs. The costs include:

- a. initial measurement amount of the lease liabilities;
- b. a lease payment paid on or before the date of commencement of the lease term, where there were lease incentives, such incentives received shall be deducted;
- c. initial direct costs incurred by the lessee;
- d. costs expected to be incurred by the Company for demolition and removal of leased assets, restoration of the premises where the leased assets are located, or restoration of the leased assets to the conditions of the lease terms.

2) Subsequent measurement

If the Company accrues depreciation for right-of-use assets by reference to the depreciation policy for fixed assets (see this Note V.16 “Fixed assets” for details), and can reasonably determine that the ownership of the leased asset can be acquired at the expiration of the lease term, the Company shall depreciate the leased asset within its remaining useful life. If the Company cannot reasonably determine that the ownership of the leased asset can be acquired at the expiration of the lease term, the Company shall depreciate the leased asset within the lease term or its remaining useful life, whichever is shorter. For lease liabilities, the Company shall calculate the interest expenses for each period over the lease term at the fixed periodic interest rate, and recognize it in current profit or loss or the cost of relevant assets. Variable lease payments that are not included in the measurement of lease liabilities are recognized in current profit or loss or the cost of relevant assets when they are actually incurred. After the commencement date of the lease term, in the event that there is a change in the substantive fixed payments, a change in expected payment under a guaranteed residual value, a change in an index or rate used in determining the lease payments, or a change in the evaluation result or actual exercise of purchase option, extension option or termination option, the Company remeasures the lease liabilities based on the present value of the lease payments after the change and adjusts the carrying value of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero, but a further reduction in the measurement of the lease liabilities is still warranted, the Company recognizes the remaining amount of the remeasurement in current profit or loss.

3) Short-term leases and leases of low-value assets

For short-term leases (leases with a term of less than 12 months as of the lease commencement date) and leases of low-value assets, the Company adopts a simplified approach by not recognizing the right-of-use assets and lease liabilities, and instead recognizes the cost of relevant assets or current profit or loss on a straight-line basis for each period over the lease term.

(2) The Company as the lessor

☒ Applicable ☐ Not Applicable

The Company classifies leases into finance leases and operating leases based on the substance of the transaction at the inception date of the lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset. An operating lease is a lease other than a finance lease.

1) Operating leases

The Company uses the straight-line method to recognize lease receipts under operating leases as rental income for each period during the lease term. Variable lease payments relating to operating leases that are not recognized as lease receipts are recognized in current profit or loss when they are actually incurred.

2) Finance leases

On the commencement date of the lease term, the Company recognizes finance lease receivables and derecognizes finance lease assets. Finance lease receivables are initially measured at the net investment in the lease (the sum of the unguaranteed residual value and the present value of the lease receipts not yet received on the commencement date of the lease term discounted at the interest rate embedded in the lease), and interest income is recognized over the lease term calculated at a fixed periodic interest rate. Variable lease payments acquired by the Company that are not included in the measurement of the net investment in the lease are recognized in current profit or loss when they are actually incurred.

30. Other significant accounting policies and accounting estimates

☒ Applicable ☐ Not Applicable

(1) Asset securitisation

The Company has securitised certain receivables to entrust the assets to specific-purpose entities which would issue such securities to investors. As asset service provider, the Company is responsible for the provision of maintenance and daily management of the assets, formulation of annual asset disposal plans, formulation and implementation of asset disposal plan, signing of relevant asset disposal agreements and preparation asset service reports on a regular basis.

In applying the accounting policy for the securitisation of financial assets, the Company has considered the extent to which the risk and reward of the assets have been transferred to other entities, and the extent to which the Company exercises control over the entity:

- ① When the Company has transferred substantially all risk and reward relating to the ownership of a financial asset, such financial asset is derecognised;
- ② When the Company retains substantially all risk and reward relating to the ownership of a financial asset, the Company continues to recognise such financial asset;
- ③ If the Company neither transfers nor retains substantially all risk and reward relating to the ownership of a financial asset, the Company considers whether it has control over the financial asset. If the Company does not retain control, the financial asset is derecognised, and the rights and obligations arising from or retained the transfer are recognised as assets and liabilities, respectively. If the Company retains control, the financial asset is recognised according to the extent of continued involvement in the financial assets.

(2) Hedge accounting

Hedge refers, in respect of the risk exposure arising from the company's management of specific risks such as foreign exchange risks, interest rate risks, price risks and credit risks, to risk management activity of designating financial instruments as hedging instruments such that the change in the fair value or cash flow of the hedging instruments can be expected to set off the change in the fair value or cash flow of the hedged item.

The hedged item refers to an item designated for hedge against the risk of change in fair value or cash flow that can be reliably measured.

Hedging instruments are financial instruments designated for hedge, the change in fair value or cash flow of which is expected to set off the change in the fair value or cash flow of the hedged item.

The Company assesses whether the hedge relationship fulfills the requirement for hedge effectiveness at the inception date of the hedge and continuously in subsequent periods. The effectiveness of hedge refers to the extent to which the change in the fair value or cash flow of the hedging instruments can offset the change in the fair value or cash flow of the hedged item caused by the risk against which the hedge is made. The change in the fair value or cash flow of a hedging instrument in excess or shortfall of the change in the fair value or cash flow of the hedging instruments can offset the change in the fair value or cash flow of the hedged item represents the ineffective portion of the hedge.

(3) Significant accounting estimates

In the course of applying accounting policies, the Company is required to make judgements, estimations and assumptions on the carrying values of statement items that cannot be accurately measured owing to uncertainties to which operating activities are subject. Such judgements, estimations and assumptions are made based on the past experience of the management and taking into consideration of other relevant factors. Such judgements, estimations and assumptions affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities as at the balance sheet date. However, the actual outcome resulting from the uncertainty of such estimates could be different from the current estimates of the management, thereby resulting in significant adjustments to the carrying value of the future assets or liabilities affected. The Company regularly reviews such judgements, estimations and assumptions on a going concern basis. If the change in accounting estimates affects only the current period in which the change occurs, the affected amount is recognized for the period in which the change occurs; if both the current period and future periods are affected, the affected amount is recognised for the current period and the future periods.

At the balance sheet date, important aspects in which the Company is required to make judgements, estimations and assumptions on the amount of items on the financial statements are as follows:

① ***Estimated liabilities***

The Company estimates and makes provision for product warranty and estimated contract loss according to contract terms, existing knowledge and historical experience. When such contingencies have given rise to a present obligation, and the performance of such present obligation is likely to result in the outflow of economic benefit from the Company, the Company recognises estimated liabilities for the contingencies based on the best estimates of expenses required for the performance of relevant present obligations. The recognition and measurement of estimated liabilities is dependent to a large extent on management judgement. In the course of judgement, the Company is required to assess factors such as risks, uncertainties and the time value of currency relating to such contingencies. In particular, the Company recognises estimated liabilities in respect of after-sales undertaking to customers for return and replacement, maintenance and installation of goods sold. The recognition of estimated liabilities has taken into account the maintenance experience and data of the Company for recent years, although past experience in maintenance may not reflect maintenance in the future. Any increase or decrease in this provision might affect the profit or loss of future years.

② ***Provision for ECL***

The Company measures ECL through default risk exposure and the ECL rate, which is determined based on the default probability rate and default loss rate. In determining the ECL rate, the Company uses data such as internal historic credit loss experience and adjusts the historic data taking into consideration current conditions and prospective information. When considering prospective information, indicators adopted by the Company include the risk of economic downside, expected growth in unemployment rate, and changes in external market conditions, technical conditions and customer conditions. The Company monitors and reviews the assumptions relating to ECL computation on a regular basis. There was no significant change to aforesaid estimation technique and key assumptions during the year.

③ ***Impairment provisions for inventory***

The Company makes impairment provisions for inventory of which cost is higher than net realisable value and obsolete and slow-moving inventory based on the lower of cost and net realisable value according to its inventory accounting policy. The impairment of inventory to its net realisable value is based on assessment of the sellability of inventory and its net realisable value. The authentication of inventory impairment requires the management to obtain conclusive evidence and make judgment and estimates taking into consideration factors such as the purpose of inventory and post-balance sheet date events. Any difference between the actual outcome and the previous estimate will affect the carrying value of inventory and the charge or reversal of impairment provisions for inventory during the period in which the estimates are modified.

④ ***Fair value of financial instruments***

For financial instruments without an active trading market, the Company determines its fair value using valuation techniques. Such valuation techniques include discounted cash flow model analysis and others. During the assessment, the Company is required to make estimates on future cashflow, credit risk, market volatility rate and relevance and select an appropriate discount rate. Such relevant assumptions are subject to uncertainty, and any change will affect the fair value of financial instruments.

⑤ ***Impairment of other equity instrument investments***

The Company's determination of impairment for other equity instrument investments is largely dependent on the management's judgment and assumptions to determine whether impairment should be recognised. In the course of making judgments and assumptions, the Company is required to assess the extent and duration of the fair value of the investment being lower than cost, as well as the financial conditions and short-term business prospects of the investee, including industry conditions, technological revolution, credit rating, default rate and counterparty risks.

⑥ ***Impairment provision for long-term assets***

At the balance sheet date, the Company assesses whether there are indications of possible impairment of non-current assets other than financial assets. In addition to the annual impairment test, intangible assets with indefinite useful life are also tested for impairment when there are indications of the same. Impairment tests on non-current assets other than financial assets are conducted when there are indications that its carrying value may not be recoverable. An impairment has occurred when the carrying value of an asset or asset group is higher than the recoverable amount (the higher of net fair value less disposal cost and the present value of estimated future cash flow). The net fair value less disposal cost is determined with reference to the agreed selling price of similar assets in a fair transaction or observable market prices less incremental costs attributable directly to the disposal of such asset. In estimating the present value of future cashflow, significant judgement is required to be made in respect of the production volume and selling price of the asset or (asset group), relevant operating cost and discount rate for the computation of present value. The Company takes into consideration all available relevant information when making estimates on the recoverable amount, including forecasts on production volume, selling price and relevant operating costs based on reasonable and justifiable assumptions. The Company conducts goodwill impairment tests at least annually. This requires estimates on the present value of future cashflow of asset group or portfolio of asset groups to which goodwill has been allocated. When making estimates on the present value of future cashflow, the Company is required to make estimates on cashflow generated from future asset group or portfolio of asset groups, and at the same time select an appropriate discount rate to determine the present value of future cashflow.

⑦ ***Depreciation and amortisation***

Depreciation and amortisation of investment properties, fixed assets and intangible assets is charged on a straight-line basis over their useful life after taking their residual values into account. The Company reviews the useful life on a regular basis to determine the amount of depreciation and amortisation charge to be allocated to each reporting period. The useful life is determined based on past experience relating to similar assets taking into consideration expected technological upgrades. If there are significant changes in previous estimates, the depreciation and amortisation charge for future periods will be adjusted.

⑧ ***Deferred income tax assets***

The Company recognises deferred income tax assets in respect of all unutilised tax losses, to the extent that it is probable that sufficient taxable profit will be available to offset the loss. This requires the exercise of significant judgement by the Company's management to estimate the timing and amount of future taxable profit, taking into account its tax planning strategy, to determine the amount of deferred income tax assets to be recognised.

⑨ **Income tax**

In the Company's usual operating activities, the final tax treatment and computation of certain transactions are subject to uncertainty. Whether certain items can be presented on a pretax basis is subject to approval of the competent taxation authority. If the final confirmed outcome of such taxation matters is different from the amount of the initial estimates, such difference will affect the current income tax and deferred income tax for the period of final confirmation.

⑩ **Provision for sales rebate**

The Company and its subsidiaries adopt a sales rebate policy for sales agent customers. Based on relevant provisions of the sales agreements, vetting of specific transactions, market conditions, channel inventory level and past experience with reference to the status of completion of agreed appraisal indicators by sales agent customers, the Company and its subsidiaries makes estimates on and provision for sales rebate on a regular basis. The provision of sales rebate involves judgment and estimation by the management. In the event of any material change in previous estimates, the aforesaid difference will affect the sales rebate for the period for which the estimates are changed.

31. Changes in significant accounting policies

√ Applicable ☐ Not Applicable

Particulars of and reasons for changes in accounting policies	Date of issue	Date of adoption
Accounting Standards for Business Enterprises Interpretation No. 16 ("Interpretation No. 16")	November 2022	1 January 2023

The Company and its subsidiaries have adopted the standard of the Interpretation No. 16 on 1 January 2023. For deferred tax assets and liabilities recognised in respect of the lease liabilities and right-of-use assets related to a single transaction at the beginning of the earliest period when the Interpretation No. 16 was adopted for the presentation of the financial statements, the net amount of the deferred tax assets and liabilities after offsetting was equal to the amounts originally recognised on a net basis, with no impact on the consolidated balance sheet items presented at the net amount after offsetting. The impact of the changes in accounting policies on deferred tax assets and deferred tax liabilities before offsetting as at 1 January 2023 was as follows:

Item	Before policy changes	Impact of changes	After policy changes
Deferred tax assets before offsetting	4,038,915,158.86	868,657,062.49	4,907,572,221.35
Deferred tax liabilities before offsetting	4,673,734,789.63	868,657,062.49	5,542,391,852.12
Offset amount	-2,314,874,230.44	-868,657,062.49	-3,183,531,292.93
Deferred tax assets after offsetting	1,724,040,928.42		1,724,040,928.42
Deferred tax liabilities after offsetting	2,358,860,559.19		2,358,860,559.19

VI. TAXATION

1. Main tax categories and rates

√ Applicable ☐ Not Applicable

Tax types	Basis of taxation	Tax rate
Value-added tax	Taxable revenue from sales of goods and rendering services	6%, 9%, 13%
City maintenance and construction tax	Circulation tax payable	7%
EIT	Taxable income	Statutory tax rate or preferential rates as follows
(Local) education surcharge	Circulation tax payable	1%, 2%, 3%

2. Preferential tax

√ Applicable ☐ Not Applicable

Companies subjected to preferential tax and preferential tax rate:

Company	Tax rate	Preferential tax
Qingdao Haier Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Dishwasher Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Freezer Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Electronics Holding Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Freezer Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Limited	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Zhengzhou Haier Air-conditioning Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Shenyang Haier Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise

Company	Tax rate	Preferential tax
Qingdao Hai Gao Design and Manufacture Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hairi High Technology Co., Ltd	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Technology Development Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Freezer Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Central Air Conditioning Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Shanghai Zhi Han Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Electronic Plastic Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Wei Xi Intelligent Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air Conditioning Electronics Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Shanghai Haier Medical Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise

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Company	Tax rate	Preferential tax
Shanghai Haier Smart Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Yunshang Yuyi IOT Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier (Shenzhen) R&D Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Guangdong Haier Intelligent Technology Co. Ltd]	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Dalian Haier Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jijia Cloud Intelligent Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Tianjin Haier Cleaning Electrical Appliances Co., Ltd. (天津海尔洗涤电器有限公司)	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Economic and Technological Development Zone Haier Water Heater Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise

Company	Tax rate	Preferential tax
Wuhan Haier Water Heater Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Drum Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Strauss Water Equipment Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Strauss Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier New Energy Electric Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Lexin Cloud Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Drum Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Smart Electrics Equipment Co. Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Lejia Electrical Appliance Co. Ltd. (青岛乐家电器有限公司)	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Jiangxi Haier Medical Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Electrical Appliance Sales Co., Ltd. and some Western companies	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Air-conditioning Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

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Company	Tax rate	Preferential tax
Chongqing Haier Refrigeration Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Guizhou Haier Electronics Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Hairishun Home Appliance Sales Co., Ltd. and some Western companies	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Washing Machine Co., Ltd	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Water Heater Co., Ltd	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Drum Washing Machine Co., Ltd	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Qingdao Haier Technology Co., Ltd.	10.00%	entitled to the preferential taxation policies as a key software enterprise

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	541,712.70	5,312,391.11
Cash in bank	53,524,177,266.50	52,978,813,851.96
Other cash balances	961,733,861.94	1,178,085,912.24
Total	54,486,452,841.14	54,162,212,155.31
Include: total amount of overseas deposits	15,909,397,682.46	11,963,648,575.80
Deposit in Finance Company	26,276,742,534.50	31,433,124,152.44

Other explanations

Other monetary funds mainly included investment fund, deposit on third party payment platforms, guarantees and other restricted fund, etc.

2. Financial assets held for trading

Items	Closing balance	Opening balance
Short-term wealth management products	487,936,101.81	14,638,968.26
Investments in other equity instruments	243,224,439.64	336,843,065.02
Investment funds	222,803,002.38	168,430,847.63
Total	953,963,543.83	519,912,880.91

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3. Derivative financial assets

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange contracts	67,565,829.44	178,992,877.32
Forward commodity contracts		4,192,283.19
Total	67,565,829.44	183,185,160.51

4. Bills receivable

(1) Bills receivable presented by types

Items	Closing balance	Opening balance
Bank acceptance notes	8,466,159,415.18	9,390,227,149.92
Commercially acceptance notes	160,607,051.53	237,902,374.08
Balance of bills receivable	8,626,766,466.71	9,628,129,524.00
Allowance for bad debts	5,331,635.32	3,937,685.85
Bills receivable, net	8,621,434,831.39	9,624,191,838.15

(2) Changes in allowance for bad debts of bills receivable in the current period:

Items	Increase for the current period			Decrease for the current period		Closing balance
	Opening balance	Provision for the current period	Other movement	Reversal	Write-off/ other movement	
Allowance for bad debts	3,937,685.85	2,442,094.38		1,048,144.91		5,331,635.32
Total	3,937,685.85	2,442,094.38		1,048,144.91		5,331,635.32

The Company's bills receivables were mainly generated from daily operation activities such as sales of commodity, provision of labor, etc., and the allowance for bad debts was measured based on expected credit loss over the entire duration whether there exist significant financing components.

The bills receivable pledged by the Company at the end of the period was RMB4,389,991,243.14 (amount at the beginning of the period RMB8,716,194,311.64).

5. Accounts receivable

① Accounts receivable are disclosed by aging as follow:

Aging	Closing balance	Opening balance
Within one year	20,004,004,007.43	15,941,416,673.44
1-2 years	873,509,449.30	744,911,486.13
2-3 years	510,375,731.48	277,269,661.37
Over 3 years	288,610,175.85	129,303,240.96
Balance of accounts receivable	21,676,499,364.06	17,092,901,061.90
Allowance for bad debts	1,408,399,927.63	1,206,152,250.09
Accounts receivable, net	20,268,099,436.43	15,886,748,811.81

② By method of provision of allowance for bad debts

Categories	Book balance		Closing balance		Carrying value
	Amount	Percentage	Allowance for bad debts		
			Amount	Percentage	
				of provision	
	Amount	(%)	Amount	(%)	
Account receivables subject to provision for bad debts on a separate basis	866,424,078.12	4.00	864,112,221.06	99.73	2,311,857.06
Account receivables subject to provision for bad debts on a collective basis	20,810,075,285.94	96.00	544,287,706.57	2.62	20,265,787,579.37
Total	21,676,499,364.06	100.00	1,408,399,927.63	6.50	20,268,099,436.43

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(continued)

Categories	Book balance		Opening balance		Carrying value
	Amount	Percentage (%)	Allowance for bad debts		
			Amount	Percentage of provision	
				(%)	
Account receivables subject to provision for bad debts on a separate basis	669,106,556.78	3.91	658,051,988.70	98.35	11,054,568.08
Account receivables subject to provision for bad debts on a collective basis	16,423,794,505.12	96.09	548,100,261.39	3.34	15,875,694,243.73
Total	17,092,901,061.90	100.00	1,206,152,250.09	7.06	15,886,748,811.81

③ **Account receivables subject to provision for bad debts on a separate basis at the end of the period**

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Name	Closing balance			Reason for provision
	Book balance	Allowance for bad debts	Percentage of provision (%)	
25 customers in total	866,424,078.12	864,112,221.06	99.73	The obligors were in significant financial difficulty
Total	866,424,078.12	864,112,221.06	99.73	

The account receivables of significant individual amount and subject to provision for bad debts on a separate basis at the end of the period was RMB726,379,640.82 (amount at the beginning of the period RMB536,690,595.28).

④ **Account receivables subject to provision for bad debts on a collective basis**

√ Applicable □ Not Applicable

Aging	Closing balance		Percentage of provision (%)
	Book balance	Allowance for bad debts	
Within 1 year	19,975,992,567.68	288,934,773.72	1.45
1-2 years	463,149,665.27	61,273,338.92	13.23
2-3 years	193,271,661.47	72,699,318.58	37.62
Over 3 years	177,661,391.52	121,380,275.35	68.32
Total	20,810,075,285.94	544,287,706.57	2.62

(continued)

Aging	Opening balance		Percentage of provision (%)
	Book balance	Allowance for bad debts	
Within 1 year	15,628,451,183.11	341,360,523.71	2.18
1-2 years	445,226,708.15	33,709,717.14	7.57
2-3 years	231,744,330.03	90,123,931.89	38.89
Over 3 years	118,372,283.83	82,906,088.65	70.04
Total	16,423,794,505.12	548,100,261.39	3.34

⑤ **Changes in allowance for bad debts of accounts receivable in the current period:**

Items	Increase for the current period			Decrease for the current period		Closing balance
	Opening balance	Provision for the current period	Other movement	Reversal	Write-off/ other movement	
Allowance for bad debts	1,206,152,250.09	432,154,043.65	4,453,844.82	145,010,380.92	89,349,830.01	1,408,399,927.63

- ⑥ The aggregate amount of the top 5 account receivables and contract assets as at the end of the period was RMB5,525,018,986.65 (amount at the beginning of the period: RMB4,030,275,384.24), accounting for 25.11% (at the beginning of the period: 23.07%) of the book balance of account receivables and contract assets, and the amount of provision for bad debts was RMB604,983,462.26 (amount at the beginning of the period: RMB604,758,501.08).

⑦ **Actual write-off of accounts receivable in the current period**

The amount of accounts receivable actually written off in the current period was RMB82,305,106.67 (amount for the corresponding period: RMB35,724,496.02) and there was no significant bad debt write-off of accounts receivable.

⑧ **The Company's accounts receivable that were terminated due to the transfer of financial assets in the current period**

The amount of accounts receivable that the company terminated at the end of the period due to the transfer of financial assets was RMB6,411,839,897.28 (amount at the beginning of the period: RMB7,752,646,133.49) and the transfer method was outright sale factoring/asset securitization.

⑨ **Restricted accounts receivable in the current period**

The amount of accounts receivable restricted at the end of the period is RMB1,255,120.80 (amount at the beginning of the period: RMB1,944,980,392.98).

6. Prepayments

(1) **Prepayments are presented by aging:**

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	1,163,325,306.16	93.95	1,087,347,492.36	97.92
1-2 years	56,449,865.29	4.56	9,481,169.76	0.85
2-3 years	7,104,895.06	0.57	7,826,299.09	0.70
Over 3 years	11,414,864.00	0.92	5,852,909.40	0.53
Total	1,238,294,930.51	100.00	1,110,507,870.61	100.00

(2) The total amount of the top 5 in the prepayments at the end of the period was RMB214,815,987.16, accounting for 17.35% of the book balance of prepayment (amount at the beginning of the period: RMB285,279,364.51, accounting for 25.69%).

(3) There was no significant prepayment aged over 1 year at the end of the period.

7. Other receivables√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	748,496,020.24	513,320,376.79
Other receivables	1,901,062,964.81	1,887,793,525.76
Total	2,649,558,985.05	2,401,113,902.55

(1) Interest receivable√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Within one year	473,678,991.02	365,716,532.95
1-2 years	199,801,995.25	117,786,419.18
2-3 years	70,063,170.96	19,790,000.00
Over 3 years	4,951,863.01	10,027,424.66
Total	748,496,020.24	513,320,376.79

(2) Other receivables① *Other receivables are disclosed by aging as follows:*

Aging	Closing balance	Opening balance
Within one year	1,413,423,130.38	1,415,479,963.79
1-2 years	94,189,862.20	217,023,682.62
2-3 years	204,379,944.75	23,617,332.57
Over 3 years	277,554,421.44	387,192,496.32
Balance of other receivables	1,989,547,358.77	2,043,313,475.30
Allowance for bad debts	88,484,393.96	155,519,949.54
Other receivables, net	1,901,062,964.81	1,887,793,525.76

② *Provision of allowance for bad debts based on the general model of expected credit losses*

Allowance for bad debts	Stage 1 Expected credit losses for the coming 12 months	Stage 2 Lifetime expected credit losses (not credit-impaired)	Stage 3 Lifetime expected credit losses (credit-impaired)	Total
Opening balance	133,616,436.54		21,903,513.00	155,519,949.54
Provision for the current period	7,073,055.91			7,073,055.91
Reversal for the current period	51,584,453.85		1,384,084.95	52,968,538.80
Write-off and others for the current period	2,274,157.64		18,865,915.05	21,140,072.69
Closing balance	86,830,880.96		1,653,513.00	88,484,393.96

③ *Changes in allowance for bad debt provision of other receivables in the current period*

Items	Increase for the current period			Decrease for the current period		Closing balance
	Opening balance	Provision for the current period	Other movement	Reversal	Write-off/ other movement	
Allowance for bad debts	155,519,949.54	7,073,055.91		52,968,538.80	21,140,072.69	88,484,393.96

- ④ The total amount of the top 5 other receivables at the end of the period was RMB671,641,747.67 (amount at the beginning of the period: RMB913,820,290.12), accounting for 33.76% of the book balance of other receivables (at the beginning of the period: 44.72%), and the amount of provision for bad debts was RMB3,359,976.38 (amount at the beginning of the period: RMB0.00).
- ⑤ **Other receivables written off during the period**
The amount of other receivables actually written off in the current period was RMB22,283,049.47 (amount for the corresponding period: RMB56,385,567.52) and no significant other receivables were written off for bad debts.
- ⑥ Other receivables mainly included deposits, quality guarantees, employee loans, tax refunds, and advance payments, etc.

8. Inventories

(1) Category of inventories

Items	Closing Balance		
	Book balance	Impairment Provision of inventories	Carrying value
Raw materials	5,873,703,173.53	208,533,811.42	5,665,169,362.11
Work in progress	47,535,985.86		47,535,985.86
Finished goods	35,084,012,597.82	1,272,711,329.46	33,811,301,268.36
Total	41,005,251,757.21	1,481,245,140.88	39,524,006,616.33

(continued)

Items	Opening Balance		
	Book balance	Impairment Provision of inventories	Carrying value
Raw materials	6,220,344,034.47	171,673,251.23	6,048,670,783.24
Work in progress	74,028,876.21		74,028,876.21
Finished goods	36,903,949,735.10	1,438,863,087.02	35,465,086,648.08
Total	43,198,322,645.78	1,610,536,338.25	41,587,786,307.53

(2) Impairment provision of inventories

Items	Increase for the current period			Decrease for the current period		Closing balance
	Opening balance	Provision for the current period	Other movement	Reversal	Write-off/ other movement	
Raw materials	171,673,251.23	108,912,061.72		33,829,562.06	38,221,939.47	208,533,811.42
Work in progress						
Finished goods	1,438,863,087.02	1,102,723,733.93		86,400,310.46	1,182,475,181.03	1,272,711,329.46
Total	1,610,536,338.25	1,211,635,795.65		120,229,872.52	1,220,697,120.50	1,481,245,140.88

(3) Details of impairment provision of inventories are as follows

Items	Specific basis for determining net realizable value	Reason for reversing or writing off the impairment provision of inventories
Raw materials	Measurement at the lower of cost and net realizable value	Production, use or sales
Finished goods	Measurement at the lower of cost and net realizable value	sales

9. Contractual assets

(1) Details of contract assets

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing Balance			Opening Balance		
	Book balance	Provision for bad debts	Carrying Value	Book balance	Provision for bad debts	Carrying Value
Relating to construction						
service contract	327,870,850.30	66,931,441.57	260,939,408.73	379,905,624.96	69,975,265.71	309,930,359.25
Total	327,870,850.30	66,931,441.57	260,939,408.73	379,905,624.96	69,975,265.71	309,930,359.25

(2) Classification by method of provision for bad debts

Categories	Book balance		Closing balance		Carrying value
	Allowance for bad debts		Allowance for bad debts		
	Percentage		Percentage		
	Amount	(%)	Amount	(%)	
Contract assets subject to provision for bad debts on a separate basis	58,419,039.53	17.82	58,419,039.53	100.00	
Contract assets subject to provision for bad debts on a collective basis	269,451,810.77	82.18	8,512,402.04	3.16	260,939,408.73
Total	327,870,850.30	100.00	66,931,441.57	20.41	260,939,408.73

(continued)

Categories	Book balance		Opening balance		Carrying value
			Allowance for bad debts		
	Percentage		Percentage		
	Amount	(%)	Amount	(%)	
Contract assets subject to provision for bad debts on a separate basis	57,105,478.30	15.03	57,048,337.23	99.90	57,141.07
Contract assets subject to provision for bad debts on a collective basis	322,800,146.66	84.97	12,926,928.48	4.00	309,873,218.18
Total	379,905,624.96	100.00	69,975,265.71	18.42	309,930,359.25

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(3) Contract assets subject to provision for bad debts on a separate basis at the end of the period

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Name	Closing balance			Reason for provision
	Book balance	Allowance for bad debts	Percentage of provision (%)	
21 customers in total	58,419,039.53	58,419,039.53	100.00	The obligors were in significant financial difficulty
Total	58,419,039.53	58,419,039.53	100.00	

(4) Contract assets subject to provision for bad debts on a collective basis at the end of the period

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Name	Closing balance		Percentage of provision (%)
	Contract assets	Allowance for bad debts	
Relating to construction service contract	269,451,810.77	8,512,402.04	3.16
Total	269,451,810.77	8,512,402.04	3.16

(5) Provision for bad debts on contract assets during the current period

Items	Increase for the current period		Decrease for the current period		Closing balance
	Opening balance	Provision for the current period	Other movement	Reversal	
Relating to construction service contract	69,975,265.71			3,043,824.14	66,931,441.57
Total	69,975,265.71			3,043,824.14	66,931,441.57

10. Other current assets

(1) Details

Items	Closing Balance		Opening Balance	
	Book balance	Impairment Provision	Book balance	Impairment Provision
Bank deposit for wealth management products	1,530,274,566.66		1,642,421,944.45	
Deductible taxes	2,610,660,645.55		2,710,929,690.28	
Returns cost receivables	670,702,791.81	325,055,055.98	563,233,565.88	280,818,239.06
Others	63,584,720.64		57,543,006.31	
Total	4,875,222,724.66	325,055,055.98	4,974,128,206.92	280,818,239.06

(2) Impairment Provision

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision for the current period	Other movement	Reversal	Write-off/ other movement	
Returns cost receivables	280,818,239.06	325,055,055.98			280,818,239.06	325,055,055.98
Total	280,818,239.06	325,055,055.98			280,818,239.06	325,055,055.98

11. Debt investments

Items	Closing balance		Opening balance	
	Principal	Interest	Principal	Interest
Time deposit -long term	8,677,500,000.00	163,733,078.66	1,000,000,000.00	34,222,222.22
Total	8,677,500,000.00	163,733,078.66	1,000,000,000.00	34,222,222.22
Include: time deposit in Finance Company	7,377,500,000.00	86,374,745.33		

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12. Long-term equity investments

Investees	Increase/decrease for the current period					
	Opening balance	Investment increase	Investment profit recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits
Associate :						
Haier Group Finance Co., Ltd.	7,560,187,324.04		595,448,540.64	-9,490,166.96		-235,200,000.00
Bank of Qingdao Co., Ltd.	2,934,085,854.00		271,598,742.67	70,737,018.48		-76,288,906.40
Wolong Electric (Jinan) Motor Co., Ltd.	174,697,807.74		25,270,339.30			-22,305,600.00
Qingdao Hegang New Material Technology Co., Ltd.	314,802,331.45		14,911,234.91			
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	319,245,649.36		-83,255,532.55			-29,225,674.05
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	715,461,260.26		131,493,706.05			-183,150,000.00
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	413,367,540.80		16,250,623.48			-17,510,692.75
Qingdao Haier Multimedia Co., Ltd.	153,550,234.50		-65,250,234.50			
Baoshihua Tong Fang Energy Technology Co., Ltd. (宝石花同方能源科技有限公司)		30,267,952.94	59,013.84			
Zhengzhou Highly Electric Appliance Co., Ltd. (郑州海立电器有限公司)		98,000,000.00				
Anhui Kunhe Smart Technology Co., Ltd.	1,997,782.61					
Zhejiang Futeng Fluid Technology Co., Ltd.	77,807,408.84		-223,246.85			
Beijing Mr. Hi Network Technology Company Limited	7,507,759.75					
Hongtong Environmental Technology (Guangzhou) Co., Ltd. (宏通环境技术(广州)有限公司)		4,500,000.00	-234,034.27			
Beijing ASU Tech Co., Ltd.	12,829,433.78		-17,761,329.99		12,850,905.72	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	6,914,487.73					
Qingdao Haimu Investment Management Co., Ltd.	2,521,766.42		87,690.15			
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	58,905,912.88		-916,905.70			
Haineng Wanjia (Shanghai) Technology Development Co., Ltd.	772,938.88		-166,909.17			
Qingdao Guochuang Intelligent Home Appliance Research Institute Co., Ltd.	45,016,334.20		-6,442,106.67			
Guangzhou Heying Investment Partnership (Limited Partnership)	285,793,577.87			-20,816,696.55		

Investees	Increase/decrease for the current period					
	Opening balance	Investment increase	Investment profit recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits
Qingdao Home Wow Cloud Network Technology Co., Ltd.	2,547,217.00		-354,547.51			
Bingji (Shanghai) Corporate Management Co., Ltd.	1,014,425,293.04		41,819,769.83			
Youjin (Shanghai) Corporate Management Co., Ltd.	1,843,591,441.88		76,035,945.14			
RRS (Shanghai) Investment Co., Ltd.	3,351,166,257.98		138,247,172.98			
Haier Best Water Technology Co., Ltd.	148,369,638.40					
Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)	238,806,947.64					
Qingdao Ririshun Huizhi Investment Co., Ltd.	4,083,482.78					
Qingdao Xinshenghui Technology Co., Ltd.	8,598,002.89		1,407,912.26			
EuropaltersItaliaS.r.l.	15,760,505.28					
OryginLLC	13,918,442.26	8,378,488.78				
Konan Electronic Co., Ltd.	67,770,092.99		-374,388.94	-2,789,951.98		-226,800.00
HNR (Private) Company Limited	74,366,909.55		42,066,344.71	-5,207,447.75		
HPZ LIMITED	88,751,047.98		-76,639,344.33	-8,628,127.15		
CONTROLADORAMABES.A.deC.V.	4,685,927,386.53		673,201,637.87	-133,208,775.03	-20,684,123.49	-126,817,804.35
Middle East Airconditioning Company,Limited	8,820,101.55		-1,701,195.07	180,260.12		
Total	24,652,368,172.86	141,146,441.72	1,774,578,898.28	-109,223,886.82	-7,833,217.77	-690,725,477.55

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(continued)

Investees	Increase/decrease for the current period			Impairment Provision
	Other movement	The disposal of the investment	Closing balance	Closing Balance
Associate :				
Haier Group Finance Co., Ltd.			7,910,945,697.72	
Bank of Qingdao Co., Ltd.			3,200,132,708.75	
Wolong Electric (Jinan) Motor Co., Ltd.			177,662,547.04	
Qingdao Hegang New Material Technology Co., Ltd.			329,713,566.36	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)			206,764,442.76	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			663,804,966.31	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			412,107,471.53	-21,000,000.00
Qingdao Haier Multimedia Co., Ltd.			88,300,000.00	-88,300,000.00
Baoshihua Tong Fang Energy Technology Co., Ltd. (宝石花同方能 源科技有限公司)			30,326,966.78	
Zhengzhou Highly Electric Appliance Co., Ltd. (郑州海立电器有限公司)			98,000,000.00	
Anhui Kunhe Smart Technology Co., Ltd.		-1,997,782.61		
Zhejiang Futeng Fluid Technology Co., Ltd.			77,584,161.99	
Beijing Mr. Hi Network Technology Company Limited		-7,507,759.75		
Hongtong Environmental Technology (Guangzhou) Co., Ltd. (宏通环境 技术(广州)有限公司)			4,265,965.73	
Beijing ASU Tech Co., Ltd.			7,919,009.51	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.		-6,914,487.73		
Qingdao Haimu Investment Management Co., Ltd.			2,609,456.57	
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)			57,989,007.18	
Haineng Wanjia (Shanghai) Technology Development Co., Ltd.			606,029.71	

Investees	Increase/decrease for the current period		Closing balance	Impairment Provision Closing Balance
	Other movement	The disposal of the investment		
Qingdao Guochuang Intelligent Home Appliance Research Institute Co., Ltd.			38,574,227.53	
Guangzhou Heying Investment Partnership (Limited Partnership)		-70,560,000.00	194,416,881.32	
Qingdao Home Wow Cloud Network Technology Co., Ltd.			2,192,669.49	
Bingji (Shanghai) Corporate Management Co., Ltd.			1,056,245,062.87	
Youjin (Shanghai) Corporate Management Co., Ltd.			1,919,627,387.02	
RRS (Shanghai) Investment Co., Ltd.			3,489,413,430.96	
Haier Best Water Technology Co., Ltd.			148,369,638.40	
Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)		-631,310.61	238,175,637.03	
Qingdao Ririshun Huizhi Investment Co., Ltd.			4,083,482.78	
Qingdao Xinshenghui Technology Co., Ltd.			10,005,915.15	
EuropaltersItaliaS.r.l.		-15,760,505.28		
OryginLLC			22,296,931.04	
Konan Electronic Co., Ltd.			64,378,952.07	
HNR (Private) Company Limited			111,225,806.51	
HPZ LIMITED			3,483,576.50	
CONTROLADORAMABES.A.deC.V.			5,078,418,321.53	
Middle East Airconditioning Company, Limited			7,299,166.60	-845,634.54
Total		-103,371,845.98	25,656,939,084.74	-110,145,634.54

13. Investments in other equity instruments

(1) Details of investments in other equity instruments at the end of the period:

Items	Closing balance	Opening balance
SINOPEC Fuel Oil Sales Corporation Limited	1,986,156,165.17	1,234,500,000.00
Haier COSMO IOT Ecosystem Technology Co., Ltd.	2,817,408,000.00	2,817,408,000.00
Other	1,600,130,789.60	1,799,974,930.20
Total	6,403,694,954.77	5,851,882,930.20

(2) Dividends from investment in other equity instruments during the current period:

Items	Amount for the current period
SINOPEC Fuel Oil Sales Corporation Limited	54,539,047.11
Other	4,132,177.14
Total	58,671,224.25

14. Investment properties

Measurement model of investment properties

(1) The changes in investment properties measured at cost this year are as follows:

Items	Houses and buildings	Land use rights	Total
I. Original book value			
1. Opening balance	93,351,061.91	29,370,397.68	122,721,459.59
2. Increase for the period			
(1) External acquisition			
(2) Inventories/fixed assets/ construction in progress transferred in			
(3) Increase in business combinations			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			
(3) Other transferring out			
4. Change in foreign exchange rate and others	350,209.20		350,209.20
5. Closing balance	93,701,271.11	29,370,397.68	123,071,668.79
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	16,919,838.97	2,759,869.10	19,679,708.07
2. Increase for the period			
(1) Provision or amortization	4,069,106.08	585,182.14	4,654,288.22
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			
(3) Other transferring out			
4. Change in foreign exchange rate and others	106,591.73		106,591.73
5. Closing balance	21,095,536.78	3,345,051.24	24,440,588.02
III. Provision for impairment			
1. Opening balance			
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			
(3) Other transferring out			
4. Change in foreign exchange rate and others			
5. Closing balance			
IV. Book value			
1. Closing book value	72,605,734.33	26,025,346.44	98,631,080.77
2. Opening book value	76,431,222.94	26,610,528.58	103,041,751.52

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- (2) The depreciation and amortization amount charge for the period is RMB4,654,288.22 (amount for the corresponding period: RMB6,405,466.73).
- (3) The recoverable amount of the investment real estate of the Company at the end of the period is not less than its book value, so no provision for impairment is made.

15. Fixed assets

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Fixed assets	29,603,936,822.78	27,158,348,424.28
Disposals of fixed assets		
Total	29,603,936,822.78	27,158,348,424.28

(1) Fixed assets:

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value:			
1. Opening balance	14,637,131,005.80	31,324,534,257.57	193,143,213.57
2. Increase for the period			
(1) Purchase	125,540,500.36	1,483,457,737.48	5,148,439.21
(2) Construction in progress transferred in	1,061,862,119.98	3,012,269,067.33	25,503,782.62
(3) Increase in business combinations		27,878,074.50	342,940.57
3. Decrease for the period			
(1) Disposal or write-off	114,596,964.43	890,692,350.65	12,587,327.05
(2) Disposal of subsidiaries			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	72,114,894.71	447,424,538.25	-3,938,734.72
5. Closing balance	15,782,051,556.42	35,404,871,324.48	207,612,314.20
II. Accumulated depreciation			
1. Opening balance	4,538,423,308.23	16,035,153,335.30	119,070,640.87
2. Increase for the period			
(1) Provision	681,106,714.50	2,777,493,396.94	22,753,739.13
(2) Increase in business combinations		1,772,785.10	99,726.34
3. Decrease for the period			
(1) Disposal or write-off	36,751,072.95	745,642,011.92	7,716,624.95
(2) Disposal of subsidiaries			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	42,604,655.32	142,336,523.97	-375,585.11
5. Closing balance	5,225,383,605.10	18,211,114,029.39	133,831,896.28
III. Provision for impairment			
1. Opening balance	28,586,023.90	16,202,770.28	110,029.00
2. Increase for the period			
(1) Provision		2,831,832.73	
(2) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or write-off	122,114.80	178,128.17	
(2) Disposal of subsidiaries			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	-863,932.68	-1,570,790.59	-1,701.60
5. Closing balance	27,599,976.42	17,285,684.25	108,327.40
IV. Book value			
1. Closing book value	10,529,067,974.90	17,176,471,610.84	73,672,090.52
2. Opening book value	10,070,121,673.67	15,273,178,151.99	73,962,543.70

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(continued)

Items	Office furniture	Other	Total
I. Original book value:			
1. Opening balance	1,324,636,809.03	2,916,743,458.84	50,396,188,744.81
2. Increase for the period			
(1) Purchase	60,278,297.65	54,491,762.99	1,728,916,737.69
(2) Construction in progress transferred in	188,218,311.67	290,911,105.87	4,578,764,387.47
(3) Increase in business combinations	835,810.80		29,056,825.87
3. Decrease for the period			
(1) Disposal or write-off	49,629,215.86	121,896,813.79	1,189,402,671.78
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	5,911,932.09	53,936,031.07	575,448,661.40
5. Closing balance	1,530,251,945.38	3,194,185,544.98	56,118,972,685.46
II. Accumulated depreciation			
1. Opening Balance	788,864,149.17	1,708,674,462.66	23,190,185,896.23
2. Increase for the period			
(1) Provision	199,336,047.71	294,040,822.30	3,974,730,720.58
(2) Increase in business combinations	556,277.03		2,428,788.47
3. Decrease for the period			
(1) Disposal or write-off	44,127,920.31	113,346,603.90	947,584,234.03
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	8,041,429.36	55,165,632.03	247,772,655.57
5. Closing Balance	952,669,982.96	1,944,534,313.09	26,467,533,826.82
III. Provision for impairment			
1. Opening balance	243,387.38	2,512,213.74	47,654,424.30
2. Increase for the period			
(1) Provision	8,256.79		2,840,089.52
(2) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or write-off	4,957.13		305,200.10
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	-8,729.91	-242,123.08	-2,687,277.86
5. Closing balance	237,957.13	2,270,090.66	47,502,035.86
IV. Book value			
1. Closing book value	577,344,005.29	1,247,381,141.23	29,603,936,822.78
2. Opening book value	535,529,272.48	1,205,556,782.44	27,158,348,424.28

- (2) In the current period, the balance of the construction in progress transferred to the original value of the fixed assets in a total of RMB4,578,764,387.47 (amount for the corresponding period: RMB6,244,222,182.09).
- (3) As at 31 December 2023, the net book value of the buildings for which the Company has not yet obtained certificates of title was RMB408 million (amount at the beginning of the period RMB2.037 billion), and the relevant certificates of title were being processed. The Company can legally and effectively occupy and operate the above-mentioned buildings for which no certificates of title have been obtained.
- (4) There was no mortgage secured by the fixed assets mortgage at the end of the period, and there was no mortgage secured by the fixed assets mortgage at the beginning of the period.

16. Construction in progress

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing Balance	Opening Balance
Construction in progress	5,403,469,596.76	4,094,712,417.61
Construction materials		
Total	5,403,469,596.76	4,094,712,417.61

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Construction in progress

(1) Details of construction in progress

√ Applicable □ Not Applicable

Unit and Currency: RMB

Projects	Closing Balance		Opening Balance	
	Book balance	Impairment Provision	Book balance	Book Value
Europe Candy Project	1,092,171,521.23		1,092,171,521.23	467,370,049.46
Qingdao Refrigeration Appliance Project	914,078,742.21		914,078,742.21	
Qingdao HVAC Project	530,979,038.43		530,979,038.43	365,555.56
Qingdao Water Ecology Technology Project	529,949,339.20		529,949,339.20	92,905,882.13
America GE APPLIANCES Project	343,482,203.73	22,622,250.04	320,859,953.69	338,096,215.95
New Zealand FPA Project	200,943,871.90		200,943,871.90	176,619,361.43
Eastern European Project	148,106,777.44		148,106,777.44	392,579,594.60
Qingdao Air Conditioning Electronics Project	135,966,703.60		135,966,703.60	313,855,913.14
Zhengzhou New Energy Project	104,122,098.62		104,122,098.62	197,524,472.64
Qingdao Smart Appliances Project	78,218,772.30		78,218,772.30	67,092,916.99
Qingdao Jiaozhou Washing Appliances Project	77,224,500.10		77,224,500.10	93,825,106.07
Chongqing Water Heater Project	75,225,516.54		75,225,516.54	61,350,349.63
Qingdao Air Conditioner Project	73,270,568.99		73,270,568.99	51,569,425.40
Foshan Freezer Project	67,104,763.68		67,104,763.68	97,616,741.69
Zhengzhou Air Conditioner Project	66,251,489.90		66,251,489.90	546,460.15
Others	990,093,027.53	1,097,088.60	988,995,938.93	1,744,604,991.69
Total	5,427,188,935.40	23,719,338.64	5,403,469,596.76	4,095,923,036.53
				1,210,618.92
				1,743,394,372.77
				4,094,712,417.61

(2) Details of significant changes of construction in progress for the period

Project name	Opening balance	Increase for the current period	Transfer to fixed assets	Other decrease	Change in foreign exchange rate and others	Closing balance	Source of fund
Europe Candy Project	467,370,049.46	1,047,297,746.68	380,869,588.00		-41,626,686.91	1,092,171,521.23	Self-funding
Qingdao Refrigeration Appliance Project		980,507,961.42	66,429,219.21			914,078,742.21	Self-funding
Qingdao HVAC Project	365,555.56	530,613,482.87				530,979,038.43	Self-funding
Qingdao Water Ecology Technology Project	92,905,882.13	439,490,359.70	2,446,902.63			529,949,339.20	Self-funding
America GE APPLIANCES Project	338,096,215.95	516,280,314.17	516,625,823.89		5,731,497.50	343,482,203.73	Self-funding
New Zealand FPA Project	176,619,361.43	219,275,901.70	199,857,537.82		4,906,146.59	200,943,871.90	Self-funding
Eastern European Project	392,579,594.60	270,000,233.49	466,229,610.14		-48,243,440.51	148,106,777.44	Self-funding
Qingdao Air Conditioning Electronics Project	313,855,913.14	228,411,035.68	406,300,245.22			135,966,703.60	Self-funding
Zhengzhou New Energy Project	197,524,472.64	134,384,592.62	227,786,966.64			104,122,098.62	Self-funding
Qingdao Smart Appliances Project	67,092,916.99	57,800,691.09	46,674,835.78			78,218,772.30	Self-funding
Qingdao Jiaozhou Washing Appliances Project	93,825,106.07	55,037,560.09	71,638,166.06			77,224,500.10	Self-funding
Chongqing Water Heater Project	61,350,349.63	115,293,593.01	101,418,426.10			75,225,516.54	Self-funding
Qingdao Air Conditioner Project	51,569,425.40	55,890,979.13	34,189,835.54			73,270,568.99	Self-funding
Foshan Freezer Project	97,616,741.69	13,640,021.17	44,151,999.18			67,104,763.68	Self-funding
Zhengzhou Air Conditioner Project	546,460.15	124,183,371.66	58,478,341.91			66,251,489.90	Self-funding
Others	1,744,604,991.69	1,194,610,304.73	1,955,774,413.25		6,652,144.36	990,093,027.53	Self-funding
Total	4,095,923,036.53	5,982,718,149.21	4,578,871,911.37		-72,580,338.97	5,427,188,935.40	

(3) Impairment provision of construction in progress

Project name	Opening balance	Increase for the current period	Transfer to fixed assets	Other decrease	Change in foreign exchange rate and others	Closing balance
America GE APPLIANCES						
Project		22,513,947.38			108,302.66	22,622,250.04
Lejia IOT Project	837,735.85					837,735.85
Others	372,883.07		107,523.90		-6,006.42	259,352.75
Total	1,210,618.92	22,513,947.38	107,523.90		102,296.24	23,719,338.64

17. Right-of-use assets

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value:			
1. Opening balance	4,673,699,908.83	37,374,188.44	213,211,277.75
2. Increase for the current period			
(1) Purchase	884,227,772.60	283,273,168.36	114,591,080.22
(2) Increase in business combination	7,822,613.44		
3. Decrease for the current period			
(1) Disposal	635,248,838.80	12,340,308.82	55,477,784.64
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others	38,405,669.63	-9,208,243.26	-2,442,714.57
5. Closing balance	4,968,907,125.70	299,098,804.72	269,881,858.76
II. Accumulated depreciation			
1. Opening balance	1,284,083,200.17	18,972,328.56	125,499,329.46
2. Increase for the current period			
(1) Provision	820,949,004.29	31,286,558.32	72,638,871.28
(2) Increase in business combination	1,212,092.84		
3. Decrease for the current period			
(1) Disposal	426,062,786.57	12,340,308.82	54,692,106.80
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others	25,092,378.52	-750,560.01	-12,603,646.66
5. Closing balance	1,705,273,889.25	37,168,018.05	130,842,447.28
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others			
5. Closing balance			
IV. Book Value			
1. Closing book balance	3,263,633,236.45	261,930,786.67	139,039,411.48
2. Opening book balance	3,389,616,708.66	18,401,859.88	87,711,948.29

(continued)

Items	Office furniture	Other	Total
I. Original book value:			
1. Opening balance	53,135,501.06	364,530,322.79	5,341,951,198.87
2. Increase for the current period			
(1) Purchase	356,817,460.82	167,574,757.56	1,806,484,239.56
(2) Increase in business combination			7,822,613.44
3. Decrease for the current period			
(1) Disposal	6,515,638.43		709,582,570.69
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others	11,694,388.08	6,946,752.05	45,395,851.93
5. Closing balance	415,131,711.53	539,051,832.40	6,492,071,333.11
II. Accumulated depreciation			
1. Opening balance	22,851,405.90	95,319,580.89	1,546,725,844.98
2. Increase for the current period			
(1) Provision	35,008,477.81	103,759,866.70	1,063,642,778.40
(2) Increase in business combination			1,212,092.84
3. Decrease for the current period			
(1) Disposal	6,515,638.43		499,610,840.62
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others	-817,318.76	2,098,924.68	13,019,777.77
5. Closing balance	50,526,926.52	201,178,372.27	2,124,989,653.37
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others			
5. Closing balance			
IV. Book Value			
1. Closing book balance	364,604,785.01	337,873,460.13	4,367,081,679.74
2. Opening book balance	30,284,095.16	269,210,741.90	3,795,225,353.89

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18. Intangible assets

Items	Proprietary technology	Licenses and franchises	Land use rights
I. Original book value			
1. Opening balance	2,045,745,341.24	4,641,652,220.77	1,617,778,038.37
2. Increase for the current period			
(1) Purchase		10,398,578.49	564,726,076.81
(2) Internal research and development	126,500,869.01		
(3) Increase in business combination		105,591,559.06	507,048.50
3. Decrease for the current period			
(1) Disposal		28,683,786.27	174,537.22
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	40,334,928.40	224,908,217.38	9,185,131.60
5. Closing balance	2,212,581,138.65	4,953,866,789.43	2,192,021,758.06
II. Accumulated amortization			
1. Opening balance	1,177,726,697.55	1,012,993,222.17	246,593,605.24
2. Increase for the current period			
(1) Provision	197,197,149.16	157,683,854.05	39,359,224.37
(2) Increase in business combination		1,841,292.00	232,981.38
3. Decrease for the current period			
(1) Disposal		681,317.29	
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	24,874,826.41	29,806,244.67	296,975.36
5. Closing balance	1,399,798,673.12	1,201,643,295.60	286,482,786.35
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision		66,323,073.48	
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others		307,280.65	
5. Closing balance		66,630,354.13	
IV. Book Value			
1. Closing book balance	812,782,465.53	3,685,593,139.70	1,905,538,971.71
2. Opening book balance	868,018,643.69	3,628,658,998.60	1,371,184,433.13

(continued)

Items	Trademark rights	Application management software and others	Total
I. Original book value			
1. Opening balance	2,582,976,744.57	5,344,358,234.62	16,232,510,579.57
2. Increase for the current period			
(1) Purchase		501,216,025.11	1,076,340,680.41
(2) Internal research and development		341,880,210.31	468,381,079.32
(3) Increase in business combination		14,383,024.24	120,481,631.80
3. Decrease for the current period			
(1) Disposal		156,648,068.04	185,506,391.53
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	105,214,311.63	-24,979,266.69	354,663,322.32
5. Closing balance	2,688,191,056.20	6,020,210,159.55	18,066,870,901.89
II. Accumulated amortization			
1. Opening balance		3,265,730,771.74	5,703,044,296.70
2. Increase for the current period			
(1) Provision		853,486,338.15	1,247,726,565.73
(2) Increase in business combination		5,131,434.27	7,205,707.65
3. Decrease for the current period			
(1) Disposal		92,934,304.15	93,615,621.44
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others		51,027,185.42	106,005,231.86
5. Closing balance		4,082,441,425.43	6,970,366,180.50
III. Impairment provision			
1. Opening balance		23,584,905.66	23,584,905.66
2. Increase for the current period			
(1) Provision		58,760.67	66,381,834.15
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others			307280.65
5. Closing balance		23,643,666.33	90,274,020.46
IV. Book Value			
1. Closing book balance	2,688,191,056.20	1,914,125,067.79	11,006,230,700.93
2. Opening book balance	2,582,976,744.57	2,055,042,557.22	10,505,881,377.21

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At the end of the period, the intangible assets developed through the Company accounted for the 20.52% of the original value at the end of the period (accounting for 20.47% at the beginning of the period).

19. Goodwill

Items	Opening balance	Increase for the current period	Decrease for the current period	Change in foreign exchange rate and others	Closing balance
GE APPLIANCES	20,695,534,392.80			350,855,867.30	21,046,390,260.10
Candy	1,929,953,985.15			113,437,999.14	2,043,391,984.29
Others	1,018,107,265.92	172,866,669.21		8,970,515.28	1,199,944,450.41
Total	23,643,595,643.87	172,866,669.21		473,264,381.72	24,289,726,694.80

In the case of a goodwill impairment test, the Company compares the carrying amount of the relevant asset group or asset group combination (including goodwill) with its recoverable amount. If the recoverable amount is less than the book value, corresponding difference will be recognized in profit or loss.

The recoverable amount of the asset group (including goodwill) is calculated with discounted estimated future cash flow method based on a management-approved 5–15 years budget. Future cash flows beyond the budget period are estimated using the estimated perpetual annual growth rate. The perpetual annual growth rate (mainly 1%–2%) adopted by the management is consistent with industry forecast data and does not exceed the long-term average growth rate of each product. The management determines the compound income growth rate (mainly 2.33%–5.32%) and the EBITDA profit margin (mainly 0.23%–12.95%) based on historical experience and market development forecasts, and adopts the pre-tax interest rate that can reflect the specific risks of the relevant asset group as the discount rate (mainly 10.64%–16.25%). The management analyzes the recoverable amount of each asset group based on these assumptions and believes that there is no need to make provision for goodwill.

20. Long-term amortized expenses

Items	Opening balance	Increase for the current period	Amortization for the current period	Other decrease	Change in foreign exchange rate and others	Closing balance
Renovation	457,806,490.36	315,677,767.30	416,685,868.20		11,652.37	356,810,041.83
Improvement on leased property	146,458,109.22	15,067,837.05	31,195,631.10		779,965.96	131,110,281.13
Others	155,618,574.62	162,493,891.86	61,017,923.88		-3,269,347.92	253,825,194.68
Total	759,883,174.20	493,239,496.21	508,899,423.18		-2,477,729.59	741,745,517.64

21. Deferred income tax assets/deferred income tax liabilities**(1) Deferred income tax assets before elimination**

Items	Closing balance	Opening balance
Provision for assets impairment	472,765,698.56	486,504,423.79
Liabilities	2,647,034,061.96	2,392,703,222.82
Internal unrealized earnings eliminated due to combination	707,589,929.59	848,773,608.23
Uncovered losses	230,766,537.22	217,344,490.61
R&D expenses	1,171,434,607.38	615,110,766.72
Others	293,113,791.04	347,135,709.18
Total	5,522,704,625.75	4,907,572,221.35

(2) Deferred income tax liabilities before elimination

Items	Closing balance	Opening balance
Asset amortisation	4,067,663,051.78	3,875,255,150.79
Remeasurement of fair value of the reaming equity on the day when the control right was lost	878,623,804.46	878,623,804.46
Changes in fair value of investments in other equity instruments	306,253,762.39	293,662,487.81
Others	492,608,929.16	494,850,409.06
Total	5,745,149,547.79	5,542,391,852.12

- (3)** The deferred income tax assets and the deferred income tax liabilities eliminated at the end of the period was RMB3,716,758,993.59 (amount at the beginning of the period RMB3,183,531,292.93).

22. Other non-current assets

Items	Closing balance	Opening balance
Prepayments for equipment and land	1,747,355,221.82	1,671,590,606.02
Others	286,631,723.46	209,146,285.61
Total	2,033,986,945.28	1,880,736,891.63

23. Short-term borrowings

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings — secured by pledge	34,094,566.22	82,727,127.97
Borrowings — secured by guarantee		101,506,733.93
Borrowings — secured by credit	10,284,257,275.66	9,487,989,660.46
Total	10,318,351,841.88	9,672,223,522.36

24. Derivative financial liabilities

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange contracts	166,573,028.22	92,580,419.48
Forward commodity contracts	2,051,976.75	12,013,621.18
Total	168,625,004.97	104,594,040.66

25. Bills payable√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Types	Closing balance	Opening balance
Commercial acceptance notes	5,234,670,724.72	2,212,721,304.36
Bank acceptance notes	16,981,055,996.90	22,885,836,425.70
Total	22,215,726,721.62	25,098,557,730.06

26. Accounts payables√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Accounts payables	47,061,789,173.62	41,885,313,890.79
Total	47,061,789,173.62	41,885,313,890.79

The book balance at the end of the period was mainly the unpaid expenditures on material and labour. There were no significant accounts payables aged over 1 year at the end of the period.

27. Contractual liabilities√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Contractual liabilities	7,731,916,491.54	9,353,173,914.03
Total	7,731,916,491.54	9,353,173,914.03

The book balance at the end of the period was mainly due to the advance payment that has been collected and has not yet performed the contractual obligations. There were no significant contractual liabilities aged over 1 year at the end of the period.

28. Payables for staff remuneration

(1) Payables for staff remuneration

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Short-term remuneration	3,815,730,531.14	29,177,490,664.54	28,078,532,451.90	4,914,688,743.78
II. Post-employment benefits defined contribution plan	65,446,167.35	1,459,000,677.67	1,499,877,690.46	24,569,154.56
III. Termination benefits	35,166,874.40	154,856,542.69	184,771,315.82	5,252,101.27
IV. Other benefits due within one year	134,121,181.48	26,808,850.23	27,922,202.82	133,007,828.89
Total	4,050,464,754.37	30,818,156,735.13	29,791,103,661.00	5,077,517,828.50

(2) Short-term remuneration

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Salaries, bonus, allowances and benefit	2,659,565,504.91	21,751,333,710.78	20,891,492,659.98	3,519,406,555.71
II. Employee welfare	333,049,384.20	1,095,608,519.73	1,079,703,411.93	348,954,492.00
III. Social benefit	224,360,701.36	1,893,493,834.74	1,887,573,713.85	230,280,822.25
IV. Housing fund	5,036,607.14	629,659,364.31	626,382,976.89	8,312,994.56
V. Labor union fee and education fund	9,025,442.26	138,962,198.70	142,481,368.12	5,506,272.84
VI. Short-term compensated leave	260,622,518.13	488,987,097.53	482,691,485.59	266,918,130.07
VII. Others	324,070,373.14	3,179,445,938.75	2,968,206,835.54	535,309,476.35
Total	3,815,730,531.14	29,177,490,664.54	28,078,532,451.90	4,914,688,743.78

(3) Defined contribution plan√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
1. Basic pension insurance	64,162,379.08	1,355,288,133.10	1,396,245,970.97	23,204,541.21
2. Unemployment insurance	346,829.94	38,818,540.03	38,920,398.48	244,971.49
3. Enterprise annuity payment	936,958.33	64,894,004.54	64,711,321.01	1,119,641.86
Total	65,446,167.35	1,459,000,677.67	1,499,877,690.46	24,569,154.56

(4) Termination benefits√ Applicable ☐ Not Applicable

Items	Closing balance	Opening balance
Termination compensation	5,252,101.27	35,166,874.40
Total	5,252,101.27	35,166,874.40

29. Taxes payable√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Value-added tax	915,234,725.86	860,587,585.73
Corporate income tax	1,555,728,849.24	1,704,621,792.80
Individual income tax	185,154,739.72	100,208,772.52
City maintenance and construction tax	26,230,124.20	28,891,872.00
Education surcharge	9,117,000.14	14,945,658.71
The electrical and electronic products waste treatment fund	89,138,721.00	97,068,373.00
Other taxes	60,611,364.57	70,172,036.08
Total	2,841,215,524.73	2,876,496,090.84

30. Other payables

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Dividends payable	1,880,719.69	1,246,573.35
Other payables	19,179,688,465.14	17,583,952,055.78
Total	19,181,569,184.83	17,585,198,629.13

(1) Dividends payable

Name of unit	Closing balance	Opening balance
Other public shareholders	1,880,719.69	1,246,573.35
Total	1,880,719.69	1,246,573.35

(2) Other payables

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Other payables	19,179,688,465.14	17,583,952,055.78
Total	19,179,688,465.14	17,583,952,055.78

The closing balance mainly included the incurred but unpaid costs. There were no significant other payables aged over 1 year at the end of the period.

31. Non-current liabilities due within one year√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within one year	146,867,809.53	2,854,446,929.32
Long term payables due within one year	14,105,028.65	
Lease liabilities due within one year	1,039,704,621.43	903,249,632.59
Estimated liabilities due within one year	2,531,873,089.62	2,537,054,105.17
Total	3,732,550,549.23	6,294,750,667.08

32. Other current liabilities√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Payable refund	639,149,848.05	624,887,787.38
Tax amount to be transferred to output tax	990,618,406.97	1,198,555,732.48
Others	21,470,896.50	26,982,922.63
Total	1,651,239,151.52	1,850,426,442.49

33. Long-term borrowings√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings — secured by guarantee		23,550,000.00
Borrowings — unsecured by credit	17,936,302,925.77	13,567,316,873.43
Total	17,936,302,925.77	13,590,866,873.43

The interest rates of the Company's long-term borrowings: 2.00%–7.00%.

34. Lease liabilities

Items	Closing balance	Opening balance
Lease liabilities	4,326,506,047.60	3,727,727,303.20
Less: lease liabilities due within one year	1,039,704,621.43	903,249,632.59
Total	3,286,801,426.17	2,824,477,670.61

35. Long-term payables

Items	Closing balance	Opening balance
Investment from CDB development fund	36,500,000.00	36,500,000.00
Others	34,718,451.43	7,740,087.94
Less: long-term payables due within one year	14,105,028.65	
Total	57,113,422.78	44,240,087.94

Under the Investment Contract of China Development Fund executed by the Company and its subsidiaries including Qingdao Haier Air Conditioner Gen Corp., Ltd., Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited together with China Development Fund Co. Ltd. in 2015 and 2016, China Development Fund Co. Ltd. invested RMB73 million in Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited. China Development Fund Co. Ltd. obtained an annual return of 1.2% by means of dividends or buyback premium for the above investments. As of the end of the period, the subsidiaries of the Company made buyback in amount of RMB36.5 million.

36. Long-term employee benefits payable

☒ Applicable ☐ Not Applicable

(1) Statement of long-term employee benefits payable

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
I. Post-employment benefits: net liability of defined benefit plan	364,213,564.08	417,072,669.76
II. Termination benefits	575,644,959.29	386,522,704.17
III. Provision for work-related injury compensation	145,596,315.81	206,951,828.41
Total	1,085,454,839.18	1,010,547,202.34

(2) Defined benefits plan

Some subsidiaries of the Company have set several defined benefit plans for the qualified staff. Under these plans, the employees are entitled to the retirement benefits agreed in such defined benefit plans.

These plans are exposed to interest rate risks, changes in life expectancy of the beneficiary and other risks.

The recent actuarial evaluation of the assets and the present value of defined benefit obligations under such plans are determined by using the projected unit credit method.

① ***The defined benefit plan of Haier Asia Co., Ltd., a subsidiary of the Company***
Actuarial assumptions used to defined benefit plans

Items	Rate
Discount rate	1.00%
Expected rate of return	2.00%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	253,301,981.31
II. Defined benefit cost recognized in current profit or loss	8,432,769.33
1. Current service cost	7,213,186.90
2. Past service cost	
3. Settlement gains (loss indicated in '—')	
4. Interest cost	1,219,582.43
III. Defined benefit cost recognized in other comprehensive income	-14,452,614.65
1. Actuarial loss (gain indicated in '—')	-14,452,614.65
IV. Other changes	-29,240,068.09
1. The consideration paid at the time of settlement	
2. Benefit paid	-18,964,390.93
3. Exchange differences	-10,275,677.16
V. Closing balance	218,042,067.90

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Fair value of plan assets

Items	Amount
I. Opening balance	293,745,142.73
II. Defined benefit cost recognized in current profit and loss	5,517,808.69
1. Interest income	5,517,808.69
III. Defined benefit cost recognized in other comprehensive income	14,587,336.63
1. Return on plan assets (except those included in net interests)	14,587,336.63
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-20,252,385.83
1. Employer contributions	2,146,545.90
2. Benefit paid	-10,316,265.46
3. Exchange differences	-12,082,666.27
V. Closing balance	293,597,902.22

Neither the Company's ordinary shares or bonds, nor the properties occupied by the Company are included in the plan assets.

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	-40,443,161.42
II. Defined benefit cost recognized in current profit or loss	2,914,960.64
III. Defined benefit cost recognized in other comprehensive income	-29,039,951.28
IV. Other changes	-8,987,682.26
V. Closing balance	-75,555,834.32

The average term for the defined benefit obligation is 11.67 years at the balance sheet date.

- ② **The defined benefit plan of Roper Corporation, a subsidiary of the Company**
 Roper Corporation, a subsidiary of the Company, has provided post-employment defined benefit plan of health care benefits to eligible employees.

Actuarial assumptions used in defined benefit plans

Items	Rate
Discount rate	5.18%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	123,777,420.24
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	6,972,517.02
1. Current service cost	2,334,947.59
2. Past service cost	
3. Settlement gains (loss indicated in '—')	
4. Interest cost	4,637,569.43
IV. Defined benefit cost recognized in other comprehensive incomes	1,838,733.78
1. Actuarial loss (gain indicated in '—')	1,838,733.78
V. Other changes	-52,677,626.67
1. The consideration paid at the time of settlement	
2. Benefit paid	-9,546,425.71
3. Plan amendments	-47,023,076.48
4. Others	2,013,015.17
5. Exchange differences	1,878,860.35
VI. Closing balance	79,911,044.37

Section X Financial Report

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	123,777,420.24
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	6,972,517.02
IV. Defined benefit cost recognized in other comprehensive incomes	1,838,733.78
V. Other changes	-52,677,626.67
VI. Closing balance	79,911,044.37

The average term for the defined benefit obligation is 1.83 years at the balance sheet date.

③ ***The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company***

Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company, has provided post-retirement defined benefit plan of health care benefits for the eligible employees.

Actuarial assumptions used in defined benefit plans

Items	Rate
Discount rate	5.19%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	195,104,194.13
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	9,080,514.66
1. Current service cost	
2. Past service cost	
3. Settlement gains (loss indicated in '—')	
4. Interest cost	9,080,514.66
IV. Defined benefit cost recognized in other comprehensive incomes	-22,406,869.18
1. Actuarial loss (gain indicated in '—')	-22,406,869.18
V. Other changes	-15,875,897.44
1. The consideration paid at the time of settlement	
2. Benefit paid	-19,028,672.18
3. Exchange differences	3,152,774.74
VI. Closing balance	165,901,942.17

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	195,104,194.13
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	9,080,514.66
IV. Defined benefit cost recognized in other comprehensive incomes	-22,406,869.18
V. Other changes	-15,875,897.44
VI. Closing balance	165,901,942.17

④ **The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company**

Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company, has provided defined benefit plan of pension for the eligible employees.

Actuarial assumptions used in defined benefit plans

Items	Rate
Discount rate	5.21%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	126,866,875.02
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	8,650,933.08
1. Current service cost	2,427,611.01
2. Past service cost	
3. Settlement gains (loss indicated in '—')	
4. Interest cost	6,223,322.07
IV. Defined benefit cost recognized in other comprehensive incomes	1,406,600.54
1. Actuarial loss (gain indicated in '—')	1,406,600.54
V. Other changes	-28,487,202.15
1. The consideration paid at the time of settlement	
2. Benefit paid	-30,539,976.85
3. Exchange differences	2,052,774.70
VI. Closing balance	108,437,206.49

Fair value of plan assets

Items	Amount
I. Opening balance	92,039,772.87
II. Defined benefit cost recognized in current profit or loss	
1. Interest income	
III. Defined benefit cost recognized in other comprehensive incomes	4,523,787.83
1. Return on plan assets (except those included in net interests)	4,523,787.83
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-18,785,464.35
1. Employer contributions	10,269,526.04
2. Benefits paid out	-30,539,976.85
3. Exchange differences	1,484,986.46
V. Closing balance	77,778,096.35

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	34,827,102.15
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	8,650,933.08
IV. Defined benefit cost recognized in other comprehensive income	-3,117,187.29
V. Other changes	-9,701,737.80
VI. Closing balance	30,659,110.14

(3) Provision for work-related injury compensation

Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company, made a provision for work-related injury claims for the staff injured during the production accidents from 1 January 1991, which was used to pay for the claim made by the injured staff. The provision was calculated by Beechercarlson Insurance Services, LLC., based on actuarial method and a discount rate of 3.72%.

Items	Amount
I. Opening balance	206,951,828.41
II. Business combination not under common control	
III. Compensation recognized in current profit and loss	81,910,931.51
IV. Actual compensation paid	-146,465,227.75
V. Other changes	3,198,783.64
VI. Closing balance	145,596,315.81

Classification of the balance of defined benefit plan

Items	Closing balance	Opening balance
Short-term Benefit	33,170,713.47	36,444,790.69
Long-term Benefit	364,213,564.08	417,072,669.76
Total	397,384,277.55	453,517,460.45

37. Estimated liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance
Active litigation	18,469,174.18	32,259,609.59
Others	262,077,808.56	315,280,800.19
Projection of warranty expenses and installation fees	1,330,482,237.43	1,587,473,632.46
Total	1,611,029,220.17	1,935,014,042.24

Significant assumption and estimation relating to estimation of warranty expenses and installation fees: the Company reasonably estimated the warranty expenses and installation fees rate based on its actual expenses on the warranty expenses and installation fees as well as sales data in the past. The Company estimated the warranty expenses and installation fees that are likely to be incurred in the future according to its policies on the warranty expenses and installation fees, as well as the actual sales data.

38. Deferred income

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Government grants	948,935,134.05	244,851,624.29	143,467,151.90	1,050,319,606.44
Total	948,935,134.05	244,851,624.29	143,467,151.90	1,050,319,606.44

39. Share capital

Share category	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Restricted shares				
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic individuals				
4. Shares held by offshore non-state-owned legal entities				
II. Non-restricted shares	9,446,598,493		8,483,600	9,438,114,893
1. Ordinary shares in RMB	6,308,552,654			6,308,552,654
2. Domestic listed foreign Shares				
3. Offshore listed foreign Shares	3,138,045,839		8,483,600	3,129,562,239
4. Others				
III. Total shares	9,446,598,493		8,483,600	9,438,114,893

40. Capital reserve

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Capital premium (Share premium)	22,280,237,959.89	754,716.99	351,841,150.60	21,929,151,526.28
Others capital reserve	1,601,799,364.87	610,606,646.81	379,202,853.91	1,833,203,157.77
Total	23,882,037,324.76	611,361,363.80	731,044,004.51	23,762,354,684.05

The main reasons for the change in capital premium: the cancellation of treasury stock for the current period resulted in the decrease in capital premium of RMB173,997,008.66; a business combination under the same control occurred for the current period resulted in the decrease in capital premium of RMB94,561,200.00, and share premium was offset by share-based payment exercise of RMB52,165,259.20.

The main reasons for the change in other capital reserves: the amortized share-based payment for the current period included in other capital reserves of RMB610,606,646.81 and other capital reserves were offset by share-based payment exercise of RMB379,202,853.91.

41. Treasury stock

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Treasury stock	3,857,807,196.38	1,801,808,513.60	625,550,602.56	5,034,065,107.42
Total	3,857,807,196.38	1,801,808,513.60	625,550,602.56	5,034,065,107.42

42. Other comprehensive income

Items	Opening balance	Amounts for the current period				Others	Closing balance
		Amount before current income tax	Deduction of impact on income tax	Attributable to the parent company after tax	Attributable to minority shareholders after tax		
a	-241,549,088.46	-109,223,886.82	5,204,174.14	-104,019,712.68			-345,568,801.14
b	3,926,810.45	-120,129,623.59	20,839,490.61	-98,556,869.01	-733,263.97		-94,630,058.56
c	1,251,780,016.89	-335,901,648.31		-321,845,843.59	-14,055,804.72		929,934,173.30
d	869,623,580.17	550,686,416.89	-87,343,624.50	463,145,900.61	196,891.78		1,332,769,480.78
e	106,902,179.40	57,335,709.85	-17,018,618.58	40,317,053.23	38.04		147,219,232.63
Total	1,990,683,498.45	42,766,968.02	-78,318,578.33	-20,959,471.44	-14,592,138.87		1,969,724,027.01

Notes:

(1) Item a, b, and c are other comprehensive income that will be reclassified to profit or loss, the details are as follows:

Item a represents other comprehensive income classified to profit and loss under the equity method.

Item b represents cash flow hedge reserves (the effective part of the cash flow hedge profit and loss).

Item c represents exchange differences on translation of financial statements denominated in foreign currencies.

(2) Item d and e are other comprehensive income that cannot be reclassified into profit or loss. Details are as follows:

Item d represents the change in fair value of investments in other equity instruments.

Item e represents changes arising from remeasurement of net liabilities or assets of defined benefit plans.

43. Surplus reserve

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Statutory surplus reserve	3,966,533,821.65	828,147,920.56		4,794,681,742.21
Discretionary surplus reserve	26,042,290.48			26,042,290.48
Reserve fund	11,322,880.64			11,322,880.64
Enterprise expansion fund	10,291,630.47			10,291,630.47
Total	4,014,190,623.24	828,147,920.56		4,842,338,543.80

44. Undistributed profits

√ Applicable ☐ Not Applicable

Items	Amounts
Undistributed profits at the end of previous year	57,976,944,921.36
Change in accounting policy	
Combination under common control	6,789,938.01
Undistributed profits at the beginning of the year	57,983,734,859.37
Add: net profit attributable to owners of the parent company	16,596,615,045.87
Other transfer in	37,920,637.14
Adjustment due to implementation of enterprise accounting standard	
Profit available for appropriation for the year	74,618,270,542.38
Less: appropriation of statutory surplus reserve	828,147,920.56
Dividend payable for ordinary shares	5,254,436,127.22
Undistributed profits at the end of period	68,535,686,494.60

45. Operating income and operating cost

(1) Operating income

Items	Amount for the current period	Amount for the previous period
Primary business	260,292,715,110.96	242,496,674,518.97
Other Business	1,135,067,939.14	1,082,250,439.50
Total	261,427,783,050.10	243,578,924,958.47

(2) Primary business income and primary business cost by product category

Categories	Amount for the current period		Amount for the previous period	
	Primary business income	Primary business cost	Primary business income	Primary business cost
Air conditioner	45,659,954,167.67	32,250,291,838.55	40,059,458,698.75	28,599,397,831.67
Refrigerator	81,640,696,197.18	55,335,233,549.67	77,637,761,907.85	52,883,745,098.80
Kitchen appliance	41,588,961,234.83	28,293,408,033.92	38,716,316,796.64	26,189,345,356.34
Water appliance	15,010,842,426.77	8,089,006,857.41	13,786,852,209.99	7,443,373,512.28
Washing machine	61,272,315,753.28	40,872,967,073.73	57,721,991,613.33	38,583,555,563.97
Equipment product and integrated channel services	15,119,945,331.23	13,816,209,393.14	14,574,293,292.41	13,130,186,928.01
Total	260,292,715,110.96	178,657,116,746.42	242,496,674,518.97	166,829,604,291.07

46. Taxes and surcharge

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
City maintenance and construction tax	370,194,426.87	290,370,564.78
Education surcharge	193,928,992.50	191,064,238.17
Property tax	83,854,370.16	61,839,604.81
Land use tax	24,248,077.46	21,637,047.83
Stamp duty	289,581,777.39	206,756,202.56
Others	54,390,611.42	42,213,230.03
Total	1,016,198,255.80	813,880,888.18

47. Selling expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Selling expenses	40,978,039,605.37	38,600,298,275.47
Total	40,978,039,605.37	38,600,298,275.47

The Company's selling expenses are mainly salary expenses, transportation and storage fees, advertising and promotion fees, and after-sales expenses.

48. Administrative expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Administrative expenses	11,489,640,885.88	10,846,346,796.51
Total	11,489,640,885.88	10,846,346,796.51

The Company's administrative expenses are mainly salary expenses, office fees, depreciation and amortization of assets fees, etc.

49. R&D expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
R&D expenses	10,221,013,589.28	9,507,384,787.81
Total	10,221,013,589.28	9,507,384,787.81

The Company's R&D expenses are mainly salary expenses, R&D equipment expenses, inspection and testing fees.

50. Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expense	2,109,996,018.29	988,036,369.52
Less: interest income	1,486,196,698.91	855,213,183.91
Less: cash discount	123,733,614.83	142,905,868.01
Exchange gains and losses (gains are represented by '—')	−135,177,135.61	−371,894,224.02
Others	149,267,211.03	140,224,686.95
Total	514,155,779.97	−241,752,219.47

Interest expenditure in lease liabilities for the current period was RMB138,474,152.20 (amount for the corresponding period: RMB96,997,943.85).

51. Other income

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Classification by nature	Amount for the current period	Amount for the previous period
Government grants related to revenue	1,447,141,973.36	966,729,425.62
Government grants related to assets	111,722,681.00	103,374,416.98
Total	1,558,864,654.36	1,070,103,842.60

52. Investment income (losses are represented by '—')

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	1,786,573,842.34	1,582,178,829.86
Investment income from disposal of long-term equity investments	13,984,506.23	27,123,485.74
Investment income from other equity instrument investments during holding period	58,671,224.25	31,607,357.22
Income from wealth management products	49,612,602.11	92,625,406.55
Investment income from disposal of financial assets measured at fair value with changes included in current profit and loss	1,075,642.32	99,121,873.23
Total	1,909,917,817.25	1,832,656,952.60

53. Gains on changes in fair value (losses are represented by '—')

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Source of gains on change in fair value	Amount for the current period	Amount for the previous period
Change in fair value of forward foreign exchange contracts		−134,151,416.10
Change in fair value of equity investments	−21,952,224.65	59,522,888.36
Change in fair value of fund investments	38,833,850.27	−37,211,579.82
Others	2,872,037.43	−10,602,826.09
Total	19,753,663.05	−122,442,933.65

54. Credit impairment loss (losses are represented by '—')

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Bad debts losses on bills receivable	−1,393,949.47	1,901,562.15
Bad debts losses on accounts receivable	−287,143,662.73	−420,692,343.10
Bad debts losses on other receivable	45,895,482.89	−12,586,699.87
Total	−242,642,129.31	−431,377,480.82

55. Impairment loss on assets (losses are represented by '–')

Items	Amount for the current period	Amount for the previous period
Impairment losses on inventory	-1,091,405,923.13	-1,144,921,827.01
Impairment losses on other current assets	-325,055,055.98	-280,818,239.06
Impairment losses on fixed assets	-2,840,089.52	-3,191,271.04
Impairment losses on construction in progress	-22,513,947.38	-107,523.90
Impairment losses on intangible assets	-66,381,834.15	
Impairment losses on long-term equity investment		-845,634.54
Impairment losses on contract assets	3,043,824.14	-69,975,265.71
Total	-1,505,153,026.02	-1,499,859,761.26

56. Gains on disposal of assets (losses are represented by '–')√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	23,609,524.65	257,217,030.01
Losses on disposal of non-current assets	-38,952,222.32	-50,474,214.22
Total	-15,342,697.67	206,742,815.79

57. Non-operating income√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Total gains on disposal of non-current assets	2,269,765.94	2,647,656.16
Quality claims and fines	34,631,544.06	46,905,155.24
Others	90,985,651.44	87,042,486.70
Total	127,886,961.44	136,595,298.10

58. Non-operating expenses

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Total losses on disposal of non-current assets	98,784,851.16	27,077,182.74
Others	197,017,715.27	163,629,787.05
Total	295,802,566.43	190,706,969.79

59. Income tax expenses

(1) Statement of income tax expenses

Items	Amount for the current period	Amount for the previous period
Current income tax expense	3,552,063,937.01	2,752,011,782.12
Deferred income tax expense	-571,875,681.60	305,811,089.59
Total	2,980,188,255.41	3,057,822,871.71

(2) Reconciliation between accounting profit and income tax expenses for the current period

Items	Amounts
Total accounting profit	19,712,258,030.16
Income tax expense calculated pursuant to statutory tax rate	4,928,064,507.54
Impact from different tax rates applicable to subsidiaries	-1,086,884,505.65
Impact from adjustment to income tax in prior periods	-170,674,750.88
Impact from non-taxable income	-456,115,238.02
Impact from non-deductible cost, expense and loss	305,664,892.51
Impact from deductible provisional differences or deductible losses of unrecognized deferred tax	-215,234,847.67
Others	-324,631,802.42
Total income tax expense	2,980,188,255.41

60. Other comprehensive income

√ Applicable □ Not Applicable

Please refer to notes V.42 for details.

61. Cash flow statement items

(1) Cash related to operating activities

Other cash received from operating activities√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Deposits and securities	207,823,520.16
Government grants	1,049,491,519.04
Non-operating income excluding government grants	42,639,694.45
Interest income	1,086,296,196.12
Others	116,009,935.69
Total	2,502,260,865.46

Other cash paid to operating activities√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Cash paid on selling expenses	18,524,157,608.35
Cash paid on administrative and R&D expenses	7,052,345,804.22
Cash paid on financial expenses	126,570,147.13
Non-operating expenses	6,217,009.16
Others	201,220,123.60
Total	25,910,510,692.46

(2) Cash related to investing activities

Other cash received from significant investing activities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Redemption of wealth management products	8,068,457,513.41
Total	8,068,457,513.41

Other cash paid to significant investing activities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Purchase of wealth management products	16,050,909,175.06
Total	16,050,909,175.06

(3) Cash related to financing activities
Other cash paid to financing activities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Repurchase of shares	1,801,808,513.60
Cash paid to lease	1,137,968,353.78
Cash paid for acquisition of subsidiaries through business combination under common control	94,561,200.00
Purchase of minority interests in subsidiaries	26,677,200.00
Others	35,312,400.26
Total	3,096,327,667.64

Changes of various liabilities arising from financing activities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Cash change	Non-cash change	Cash change	Non-cash change	
Short-term borrowings	9,672,223,522.36	14,894,631,688.36	282,566,010.97	14,531,069,379.81		10,318,351,841.88
Long-term borrowings (including long-term borrowings due within one year)	16,445,313,802.75	5,063,235,695.18	467,532,644.52	3,892,911,407.15		18,083,170,735.30
Lease liabilities (including lease liabilities due within one year)	3,727,727,303.20		1,985,283,683.51	1,137,968,353.78	248,536,585.33	4,326,506,047.60
Total	29,845,264,628.31	19,957,867,383.54	2,735,382,339.00	19,561,949,140.74	248,536,585.33	32,728,028,624.78

62. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

√ Applicable □ Not Applicable

Unit and Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Net profit adjusted to cash flow of operating activities:		
Net profit	16,732,069,774.75	14,733,312,889.78
Add: impairment provision for assets	1,505,153,026.02	1,499,859,761.26
Loss from credit impairment	242,642,129.31	431,377,480.82
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of biological assets for production	3,979,360,664.97	3,668,992,233.20
Amortization of right-of-use assets	1,063,642,778.40	896,109,386.87
Amortization of intangible assets	1,247,725,926.68	1,074,941,740.28
Amortization of long-term prepaid expenses	508,899,423.18	411,338,249.38
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain represented by “—”)	111,857,782.89	-182,313,289.21
Loss from retirement of fixed assets (gain represented by “—”)		
Loss from change of fair value (gain represented by “—”)	-19,753,663.05	122,442,933.65
Financial expenses (gain represented by “—”)	1,810,094,023.35	616,142,145.50
Loss from investments (gain represented by “—”)	-1,909,917,817.25	-1,832,656,952.60
Decrease in deferred income tax assets (increase represented by “—”)	-679,303,548.89	-452,670,928.44
Increase of deferred income tax liabilities (decrease represented by “—”)	107,427,867.30	758,482,018.03
Decrease in inventories (increase represented by “—”)	982,047,266.87	-2,783,200,168.10
Decrease of operational account receivables (increase represented by “—”)	-4,117,149,099.81	1,795,073,188.15
Increase of operational account payables (decrease represented by “—”)	2,985,588,574.38	-1,509,097,715.87
Others	711,991,119.20	1,008,424,173.16
Net cash flow generated from operational activities	25,262,376,228.30	20,256,557,145.86
2. Significant investment and financing activities not involving cash inflows and outflows:		
Capital transferred from debts		361,395,824.17
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
3. Net changes of cash and cash equivalents:		
Cash balance at the end of the period	53,977,310,651.03	53,392,209,857.41
Less: cash balance at the beginning of the period	53,392,209,857.41	45,201,743,280.53
Add: cash equivalents balance at the end of the period		
Less: cash equivalents balance at the beginning of the period		
Net increase of cash and cash equivalents	585,100,793.62	8,190,466,576.88

(2) Net cash paid on acquisition of subsidiaries for the current period√ Applicable ☐ Not Applicable

Unit and Currency: RMB

	Amount
Cash or cash equivalents paid for business combination occurred for the current period	162,489,967.94
Including: Europaltners Italia Srl	17,537,247.94
Tongfang Energy Technology Development Co., Ltd. (同方能源科技发展有限公司)	144,952,720.00
Less: Cash or cash equivalents held by subsidiaries on the acquisition date	6,177,856.07
Including: Europaltners Italia Srl	743,814.14
Tongfang Energy Technology Development Co., Ltd. (同方能源科技发展有限公司)	5,434,041.93
Net cash paid on acquisition of subsidiaries	156,312,111.87

(3) Composition of cash and cash equivalents√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
I. Cash	53,977,310,651.03	53,392,209,857.41
Including: Cash on hand	541,712.70	5,312,391.11
Bank deposits always available for payment	53,524,177,266.50	52,978,813,851.96
Other monetary funds always available for payment	452,591,671.83	408,083,614.34
II. Cash equivalents		
Including: bond investments due within three months		
III. Closing balance of cash and cash equivalents	53,977,310,651.03	53,392,209,857.41
Including: restricted cash and cash equivalents used by the parent company or subsidiaries of the Group		

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(4) Monetary funds that are not cash and cash equivalents

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period	Reasons
Deposit	448,374,520.06	664,825,001.43	Poor marketability, not readily realizable, or available for payment
Restricted special account deposit	54,996,888.29	94,737,979.02	
Others	5,770,781.76	10,439,317.45	
Total	509,142,190.11	770,002,297.90	/

63. Monetary items in foreign currency

Items	Closing balance			Opening balance		
	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
Monetary funds						
USD	1,706,547,575.50	7.0827	12,086,964,513.02	1,290,843,958.56	6.9646	8,990,211,833.81
EUR	175,320,608.19	7.8592	1,377,879,723.86	47,915,506.82	7.4229	355,672,015.56
JPY	4,478,977,012.53	0.050213	224,902,872.73	2,642,036,348.79	0.052358	138,331,739.15
HKD	353,808,079.17	0.9062	320,620,881.34	647,479,463.24	0.8933	578,393,404.51
Others			2,377,241,597.06			2,630,279,781.27
Subtotal			16,387,609,588.01			12,692,888,774.30
Accounts receivables						
USD	1,139,193,238.37	7.0827	8,068,563,949.37	770,735,456.70	6.9649	5,368,095,382.34
EUR	480,196,918.94	7.8592	3,773,963,625.34	480,679,854.02	7.4229	3,568,038,488.40
JPY	4,914,686,701.05	0.050213	246,781,163.32	4,448,523,930.25	0.052358	232,915,815.94
Others			4,873,677,549.96			3,648,407,445.01
Subtotal			16,962,986,287.99			12,817,457,131.69
Short-term borrowings						
USD	486,876,813.46	7.0827	3,448,402,406.69	337,460,553.02	6.9646	2,350,277,767.57
EUR	250,039,963.32	7.8592	1,965,114,079.70	551,092,544.77	7.4229	4,090,704,850.58
JPY	2,017,059,526.42	0.050213	101,282,610.00		0.052358	
HKD	2,600,000,000.00	0.9062	2,356,120,000.00	2,600,000,000.00	0.8933	2,322,580,000.00
Others			1,323,813,159.10			518,039,984.83
Subtotal			9,194,732,255.49			9,281,602,602.98
Accounts payables						
USD	1,909,489,893.66	7.0827	13,524,344,069.80	1,941,535,383.62	6.9646	13,522,017,332.77
EUR	621,708,354.09	7.8592	4,886,130,296.44	626,564,863.63	7.4229	4,650,928,326.21
JPY	6,641,786,186.84	0.050213	333,504,009.80	7,649,104,013.52	0.052358	400,491,787.94
NZD	146,250,125.13	4.4991	657,993,937.97	150,709,317.71	4.4162	665,562,488.87
Others			3,451,938,860.63			3,276,292,812.40
Subtotal			22,853,911,174.64			22,515,292,748.19
Non-current liabilities due within one year						
USD	138,292,003.54	7.0827	979,480,773.48	501,395,115.52	6.9646	3,492,016,421.53
EUR	97,148,817.20	7.8592	763,511,984.14	82,207,419.42	7.4229	610,217,453.64
JPY	1,027,109,699.08	0.050213	51,574,259.32	2,057,044,588.79	0.052358	107,702,740.58
RUB	685,662,519.93	0.0803	55,058,700.35	471,424,350.00	0.0942	44,408,173.77
Others			361,870,186.58			86,526,344.63
Subtotal			2,211,495,903.87			4,340,871,134.15
Long-term borrowings						
USD	1,160,000,000.00	7.0827	8,215,932,000.00	742,230,000.00	6.9646	5,169,335,058.00
EUR	597,689,081.07	7.8592	4,697,358,025.92	698,254,017.68	7.4229	5,183,069,747.86
RUB				250,000,000.00	0.0942	23,550,000.00
Others			1,034,286,451.77			1,014,924,067.59
Subtotal			13,947,576,477.69			11,390,878,873.45

64. Leases

(1) As lessee

√ Applicable ☐ Not Applicable

Variable lease payments not included in the measurement of lease liabilities

√ Applicable ☐ Not Applicable

RMB176,724,465.05

Lease expenses of short-term leases or leases of low-value assets which are subject to simplified treatment

√ Applicable ☐ Not Applicable

RMB262,176,314.90

Total cash outflow for leases 1,576,869,133.73 (Unit and Currency: RMB)

The leased assets leased by the Company include housing and buildings, production equipment, transportation equipment, office equipment and others used in the course of operations. Some of the leases contain renewal options and termination options.

(2) As lessor

a. Lease incomes from operating leases as lessor

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Lease incomes	Including: incomes related to variable lease payments not included in lease receipts
Operating leases as lessor	6,138,424.49	0
Total	6,138,424.49	0

b. Undiscounted lease receipts for the next five years:

Lease receipts	Undiscounted lease receipts per year	
	Closing amount	Opening amount
Within 1 year	4,582,971.43	3,901,805.87
2 to 5 years	2,933,400.00	11,255,903.92
Over 5 years		
Total	7,516,371.43	15,157,709.79

The leased assets leased out by the Company are mainly housing, buildings and land use rights. For details of changes of the leased assets, please refer to Note VII.14.

VIII. RESEARCH AND DEVELOPMENT EXPENDITURE

(1). By the nature of expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Remuneration for the employees	4,561,708,115.06	4,280,729,363.52
Design and development expenses	3,553,157,344.57	3,401,479,754.38
Material input	1,801,538,991.20	1,718,071,325.56
Depreciation and amortization	235,373,827.86	182,885,401.52
Organizational operation and others	669,467,061.28	657,089,397.12
Total	10,821,245,339.97	10,240,255,242.10
Including: expensed research and development expenditure	10,219,284,795.74	9,499,191,097.85
Capitalized research and development expenditure	601,960,544.23	741,064,144.25

(2). Development expenditure on research and development projects eligible for capitalization

Items	Opening balance	Increase for the current period	Decrease for the current period		Change in foreign exchange rate and others	Closing balance
			Recognized as intangible asset	Included in current profit and loss		
Home Appliance						
Intelligent Interaction Project		97,519,232.72				97,519,232.72
OWNERSHIP EXPERIENCE PROGRAM	16,439,526.97	31,908,445.55			432,262.68	48,780,235.20
91ABD.ERP IT PROGRAM	7,539,118.42	38,395,897.76	42,701,301.82		107,131.20	3,340,845.56
AI Multimodal Interaction Project	53,602,467.67	100,045,772.56	153,648,240.23			
Home Appliances						
Intelligent Low Carbon Energy Saving Project		131,513,213.52	131,513,213.52			
Others	76,899,402.61	202,577,982.12	140,518,323.75	1,728,793.54	-20,380,345.82	116,849,921.62
Total	154,480,515.67	601,960,544.23	468,381,079.32	1,728,793.54	-19,840,951.94	266,490,235.10

IX. CHANGES OF CONSOLIDATION SCOPE

1. Business combination not under common control

√ Applicable ☐ Not Applicable

(1). Business combination transactions not under common control occurring in the current period

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Name of the acquiree	Acquisition date of equity interest	Acquisition cost of equity interest	The proportion of equity interest acquired (%)	Acquisition method of equity interest	Combination date	Basis for determining the combination	Revenue of the acquiree from combination date to the end of the period	Net profit of the acquiree from combination date to the end of the period
Europalters Italia S.r.l.	April 2023	EUR2,292,460	100	Acquisition	April 2023	Equity delivery	EUR20,682,401	EUR-710,404
Tongfang Energy Technology Development Co., Ltd. (同方能源科技发展有限公司)	September 2023	144,952,720.00	80	Acquisition	September 2023	Equity delivery	59,323,066.93	3,016,132.97

(2). Combination cost and goodwill

Items	Europalters Italia S.r.l.	Tongfang Energy Technology Development Co., Ltd. (同方能源科技发展有限公司)
— Cash	EUR2,292,460	144,952,720.00
— Contingent consideration		
Total combination cost	EUR2,292,460	144,952,720.00
Less: acquired identifiable		
Share of fair value of net assets	EUR-16,032,934	116,374,008.26
Amount of goodwill	EUR18,325,394	28,578,711.74

(3). Identifiable assets and liabilities of the acquiree on the combination date

Items	Europalters Italia S.r.l.	
	Fair value (EUR)	Book value (EUR)
Monetary funds	97,231.00	97,231.00
Accounts receivables	3,319,509.00	4,470,509.00
Inventories	387,481.00	516,481.00
Other current assets	3,065,716.00	2,153,680.00
Goodwill		6,727,210.00
Long-term assets	686,897.00	339,897.00
Short-term borrowings	-3,026,876.00	-3,026,876.00
Accounts payables	-173,081.00	-173,081.00
Taxes payable	-33,253.00	-33,253.00
Payables for staff remuneration	-418,771.00	-418,771.00
Other payables	-10,189,660.00	-10,189,660.00
Non-current liabilities due within one year	-9,303,819.00	-2,784,819.00
Long-term liabilities	-444,308.00	-444,308.00
Net assets	-16,032,934.00	-2,765,760.00
Less: minority interests		
Net assets acquired	-16,032,934.00	-2,765,760.00

Items	Tongfang Energy Technology Development Co., Ltd. (同方能源科技发展有限公司)	
	Fair value	Book value
Monetary funds	5,434,041.93	5,434,041.93
Accounts receivables	118,584,316.42	118,584,316.42
Inventories	8,447,305.23	8,447,305.23
Other current assets	4,232,144.78	4,232,144.78
Fixed assets	26,628,037.40	26,628,037.40
Construction in progress	32,508,205.12	32,508,205.12
Right-of-use assets	6,610,520.60	6,610,520.60
Intangible assets	113,275,924.15	79,811,057.21
Other long-term asset	35,792,288.95	35,792,288.95
Short-term borrowings	-18,000,000.00	-18,000,000.00
Accounts payables	-111,720,139.96	-111,720,139.96
Payables for staff remuneration	-1,491,773.91	-1,491,773.91
Taxes payable	-2,547,376.92	-2,547,376.92
Non-current liabilities due within one year	-14,230,526.76	-14,230,526.76
Other current liabilities	-7,947,388.63	-7,947,388.63
Lease liabilities	-3,712,527.64	-3,712,527.64
Long-term payables	-21,950,650.01	-21,950,650.01
Other non-current liabilities	-21,712,054.34	-13,345,837.60
Net assets	148,200,346.41	123,101,696.21
Less: minority interests	31,826,338.15	26,806,608.11
Net assets acquired	116,374,008.26	96,295,088.10

2. Business combination under common control

√ Applicable □ Not Applicable

(1). Business combination under common control occurring in the current period

Name of the acquiree	The proportion of equity acquired in the business combination	The basis for the transaction of constituting business combination under common control	Combination date	Recognition basis of combination date
Shanghai Haier Smart Technology Co., Limited (上海海尔智能科技有限公司)	100.00%	Controlled by Haier Group Corporation before and after combination	2023.1	Subject equity-related right and obligation transferred to the Company
Zhengzhou Haiyong New Corporate Management Co., Ltd (郑州海永新企业管理有限公司)	100.00%	Controlled by Haier Group Corporation before and after combination	2023.12	Subject equity-related right and obligation transferred to the Company

(Continued)

Name of the acquiree	The income of the acquiree from the beginning of the current period to combination date	Net profit of the acquiree from the beginning of the current period to combination date	The income of the acquiree during the comparison period	Net profit of the acquiree during the comparison period
Shanghai Haier Smart Technology Co., Limited (上海海尔智能科技有限公司)	N/A	N/A	154,209,888.77	551,638.23
Zhengzhou Haiyong New Corporate Management Co., Ltd (郑州海永新企业管理有限公司)	3,330,320.71	-2,581,701.76	6,992,260.56	579,633.02

(2). Combination cost

Combination cost	Cash	Equity
Shanghai Haier Smart Technology Co., Limited (上海海尔智能科技有限公司)	70,000,000.00	N/A
Zhengzhou Haiyong New Corporate Management Co., Ltd (郑州海永新企业管理有限公司)	24,561,200.00	N/A

(3). Carrying amount of assets and liabilities of the acquiree at the combination date

Items	Shanghai Haier Smart Technology Co., Limited (上海海尔智能科技有限公司)	
	Combination date	End of the previous period
Monetary funds	22,886,544.88	22,886,544.88
Accounts receivables	183,024,484.05	183,024,484.05
Inventory	45,073,195.71	45,073,195.71
Other current assets	530,506.71	530,506.71
Deferred income tax assets	1,817,890.71	1,817,890.71
Less: Accounts payables	189,302,217.18	189,302,217.18
Short-term borrowings	28,848,789.90	28,848,789.90
Taxes payable	3,375,065.74	3,375,065.74
Net assets	31,806,549.24	31,806,549.24

Items	Zhengzhou Haiyong New Corporate Management Co., Ltd (郑州海永新企业管理有限公司)	
	Combination date	End of the previous period
Monetary funds	1,187,696.86	509,927.92
Accounts receivables	744,929.25	1,959,675.75
Other current assets	113,018.42	363,883.92
Investment properties	74,125,324.15	77,363,258.95
Construction in progress	27,917.12	27,917.12
Less: Accounts payables	73,557,964.67	74,967,076.96
Taxes payable	239,234.12	274,197.93
Net assets	2,401,687.01	4,983,388.77

3. Disposal of subsidiary

Whether single disposal of investment in subsidiary will result in losing control power:

Items	Qingdao Haishuzhi Enterprise Consulting Service Co., Ltd. (青岛海数智企业咨询 服务有限公司)
Equity disposal price	
Proportion of equity disposal	100%
Method of equity disposal	Cancellation
Time of loss-of-control	2023.1
Basis for determination the time of loss-of- control	Cancellation
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level	-733.51

4. Changes of consolidation scope due to other reasons

☒ Applicable ☐ Not Applicable

- (1) During the period, Qingdao Haier Home AI Industry Innovation Center Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary, Qingdao Haier Yikang Technology Co., Ltd. (青岛海尔益康科技有限公司).
- (2) During the period, Qingdao Haier Home AI Industry Innovation Center Co., Ltd., a subsidiary of the Company, established a subsidiary, Qingdao Haier Youyang Technology Co., Ltd. (青岛海尔有养科技有限公司).

X. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Flourishing Reach Limited	Mainland of China	Bermuda	Group company, which mainly engage in investment holding, the production and sale of washing machines and water heaters, distribution service	100.00%		100.00%	Establishment
Haier Electronics Group Co., Ltd.	Mainland of China and Hong Kong	Bermuda	Group company, which mainly engage in investment holding, the production and sale of water equipment, distribution service	100.00%		100.00%	Establishment
Haier U.S. Appliance Solutions, Inc.	the United States	the United States	Group company, which mainly engage in home appliances production and distribution business		100.00%	100.00%	Establishment
Haier Singapore Investment Holding Co., Ltd.	Singapore and other overseas areas	Singapore	Group company, which mainly engage in home appliances production and distribution business		100.00%	100.00%	Business combination under common control
Haier New Zealand Investment Holding Company Limited	New Zealand	New Zealand	Group company, which mainly engage in home appliances production and distribution business		100.00%	100.00%	Business combination under common control
Candy S.p.A	Europe	Italy	Group company, which mainly engage in home appliances production and distribution business		100.00%	100.00%	Business combination not under common control
Qingdao Haier Air Conditioner Gen Corp., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and sale of household air-conditioners	92.37%		92.37%	Business combination under common control
Guizhou Haier Electronics Co., Ltd.	Huichuan District, Zunyi City, Guizhou Province	Huichuan District, Zunyi City, Guizhou Province	Manufacture and sale of refrigerator	59.00%		59.00%	Business combination under common control
Hefei Haier Air-conditioning Co., Limited	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air-conditioners	100.00%		100.00%	Business combination under common control

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Wuhan Haier Electronics Holding Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air-conditioners	59.86%		59.86%	Business combination under common control
Qingdao Haier Air- Conditioner Electronics Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of air-conditioners	97.43%		97.43%	Business combination under common control
Qingdao Haier Information Plastic Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacturing of plastic products	100.00%		100.00%	Business combination under common control
Dalian Haier Precision Products Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and sale of precise plastics	90.00%		90.00%	Business combination under common control
Hefei Haier Plastic Co., Ltd.	Hefei Economic & Technological Development Area	Hefei Economic & Technological Development Area	Manufacture and sale of plastic parts	95.17%	4.83%	100.00%	Business combination under common control
Qingdao Meier Plastic Powder Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of plastic powder, plastic sheet and high-performance coatings	40.00%	60.00%	100.00%	Business combination under common control
Chongqing Haier Precision Plastic Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Plastic products, sheet metal work, electronics and hardware	90.00%	10.00%	100.00%	Business combination under common control
Qingdao Haier Refrigerator Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and production of fluorine-free refrigerators	97.91%		97.91%	Establishment
Qingdao Haier Refrigerator (International) Co., Ltd.	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	Manufacture of refrigerators	100.00%		100.00%	Establishment
Qingdao Household Appliance Technology and Equipment Research Institute	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and development of home appliances mold and technological equipment	100.00%		100.00%	Establishment
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development and sales of health- related small home appliance	98.33%		98.33%	Establishment
Qingdao Haier Special Refrigerator Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00%		100.00%	Establishment
Qingdao Haier Dishwasher Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of dish washing machine and gas stove	99.59%		99.59%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Qingdao Haier Special Freezer Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Research, manufacture and sales of freezer and other refrigeration products	96.78%		96.78%	Establishment
Dalian Haier Air- conditioning Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Air conditioner processing and manufacturing	90.00%		90.00%	Establishment
Dalian Haier Refrigerator Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Refrigerator processing and manufacturing	100.00%		100.00%	Establishment
Qingdao Haier Electronic Plastic Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Development, assembling and sales of plastics, electronics and products	100.00%		100.00%	Establishment
Wuhan Haier Freezer Co., Ltd	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Research, manufacture and sales of freezer and other refrigeration products	82.93%	4.36%	87.29%	Establishment
Qingdao Haidarui Procurement Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Develop, purchase and sell electrical products and components	98.00%	2.00%	100.00%	Establishment
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and application of home appliances, communication, electronics and network engineering technology	91.46%	1.01%	92.47%	Establishment
Chongqing Haier Air-conditioning Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sales of air conditioners	76.92%	23.08%	100.00%	Establishment
Qingdao Haier Precision Products Co., Ltd.	Qianwang ang Road, Jiaonan City	Qianwang ang Road, Jiaonan City	Development and manufacture of precise plastic, metal plate, mold and electronic products for home appliances		70.00%	70.00%	Establishment
Qingdao Haier Air Conditioning Equipment Co., Ltd.	Jiaonan City, Qingdao	Jiaonan City, Qingdao	Manufacture of home appliances and electronics		100.00%	100.00%	Establishment
Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	100.00%	Establishment
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	100.00%	Establishment
Chongqing Haier Electronics Sales Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of home appliances	95.00%	5.00%	100.00%	Establishment
Chongqing Haier Refrigeration Appliance Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Processing and manufacturing of refrigerator	84.95%	15.05%	100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Hefei Haier Refrigerator Co., Ltd.	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Processing and manufacturing of refrigerator	100.00%		100.00%	Establishment
Qingdao Haier Intelligent Building Technology Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Air-conditioning engineer		100.00%	100.00%	Establishment
Chongqing Lianmai Electric Appliance Sales Co., Ltd. (重庆联迈电器销售有限公司)	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of home appliances and electronics		51.00%	51.00%	Establishment
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air-conditioners		100.00%	100.00%	Establishment
Qingdao Haier Component Co., Ltd.	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sales of plastic and precise sheet metal products		100.00%	100.00%	Establishment
Haier Shareholdings (Hong Kong) Limited	Hong Kong	Hong Kong	Investment	100.00%		100.00%	Establishment
Harvest International Company	Cayman Islands	Cayman Islands	Investment		100.00%	100.00%	Establishment
Shenyang Haier Refrigerator Co., Ltd.	Shenbei New Area, Shenyang City	Shenbei New Area, Shenyang City	Manufacture and sales of refrigerator	100.00%		100.00%	Establishment
Foshan Haier Freezer Co., Ltd.	Sanshui District, Foshan City	Sanshui District, Foshan City	Manufacture and sales of refrigerator	100.00%		100.00%	Establishment
Zhengzhou Haier Air-conditioning Co., Ltd.	Zhengzhou Economic and Technological Development Zone	Zhengzhou Economic and Technological Development Zone	Manufacture and sales of freezer	100.00%		100.00%	Establishment
Qingdao Haidayuan Procurement Service Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Develop, purchase and sell electrical products and components	100.00%		100.00%	Establishment
Qingdao Haier Intelligent Technology Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and research of home appliance products	100.00%		100.00%	Establishment
Qingdao Hairi High Technology Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, manufacture and sales of product model and mould		100.00%	100.00%	Business combination under common control
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Industrial design and prototype production		75.00%	75.00%	Business combination under common control
Beijing Haier Guangke Digital Technology Co., Ltd.	Beijing	Beijing	Development, promotion and transfer of technology		55.00%	55.00%	Business combination under common control

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Shanghai Haier Medical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail of medical facility		66.87%	66.87%	Establishment
Qingdao Haier Technology Co., Ltd.	Qingdao	Qingdao	Development and sales of software and information product	100.00%		100.00%	Business combination under common control
Qingdao Haier Technology Investment Co., Ltd.	Qingdao	Qingdao	Entrepreneurship investment and consulting	100.00%		100.00%	Establishment
Qingdao Casarte Smart Living Appliances Co., Ltd.	Qingdao	Qingdao	Development, production and sales of appliances		100.00%	100.00%	Establishment
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Qingdao	Qingdao	Sales of home appliances and digital products		100.00%	100.00%	Establishment
Haier Overseas Electric Appliance Co., Ltd.	Qingdao	Qingdao	Sales of home appliances, international freight forwarding	100.00%		100.00%	Establishment
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Dalian	Dalian	Sales of home appliances, international freight forwarding	100.00%		100.00%	Business combination under common control
Qingdao Haier Central Air Conditioning Co., Ltd.	Qingdao	Qingdao	Production and sales of air and refrigeration equipment		100.00%	100.00%	Establishment
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Hefei	Hefei	Sales of home appliances		100.00%	100.00%	Establishment
Qingdao Weixi Smart Technology Co., Ltd.	Qingdao	Qingdao	Intelligent sanitary ware		85.00%	85.00%	Establishment
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	Beijing	Beijing	Software development	100.00%		100.00%	Establishment
Haier (Shanghai) Electronics Co., Ltd.	Shanghai	Shanghai	Sales, research and development of home appliances	100.00%		100.00%	Establishment
Shanghai Haier Zhongzhi Fang Chuang Ke Management Co., Ltd.	Shanghai	Shanghai	Business management consulting, chuankge management	100.00%		100.00%	Establishment
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of kitchen smart home appliances		85.82%	85.82%	Establishment
GE Appliance (Shanghai) Co., Ltd.	Shanghai	Shanghai	Sales of home appliances		100.00%	100.00%	Establishment
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of home appliances		100.00%	100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Shanghai Zhihan Technology Co., Ltd. (上海挚瀚科技有限公司)	Beijing	Beijing	Promotion of technological development		100.00%	100.00%	Establishment
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	Laiyang	Laiyang	Production and sales of home appliances		100.00%	100.00%	Establishment
Hefei Haier Air Conditioning Electronics Co., Ltd.	Hefei	Hefei	Production and sales of home appliances		100.00%	100.00%	Establishment
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.	Shanghai	Shanghai	Research and development of home appliances		100.00%	100.00%	Establishment
Haier (Shenzhen) R&D Co., Ltd.	Shenzhen	Shenzhen	Development, research and technical services of household and commercial electrical		100.00%	100.00%	Establishment
Guangzhou Haier Air Conditioner Co., Ltd.	Guangdong	Guangdong	Manufacturing of refrigeration and air conditioning equipment		100.00%	100.00%	Establishment
Qingdao Yunshang Yuyi IOT Technology Co., Ltd.	Qingdao	Qingdao	IoT technology research and development		60.00%	60.00%	Establishment
Qingdao Jijia Cloud Intelligent Technology Co., Ltd.	Qingdao	Qingdao	R&D and sales of lighting appliances		80.00%	80.00%	Establishment
Qingdao Haimeihui Management Consulting Co., Ltd. (青岛海美汇管理咨询有限公司)	Qingdao	Qingdao	Leasing and business services		100.00%	100.00%	Establishment
Wuxi Yunshang Internet of Clothing Technology Co., Ltd. (无锡云裳衣联网科技有限公司)	Wuxi	Wuxi	Internet of Things technology R & D		100.00%	100.00%	Establishment
Qingdao Haidacheng Procurement Service Co., Ltd.	Qingdao	Qingdao	Develop, purchase and sell electrical products and components	100.00%		100.00%	Establishment
Guangdong Haier Intelligent Technology Co. Ltd. (广东海尔智能科技有限公司)	Guangzhou	Guangzhou	Scientific research and technology service sector		76.72%	76.72%	Business combination not under common control
Beijing Haixianghui Technology Co., Ltd. (北京海享汇科技有限公司)	Beijing	Beijing	Scientific research and technology service sector		100.00%	100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Haier Smart Home Experience Cloud Ecological Technology Co., Ltd. (海尔智家体验云生态科技有限公司)	Qingdao	Qingdao	Technology development of smart home products, whole furniture customization, etc.	100.00%		100.00%	Establishment
Haier Smart Home (Qingdao) Network Co., Ltd. (海尔智家(青岛)网络有限公司)	Qingdao	Qingdao	Technical services, development, consulting, transfer, etc.		100.00%	100.00%	Establishment
Haier Smart Home (Qingdao) Network Operation Co., Ltd. (海尔智家(青岛)网络运营有限公司)	Qingdao	Qingdao	Residential interior decoration, professional construction operation, special equipment installation, upgrading and repair, etc.		100.00%	100.00%	Establishment
Qingdao Internet of Wine Technology Co., Ltd. (青岛酒联网物联科技有限公司)	Qingdao	Qingdao	Urban distribution and transportation services, import and export of goods, technology import and export and food business, etc.		100.00%	100.00%	Establishment
Qingdao Linghai Air Conditioning Equipment Co., Ltd. (青岛菱海空调设备有限公司)	Qingdao	Qingdao	Manufacture and production of air conditioner and refrigeration equipment		100.00%	100.00%	Establishment
Shenzhen Yunshang Yilian Technology Co., Ltd. (深圳衣裳衣联科技有限公司)	Shenzhen	Shenzhen	Import and export business, Internet, Internet of things, big data, AI, AR and technical services operation		100.00%	100.00%	Establishment
Qingdao Haixiangxue Human Resources Co., Ltd. (青岛海享学人力资源有限公司)	Qingdao	Qingdao	Professional intermediary activities	100.00%		100.00%	Establishment
Jiangxi Haier Medical Technology Co., Ltd.	Jiangxi	Jiangxi	Wholesale and retail of medical equipment		100.00%	100.00%	Establishment
Qingdao Haizhi Shenlan Technology Co., Ltd.	Qingdao	Qingdao	Technical service development		100.00%	100.00%	Establishment
Qingdao Haishengze Technology Co., Ltd.	Qingdao	Qingdao	Air conditioning equipment technical services		100.00%	100.00%	Establishment
Qingdao Hailiyuan Recycling Technology Co., Ltd.	Qingdao	Qingdao	Electrical and electronic products waste treatment		100.00%	100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Qingdao Haier HVAC Equipment Co., Ltd. (青岛海尔暖通空调设备有限公司)	Qingdao	Qingdao	Manufacture and sale of air-conditioners	75.00%	25.00%	100.00%	Establishment
Qingdao Haier Home AI Industry Innovation Center Co., Ltd. (青岛海尔家庭人工智能产业创新中心有限公司)	Qingdao	Qingdao	Integrated service of AI industry application system		100.00%	100.00%	Establishment
Zhejiang Weixi IoT Technology Co., Ltd. (浙江卫玺物联科技有限公司)	Zhejiang	Zhejiang	IoT application service		100.00%	100.00%	Establishment
Qingdao Haier Quality Inspection Co., Ltd. (青岛海尔质量检测有限公司)	Qingdao	Qingdao	Inspection and testing of home appliance	100.00%		100.00%	Business combination under common control
Qingdao Haiyongcheng Certification Service Co., Ltd. (青岛海永成认证服务有限公司)	Qingdao	Qingdao	Product certification service		100.00%	100.00%	Business combination under common control
Qingdao Zhonghai Borui Testing Technology Service Co., Ltd. (青岛中海博睿检测技术服务有限公司)	Qingdao	Qingdao	Home appliance testing and technology consulting		100.00%	100.00%	Business combination under common controls
Qingdao Haier Special Plastic Development Co., Ltd.	Qingdao	Qingdao	Manufacture and sale of refrigerator doors		100.00%	100.00%	Business combination under common controls
Qingdao Haizhiling Air Conditioning Engineering Co., Ltd. (青岛海智菱空调工程有限公司)	Qingdao	Qingdao	Software development and sale of daily necessities		100.00%	100.00%	Establishment
Haier Smart Home (Xiongan, Hebei) Technology Co., Ltd. (海尔智家科技(河北雄安)有限公司)	Qingdao	Qingdao	Promotion of energy-saving technology		100.00%	100.00%	Establishment
Qingdao Ruibo Ecological Environmental Technology Co., Ltd. (青岛瑞博生态环保科技有限公司)	Qingdao	Qingdao	Environmental and AI technology consulting	89.13%		89.13%	Establishment
Qingdao Sanyiniaio Technology Co., Ltd. (青岛三翼鸟科技有限公司)	Qingdao	Qingdao	Technology service and advertisement design		100.00%	100.00%	Establishment

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Qingdao Jingzhi Recycle Environmental Technology Co., Ltd. (青岛鲸智再生产环保科技有限公司)	Qingdao	Qingdao	Operation of dangerous waste		100.00%	100.00%	Establishment
Qingdao Yunshang Jieshen Yilian Technology Co., Ltd. (青岛云裳洁神衣联科技有限公司)	Qingdao	Qingdao	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Shanghai Yunshang Yuyi IoT Technology Co., Ltd. (上海云裳羽衣物联科技有限公司)	Shanghai	Shanghai	Professional cleaning and sale of daily necessities		100.00%	100.00%	Establishment
Shijiazhuang Yunshang Yilian Technology Co., Ltd. (石家庄云裳衣联科技有限公司)	Shijiazhuang	Shijiazhuang	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Nanjing Yunshang Yilian Technology Co., Ltd. (南京云裳衣联科技有限公司)	Nanjing	Nanjing	Professional cleaning and sale of daily necessities		80.00%	80.00%	Establishment
Shanxi Yunshang Yilian Technology Co., Ltd. (山西云裳衣联科技有限公司)	Shanxi	Shanxi	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Tianjin Yunshang Yilian Technology Co., Ltd. (天津云裳衣联网科技有限公司)	Tianjin	Tianjin	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Chongqing Yunshang Haihong Yilian Technology Co., Ltd. (重庆云裳海宏衣联科技有限公司)	Chongqing	Chongqing	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Chengdu Yunshang Meier Yilian Technology Co., Ltd. (成都云裳美尔衣联科技有限公司)	Chengdu	Chengdu	Professional cleaning and sale of daily necessities		80.00%	80.00%	Establishment
Beijing Yunshang Yilian Technology Co., Ltd. (北京云裳衣联科技有限公司)	Beijing	Beijing	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Chengdu Yunshang Yilian Technology Co., Ltd. (成都云裳衣联科技有限公司)	Chengdu	Chengdu	Professional cleaning and sale of daily necessities		100.00%	100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Qingdao Haixiangmian Technology Co., Ltd. (青岛海享眠科技有限公司)	Qingdao	Qingdao	Sale of food and daily necessities		100.00%	100.00%	Establishment
Qingdao Haier Kitchen IoT Technology Co., Ltd. (青岛海尔厨联网物联科技有限公司)	Qingdao	Qingdao	Technology service and sale of daily necessities		100.00%	100.00%	Establishment
Tibet Haifeng Intelligent Innovation Technology Co., Ltd. (西藏海峰智能创新科技有限公司)	Tibet	Tibet	Development of software and medical equipment		100.00%	100.00%	Establishment
Qingdao Haixiangzhi Technology Co., Ltd. (青岛海享智科技有限公司)	Qingdao	Qingdao	Manufacturing of home appliances		100.00%	100.00%	Establishment
Qingdao Haier Refrigeration Appliance Co., Ltd. (青岛海尔制冷电器有限公司)	Qingdao	Qingdao	Manufacturing of home appliances		100.00%	100.00%	Establishment
Chongqing Haier Washing Appliance Co., Ltd. (重庆海尔洗涤电器有限公司)	Chongqing	Chongqing	Manufacturing of home appliances		100.00%	100.00%	Establishment
Tongfang Energy Technology Development Co., Ltd. (同方能源科技发展有限公司)	Beijing	Beijing	Technology development service	84.32%		84.32%	Business combination not under common control
Qingdao Haier Youyang Technology Co., Ltd. (青岛海尔有养科技有限公司)	Qingdao	Qingdao	Technology development service		51.00%	51.00%	Establishment
Qingdao Haier Yikang Technology Co., Ltd. (青岛海尔益康科技有限公司)	Qingdao	Qingdao	Technology development service		100.00%	100.00%	Establishment
Microenterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd.	All over the country	All over the country	Sales of home appliances				Establishment

(2) The Company has no material non-wholly owned subsidiaries.

2. Transactions leading to the changes in the share of owners' equity in subsidiaries but not losing the control

√ Applicable ☐ Not Applicable

(1). Description of changes in the share of owners' equity in subsidiaries:

√ Applicable ☐ Not Applicable

Capital contribution by minority shareholders of the subsidiary of the Company leads to changes in the Company's shareholding ratio.

(2). Impact of the transactions on minority interest and the equity attributable to shareholders of the Company:

Items	Others
Total Consideration for acquisition/disposal	61,354,600.26
Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed	30,236,917.52
Difference	31,117,682.74
Including: adjustment to decrease capital reserve	31,117,682.74

3. Interests in joint ventures and associates

√ Applicable ☐ Not Applicable

(1). Joint ventures and associates

Name of joint venture and associates	Principal place of business	Place of registration	Nature of business	Nature of business	Accounting treatment of investment
Haier Group Finance Co., Ltd	Qingdao	Qingdao	Financial services	42.00%	Equity method
Bank of Qingdao Co., Ltd	Qingdao	Qingdao	Commercial Bank	8.19%	Equity method
Wolong Electric (Jinan) Motor Co., Ltd.	Jinan	Jinan	Motor Manufacturing	30.00%	Equity method
Qingdao Hegang New Material Technology Co., Ltd. (青岛河钢新材料科技股份有限公司)	Qingdao	Qingdao	Steel plate manufacturing	23.94%	Equity method
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	Qingdao	Qingdao	Venture Capital	63.13%	Equity method
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Qingdao	Qingdao	Manufacturing of home appliances	45.00%	Equity method
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Qingdao	Qingdao	Manufacturing of home appliances	49.00%	Equity method
Qingdao Haier Multimedia Co., Ltd.	Qingdao	Qingdao	R&D and sales of television	20.20%	Equity method
Zhengzhou Highly Electric Appliance Co., Ltd. (郑州海立电器有限公司)	Zhengzhou	Zhengzhou	Manufacture and sale of press	49.00%	Equity method
Baoshihua Tong Fang Energy Technology Co., Ltd. (宝石花同方能源科技有限公司)	Beijing	Beijing	Technology service development	20.00%	Equity method

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Name of joint venture and associates	Principal place of business	Place of registration	Nature of business	Nature of business	Accounting treatment of investment
Zhejiang Futeng Fluid Technology Co., Ltd.	Huzhou	Huzhou	Gas compression machinery development and manufacturing	48.00%	Equity method
Hongtong Environmental Technology (Guangzhou) Co., Ltd. (宏通环境技术(广州)有限公司)	Guangzhou	Guangzhou	Machinery and equipment development and manufacturing	15.00%	Equity method
Beijing ASU Tech Co., Ltd.	Beijing	Beijing	Technical service import and export business	34.15%	Equity method
Qingdao Haimu Investment Management Co., Ltd.	Qingdao	Qingdao	Investment management	49.00%	Equity method
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	Qingdao	Qingdao	Investment management	24.00%	Equity method
Haineng Wanjia (Shanghai) Technology Development Co., Ltd.	Shanghai	Shanghai	Construction	20.00%	Equity method
Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd. (青岛国创智能家电研究院有限公司)	Qingdao	Qingdao	Development of home appliances	35.51%	Equity method
Guangzhou Heying Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Investment	49.00%	Equity method
Qingdao Home Wow Cloud Network Technology Co., Ltd	Qingdao	Qingdao	Home online service	22.10%	Equity method
Bingji (Shanghai) Corporate Management Co., Ltd.	Shanghai	Shanghai	Investment management	45.00%	Equity method
Youjin (Shanghai) Corporate Management Co., Ltd	Shanghai	Shanghai	Investment management	45.00%	Equity method
RRS (Shanghai) Investment Co., Ltd. (日日顺(上海)投资有限公司)	Shanghai	Shanghai	Investment management	45.00%	Equity method
Haier Best Water Technology Co., Ltd. (倍世海尔饮水科技有限公司)	Qingdao	Qingdao	Water equipment technology development service	49.00%	Equity method
HuizhiXiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)	Qingdao	Qingdao	Investment management	30.00%	Equity method
Qingdao RRS Huizhi Investment Co., Ltd.	Qingdao	Qingdao	Investment management	50.00%	Equity method
Qingdao Xinchenghui Technology Co., Ltd. (青岛鑫晟汇科技有限公司)	Qingdao	Qingdao	Technology service development	20.00%	Equity method
Konan Electronic Co., Ltd	Japan	Japan	Motor Manufacturing	50.00%	Equity method
HPZ LIMITED	Nigeria	Nigeria	Manufacturing of home appliance	25.01%	Equity method
HNR (Private) Company Limited	Pakistan	Pakistan	Manufacturing of home appliance	31.72%	Equity method
ControladoraMabeS.A.deC.V.	Mexico	Mexico	Manufacturing of home appliance	48.41%	Equity method
Middle East Air conditioning Company,Limited	Saudi Arabia	Saudi Arabia	Sales of home appliances	49.00%	Equity method

(2) Key financial information of important associates

Items	Finance company	
	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Current assets	58,471,449,425.14	62,367,859,305.44
Non-current assets	17,215,510,844.97	12,622,422,390.73
Total assets	75,686,960,270.11	74,990,281,696.17
Current liabilities	56,268,320,103.08	56,509,751,262.74
Non-current liabilities	583,055,172.64	480,084,424.03
Total liabilities	56,851,375,275.72	56,989,835,686.77
Minority interests		
Equity attributable to shareholders of the parent company	18,835,584,994.39	18,000,446,009.40
Including: share of net assets calculated per shareholding percentage	7,910,945,697.64	7,560,187,323.95
Operating income	1,699,389,982.11	2,037,253,129.20
Net profit	1,417,734,620.57	1,585,017,777.56
Other comprehensive income	-22,595,635.58	9,929,719.24
Total comprehensive income	1,395,138,984.99	1,594,947,496.80
Dividend received from associates for the year	235,200,000.00	218,400,000.00

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(3). Summarized financial information of insignificant joint ventures and associates

Investment in associates	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Bank of Qingdao Co., Ltd.	3,200,132,708.75	2,934,085,854.00
Wolong Electric (Jinan) Motor Co., Ltd.	177,662,547.04	174,697,807.74
Qingdao Hegang New Material Technology Co., Ltd. (青岛河钢新材料科技股份有限公司)	329,713,566.36	314,802,331.45
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	206,764,442.76	319,245,649.36
Mitsubishi Heavy Industries Haier (Qingdao) Airconditioners Co., Ltd.	663,804,966.31	715,461,260.26
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	412,107,471.53	413,367,540.80
Qingdao Haier Multimedia Co., Ltd.	88,300,000.00	153,550,234.50
Baoshihua Tong Fang Energy Technology Co., Ltd. (宝石花同方能源科技有限公司)	30,326,966.78	
Zhengzhou Highly Electric Appliance Co., Ltd. (郑州海立电器有限公司)	98,000,000.00	
Anhui Kunhe Intelligent Technology Co., Ltd.		1,997,782.61
Zhejiang Futeng Fluid Technology Co., Ltd.	77,584,161.99	77,807,408.84
Beijing Mr. Hi Network Technology Company Limited		7,507,759.75
Hongtong Environmental Technology (Guangzhou) Co., Ltd. (宏通环境技术(广州)有限公司)	4,265,965.73	
Beijing ASU Tech Co., Ltd.	7,919,009.51	12,829,433.78
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.		6,914,487.73
Qingdao Haimu Investment Management Co., Ltd.	2,609,456.57	2,521,766.42
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	57,989,007.18	58,905,912.88
Yunshang Zhonglian Technology (Shanghai) Co., Ltd. (云裳众联科技(上海)有限公司)	606,029.71	772,938.88
Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd. (青岛国创智能家电研究院有限公司)	38,574,227.53	45,016,334.20
Guangzhou Heying Investment Partnership (Limited Partnership)	194,416,881.32	285,793,577.87
Qingdao Home Wow Cloud Network Technology Co., Ltd	2,192,669.49	2,547,217.00
Bingji (Shanghai) Corporate Management Co., Ltd.	1,056,245,062.87	1,014,425,293.04
Youjin (Shanghai) Corporate Management Co., Ltd	1,919,627,387.02	1,843,591,441.88

Investment in associates	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
RRS (Shanghai) Investment Co., Ltd. (日日顺(上海)Investment有限公司)	3,489,413,430.96	3,351,166,257.98
Haier Best Water Technology Co., Ltd. (倍世海尔饮水科技有限公司)	148,369,638.40	148,369,638.40
HuizhiXiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)	238,175,637.03	238,806,947.64
Qingdao RRS Huizhi Investment Co., Ltd.	4,083,482.78	4,083,482.78
Qingdao Xinshenghui Technology Co., Ltd. (青岛鑫晟汇科技有限公司)	10,005,915.15	8,598,002.89
Europalters Italia S.r.l.		15,760,505.28
Orygin LLC	22,296,931.04	13,918,442.26
Konan Electronic Co., Ltd	64,378,952.07	67,770,092.99
HNR (Private) Company Limited	111,225,806.51	74,366,909.55
HPZ LIMITED	3,483,576.50	88,751,047.98
Controladora Mabe S.A.deC.V.	5,078,418,321.53	4,685,927,386.53
Middle East Airconditioning Company, Limited	7,299,166.60	8,820,101.55
Total book value of investment	17,745,993,387.02	17,092,180,848.82
Total amount of the following financial data of associates calculated based on shareholding percentage		
Net profit	1,179,130,357.63	917,792,070.74
Other comprehensive income	-99,733,719.86	95,751,117.93
Total comprehensive income	1,079,396,637.77	1,013,543,188.67

XI. SEGMENT INFORMATION

☒ Applicable ☐ Not Applicable

The Company is principally engaged in manufacture and sales of home appliances and relevant services business, manufacture of upstream home appliances parts, distribution of products of third party, logistics and after-sale business.

As of 31 December 2023, the Company's segment reports have been updated to integrate domestic and overseas industries to reflect the Company's management goals of globalization as a global home appliance enterprise. The management of the Company began to review business information under the new structure, and segment reports were updated based on this change and how the Company manages and monitors segment performance. The amount of the comparable period has restated based on the changes.

The Company has five business segments: (1) Household Food Storage and Cooking Solutions: mainly manufacturing and selling refrigerator/freezers and kitchen appliances; (2) Air Solutions: mainly manufacturing and selling air conditioners; (3) Household Laundry Management Solutions: mainly manufacturing and selling washing machines and dryers; (4) Household Water Solutions: mainly manufacturing and selling water home appliances such as water heaters and water purifiers; (5) Other business: mainly include channel, equipment components, small home appliance business and others. The management of the Company assesses operating performance of each segment and allocates resources according to the division. Sales between segments were mainly based on market price.

Due to centralized management under the headquarters or exclusion from the assessment scope of segment management, the total assets of segments exclude monetary funds, financial assets held for trading, derivative financial assets, dividends receivable, held-for-sale financial assets, other current assets, debt investment, long-term accounts receivable, long-term equity investment, other equity instruments investment, other non-current financial assets, goodwill and deferred income tax assets; the total liabilities of segments exclude long-term and short-term borrowings, financial liabilities held for trading, derivative financial liabilities, taxes payable, interests payable, dividends payable, held-for-sale liabilities, bonds payable, deferred income tax liabilities and other non-current liabilities; profits of segments exclude financial expenses, profit or loss in fair value changes, income from investment, and income on disposal of assets, Non-value-added tax refundable upon imposition component of other income, non-operating incomes and expenses and income tax.

(1) Information of reportable segments

Segment information for the period

Segment information	Household Food Storage and Cooking Solutions			Household Laundry Management Solutions
	Refrigerator/freezers	Kitchen appliances	Air Solutions	
Segment revenue	81,910,667,160.82	41,654,343,658.36	46,104,262,503.63	61,491,493,913.78
Including: external revenue	81,731,369,432.17	41,594,458,746.73	45,810,371,440.47	61,311,742,096.32
Inter-segment revenue	179,297,728.65	59,884,911.63	293,891,063.16	179,751,817.46
Total segment operating cost	76,884,871,643.42	38,711,598,234.63	44,241,479,650.50	55,891,172,557.71
Segment operating profit	5,025,795,517.40	2,942,745,423.73	1,862,782,853.13	5,600,321,356.07
Total segment assets	46,386,636,541.89	21,182,487,836.50	23,095,120,351.59	31,083,146,812.59
Total segment liabilities	61,738,020,657.75	12,928,214,554.98	22,560,023,701.22	18,456,071,567.13

(continued)

Segment information	Household Water Solutions	Other business	Inter-segment eliminations	Total
Segment revenue	15,335,988,639.36	96,723,505,175.74	-81,792,478,001.59	261,427,783,050.10
Including: external revenue	15,169,679,363.06	15,810,161,971.35		261,427,783,050.10
Inter-segment revenue	166,309,276.30	80,913,343,204.39	-81,792,478,001.59	
Total segment operating cost	13,518,468,362.44	96,666,241,331.19	-81,872,464,956.21	244,041,366,823.68
Segment operating profit	1,817,520,276.92	57,263,844.55	79,986,954.62	17,386,416,226.42
Total segment assets	6,974,086,027.37	72,345,944,832.66	-74,983,515,615.16	126,083,906,787.44
Total segment liabilities	5,952,269,383.29	67,056,680,238.32	-74,838,436,273.16	113,852,843,829.53

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Segment information for the corresponding period of last year

Segment information	Household Food Storage and Cooking Solutions			Household Laundry Management Solutions
	Refrigerator/freezers	Kitchen appliances	Air Solutions	
Segment revenue	77,859,503,523.00	38,953,051,777.02	40,760,615,973.95	57,909,239,383.61
Including: external revenue	77,677,799,236.48	38,899,564,816.89	40,457,857,437.51	57,820,114,253.41
Inter-segment revenue	181,704,286.52	53,486,960.13	302,758,536.44	89,125,130.20
Total segment operating cost	73,597,983,358.76	36,245,984,416.06	39,671,596,085.75	52,735,218,516.89
Segment operating profit	4,261,520,164.24	2,707,067,360.96	1,089,019,888.20	5,174,020,866.72
Total segment assets	32,212,596,722.21	18,635,173,441.43	21,054,805,558.76	28,587,194,295.50
Total segment liabilities	44,000,212,968.96	11,068,288,033.81	13,915,821,835.30	16,655,474,631.12

(continued)

Segment information	Household Water Solutions	Other business	Inter-segment eliminations	Total
Segment revenue	14,133,741,848.26	91,174,434,408.87	-77,211,661,956.24	243,578,924,958.47
Including: external revenue	14,009,751,227.10	14,713,837,987.08		243,578,924,958.47
Inter-segment revenue	123,990,621.16	76,460,596,421.79	-77,211,661,956.24	
Total segment operating cost	12,543,842,686.45	91,121,188,739.68	-77,256,660,522.88	228,659,153,280.71
Segment operating profit	1,589,899,161.81	53,245,669.19	44,998,566.64	14,919,771,677.76
Total segment assets	6,706,376,868.37	52,027,298,467.81	-39,850,856,358.17	119,372,588,995.91
Total segment liabilities	5,417,671,439.39	58,218,057,761.30	-39,617,922,327.86	109,657,604,342.02

(2) Geographical information

'Other countries/regions' in this report refers to all other countries/regions (including Hong Kong and Macau Special Administration Region and Taiwan) other than the mainland China for the purpose of information disclosure

a. External transaction revenue

Items	Amount for the current period	Amount for the previous period
Mainland China	125,015,887,048.63	116,820,021,832.58
Other countries/regions	136,411,896,001.47	126,758,903,125.89
Among which:		
America	79,751,236,167.61	76,629,831,084.82
Australia	6,142,491,032.57	6,962,360,306.70
South Asia	9,520,761,970.29	8,283,959,988.29
Europe	28,543,893,610.21	23,031,521,394.12
Southeast Asia	5,779,907,984.73	5,179,557,555.83
Middle East and Africa	1,934,336,705.54	1,970,513,900.11
Japan	3,662,478,664.81	3,568,558,534.13
Others	1,076,789,865.71	1,132,600,361.89
Total	261,427,783,050.10	243,578,924,958.47

b. Total non-current assets

Items	Closing balance	Opening balance
Mainland China	22,369,511,589.93	19,433,006,951.77
Other countries/regions	31,152,060,989.07	29,019,302,954.24
Total	53,521,572,579.00	48,452,309,906.01

Total non-current assets exclude: debt investments, long-term receivable, long-term equity investments, other equity instrument investments, other non-current financial assets, goodwill and deferred income tax assets.

XII. DISCLOSURE OF FAIR VALUE

1. Fair value of assets and liabilities measured at fair value

The level to which the fair value measurement result belongs is determined by the lowest level to which the input value is significant to the fair value measurement as a whole:

Level 1: Unadjusted quotes for the same asset or liability in an active market.

Level 2: Inputs that are directly or indirectly observable for related assets or liabilities, except for Level 1 inputs.

Level 3: Unobservable inputs of related assets or liabilities.

At the end of the period

Items	Input used for fair value measurement			Total
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	
Continuously measured at fair value				
Financial assets held for trading	369,591,046.58	487,936,101.81	96,436,395.44	953,963,543.83
Including: Bank wealth management products		487,936,101.81		487,936,101.81
Investment fund	222,803,002.38			222,803,002.38
Investment in equity instruments	146,788,044.20		96,436,395.44	243,224,439.64
Derivative financial assets		67,565,829.44		67,565,829.44
Including: Forward foreign exchange contract		67,565,829.44		67,565,829.44
Other equity instruments	19,988,760.34		6,383,706,194.43	6,403,694,954.77
Including: Equity instruments measured at fair value through other comprehensive income	19,988,760.34		6,383,706,194.43	6,403,694,954.77
Derivative financial liabilities		168,625,004.97		168,625,004.97
Including: Forward foreign exchange contract		166,573,028.22		166,573,028.22
Forward commodity contracts		2,051,976.75		2,051,976.75

At the beginning of the period

Items	Input used for fair value measurement			Total
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	
Continuously measured at fair value				
Financial assets held for trading	395,687,084.83	14,638,968.26	109,586,827.82	519,912,880.91
Including: Bank wealth management products		14,638,968.26		14,638,968.26
Investment fund	168,430,847.63			168,430,847.63
Investment in equity instruments	227,256,237.20		109,586,827.82	336,843,065.02
Derivative financial assets		183,185,160.51		183,185,160.51
Including: Forward foreign exchange contract		178,992,877.32		178,992,877.32
Forward commodity contracts		4,192,283.19		4,192,283.19
Other equity instruments	16,353,773.34	1,027,550,923.67	4,807,978,233.19	5,851,882,930.20
Including: Equity instruments measured at fair value through other comprehensive income	16,353,773.34	1,027,550,923.67	4,807,978,233.19	5,851,882,930.20
Derivative financial liabilities		104,594,040.66		104,594,040.66
Including: Forward foreign exchange contract		92,580,419.48		92,580,419.48
Forward commodity contract		12,013,621.18		12,013,621.18
Other non-current liabilities			16,916,789.10	16,916,789.10
Including: Put option liability			16,916,789.10	16,916,789.10

For financial instruments traded in an active market, the Company determines its fair value based on its quotes in an active market; for financial instruments not traded in an active market, the Company uses valuation techniques to determine its fair value.

2. The basis for determining the fair value of the continual Level 2 fair value measurement items

Items	Fair value at the end of the period	Valuation techniques
Financial assets held for trading		
Including: Bank wealth management products	487,936,101.81	Discounted cash flow
Derivative financial assets		
Including: Forward foreign exchange contract	67,565,829.44	Discounted cash flow
Derivative financial liabilities		
Including: Forward foreign exchange contract	166,573,028.22	Discounted cash flow
Forward commodity contracts	2,051,976.75	Discounted cash flow

3. Continual Level 3 fair value measurement major items, the valuation techniques adopted and information of important parameters

Items	Fair value at the end of the period	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Other equity instruments					
Including:					
1. COSMO IoT Technology Co., LTD. (卡奥斯物联科技股份有限公司)	2,817,408,000.00	Market approach	1. Average P/S multiple of peers 2. Discount for lack of marketability	1. 2.93 to 2.99 2. 27.46% to 29.46%	1. 1% increase (decrease) in average P/S multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB21.27 million. 2. 1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by RMB29.35 million.
2. SINOPEC Fuel Oil Sales Corporation Limited (中国石化销售股份有限公司)	1,986,156,165.17	Market approach	1. Average P/E multiple of peers 2. Discount for lack of marketability	1. 37.38 to 38.14 2. 25.23% to 27.23%	1. 1% increase (decrease) in average P/E multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB19.86 million. 2. 1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by RMB26.92 million.

4. Financial instruments not measured at fair value

Financial assets and financial liabilities not measured at fair value include: monetary funds, bills receivable, accounts receivable, other receivables, other current assets, long-term and short-term borrowings, bills payable, accounts payable, other payables, long-term payables, bonds payable, etc. The difference between the book value and the fair value of financial assets and financial liabilities not measured at fair value at the end of the period is small.

XIII.RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Explanation for basis of identifying related party

According to Accounting Standards for Business Enterprises No. 36 — Related Party Disclosures, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party. Parties (two or more than two) are also considered to be related if they are subject to common control, joint control or significant influence from another party.

According to Management Practices for Information Disclosure of Listed Company (China Securities Regulatory Commission Order No. 182), related legal entity or individual will be identified as related parties in certain occasions.

(II) Relationships between related parties

1. Information about the parent company and other companies holding shares of the Company

Name	Type of enterprise	Registered place	Registered capital	Legal representative	Relationships with the Company	Interest in the Company	Voting rights to the Company
Haier Group Corporation	Collective ownership company	Qingdao High-tech Zone Haier Park	311,180,000	Zhou Yunjie	Parent Company	11.36%	11.36%
Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)	Joint-stock company	Qingdao High-tech Zone Haier Park	631,930,000	Zhou Yunjie	Subsidiary of Parent Company	13.34%	13.34%
HCH (HK) Investment Management Co., Limited	Private company	Hong Kong	HKD 10,000	/	Parties acting in concert of Parent Company	5.71%	5.71%
Qingdao Haier Venture & Investment Information Co., Ltd.	Company with limited liability	Qingdao Free Trade Zone	923,000,000	Zhou Yunjie	Parties acting in concert of Parent Company	1.83%	1.83%
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	Limited partnership company	Qingdao High-tech Zone Haier Park	118,924,416	/	Parties acting in concert of Parent Company	1.42%	1.42%
Haier International Co., Limited	Private company	Hong Kong	HKD 2	/	Parties acting in concert of Parent Company	0.62%	0.62%

2. Subsidiaries of the Company

The details of the subsidiaries of the Company are detailed in Note X.1. Interests in subsidiaries.

3. Joint ventures and associates of the Company

The information of material joint ventures or associates of the Company are detailed in Note VII.12 and X.3.

4. Connected companies with no relationship of control

Name	Relationship with the Company
Chongqing Zhonglian Energy Technology Co., Ltd.	Subsidiary of Haier Group
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Subsidiary of Haier Group
Hongkong Gooday Supply Chain Management Limited	Subsidiary of Haier Group
Shanghai Cotai Supply Chain Management Co., Ltd.	Subsidiary of Haier Group
Gooday Supply Chain Technologies Co., Ltd.	Subsidiary of Haier Group
Gooday (Qingdao) International Supply Chain Service Co., Ltd.	Subsidiary of Haier Group
Qingdao Goodaymart Supply Chains Co., Ltd.	Subsidiary of Haier Group
Qingdao Maidirui Ecological Environment Technology Co., Ltd. (青岛迈帝瑞生态环境科技有限公司)	Subsidiary of Haier Group
Qingdao Oasis Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Haina Cloud Intelligent System Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Parts Procurement Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Trading Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.	Subsidiary of Haier Group
Feiketeng Intelligent Technology (Qingdao) Co., Ltd. (斐科腾智能科技(青岛)有限公司)	Subsidiary of Haier Group
Dalian Haier International Trade Co., Ltd.	Subsidiary of Haier Group
Qingdao Haironghui Commercial Factoring Co., Ltd. (青岛海融汇商业保理有限公司)	Subsidiary of Haier Group
COSMOPlat Digital Technology (Qingdao) Co., Ltd. (卡奥斯数字科技(青岛)有限公司)	Subsidiary of Haier Group
Haier Cloud City Digital Technology (Qingdao) Co., Ltd. (海尔云城数字科技(青岛)有限公司)	Subsidiary of Haier Group
Qingdao Blue Whale Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Dingxin Electronic Technology Co., Ltd.	Subsidiary of Haier Group
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	Subsidiary of Haier Group
Haier International Co., Ltd.	Subsidiary of Haier Group
Shenyang Ririxin Corporate Management Co., Ltd. (沈阳日日新企业管理有限公司)	Subsidiary of Haier Group
Qingdao Xiaoshuai Intelligent Technology Co., Ltd.	Subsidiary of Haier Group

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Name	Relationship with the Company
Qingdao Manniq Intelligent Technology Co., Ltd.	Subsidiary of Haier Group
Cosmoplat Chuangzhi IOT Technology (Chongqing) Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier New Materials R & D Co., Ltd.	Subsidiary and associate of Haier Group
Qingdao Haier Multi-media Co., Ltd.	Associate
Controladora Mabe S.A.de C.V.	Associate
HNR (Private) Company Limited	Associate
HPZ Limited	Associate
Mitsubishi Heavy Industry Haier (Qingdao) Air Conditioner Co., Ltd.	Associate
Wolong Electric (Jinan) Motor Co., Ltd.	Associate
Qingdao HBIS Composite New Material Co., Ltd.	Subsidiary of associate
Hefei Hegang New Material Technology Co., Ltd.	Subsidiary of associate

(III) Related party transactions

- Details of the Company's procurement of goods and services from related parties are as follows:

Name of related parties	Amount for the current period	Amount for the previous period
Controladora Mabe S.A.de C.V.	15,526,699,638.30	13,123,708,450.38
Qingdao Haier Parts Procurement Co., Ltd.	6,413,180,580.72	7,059,896,523.58
Gooday Supply Chain Technologies Co., Ltd.	3,558,500,838.94	4,444,169,934.17
HNR (Private) Company Limited	2,514,374,986.36	3,073,674,460.32
Chongqing Haier Electrical Appliances Sales Co., Ltd.	2,114,941,629.47	3,054,825,152.17
Shanghai Cotai Supply Chain Management Co., Ltd.	1,358,496,545.27	1,471,945,927.42
Qingdao Haier International Trading Co., Ltd.	547,788,113.32	397,359,401.03
Gooday (Qingdao) International Supply Chain Service Co., Ltd.	685,581,695.96	266,844,283.32
Mitsubishi Heavy Industry Haier (Qingdao) Air Conditioner Co., Ltd.	607,144,743.77	352,035.40
Dalian Haier International Trade Co., Ltd.	527,629,376.86	529,797,174.58
Qingdao Goodaymart Supply Chains Co., Ltd.	389,108,907.34	421,203,765.86
Other related parties	3,296,053,790.33	4,057,047,170.88
Total	37,539,500,846.64	37,900,824,279.11

2. Details of the Company's sales of goods to related parties are as follows:

Name of related parties	Amount for the current period	Amount for the previous period
HNR (Private) Company Limited	1,245,177,362.70	602,998,664.66
Controladora Mabe S.A.de C.V.	1,202,388,632.22	1,023,743,811.97
Qingdao Haier International Trading Co., Ltd.	557,630,937.13	672,339,983.04
Qingdao Oasis Technology Co., Ltd.	143,051,045.42	67,904,127.81
Qingdao Haier Multi-media Co., Ltd.	122,202,322.75	136,786,578.47
HPZ Limited	101,907,938.50	118,748,741.50
Qingdao Haier International Travel Agency Co., Ltd.	53,656,646.75	119,166,052.08
Other related parties	304,883,890.25	670,938,693.97
Total	3,730,898,775.72	3,412,626,653.50

3. Amount of unsettled items of related parties

Items and name of customers	Closing Balance	Opening Balance
Bills receivable:		
Qingdao Haier International Trading Co., Ltd.	178,000,000.00	
Qingdao Haina Cloud Intelligent System Co., Ltd.	4,820,740.99	9,196,905.30
COSMOPlat Digital Technology (Qingdao) Co., Ltd. (卡奥斯数字科技(青岛)有限公司)	1,080,198.77	2,338,177.61
Qingdao Ding Xin Electronics Technology Co., Ltd.		45,947,984.43
Cosmoplat Chuangzhi IOT Technology (Chongqing) Co., Ltd.		28,764,679.42
Cosmoplat Chuangzhi IOT Technology Co., Ltd.		23,908,824.49
Other related parties	14,739,591.90	11,525,466.12
Accounts receivable:		
HNR (Private) Company Limited	1,191,001,767.66	887,316,060.44
Qingdao Oasis Technology Co., Ltd.	116,266,117.23	46,664,529.91
Qingdao Haier International Travel Agency Co., Ltd.	66,704,908.59	13,660,669.79
HPZ Limited	37,410,646.01	117,899,486.73
Qingdao Maidirui Ecological Environment Technology Co., Ltd. (青岛迈帝瑞生态环境科技有限公司)	37,264,581.99	12,210,497.95
Chongqing Zhonglian Energy Technology Co., Ltd.	20,861,198.77	48,870,443.21
Qingdao Haina Cloud Intelligent System Co., Ltd.	20,810,291.74	24,917,701.10
Other related parties	238,487,927.26	559,054,609.85

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Items and name of customers	Closing Balance	Opening Balance
Prepayments:		
Qingdao Haier International Trade Co., Ltd.	8,594,602.74	4,248,008.35
Haier Cloud City Digital Technology (Qingdao) Co., Ltd. (海尔云城数字科技(青岛)有限公司)	8,393,601.61	
Hefei Hegang New Material Technology Co., Ltd.	6,241,957.96	
Qingdao Haier International Travel Agency Co., Ltd.	3,115,793.21	6,253,573.56
HNR (Private) Company Limited		110,370,091.99
Other related parties	14,806,610.06	35,104,367.42
Other receivables:		
Controladora Mabe S.A.de C.V.	14,824,407.91	12,158,833.50
Qingdao Haier International Trade Co., Ltd.	7,951,101.19	3,055,976.92
Haier International Co., Ltd.	3,685,669.87	4,272,144.02
Shenyang Ririxin Corporate Management Co., Ltd. (沈阳日日新企业管理有限公司)	3,000,000.00	
Qingdao Blue Whale Technology Co., Ltd.		12,392,334.21
Qingdao Xiaoshuai Intelligent Technology Co., Ltd.		10,500,000.00
Dalian Haier International Trade Co., Ltd.		9,440,616.07
Other related parties	12,066,688.19	18,628,538.25
Bills payable:		
Qingdao Haier New Materials R & D Co., Ltd.	390,891,579.36	386,075,771.04
Hefei Hegang New Material Technology Co., Ltd.	21,795,818.85	24,471,564.49
Qingdao HBIS Composite New Material Co., Ltd.	27,781,266.64	12,149,382.48
Wolong Electric (Jinan) Motor Co., Ltd.	30,416,664.00	37,773,640.00
Qingdao Haier Parts Procurement Co., Ltd.		180,719,158.83
Other related parties		606,400.00
Accounts payable:		
Controladora Mabe S.A.de C.V.	1,017,676,511.30	1,299,452,149.83
Qingdao Haironghui Commercial Factoring Co., Ltd. (青岛海融汇商业保理有限公司)	367,964,948.49	
Qingdao Haier Parts Procurement Co., Ltd.	247,164,539.11	1,860,747,884.39
HNR (Private) Company Limited	225,492,094.68	
Qingdao Haier International Trading Co., Ltd.	197,267,091.22	257,531,848.99
Qingdao Haier New Materials R&D Co., Ltd.	96,592,224.43	101,958,410.60
Dalian Haier International Trade Co., Ltd.	82,860,333.64	150,178,673.56
Hong Kong Gooday Supply Chain Technologies Co., Ltd.	74,153,281.02	250,478,107.49
Other related parties	524,214,760.71	501,220,733.45

Items and name of customers	Closing Balance	Opening Balance
Contract liabilities:		
Wolong Electric (Jinan) Motor Co., Ltd.	50,686,531.85	51,422,207.69
Chongqing Zhonglian Energy Technology Co., Ltd.	17,217,306.92	17,215,206.92
Other related parties	10,101,182.89	13,569,890.19
Other payables:		
Gooday Supply Chain Technologies Co., Ltd.	897,015,102.10	485,473,357.04
Shanghai Cotai Supply Chain Management Co., Ltd.	129,653,209.93	113,720,815.14
Qingdao Oasis Technology Co., Ltd.	102,395,000.82	83,842.78
Gooday (Qingdao) International Supply Chain Service Co., Ltd.	64,467,694.39	140,136,176.89
Feiketeng Intelligent Technology (Qingdao) Co., Ltd. (斐科腾智能科技(青岛)有限公司)	51,986,700.46	759,000.00
Qingdao Goodaymart Supply Chains Co., Ltd.	45,292,270.93	30,669,122.96
Qingdao Manniq Intelligent Technology Co., Lt	14,038,277.93	67,521,909.37
Other related parties	193,110,957.17	308,322,551.23

4. Other related party transactions

√ Applicable □ Not Applicable

- (1) On 30 March 2023, Haier Group Corporation and Haier Group Finance Co., Ltd. (hereafter, the "Finance Company") renewed the Financial Services Framework Agreement, and the "resolution on the renewal of the Financial Services Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation and the estimated amount of connected transaction" was considered and passed at the 4th meeting of the 11th session of the Board of Directors. The Financial Services Framework Agreement became effective from the passing of the resolution.

Various current balances of the Company and the Finance Company are as follows:

Items	Closing Balance	Opening Balance
Monetary funds deposited at the Finance Company	33,654,242,534.50	31,433,124,152.44
Interest receivable from the Finance Company	688,144,130.70	468,636,097.70
Loans of the Finance Company		60,000,000.00
Interest payable to the Finance Company		46,158.00
Bills issued	8,909,470,662.88	21,621,825,652.96
Foreign exchange derivatives of the Finance Company	-10,143,691.03	-2,293,511.73

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Various balances of the Company and the Finance Company are as follows:

Items	Amount for the current period	Amount for the previous period
Interest income of the Finance Company	765,875,670.14	570,162,437.71
Interest expense of the Finance Company	435,000.00	4,933,548.81
Service fee of the Finance Company	23,618,778.66	29,446,933.09
Spot foreign exchange business (foreign exchange settlement and sale)	9,015,944,003.06	6,337,945,933.79

- (2) The lease expense of the Company and its subsidiaries for production and operation leased from related parties for the current period was RMB99 million (amount for the corresponding period: RMB97 million).
- (3) Haier Group Corporation provided joint liability guarantee for certain bills payable of the subsidiaries of the Company with the guaranteed amount of RMB2,639 million at the end of the period (amount at the beginning of the period: RMB2,311 million).

(IV) Pricing Policy

1. Related-party Sales

Some related parties purchase components through the independent procurement platform of the Company, purchase electrical appliances for sales from the Company, and receive after-sales services, R&D service, housing rental and other business provided by the company due to their business needs. In April 2022, according to the implementation of connected transactions in the early stage and the relevant listing requirements in Hong Kong, the Company and Haier Group Corporation revised and signed the Product and Materials Sales Framework Agreement, the Service Provision Framework Agreement and the Property Leasing Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included that both parties should agree on the price which is not less favourable than those provided by the Company to the Independent Third Parties on arm's length to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement commenced from 1 January 2023 to 31 December 2025, which can be renewed for another three years upon expire.

2. Related-party Procurement

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements of part of raw materials. Moreover, the Company entrusted Haier Group Corporation and its subsidiaries to provide the Company with logistics and distribution, energy and power, basic research and testing, equipment leasing, house leasing and maintenance, greening and cleaning, gift procurement, design, consulting, various ticket booking and other services. In April 2022, according to the implementation of connected transactions in the early stage and the relevant listing requirements in Hong Kong, the Company and Haier Group Corporation revised and signed the Product and Materials Sales Framework Agreement, the Service Provision Framework Agreement and the Property Leasing Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included that both parties should agree on the price which is not less favourable than those provided by the Company to the Independent Third Parties on arm's length to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement commenced from 1 January 2023 to 31 December 2025, which can be renewed for another three years upon expire.

3. Financial aspect

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation, its subsidiaries and other companies. According to the Financial Service Agreement entered among the Company, Haier Group Corporation and other parties, the price of financial services is determined by the principle of not less favourable than market value fair. The Company is entitled to decide whether to keep cooperation relationship with them with the knowledge of the price prevailing in the market and in combination with its own interests. While performing the agreement, the Company could also require other financial service institutions to provide related financial services basing on actual situation. In order to meet the Company's demands such as the avoidance of foreign exchange fluctuation risk, the Company may choose Haier Group Finance Co., Ltd. to provide some foreign exchange derivative business after comparing with comparable companies. The Company will uphold the safe and sound, appropriate and reasonable principle, under which all foreign exchange capital business shall have a normal and reasonable business background to eliminate speculative operation. At the same time, the Company has specified the examination and permission rights, management positions and responsibilities at all levels for its foreign exchange capital business to eradicate the risks of operation by persons and improved its response speed to risks on the premise that the risks are effectively controlled. In June 2021, the Company and Haier Group Corporation renewed the Financial Services Framework Agreement, which agreed on the financial connected transactions. The pricing principle included the deposit interest rate not lower than the maximum interest rate of major banks listed and the loan interest rate not less favourable than the market price to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement lasts until 31 December 2023, which can be renewed for another three years upon expire.

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4. Others

The Company signed the Intellectual Property Licensing Framework Agreement with Haier Group Corporation in November 2020. According to the agreement, Haier Group has agreed to grant or procure its subsidiaries and contact persons to grant the license to the Company at nil consideration to use all its intellectual property rights, including but not limited to trademarks, patents, copyrights and logos for the products, packaging, services and business introduction documents of the Company. The date of the Intellectual Property Licensing Framework Agreement shall be permanently effective from the listing date. When such specific intellectual property rights expire and are not renewed by Haier Group, our right to use certain intellectual property rights under the Intellectual Property Licensing Framework Agreement will terminate.

XIV.SHARE-BASED PAYMENTS

1. Various equity instruments

☒ Applicable ☐ Not Applicable

Unit of Number: shares
Unit and Currency of Amount: RMB

Categories of participants	Granted during the period		Exercised during the period		Vested during the period		Lapsed during the period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Directors and senior management	2,915,816	64,748,022.30			1,076,882	24,943,679.53	2,564,586	17,492,337.27
Staff	31,590,543	705,507,909.31			15,783,328	373,654,712.16	57,729,704	529,194,750.02
Total	34,506,359	770,255,931.61			16,860,210	398,598,391.69	60,294,290	546,687,087.29

Outstanding share options or other equity instruments at the end of the period

☒ Applicable ☐ Not Applicable

Categories of participants	Outstanding share options at the end of the period		Outstanding other equity instruments at the end of the period	
	Exercise price	The remaining contractual term	Exercise price	The remaining contractual term
2021 First Option	RMB25.63 per share	September 2021 – September 2026		
2021 Second Option	RMB25.63 per share	December 2021 – December 2026		
2022 Option	RMB23.86 per share	June 2022 – June 2026		
2022 Stock Ownership Plan A			N/A	August 2022-August 2024
2022 Stock Ownership Plan H			N/A	August 2022-August 2024
2023 Stock Ownership Plan A			N/A	July 2023 – July 2025
2023 Stock Ownership Plan H			N/A	July 2023 – July 2025
2021 Restricted Shares			N/A	August 2021 – July 2024
2022 Restricted Shares			N/A	July 2022 – June 2025
2023 Restricted Shares			N/A	July 2023- June 2026

2. Equity-settled share-based payments√ Applicable ☐ Not Applicable

Unit and Currency: RMB billion

Method of determining the fair value of equity instrument on the date of grant	Closing price of share on the date of grant, Black-Scholes Model
Key parameters of determining the fair value of equity instrument on the date of grant	Historical volatility rate, risk-free rate, yield rate
Basis for determining the number of exercisable equity instruments	The best estimate of the management
Reason for significant differences between current and prior period estimates	Nil
Accumulated amount of equity-settled share-based payment included in the capital reserve	1.135

3. Cash-settled share-based payments☐ Applicable √ Not Applicable**4. Share-based payments for the current period**√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Categories of participants	Equity-settled share-based payment	Cash-settled share-based payment
Director, Senior management	50,198,564.36	
Staff	560,408,082.45	
Total	610,606,646.81	

5. Modification and termination of share-based payments☐ Applicable √ Not Applicable**XV. CONTINGENCIES**

As of 27 March 2024, the Company has no significant contingencies that need to be disclosed.

XVI. EVENTS AFTER THE BALANCE SHEET DATE

According to the resolution of the 9th meeting of the 11th session of the Board of Directors of the Company held on 27 March 2024, the profit for the year is proposed to be distributed on the basis of the total number of shares on the record date after deducting the repurchased shares from the repurchased account when the plan is implemented in the future, the Company will declare cash dividend of RMB8.04 (including taxes) for every 10 shares to all shareholders.

XVII. RISKS RELATED TO FINANCIAL INSTRUMENTS

√ Applicable □ Not Applicable

The book value of various financial instruments on the balance sheet date is as follows:

Financial assets

Items	Closing Balance			Total
	Financial assets measured at fair value and changes of which included in current profit and loss	Measured at amortized cost	Financial assets measured at fair value and changes of which included in other comprehensive income	
Monetary funds		54,486,452,841.14	54,486,452,841.14	
Financial assets held for trading	953,963,543.83		953,963,543.83	
Derivative financial assets			67,565,829.44	67,565,829.44
Receivable		8,621,434,831.39	8,621,434,831.39	
Accounts receivable		20,268,099,436.43	20,268,099,436.43	
Other receivables		2,649,558,985.05	2,649,558,985.05	
Other current assets		1,530,274,566.66	1,530,274,566.66	
Debt investments		8,841,233,078.66	8,841,233,078.66	
Long-term receivables		350,409,496.85	350,409,496.85	
Other equity instruments			6,403,694,954.77	6,403,694,954.77

Financial assets (continued)

Items	Opening Balance			Total
	Financial assets measured at fair value and changes of which included in current profit and loss	Measured at amortized cost	Financial assets measured at fair value and changes of which included in other comprehensive income	
Monetary funds		54,162,212,155.31	54,162,212,155.31	
Financial assets held for trading	519,912,880.91		519,912,880.91	
Derivative financial assets			183,185,160.51	183,185,160.51
Receivable		9,624,191,838.15	9,624,191,838.15	
Accounts receivable		15,886,748,811.81	15,886,748,811.81	
Other receivables		2,401,113,902.55	2,401,113,902.55	
Other current assets		1,642,421,944.45	1,642,421,944.45	
Debt investments		1,034,222,222.22	1,034,222,222.22	
Long-term receivables		305,070,001.45	305,070,001.45	
Other equity instruments			5,851,882,930.20	5,851,882,930.20

Financial liabilities

Items	Closing Balance		Total
	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	
Short-term borrowings		10,318,351,841.88	10,318,351,841.88
Derivative financial liabilities	168,625,004.97		168,625,004.97
Bills payable		22,215,726,721.62	22,215,726,721.62
Accounts payable		47,061,789,173.62	47,061,789,173.62
Other payables		19,181,569,184.83	19,181,569,184.83
Non-current liabilities due in one year		146,867,809.53	146,867,809.53
Long-term borrowings		17,936,302,925.77	17,936,302,925.77
Long-term payables		57,113,422.78	57,113,422.78

Financial liabilities (continued)

Items	Opening Balance		Total
	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	
Short-term borrowings		9,672,223,522.36	9,672,223,522.36
Derivative financial liabilities	104,594,040.66		104,594,040.66
Bills payable		25,098,557,730.06	25,098,557,730.06
Accounts payable		41,885,313,890.79	41,885,313,890.79
Other payables		17,585,198,629.13	17,585,198,629.13
Non-current liabilities due in one year		2,854,446,929.32	2,854,446,929.32
Long-term borrowings		13,590,866,873.43	13,590,866,873.43
Long-term payables		44,240,087.94	44,240,087.94
Other non-current liabilities	16,916,789.10		16,916,789.10

Please refer to related items in Note VII for details on each of the financial instruments of the Company. Risks related to these financial instruments and the risk management policies taken by the Company to mitigate these risks are summarized below. The management of the Company manages and monitors these risk exposures to ensure the above risks are well under control.

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1. Credit risk

The credit risk of the Company mainly arises from bank deposits, bills receivable, accounts receivable, interest receivable, other receivables and wealth management products.

- (1) The Company's bank deposits and wealth management products are mainly deposited in Haier Finance Co., Ltd., state-owned banks and other large and medium-sized listed banks. The interest receivables are mainly the accrued interests from fixed deposits which are deposited in the above banks. The Group does not believe there is any significant credit risk due to defaults of its counterparties which would cause any significant loss. (2) Accounts receivable and bills receivable: The Company only trades with approved and reputable third parties. All customers who are traded by credit are subject to credit assessment according to the policies of the Company, and the payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivable on an ongoing basis and purchases credit insurance for receivables of large-amount credit customers in order to ensure the Company is free from material bad debts risks. (3) Other receivables of the Company mainly include export tax refund, borrowings and contingency provision. The Company strengthened its management and continuous monitoring in respect of these receivables and relevant economic business based on historical data, so as to ensure that the Company's significant risk of bad debts is controllable and will be further reduced.

2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in fulfilling obligations associated with financial liabilities. To control such risk, the Company utilizes various financing methods such as notes settlement and bank loans to strive for a balance between sustainable and flexible financing. It also has obtained bank credit facilities from several commercial banks to satisfy its needs for working capital and capital expenditures.

3. Exchange rate risk

The Company's businesses are based in mainland China, USA, Japan, Southeast Asia, South Asia, central and east Africa, Europe, and Australia, etc. and are settled in RMB, USD, and other currencies.

The Company's overseas assets and liabilities denominated in foreign currencies as well as transactions to be settled in foreign currencies expose the Company to fluctuations in exchange rates. The Company's finance department is responsible for monitoring the size of transactions in foreign currencies and assets and liabilities denominated in foreign currencies to minimize the risk of exposure to fluctuation in exchange rate; the Company resorts the way of signing forward foreign exchange contracts to avoid the risk of exchange fluctuation.

4. Interest rate risk

The Company's interest rate risk arises primarily from its long- and short- term bank loans and bonds payables which are interest-bearing debts. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Group determines the relative proportion of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

XVIII. OTHER SIGNIFICANT EVENTS

√ Applicable ☐ Not Applicable

The Company intends to acquire, through its wholly-owned subsidiary, the commercial refrigeration business of Carrier Global Corporation, a company listed on the New York Stock Exchange of the United States of America at a cash consideration of approximately US\$640 million (equivalent to approximately RMB4,559 million, with the final consideration amount subject to adjustments at Completion). The transaction has been considered and approved by the President's Office meeting of the Company. While it involves an overseas acquisition, it remains conditional to the filing or approval procedures with relevant domestic and overseas government authorities.

The Company has no other significant events that need to be disclosed.

XIX. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

Aging	Closing Balance	Opening Balance
Within one year	715,238,098.86	379,679,227.77
1-2 years	378,071,982.79	533,963,843.29
2-3 years	532,467,268.93	
Over 3 years		
Accounts receivable balance	1,625,777,350.58	913,643,071.06
Allowance for bad debts	251.55	
Net receivables	1,625,777,099.03	913,643,071.06

Changes in bad debt provision for accounts receivable in the current period:

Items	Opening Balance	Increase for the current period		Decrease for the current period		Closing Balance
		Provision for the current period	Other increase	Reversal	Write-off and other movement	
Allowance for bad debts		251.55				251.55

2. Other receivables

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing Balance	Opening Balance
Interest receivable	117,439,655.79	29,783,516.95
Dividend receivable	570,000,000.00	1,015,840,000.00
Other receivables	22,962,538,160.78	13,341,408,140.62
Total	23,649,977,816.57	14,387,031,657.57

Interest receivable

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing Balance	Opening Balance
Within 1 year	117,439,655.79	29,783,516.95
More than 1 year		
Total	117,439,655.79	29,783,516.95

Dividend receivable

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items (or investees)	Closing Balance	Opening Balance
Within 1 year	570,000,000.00	1,000,000,000.00
More than 1 year		15,840,000.00
Total	570,000,000.00	1,015,840,000.00

Other receivables

① The disclosure of other receivables by aging is as follows:

Aging	Closing Balance	Opening Balance
Within one year	13,256,949,623.31	6,278,019,144.67
More than one year	9,708,953,420.36	7,066,828,954.97
Other receivables balance	22,965,903,043.67	13,344,848,099.64
Allowance for bad debts	3,364,882.89	3,439,959.02
Net other receivables	22,962,538,160.78	13,341,408,140.62

② Changes in bad debt provision for other receivables in the current period:

Items	Opening Balance	Increase for the current period		Decrease for the current period		Closing Balance
		Provision for the current period	Other increase	Reversal	Write-off and other movement	
Allowance for bad debts	3,439,959.02			75,076.13		3,364,882.89

3. Long-term equity investment

√ Applicable ☐ Not Applicable

(1) Details of long-term equity investments:

Items	Closing Balance		Opening Balance	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Long-term equity investment				
Including: Long-term equity investments in subsidiaries	52,823,723,686.31	7,100,000.00	49,632,299,728.31	7,100,000.00
Long-term equity investments in associates	3,121,372,319.75	109,300,000.00	3,228,239,799.56	109,300,000.00
Total	55,945,096,006.06	116,400,000.00	52,860,539,527.87	116,400,000.00

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(2) Long-term equity investments to subsidiaries

Name of investee	Opening Balance	Increase/ Decrease for the period	Closing Balance	Impairment provisions at the end of the period
I. Subsidiaries:				
Chongqing Haier Electronics Sales Co., Ltd.	9,500,000.00		9,500,000.00	
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	34,735,489.79		34,735,489.79	
Qingdao Haier Refrigerator Co., Ltd.	402,667,504.64		402,667,504.64	
Qingdao Haier Special Refrigerator Co., Ltd.	426,736,418.99		426,736,418.99	
Qingdao Haier Information Plastic Development Co., Ltd.	102,888,407.30		102,888,407.30	
Dalian Haier Precision Products Co., Ltd.	41,836,159.33		41,836,159.33	
Hefei Haier Plastic Co., Ltd.	72,350,283.21		72,350,283.21	
Qingdao Haier Technology Co., Ltd.	16,817,162.03		16,817,162.03	
Qingdao Household Appliance Technology and Equipment Research Institute	66,778,810.80		66,778,810.80	
Qingdao Meier Plastic Powder Co., Ltd.	24,327,257.77		24,327,257.77	
Chongqing Haier Precision Plastic Co., Ltd.	47,811,283.24		47,811,283.24	
Qingdao Haier Electronic Plastic Co., Ltd.	69,200,000.00		69,200,000.00	
Dalian Haier Refrigerator Co., Ltd.	138,600,000.00		138,600,000.00	
Dalian Haier Air-conditioning Co., Ltd.	99,000,000.00		99,000,000.00	
Hefei Haier Air-conditioning Co., Limited	79,403,123.85		79,403,123.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	238,758,240.85		238,758,240.85	
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	1,131,107,944.51		1,131,107,944.51	
Qingdao Haier Air Conditioner Gen Corp., Ltd.	220,636,306.02		220,636,306.02	
Qingdao Haier Special Freezer Co., Ltd.	471,530,562.76		471,530,562.76	
Qingdao Haier Dishwasher Co., Ltd.	206,594,292.82		206,594,292.82	
Wuhan Haier Freezer Co., Ltd.	47,310,000.00		47,310,000.00	
Wuhan Haier Electronics Holding Co., Ltd.	100,715,445.04		100,715,445.04	
Chongqing Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Hefei Haier Refrigerator Co., Ltd.	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.	91,750,000.00		91,750,000.00	
Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd.	2,000,000.00		2,000,000.00	
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	100,000,000.00		100,000,000.00	
Haier Shareholdings (Hong Kong) Limited	26,180,674,326.24	3,068,553,958.00	29,249,228,284.24	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.00		130,000,000.00	

Section X Financial Report

Name of investee	Opening Balance	Increase/ Decrease for the period	Closing Balance	Impairment provisions at the end of the period
Qingdao Haier Technology Investment Co., Ltd.	367,505,635.00	42,870,000.00	410,375,635.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.	10,000,000.00		10,000,000.00	
Haier Overseas Electric Appliance Co., Ltd.	500,000,000.00		500,000,000.00	
Haier (Shanghai) Electronics Co., Ltd.	12,500,000.00		12,500,000.00	
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	143,000,000.00		143,000,000.00	
Haier Electronics Group Co., Ltd.	3,979,407,602.61		3,979,407,602.61	7,100,000.00
Flourishing Reach Limited (SPVX)	12,751,300,336.02		12,751,300,336.02	
Qingdao Haidarui Procurement Service Co., Ltd.	107,800,000.00		107,800,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	326,400,000.00		326,400,000.00	
Qingdao Haidacheng Procurement Service Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haier Quality Inspection Co., Ltd.	18,657,135.49		18,657,135.49	
Qingdao Haier Home AI Industry Innovation Center Co., Ltd.	20,000,000.00	80,000,000.00	100,000,000.00	
Haier Zhjia Experience Cloud Ecological Technology Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Ruibo Ecological Environmental Technology Co., Ltd.	55,000,000.00		55,000,000.00	
Total	49,632,299,728.31	3,191,423,958.00	52,823,723,686.31	7,100,000.00

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(3) Long-term equity investments to associates

Name of investee	Opening Balance	Increase/Decrease for the current period			Closing Balance	Impairment provisions at the end of the period
		Increased/decreased amount for the current period	Investment income recognized under equity method	Others		
Wolong Electric (Jinan) Motor Co., Ltd.	168,579,556.35		25,780,193.59	-22,305,600.00	172,054,149.94	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	319,245,649.36		-83,255,532.55	-29,225,674.05	206,764,442.76	
Bank of Qingdao Co., Ltd.	1,162,338,491.42		107,593,877.12	-2,199,381.12	1,267,732,987.42	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	715,461,260.26		131,493,706.05	-183,150,000.00	663,804,966.31	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	413,367,540.80		16,250,623.48	-17,510,692.75	412,107,471.53	21,000,000.00
Qingdao Haier Multimedia Co., Ltd.	153,550,234.49		-65,250,234.49		88,300,000.00	88,300,000.00
Qingdao HBIS New Material Technology Co., Ltd.	295,697,066.88		14,911,234.91		310,608,301.79	
Total	3,228,239,799.56		147,523,868.11	-254,391,347.92	3,121,372,319.75	109,300,000.00

4. Operating revenue and operating cost

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Primary Business	633,158,770.00	546,305,360.36	335,344,865.65	292,889,261.14
Other Business	87,833,714.07	79,980,358.06	89,317,060.67	77,735,951.48
Total	720,992,484.07	626,285,718.42	424,661,926.32	370,625,212.62

5. Investment income

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	147,523,868.11	71,408,243.76
Investment income from long-term equity investment accounted for using cost method	8,458,124,538.41	6,328,139,259.26
Income from wealth management products	45,058,372.14	31,888,263.12
Investment income from investment in other equity instrument during the holding period	317,575.18	302,249.84
Total	8,651,024,353.84	6,431,738,015.98

XX. APPROVAL OF FINANCIAL REPORT

This financial report was approved for publication by the Board of Directors of the Company on 27 March 2024.

XXI. SUPPLEMENTARY INFORMATION

1. Basic earnings per share and diluted earnings per share

Items	Amount for the current period			Amount for the previous period		
	Earnings per share			Earnings per share		
	(RMB)			(RMB)		
	Weighted average return on net assets	Basic earnings per share	Diluted earnings per share	Weighted average return on net assets	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	16.85%	1.79	1.78	16.80%	1.58	1.57
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	16.06%	1.71	1.69	15.95%	1.50	1.49

2. Non-recurring profit or loss

Items	Amount for the current period	Amount for the previous period
Net profit attributable to ordinary shareholders of the Parent Company	16,596,615,045.87	14,712,054,763.24
Less: non-recurring profit or loss	772,450,884.44	749,122,909.46
Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss	15,824,164,161.43	13,962,931,853.78

Breakdown of non-recurring profit and loss for the current period

Non-recurring profit and loss items	Amounts for the current period
Profit and loss from disposal of non-current assets	-97,873,276.66
Government subsidies included in current profit or loss, except for government subsidies that are closely related to the Company's normal business operations, to be enjoyed in a fixed amount or fixed quantity based on the national unified standards	1,093,584,406.07
Profit from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures	
Profit and loss from fair value changes of financial assets held for trading, financial liabilities held for trading, as well as investment gains arising from disposal of financial assets held for trading, financial liabilities held for trading and financial assets held for sale, except the effective hedging related to the normal operations of the Company	20,829,305.37
Other non-operating income and expenses except the aforementioned items	-71,400,519.77
Effect of minority equity interest	-19,881,554.58
Effect of income tax	-150,225,774.23
Effect of profit from business combination under common control	-2,581,701.76
Total	772,450,884.44

For the Company's recognition of items that are not listed in the "Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 — Non-recurring Profit or Loss" as non-recurring profit or loss items and the amount of which is significant, and for non-recurring profit or loss items as illustrated in the "Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 — Non-recurring Profit or Loss" designated as recurring profit or loss items, reasons shall be specified.

☐ Applicable ☒ Not Applicable

Other explanations

☐ Applicable ☒ Not Applicable

Chairman of the Board: LI Huagang

Date of approval for publication by the Board: 27 March 2024

Information of amendment

☐ Applicable ☒ Not Applicable

Section XI Responsibility Statement

“As the executive directors of the Board of Haier Smart Home Co., Ltd, we hereby confirm to the best of our knowledge, and in accordance with the applicable reporting principles, that the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and the management report includes a fair review of the development and performance of the business including the results and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.”

Qingdao, 27 March 2024

The Board of Haier Smart Home Co., Ltd

Li Huagang _____

Gong Wei _____