

Company Code: 600690

Short Name: Haier Smart Home

Haier Smart Home Co., Ltd.

2020 Interim Report



Important Notice

- I. The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of Haier Smart Home Co., Ltd. (the “Company”) are individually and collectively responsible for the content set out therein and hereby assure that the content set out in the interim report is true, accurate and complete, and free from any false record, misleading representation or material omission.**
- II. All directors attend the Board of Directors.**
- III. The interim report is unaudited.**
- IV. Liang Haishan (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 interim report is true, accurate and complete.**
- V. Proposal of profit distribution or proposal of converting capital reserves into share capital for the reporting period examined and reviewed by the Board**

No

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 our substantial commitment to investors. Investors are advised to pay attention to investment risks.

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

No

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

No

IX. Important risk warnings

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

X. Others

☐Applicable ☒Not Applicable

Chairman of the Board: Liang Haishan
Haier Smart Home Co., Ltd.

28 August 2020

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SECTION I DEFINITIONS

Unless otherwise stated in 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 Electronics, 1169	Haier Electronics Group Co., Ltd. (a company listed in Hong Kong, stock code: 01169.HK), a subsidiary as accounted for in the consolidated statement of the Company as to a total of 45.68% of its equity as of 30 June 2020.
GEA	GE Appliances, namely household appliances assets and business of General Electric Group, has currently been acquired 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, freezer, washing machine, clothes dryer and etc. Its business covers over 50 countries/regions across the world. FPA is 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 officially became a wholly-owned subsidiary of the Company.
CMM	China Market Monitor Co., Ltd., as an authoritative market research institute in Chinese home appliances area, was established in 1994 and has been focusing on research of retail sales in China consumption market ever since.
Euromonitor	Euromonitor, established in 1972, is the leading strategic market information supplier and owns 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.
All View Cloud	All View Cloud (AVC) is a big data integrated solution provider perpendicular 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, it 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 <i>RenDanHeYi</i>	“Ren” is an employee who has the spirit of two creations (entrepreneurship, innovation); “Dan” is the value of users. Each employee creates value for the user in a different self-employed business, thereby realizing his own value, and the corporate value and shareholder value are naturally reflected.

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	Liang Haishan

II. Contact person and contact Information

	Secretary to the Board	Representative of securities affairs	IR	Others
Name	Ming Guozhen	Liu Tao	Sophie (孙瑶)	Global Customer Service Hotline
Address	Department of Securities of Haier Smart Home Co., Ltd. Haier Information Industrial Park, No. 1 Haier Road, Qingdao City	Department of Securities of Haier Smart Home Co., Ltd. Haier Information Industrial Park, No. 1 Haier Road, Qingdao City	Haier Deutschland GmbH, Hewlett-Packard-Str. 4, 61352 Bad Homburg, Germany	/
Tel	0532-88931670	0532-88931670	+49 160 9469 3601 (Germany)	4006 999 999
Fax	0532-88931689	0532-88931689	/	/
Email	finance@haier.com	finance@haier.com	Y.sun@haier.de	/

III. Summary of the changes in general information

Registered address	Haier Industrial Park, Laoshan District, Qingdao City
Postal code of the registered address	266101
Business address	Haier Information Industrial Park, Laoshan District, Qingdao City
Postal code of the business address	266101
Website	http://www.haier.net/cn/
Email	9999@haier.com
Query index for any changes during the reporting period	Not applicable

IV. Movement of place for information disclosure and deposit

Designated newspaper for information disclosure	<i>Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily</i>
Website for publishing interim report as designated by the CSRC	www.sse.com.cn
Website for publishing annual report by other websites	www.xetra.com , www.dgap.de
Deposit place of interim report	Department of Securities of Haier Smart Home Co., Ltd. Haier Information Industrial Park, No. 1 Haier Road, Qingdao

	City
Query index for any changes during the reporting period	Not applicable

V. 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 share	Shanghai Stock Exchange	Haier Smart Home	600690	Qingdao Haier
D share	Frankfurt Stock Exchange	Haier Smart Home	690D	Qingdao Haier

VI. Other related information

☐ Applicable ☒ Not Applicable

VII. Key accounting data and financial indicators of the Company**(I) Key accounting data**

Unit and Currency: RMB

Key accounting data	For the reporting period (January-June)	The corresponding period of last year		Increase/decrease for the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Operating revenue	95,728,097,106.65	100,023,464,237.90	98,979,793,121.16	-4.29
Net profit attributable to shareholders of the listed Company	2,780,800,712.72	5,058,082,964.47	5,150,869,558.02	-45.02
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed Company	2,569,440,497.59	4,593,356,231.54	4,703,180,815.00	-44.06
Net cash flows from operating activities	-542,919,257.40	3,619,808,314.60	3,633,833,497.74	-115.00
	As at the end of the reporting period	As at the end of last year		Increase/decrease as at the end of the reporting period compared with the end of last year (%)
		After adjustment	Before adjustment	

Net assets attributable to shareholders of the listed Company	48,330,401,679.39	47,888,319,765.92	47,888,319,765.92	0.92
Total assets	198,042,777,870.24	187,454,236,283.17	187,454,236,283.17	5.65

(II) Key financial indicators

Key financial indicators	For the reporting period (January-June)	The corresponding period of last year		Increase/decrease for the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB / share)	0.423	0.794	0.809	-46.73
Diluted earnings per share (RMB / share)	0.413	0.764	0.778	-45.94
Basic earnings per share after deducting non-recurring profit or loss (RMB / share)	0.391	0.739	0.739	-47.09
Weighted average return on net assets (%)	5.68	11.99	12.29	Decreased by 6.31 percent points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	5.25	11.22	11.22	Decreased by 5.97 percent points

Explanation of the key accounting data and financial indicators of the Company

☐ Applicable ☒ Not Applicable

VIII. Differences in accounting data under domestic and overseas accounting standards

☐ Applicable ☒ Not Applicable

IX. Non-recurring profit or loss items and amount

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Non-recurring profit or loss items	Amount
Profit or loss from disposal of non-current assets	-11,377,076.09
Government subsidies through the profit and loss, except for government subsidies that are closely related to the Company's normal business operations, comply with national policies and regulations, and continue to be enjoyed in a fixed amount or fixed quantity according to certain standards	390,801,680.26
Profit and loss of changes in fair value arising from holding of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities except for valid hedging business relevant to normal business of the company, as well as investment gain realized from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	-16,026,029.49

Other non-operating income and expenses except the aforementioned items	10,350,602.15
Disposal gains of long-term equity investment	-199,825.65
Effect of minority equity interests	-130,081,198.31
Effect of income tax	-32,107,937.74
Total	211,360,215.13

X. Others

☐ Applicable ☒ Not Applicable

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

I. Introduction of major business, operating model of the Company and industry background during the reporting period

The Company mainly engages in research, development, production and sales of home appliances covering refrigerators/freezers, washing machines, air-conditioners, water heaters, kitchen appliance products, small home appliances and other smart home business, as well as offering smart home scenario solutions. Through rich portfolios of product, brand and solution, the Company aims to create a full-scene smart life experience and satisfy the needs of users to customize a better life.

Since its establishment, the Company has been upholding the operation philosophy of “taking users as right and seeing ourselves as wrong” and adhering to the corporation value of “from zero to one with people first (人是目的、有生于无)”, while keeping the spirit of entrepreneurship and innovation, to firmly keep up with developments of each era. In overseas markets, the Company has always adhered to the strategy of proprietary brand management and through its persistent efforts as well as merger and acquisition integration, it has successively acquired Sanyo in Japan of its white goods business, the home appliances sector of GE, Fisher & Paykel company in New Zealand, Candy company in Italy, and holds 48.41% equity interest of MABE in Mexico, to construct local market competitiveness by intensifying the three in one “R&D, manufacturing and marketing”. Through continuous optimization of resource integration and platform sharing as well as global strategic synergies, the Company achieves global operation of seven world-class brands, including Haier, Casarte, Leader, GE Appliances, Fisher & Paykel, AQUA and Candy. In the first half of 2020, revenue from overseas operation represented 49% of the total revenue while near 100% of it was generated from self-managed brands. Oversea business covers five continents, namely Asia, Europe, America, Australia and Africa, providing comprehensive home appliance products and home scenario solutions for hundreds of millions of users worldwide.

In the era of IoT, the Company actively promotes the transformation, upgrade and implementation of the “1+N” smart home scenario solution across the world, and devotes itself to providing users with a full-process solution of “designing a home, building a home and servicing a home”. (1) Based on advanced and efficient R&D system and manufacturing capacity, the Company leads the development of the industry and the upgrade of consumption with its original technologies and high-end smart offerings solutions. For instance, Casarte brand has a share of 40.2% in the market of high-end refrigerators priced above RMB10,000, a share of 75.5% in the market of high-end washing machines and its share in the market of high-end air-conditioners priced above RMB15,000 is as high as 42.3%. (2) In terms of market construction, internally, digital transformation is made to improve operational efficiency, and externally, smart home scenarios are applied to improve user experience. Based on the Smart Home Experience Cloud Platform, we will build differentiated competitiveness through six platforms of namely “products, marketing, users, customer, logistics and services”, establish an ability system to reach users efficiently, and accelerate business model transformation. In the market of county and township, the Company fully pursues the integration of four networks of “marketing, logistics, after-sales and information” and the business mode of unified distribution by a single central warehouse to enhance market terminal competitiveness.

According to retail sales statistics on the global large home appliances published by Euromonitor, the world’s leading independent provider of strategic market research, in 2019, sales of Haier’s large

home appliances ranked No. 1 in the world for the 11th consecutive year. Meanwhile, global sales of Haier's refrigerators, washing machines, wine cellars and freezers continued to rank No. 1 in the world. The sales of Haier Health self-cleaning air-conditioner and interconnected air-conditioner in 2019 represented a global market share of 43.4% and 29.4% respectively and ranked No. 1 in the world.

Industry Summary for the First Half of 2020

(I) Macro environment

In the first half of the year, the COVID-19 epidemic hit the domestic and global economy. The domestic market and consumer demand were greatly impacted by the epidemic in the first quarter, and the domestic epidemic was effectively controlled in the second quarter. According to the National Bureau of Statistics, the GDP of China decreased by 1.6% year-on-year in the first half of the year, of which the GDP of the second quarter turned positive, achieving a year-on-year growth of 3.2%. In addition, the total amount of social retail goods increased month by month, domestic demand gradually recovered, and the enterprises' expectation of production and operation activities also gradually became higher. All indicators show that China's economy is gradually returning to normal. However, the gradually worsening and frequently repeated overseas epidemic since the end of the first quarter, and the more complicated international political situation increases the uncertainties of international trade and global industrial chain operation.

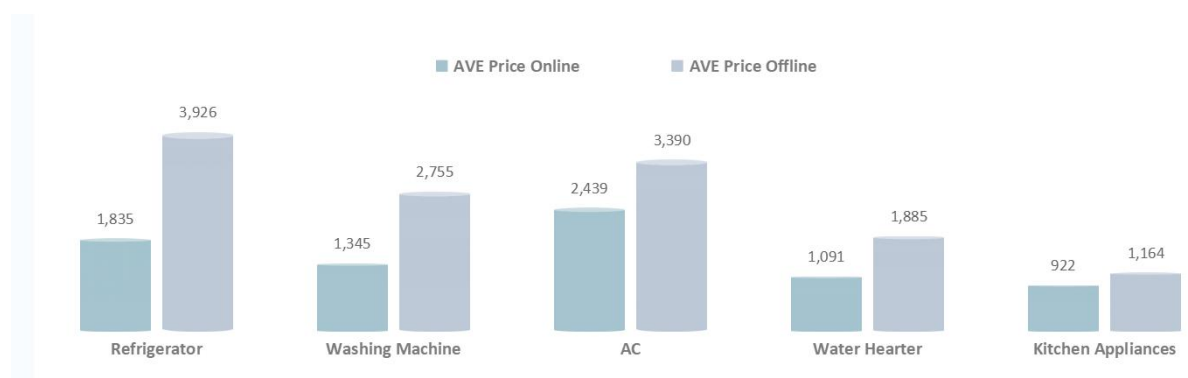
(II) Domestic home appliances market

In the first half of the year, the insufficient effective consumer demand and lack of consumer confidence caused by severe restriction on economic and social activities during the epidemic period and the decrease in both average actual income level and expected income level of residents, as well as the impact of the epidemic on completion, decoration and delivery of real estate led to the slacking market demand for white goods. Under greater shipping pressure, market price competition is becoming increasingly fierce, in particular, the average prices of all categories of online home appliances show a downward trend. According to the report of China Market Monitor, in the first half of 2020, the retail revenue of main categories of white goods market (refrigerators and freezers, washing machines, air conditioners, water heaters, range hoods and gas stoves) was RMB436.5 billion, decreasing by 23.1% compared to the same period of last year; the sales volume was 79.64 million units, decreasing by 9.0% compared to the same period of last year. Among them, retail sales of refrigerators, freezers, washing machines, household air conditioners, water heaters, range hoods and gas stoves decreased by 11.1%, 13.5%, 16.0%, 26.0%, 16.7% and 17.4% respectively compared to the same period of last year.

With the impact of consumption upgrading trend and the epidemic this year, people's demand on high-end and healthy home appliance is still booming, a trend of high quality, health and high-end was obvious. High-end product experience was improved by the application of smart, IoT, voice control and other technologies, and competition expanded from a single hardware to full range products combining hardware and software, interconnected platform and integrated ecosystem. The demand for complete set of scenarios has increased significantly. For example, during the online shopping festival of Suning on 18 June, the proportion of packaged purchase users of Haier refrigerators, washing machines, and water heaters increased as high as 30%; the packaged purchase trend is conducive to higher customer unit prices, smart home scenarios creation and drainage between strong and weak categories to meet the needs of coordination and unification of home appliances and home decoration styles. Therefore,

enterprises must accelerate the transformation from selling single item to providing comprehensive smart homes solutions.

In terms of competition structure: (1) concentration in the industry: the market landscape commence further consolidation during the epidemic period, the share of leading players continued to rise in refrigerator, washing machine, air conditioner and water heater, according to the data of All View Cloud, the total market share of the TOP5 of them goes over 75% both online and offline; (2) industry average price performance: according to the data of CMM, the trend of online and offline average prices of refrigerator and washing machine industry were similar, with the online average price going down and the offline average price going up; while air conditioner, water heater and kitchen appliance all experienced downturn in both online/offline average price.



Online	-1.6%	-5.1%	-15.1%	-8.4%	-11.7%
Offline	7.9%	7.7%	-7.5%	-0.3%	6.8%

In terms of channel: ① Part of rigid demand shifted to online and the online sales growth speeds up and the proportion is significantly improved because of the restriction of going out caused by the epidemic and offline store closures. According to All View Cloud, the online retail sales amount and volume of refrigerator increases 12.2% and 14.1%, respectively, and the retail sales amount and volume of washing machine increases 4.3% and 9.9%, respectively; ② The sales of physical stores is impacted by the epidemic, but the e-commercial live streaming develops rapidly, and the live stream selling becomes one of the important sales channel in home appliance industry.

(III) Overseas home appliances market

During the reporting period, the performance of overseas home appliances demand was impacted by epidemic and varied due to different level of economic development, appliances penetration and infrastructure. Specifically:

- (1) American Market: The US appliances industry declined by 5.4% in the first half of 2020.
- (2) European market: Affected by the epidemic, the European home appliance industry has declined significantly. All household appliances, except for refrigerators, declined year-on-year. Among them, refrigeration has fallen by 12%, washing machines by 12%, kitchen appliances by 15%, dishwashers by 12%, and microwave ovens by 10%.

- (3) South Asian market: ① Affected by the epidemic and city lockdown, sales in India have basically stagnated. The market began to be gradually unblocked in late May, but core cities and stores were still unable to resume normal operations. In June, the industry as a whole only recovered to about 70% of the same period. ② Affected by the epidemic, personal mobility in Pakistan has declined, with rising cost living, and the market capacity of various products has been greatly reduced.
- (4) Southeast Asian market: ① In Thailand, under the influence of the epidemic, terminal price cut for promotions, retail prices dropped sharply, while the share of low-end products increased; ② Commercial activities were restricted, and retail sales and retail volumes declined in the markets of other regions affected by government control. Retail in terminals in May and June began to recover gradually.
- (5) Japanese market: In the Japanese market, affected by the epidemic, the overall sales of refrigerators, air conditioners, and washing machines white electrical appliance industry fell by 1.8% year-on-year, but sales increased 1.8% year-on-year. Residents were restricted from going out, and the proportion of online sales has increased.
- (6) Australia and New Zealand market: ① In Australia, affected by the epidemic and the lockdown measures to cope with the epidemic, the offline retail industry was impacted and the retail industry declined; ② The market demand for home appliances in New Zealand dropped sharply, becoming the bottom three products demanded for ordinary households. At the same time, consumers' demand for cost-effective products has increased and they were more sensitive to prices.

(IV) Industry outlook for the second half of the year

(1) Domestic market: Since the second quarter, there have been obvious signs of improvement in domestic terminal demand. From the perspective of monthly sales, demand that has not been released due to the impact of the epidemic is constantly released, and the market is gradually recovered. Specifically, factors such as real estate completion support and the release of early-stage demand compensation have driven sales to stabilize and pick up. The market growth rate in the second half of the year will be significantly better than that in the first half of the year. And with the further improvement of industry concentration, industry price competition is expected to gradually slow down.

(2) Overseas market: On the whole, the delayed purchase demand caused by the epidemic is expected to be gradually released. If the epidemic in the local market is controlled, market capacity growth will gradually resume. The proportion of online channels will further increase.

II. Explanation on significant change on major assets of the Company during the reporting period

☐Applicable ☒Not Applicable

III. Analysis on core competitiveness during the reporting period

☒Applicable ☐Not Applicable

Since incorporation in 1984, the Company has always adhered to the principle of grasping the development trend of the industry and driving the sustainable and healthy development with innovation system focusing on the satisfaction of users' demand for a better life, and it has successfully turned itself from a collectively owned small factory which was on the verge of bankruptcy into one of the largest home appliances manufacturers in the world. The Company is committed to realizing sustainable development across different cycles through continued innovations in strategy, management model, brand building, R&D, smart manufacturing, and expansion in domestic and foreign markets.

(I) World-renowned brand reputation and global leading position in smart home solutions

Based on the all-round deployment of brand, research and development, intellectual manufacturing, channel, service, ecosystem and smart home platform, Haier has built one of the world's leading white goods, kitchen and bathroom production portfolio, offering refrigerators and freezers, washing machines, air conditioners, water heaters, water purifiers and kitchen appliances, and it provides consumers with "Full set, Customized, Iterative" "1+N" smart full set solutions to realize active services. "Full set" is a one-stop solution to solve users' demands of whole-house appliances through a full set service that integrates smart home product solutions and home appliances. "Customized" enables users to freely customize smart home scenario based on the advantages of Haier's entire industry. "Iterative" refers to upgrade and iterate smart home technology, performance and experience by user's habits and scene requirements, and constantly adapt to user's need by collecting and analyzing product use data with smart home cloud brain.

According to data released by Euromonitor on 9 January 2020, Haier has been ranked global No. 1 large home appliances brands for 11 consecutive years. In category of refrigerators, washing machines, wine cellars, and freezers, the Company continues to be No. 1 in the world. Facing the continuous iteration of user needs, the Company has achieved full coverage of user groups around the world, leveraging on the global synergy, promoted the healthy development and technological progress of the industry through the global strategic synergy among seven brands, namely Haier, Casarte, Leader, GE Appliances, Fisher & Paykel, AQUA and Candy.

Leveraging on outstanding brand, R&D and innovation, the Company could achieved continuous satisfaction and leading in appliance trend consumption, promoted continuous development, thus directly facilitate its leadership in high-end market. In the first half year of 2020, Casarte's market share of home refrigerator and washing machine's price above RMB10,000 and air conditioner's price above RMB15,000 reached 40.2%, 75.5% and 42.3%, respectively; the market share of Fisher & Paykel, the world's top home appliance brand, is No. 1 in New Zealand.

(II) Industry-leading R&D and technological competitiveness

1. Global R&D network: Under the premise of being independent and controllable, the Company has established a global innovation ecosystem featuring "original technology + open innovation", built a user-centric "10+N" open innovation ecosystem, and built an open innovation platform HOPE. 10 represents 10 R&D centers across the world (eight are overseas), N represents N innovation centers that focus on changing users' demand and an innovative community to form a global network of partners and users, and realize the goal that "R&D goes wherever users demand and innovation resources are" to provide excellent experience for its users.

2. Leadership in the development of international standards and technology patents: As of the first half of 2020, Haier has participated in preparation and revision of dozens of international standards, and more than 500 national/industrial standards revisions cumulatively, and applied for more than 53,000 patents in the global cumulatively.

3. Innovative R&D through HOPE (Haier Open Partnership Ecosystem) platform: In parallel to in-house innovation, Haier opened up its global resources, to attract world-class resources to participate in research and development with the open mechanism of "co-creation, win-win, and sharing", leading the development direction of industry products and technologies, breaking through the barriers between users and resources and to incorporate users, enterprises and resources into the same interactive ecosystem. In addition, Haier continued to make cross-border and revolutionary innovation through effective collaboration and zero-distance interaction of different stakeholders within the community. In the first half of the year, the global R&D center team, global community experts, innovative ecological resources and other co-creation teams have conducted TechLink antibacterial and antivirus technology live broadcasts and program interactions in response to the epidemic, and iterating and upgrading products to constantly improve the antibacterial and antivirus experience.

(III) Competitiveness of leading smart manufacturing and mass manufacturing

The core competitiveness of Haier's smart manufacturing lies in its connected factories and the transition from large-scale manufacturing to large-scale customization to achieve the entire enterprise process, entire life cycle and entire value chain system. Haier has established 22 global-leading smart factories as examples for the industry and continuously updated the abilities of interconnection, digital insight and intelligent optimization of the whole ecosystem. The business of these factories covers various fields such as refrigerators, washing machines, air-conditioners, water heaters, kitchen appliances to fulfill users with quality experiences. As of 30 June 2020, the non-warehousing rate of product reached 77%, showing a significant effect on value embodiment.

(IV) The layout of efficient and in-depth distribution network

1. Through an Omni-channel distribution system, the Company has established coverage of first, second, third and fourth-tier domestic markets and provided convenient shopping experience. The Company also maintained strong cooperation with specialized chain for home appliances including Gome and Suning, as well as e-commerce platforms including Tmall and JD.com. For distribution network, the Company has established sophisticate and comprehensive franchise stores, touch point network and a sophisticate operation system; for comprehensive distribution network, the Company also established V58 and V140 clubs, etc., maintained close relationship with major regional distributors. In addition, the Company has accelerated the expansion of network construction in home improvement channels such as building materials and decoration market. Relying on the advantage of multi-brand and complete-sets product, the Company will build smart and full-scene experience stores to provide comprehensive displays, design, sales and services in the end-market.

2. The company has established entire process information system. The Company has constructed "Jushanghui" (巨商汇) platform to provide the order management for customers of distributors to digitized procurement, sales and settlement and reduce the management cost. "Yilihuo" (易理货) platform covers inventory and sales management and membership management of township customers, and realizes services to towns, products to towns, resources to towns, goals to towns, incentives to towns,

and trainings to towns. The Company provides direct logistics to the town through cloud-based warehouse system, while comprehensively integrating the network of each respect including logistics, information, services and sales to improve efficiency.

(V) Excellent global operational capability

Focusing on “building proprietary brand portfolio”, the Company has completed its 3-in-1 network comprising R&D, manufacturing and marketing in major overseas markets through organic growth and acquisitions, in order to identify and meet local consumers’ demand. The Company’s global sales network covers more than 160 countries, with 54 wholly/partially owned factories overseas.

During the Report Period, the Company deepened the 3-in-1 global implementation by focusing on creating brand and accelerating high-end transformation, and continued to strengthen leadership in smart home solution in the IoT era overseas. In the first half of 2020, revenue from overseas operation amounted to RMB47 billion, representing 49% of the total revenue while near 100% of the revenue was generated from self-managed brands. The Company has successfully transformed from a single-brand operation to a multi-brand and cross-regional global business. The Company targets a leap from “going out, going in” to “going up” through integration of global resources, and gradually entering the mainstream market. The Company’s market shares in Pakistan, the US and India ranked No. 1, No. 2 and No. 4; and it is No. 5 in Europe and No. 2 in Australia.

(VI) Integrity of corporate culture and the win-win under *RenDanHeYi* management

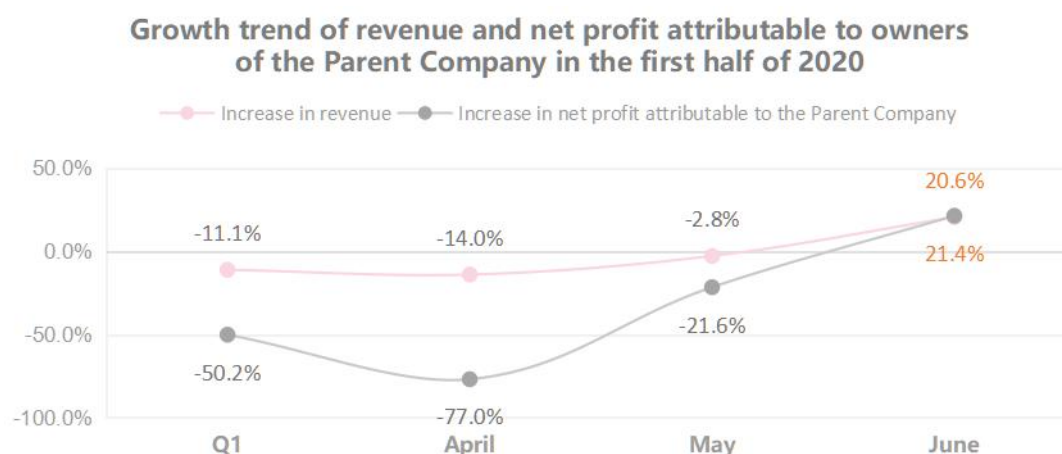
Integrity based on quality and service is vital to Haier’s development and success. With “user-oriented” and “persistent honesty” values, Haier has turned itself from a collectively owned small factory which was on the verge of bankruptcy into the largest white goods manufacturers in the world, while keeping a leading position in world-wide innovation in the Internet era. Haier upholds the operation value of “taking the user as right and ourselves as wrong”, which stimulated the spirit of innovation, revolution and entrepreneurship, and encourages the Company to step into the beat of the times and constantly challenge and improve itself. The value of “win-win under *RenDanHeYi*” is fundamental to sustainable development of Haier. Haier belongs to all stakeholders, including employees, users, shareholders, business partners and the community. In the era of network, Haier has formed a network of suppliers and partners with shared interests to create value which contributes to long term sustainability. Only if all stakeholders continue to achieve a win-win situation, can Haier achieve sustainable operations. In order to achieve this goal, Haier continues to carry out business, develop and refine the win-win model under *RenDanHeYi* where “Ren” refers to employees who have the spirit of entrepreneurship and innovation, and “Dan” refers to value creation for users. Every employee creates value for users in his/her business unit, thereby realizing their own value, during this process, maximizing shareholders’ and enterprise value.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATIONS

I. Discussion and analysis on operations

The outbreak of 2020 COVID-19 epidemic impacted the Company's overall operations, with the domestic business affected by the epidemic in the first quarter and the good momentum of the overseas business tempered by the spread of the epidemic around the world in the second quarter. In the first half of 2020, revenue of the Company amounted to RMB95.728 billion, representing a year-on-year decrease of 4%; and net profit attributable to owners of the Parent Company amounted to RMB2.78 billion, representing a year-on-year decrease of 45%. Revenue from overseas market achieved RMB47 billion, representing a year-on-year increase of 0.6%. Performances in main areas are better than that in the industry. The profit ratio of overseas operation increased from 2.3% in the first quarter to 3.8% in the second quarter. Faced with the challenges of the epidemic, multiple measures taken by the Company gradually came into effect, in which case the business trend improved month by month in the second quarter and achieved dual-increase of revenue and profit in June.

The Company maintained its focus on the IoT smart home eco brand strategy, and accelerated digital transformation, conducted the construction of smart home Experiential Cloud platform with AI+IOT technology, launched Smart Home APP through the EMC self-driven mechanism under *RenDanHeYi* model, to promote online interaction and sales and maintain high-end brand leadership, launched scenario solutions such as complete sets of balcony and kitchen and promoted transformation of replacing products with scenarios and incorporating all industries into the ecosystem. Besides, the Company promoted digital transformation, optimized efficiency and increased share through the four reconstructions of “goals, processes, organizations and mechanisms”, and six platforms for “products, marketing, users, customers, logistics, and services”, and the business trend improved month by month in the second quarter and achieved dual-digit growth of revenue and profit in June.



1. Domestic market share of all products continued to rise with the continuous expansion of the scale of high-end brands

① According to China Market Monitor Co., Ltd (CMM), in the first half of 2020, the Company's offline and online retail sales market share of refrigerators, washing machines, household air conditioners, water heaters and kitchen appliances continued to grow upward trend. Refrigerators and washing machines continued to expand our advantages as an industry leader, and the offline market share of refrigerators and washing machines is 2.98 and 1.52 times that of No. 2 player while the online market share is 2.2 and 1.26 times that of No. 2 player. According to ChinaIOL, the market share of central air conditioners in the first half year was 11%, representing a year-on-year increase of 1.25 percentage points. ② Casarte recorded a net income of RMB3.5 billion in the first half year, representing a year-on-year increase of 7%, and revenue in the second quarter increased by 21%, and continued to expand its competitive advantage in the high-end market.

Domestic Categories	Online Shares		Offline Shares	
Refrigerator	35.0%	↑ 2.6PCT	38.5%	↑ 2.3PCT
Washing Machine	39.3%	↑ 4.9PCT	39.2%	↑ 3.6PCT
Air Conditioner	11.5%	↑ 2.7PCT	14.0%	↑ 2.3PCT
Water Heater	25.8%	↑ 1.7PCT	23.5%	↑ 4.3PCT
Kitchen Appliances	5.8%	↑ 0.4PCT	4.9%	↑ 0.9PCT
Water Purifier	13.6%	↑ 1.0PCT	10.0%	↑ 3.5PCT

Source from: CMM Data Report

2. Overseas markets: In the face of adverse impacts brought by the epidemic, the Company took the domestic epidemic prevention and production and sales resumption of the Company as reference, made swift adjustments, responded proactively, continuously optimized the operating system and continued to expand the competitive advantages. Overseas market revenue reached RMB47 billion, representing a year-on-year increase of 0.6%, and overseas revenue accounted for 49% of the Company's revenue, representing an increase of 2 percentage points. The Company outperformed its counterparts in the local industry in major regions, such as the United States with revenue growth of 6.5%, Japan with revenue growth of 16.3%, and Southeast Asia with revenue growth of 7%.

3. Fully promote smart home scenarios solution to continuously develop ecosystem capabilities.

Based on the ever-growing demand for scenario experience brought about by the interconnected smart appliances, the Company focused on "Enjoying Smart Life at Haier Smart

Home” and promoted the scenario-based brand building of Haier Smart Home by centering on users’ personalized scenario experience: replacing products with scenarios, and transforming from selling single item to providing full-suite smart homes solutions. Based on global billions of accumulated user resources, continuously increase in the number of intelligent interacted home appliances, complete set of the home compliances of the Company and enriched smart home solutions, the Company accurately understood the needs through the Haier Smart Home Experiential Cloud Platform by the images of users, linked into more than one thousand ecological resources and provided solutions ranging from a smart home appliance to a full scenario of smart home to achieved the best experiences for users. In the promotion of sets of scenario solution, the Company incubated several ecological sub-platforms such as Internet of Clothing, Internet of Food and Internet of Air to achieve “co-creation and mutual benefits”..

4. Honors of the Company.

On 9 January 2020, Euromonitor, the world’s leading market research agency, published 2019 global retail sales of large home appliance brands survey, naming Haier No. 1 for the eleventh time; on 21 January 2020 (US Eastern Time), Fortune released the lists of “World’s Most Admired Companies 2020”, and Haier Smart Home was listed again, making it the only one from home appliance industry outside US. In June 2020, Haier was selected as the only “IoT Ecology” brand in the “BrandZ™ Top 100 Most Valuable Global Brands in 2020” list for two consecutive years. In July 2020, Haier ranked first in the industry in the “BrandZ™ China Top 50 Global Brands in 2020” list. In August 2020, the Company was again listed in 2020 Fortune 500 with ranking ascended by 13 places.

5. Major works of the Company during the reporting period:

(I) Continue to strengthen original technology innovation to lead technology transformation and industry development

The Company continuously promoted the collaboration between global R&D and innovation centers, and maintained its leading position in various aspects such as modularization, technology, products and R&D resources, focus on users’ updated demand in real time, tracked consumption hotspots and changing tendency to ensure its brand leadership on the market in various regions all over the world, provide global users with quality-ensured home appliance product packages and smart home solutions with leading performance.

1. Refrigerator/freezer business

As the global leader in refrigerator industry, the Company is committed to providing users with healthy, smart and artistic high-quality food preservation solutions through sustained technological and product upgrade, thus leading technology transformation and industry development.

(1) Fully upgrade the healthy fresh-keeping technology. With the first revolutionary technologies, the Company provided overall solutions for high-end food preservation and

home integration. Focusing on providing high-end users with food and nutrient preservation solutions, the Company improved the quality of healthy life of high-end users. ① The Company continued to upgrade its MSA oxygen-controlling and fresh-keeping technology to reduce oxygen contents in oxygen-controlling drawers and effectively mitigate the aerobic respiration of fruits and vegetables, which achieved preservation of fruits and vegetables for a time 8 times longer and made fruits and vegetables as fresh, tasty and nutritive as before; ② With the first three major revolutionary technologies, built-in refrigerators achieved real 0cm boundless parallel embedding and could fit cabinets without any gap, which effectively met users' demand for home integration, broke the visual and service restrictions, released more spaces, perfectly included kitchen design in the overall home aesthetics and granting more artistic beauty to overall living spaces.

(2) Give full play to the advantages of multiple brands and expand leadership in the industry. ① To fully popularize the MSA oxygen-controlling and fresh-keeping technology, Casarte refrigerator created products in vogue online, launched phenomenal products T-type refrigerators with functions catering to mothers and infants under F+ series and ignited high-end market with the newly released amethyst violet series. As a result, the market shares of Casarte refrigerator's price above RMB10,000 reached 40.2% in the first half of the year, continuing to expand brand power. ② Leader refrigerator focused on intelligent interconnection upgrading based on the strategy of fashionable fresh-keeping products and meeting users' demand for beautiful, intelligent and cost-effective scenarios. Its iCase intelligent series took the lead in the industry, with the annual cumulative sales volume of intelligent network appliance amounting to 74,921, representing a year-on-year increase of 159%.

2. Washing machine business

As a global leader in the washing industry, Haier Washing Machine is committed to providing users with an excellent laundry experience. Through continuous product innovation and technological iteration, it continued to lead the industry to upgrade.

In response to the prolonged stay at home and rapidly growing demand for healthy laundry during the epidemic, the Company studied cloud washing procedures with high-temperature disinfection based on factors such as temperature and time. It only took 3 days from the creation of an idea to the product launch, changing a total of 116 models and 3 million washing machines to clothes disinfection machines within 3 days, and achieved 7 times of iterations within 2 weeks. The high-temperature disinfection cloud procedures meet the epidemic prevention needs of consumers for the health and sterilization of clothing, greatly improving the reputation of care products, and driving the sales of smart appliances. At the same time, in response to the non-contact service for epidemic prevention, engineers developed self-installation videos and provided remote guidance through live classrooms and other methods, thereby quickly solving the problem of contactless installation. With respect to after-sales problems, the Company developed remote diagnosis live broadcasts to quickly solve product after-sales problems without on-site visit, making users feel real convenience, comfort and relief.

Products: ① It was the first in the washing machine industry to create a cartridge-based smart front loading washing machine, which can be intelligently proportioned, automatically add laundry detergent, builder liquid, and color protection liquid, and greatly protect the color and fiber of the clothes while improving the decontamination effect. ② In terms of top loading washing machines, it pioneered self-powered sterilization and disinfection technology. During the washing process, the module cuts the magnetic induction line to generate induced electromotive force, thereby driving the UVC-LED lamp bead to emit deep ultraviolet light, realizing automatic sterilization during the washing process with no additional power consumption and greatly meeting the needs of users for disinfection and sterilization in laundry care of clothes. ③ The high-end brand Casarte focuses on complex and diversified user needs. After many iterations and upgrades, it has been upgraded from the initial variable temperature steam air washing to a combination of sterilization, wrinkle removal, odor removal, moisture removal, and fluffiness. Accurately customized air washing programs according to fabrics and different needs bring superior washing and care services to high-end fabrics such as silk, wool, down jackets, and mink fur. In the first half of 2020, Casarte's share of washing machine markets at RMB10,000 or above reached 75.5%, maintaining an absolute leading edge.

3. Household air conditioner business

Focusing on changes in market demand, the Company kept advancing technology innovation and product upgrade, provided users with air solutions with leading quality, functions and intelligence and created user awareness of “Healthy Air Conditioners Goes to Haier”. At the same time, the Company actively promoted the construction of touch point in communities for transformation, implemented retail transformation in thousands of towns, villages, districts and regions and achieved more than 200,000 village and district groups coverage, reduced SKU models to improve efficiency, and accelerated Casarte Air Conditioner to achieve high-end breakthroughs to accelerate business development. In the second quarter, domestic revenue increased by 20% in a single quarter, and Casarte Air Conditioner's revenue in the first half of the year increased by more than 70%. Its shares in high-end market continued to increase: Casarte's share in the high-end air conditioner market reached 12.6%, a year-on-year increase of 8.5 percentage points; in 1.5W+ cabinets, its share continued to rank first, reaching 42.3%, a year-on-year increase of 6.1 percentage points.

Haier Air Conditioner kept focusing on provision of better healthy air solutions to users. In the face of severe challenges brought by the epidemic, Haier Air Conditioner first released the 56 °C sterilization and self-cleaning air conditioners which achieved self-clean by stripping bacteria and dusts through top-speed cooling to frosting on the surface of an evaporator while removing 99% of dusts and bacteria by raising the temperature in the evaporator to over 56 °C through inverse-balance dry sterilization technology based on high temperature, which brought “healthy air” to users and was recognized by users.

Casarte Air Conditioner innovatively researched and developed the soft wind technology, overturning the technology and theory of refrigeration and air distribution of air conditioners having existed for a hundred of years, based on which it created extremely comfortable Yunding air

conditioners with wind of suitable temperature. It created the exclusively comfortable Tianxi air conditioners with area-based air distribution and Zhihuijia air conditioners with AI air steward by upgrading the body perception function. In addition, Tianjing air conditioners featuring UVC sterilization of Casarte was even recognized by medical institutions and users after the COVID-19 outbreak and was put into use and favored by experts during the operation of Wuhan Raytheon Mountain Hospital.

Since 1 July 2020, after the new energy efficiency standards for air conditioners were formally implemented, Haier actively participated in the formulation and implementation of the new energy efficiency standards. It upgraded its enterprise standards half a year in advance, thereby obtaining the *Enterprise Standards "Front-runner" Certificate*. Through advanced research and development of energy-efficient and eco-friendly products meeting the new energy efficiency standards, the Company has taken the lead in switching to air conditioning products meeting the new energy efficiency standards, and will continue to promote the research and development of innovative technologies and products with proprietary intellectual property rights to improve the self-development ability of technologies in the industry.

4. Central air conditioner business

During the reporting period, through accelerating product innovation and core technology development, and launched a series of smart IoT, energy-saving and healthy products to enhance market share and realized customization in eight industries and 26 kinds of solutions, ranked first for retail growth in the industry as a main brand in the first half of the year: ① In response to the spread of COVID-19 across the globe, the Company developed healthy air conditioners integrating UV disinfection lamp, Nanomist sterilization module and nano water ionizer for global marketing, which were highly recognized by customers. ② In home use scenario, the Company developed and launched Casarte household single-fan outdoor units and Haier household kitchen & bathroom air conditioners, filling the gap in the use of kitchen air conditioners. ③ For use in large-scale projects, inverter modules introduced by the Company greatly improved the cost performance and met the needs of large-scale projects. ④ The IoT magnetic levitation air conditioner achieved electric saving of 50%, with domestic market share exceeding 50%.

In respect of new technology research and development, ① the Company introduced IoT identification technology enabling users to scan the unique identification code of multi-networked products to enter the Haier IoT platform and conduct smart management in respect of product use and maintenance data and other data, and besides, the voice air steward enabled smart control of air-conditioning equipment. ② The Company developed remote online upgrading technology enabling real-time storage and upgrade of computer board information.

5. Water heater and water purifier business

Focusing on the development trend toward healthy and smart home appliances, the Company continuously optimized product structure, innovated product functions and increased product variety to provide users with safe, intelligent and comfortable whole-house water solutions.

Water heater: ① Electric water heater: The Company developed the fourth-generation purified water washing technology and frequency conversion instantaneous-heat black technology, formulated seven-star bathing standards, and launched new products integrating water-revitalizing, no-cleaning, and antibacterial functions to meet users' needs for healthy, clean, and instantaneous-heat water. In particular, equipped with 70L high-capacity inner pot and backed by dual-drive quad-core instantaneous-heat technology and 85°C high water temperature technology, Casarte Tianmu SPA series truly realized unlimited bathing. Haier's excellence in product innovation and stylish and simple design has won international recognition, and the Casarte Tianquan SPA electric water heaters won the AWE Award-Excellent Product Award. ② Gas water heater: While NOCO safety technology and four-stage fine-control micro-fire combustion technology are adopted to ensure safety and stability, no cold water technology and waterfall washing with large flow capacity are added to create the ultimate comfortable experience.

Water purifier: In response to the more stringent requirements for water quality from consumers in the water purification process, the water purification industry, following the product strategy of “health upgrade, experience upgrade and smart upgrade”, realized sterilization and bacteriostasis in the whole process from water production to water draining by upgrading the UV bacteriostasis and terminal sterilization functions of the water purification tank; the adoption of no stored water and mineralized water technologies realized the transition from providing “safe water” to “healthy water”; the entire product line was upgraded toward smart product line, and the front-put-out product design facilitated users' self-replacement of the filter cartridge and also helped solve the pain point of door-to-door service during the COVID-19 epidemic period. On 10 March 2020, Haier water purifiers won the “First Prize Award of Science and Technology Progress” of China National Light Industry Council, becoming the only award-winning brand in the water purifier industry.

6. Kitchen appliance

The Company integrated global leading platforms of FPA, GEA and Candy to accelerate product restructuring and provide users with high-end smart kitchen solution packages; focusing on the layout of Casarte and Haier kitchen appliances, the Company enhanced its competitiveness in high-end market. Revenue from Casarte brand grew by more than 30% year-on-year.

Range hoods: By using constant air volume technology jointly developed with FPA, the Company launched 12-m² Smart Air series, which can solve the problem of poor smoke removal facing users and achieve highly-efficient smoke discharge under constant optimal effective air volume output in different installation environments, with the smoke-discharge and smoke-removing effects leading the industry.

Gas stove: The Company returned to the essence of kitchen cooking. Focusing on the needs of “convenience, health, safety and active service”, the Company provided users with convenient and healthy cooking scenarios and smart scenarios enabling active service. Based on different ingredients and cooking requirements, the new generation of Casarte smart triple-head stove features accurate fire control and intelligent cooking with electrodeless electronic proportional valve for accurate fire control and fourth-generation real-time temperature monitoring technology.

Disinfection cabinets: In response to the needs of specialized users, the Company launched Haier tableware disinfection cabinets, which are the only cabinets that reach the medical disinfection level in the industry. The upper chamber uses light wave disinfection + moderate temperature cleaning technology and kills enteric pathogenic bacteria and viruses through UV-C light and pasteurization temperature (60 °C ~95 °C). Such cabinets have lower temperature, better disinfection effect and are safer as compared with traditional high-temperature disinfection cabinets; The lower chamber adopts 120 °C high temperature under infrared ray + light wave disinfection technology, with a bacterial eliminating rate of 99.99%. The Company took the lead in setting the group standards of the *Tableware Disinfection Cabinets at the Same Disinfection Level as Household and Similar Medical Instruments*, which are approved by the China Association for Standardization and are currently the first tableware disinfection standards that reach the disinfection level of medical instruments in the industry.

Ovens: The Company promoted product innovation based on expertise from GEA and FPA and platform. ① The interconnected ovens are equipped with built-in cameras through which the users can monitor the real-time dynamics in the ovens on their mobile equipment. Therefore, users may control the cooking functions and choose recipes and different users can exchange their baking experience. ② The high-temperature self-cleaning ovens based on hot air technology can decompose oil into carbide at 420 °C, so as to realize self-cleaning; RF ovens have a totally new heating mode aiming at accurate heating of different food quickly and conveniently. ③ The Company has taken the initiative to adopt auto-door technology and wireless probe technology for Casarte Commander series in the industry and designed for Chinese consumers multi-menu leading recipes in three life scenarios, that is, Enjoy life, Fast Life, Roast/Steam at Your Will. Allowing a wide temperature range of 30 °C — 120 °C, the embedded steam and roast integrator can meet demands for multiple materials and simplifies cooking via a three-level adjustable steam-assisted function, so as to produce delicious and tender cuisines.

(II) Chinese distribution network: focusing on digital reformation to improve speed and efficiency

During the reporting period, the Company improved operating efficiency through digital transformation internally, and improved user experience through the smart home scenario solution externally. Based on the Smart Home Experiential Cloud platform, the Company built differentiated competitiveness by incorporating products, marketing, customers, users, logistics and services into the digital platform, established a competence system to reach users efficiently, and accelerated business model transformation. In the first half of 2020, the home appliance business revenue in China decreased by 9%, of which the second quarter revenue increased by 14% year-on-year. The market share increased in all lines, and the overall performance was better than peers in the industry.

The Company started with digital and improved the efficiency of the whole process through the application of digital hand tools on the client, user and employee terminals. (1) Continuing to expand the coverage of the unified warehousing and distribution system, continuing to deepen the integration of marketing network, logistics network, service network and information

network, and comprehensively improving the efficiency of the platform. (2) Realizing live streaming of home appliance sales scenarios through Haier Smart APP, helping offline customers open up online sales channels, empowering offline stores, and achieving integrated online and offline operations. (3) Through the reverse customization of order of popular goods and the Skynet cloud TOC model, SKU focus was realized, and product efficiency, supply chain efficiency, and storage efficiency were improved. In the first half of the year, the proportion of numbers of effectively operated models and total models for SKU efficiency was increased from 40% to 97%, the timely rate of logistics distribution was increased to 99.5%, the efficiency of the process system utilization was increased to 83%, and the defective product rate was decreased by 94%.

Promoting the integration of online and offline contacts, and improving the quality of the contact network. (1) Franchised stores: through the two-dimensional transformation of retail and distribution, the Company reshaped the direct channel operation system. The Company also initiated the transformation of Haier franchised stores to HSH experience stores, and enhanced the five major capabilities of franchised stores customers in Casarte sales, interconnected appliance sales, scenario sales, online and offline integration, and in-home services to attract users by optimizing store layout, integrating online and offline, smart home ecological referral traffic, and unified brand display. In county and district market, the Company improved the user traffic in the districts and counties by “tens of thousands of households” activity; and in the township market, the Company improved the user traffic in towns and villages by the “tens of thousands of towns and villages” activity. (2) E-commerce channels: the Company increased attention and brand influence and eventually translated into sales by adjusting the layout of online product planning, innovating online marketing approaches, and leveraging social media mass broadcast and other online marketing methods. In the first half of the year, the e-commerce channel achieved a year-on-year revenue growth of over 40%. (3) The smart home channel centered on the integration of full-scenario smart solutions and “1+N” service capabilities with the focusing on introducing four new types of customers, including home improvement, HVAC, home furnishing, and whole-house intelligence, covering 180 core cities across the country. Through the creation of a brand-new store image, improvement of experience on solutions, design and installation and other full-process capabilities, the Company made the users truly experience the smart home and the future home. The Company’s **Shanghai 001 Experience Center** realized integrated sales of partial decoration according to “solution, scenario and ecology” through the creation of a new online-offline OTO experience model. The average price per user of smart home appliances scenarios was RMB241,000, and it was selected as the excellent consumption experience hall of “2020 Best Experience in Shanghai” and 2020 Shanghai “First-store Economy Model”. (4) The engineering channel maintained rapid growth by building the business capabilities of the headquarters and micro community, with revenue increasing by 22%. At the headquarters level, the Company improved the efficiency of engineering projects and customer experience through the construction of the engineering digital platform and engineering Experiential Cloud. At the regional level, the Company improved the abilities of design, installation services, funds and other aspects in the end-market through the establishment of customer-engineering alliances and opening grid engineering resources. Started with strategy of the real estate industry and the Xiongan Service Center and other major projects to establish industry benchmarks, the Company won the bids for real estate user projects such as Evergrande, Country Garden, Poly, Sunac, and Longfor.

Casarte: Continuously expanding high-end advantages. (1) In the first half of 2020, Casarte's white goods & kitchen and bathroom products achieved revenue of RMB3.5 billion, a year-on-year increase of 7%, of which, the revenue in the second quarter increased year-on-year by 21%, and the monthly revenue increased by 30% in May and June, maintaining the absolute leadership in the high-end market share. For example, the market share of Casarte refrigerator at above RMB10,000 was 40.2%; the share of Casarte cylinder washing machine at above RMB10,000 was 75.5%. (2) Promoting store upgrade: nationwide use of a new generation of terminal display standard, turning stores into a smart home experience centre, and increasing the network coverage of the market above the county level from 85% to 95%. (3) Increasing customer unit price through sales of complete set, improving personnel's sales capabilities of complete set through complete training. (4) Service upgrade: Casarte's seven-star service focuses on the service concept of "designing a home, building a home, and serving a home" for users, and upgrades the seven-star service to a seven-star scenario ecological service. It provides scenario customized services such as balcony, kitchen, bathroom for users needing new decoration; provides partial renovation services for users needing renewal, such as demolition and replacement, cabinet renovation, balcony renovation and other value-added services.

Initiate Experiential Cloud Mass Broadcast model to promote marketing transformation. (1) The Company actively seeks for users, subverting the sales method of waiting for customers through full live broadcast covering employees and customers; the Company continuously serves users through community fission, WeChat red envelopes, small programs, Yunjibao (云吉报) and other online tools. (2) The Company establishes four major community content chain groups, forming a massive content matrix, and constantly interacting and fermenting online on the new media community platform, realizing the transformation "from launching to being a circle to attract fans, from operating products to operating people, and from selling goods thinking to creating community and flow". (3) The Company initiates Experiential Cloud Mass Broadcast model, based on the smart home scenes and taking the life needs of users at home as the main line, then attracts customers, users, and ecological stakeholders to participate in co-creation on the platform, so as to accumulate users and create a live broadcast experience of the scenes. In the first half of the year, the Company has carried out 5 large-scale broadcasts, and realized the detonation and leadership from multiple dimensions, such as user interaction, transactions and platform daily activities, and the scene content is continuously upgraded. For example, on 1 August, the broadcasting day, the platform's GMV (Gross Merchandise Volume) was RMB134 million and the number of user views reached 1.89 million, an increase of 283% and 64% respectively from 31 March.

(III) Overseas Market: "Three to One" localization operation promote dual-circulation and achieved development with high quality

In the first half of 2020, the Company recorded RMB47 billion in its overseas revenue, representing a year-on-year growth of 0.6%, accounting for 49% of the Company's total revenue. Given grim market challenges and the impact of COVID-19 in the second quarter, overseas businesses were developed based on local brand creation and local operation. On one hand, the Company rapidly duplicated the domestic epidemic prevention experience to protect the health of

overseas employees and ensure resumption of productivity of the supply chain to the greatest extent. On the other hand, the Company adjusted the product structure, channel and marketing strategies in a timely manner and explored and practised new online marketing models. Against the backdrop of overall industry decline, the Company's overseas business realized growth in many countries against the trend. The year-on-year revenue growth of April, May, and June in the second quarter was respectively -22%, -12% and 20%. The revenue of overseas household air conditioner in various markets exceeds that in the whole year of 2019.

1. High-end products leadership. The Company persisted in the development direction of high-end, intelligent, and healthy products. In line with changes in consumers' demand during the epidemic to increase the stickiness of users, the Company launched a series of differentiated leading health-targeted products and solutions. Meanwhile, the Company intensified efforts for promotion of all-category healthy products in various markets. Refrigerators put the focus on “sterilization and health”, and washing machines had their focus on “ABT bacteriostasis, double spray sterilization and steam washing sterilization”, and air conditioners featuring “full health and self-cleaning” were launched. In the first half of 2020, the Company recorded revenue of USD430 million from healthy products in overseas market, with a year-on-year growth of 21%.

2. Channel transformation. Based on their own market characteristics, each region has comprehensively optimized channel structure and increased network coverage through measures such as expanding mainstream channels, building its own network, developing e-commerce channels, and strengthening front-end channel distribution. Under the impact of the epidemic, the online channels became a development focus of the industry. In overseas business, the Company enhanced building of brand flagship stores on e-commerce platform and user interaction experience to drive transformation to efficient online sales. In the first half of 2020, the sales of the overseas e-commerce channels increased 32.4% year on year.

3. Zero-distance marketing experience. Around the concept of “zero distance to customers” and based on users' needs, the Company converted the benefit of scientific and technological development into benefit for consumers in using home appliances, and improved reputation in users through intelligent healthy network appliances plus non-contact installation services, etc.. During the reporting period, based on the changes in and opportunities from social actions of global consumers under the impact of the epidemic, quickly promoted transformation to digital marketing online, and through live streaming on e-commerce platforms, Vlog short video marketing and Experiential Cloud crowdcasting, the Company gained followers and built public praise of the brand, and truly realized global linkage, global advertising and global priming. At the online Canton Fair held in June, Haier launched the 10*24-hour interactive Experiential Cloud crowdcasting in cooperation with makers, users and ecology circle of 12 countries, to make Haier's charm known to hundreds of millions of users in the world. As of the end of June, the Company recorded tens of millions of overseas fans on Facebook, with a year-on-year increase of 51% in interaction volume.

4. The performances of major global markets were summarized as follows:

(1) In the North America market: In the first half of 2020, the sales revenue was RMB29.5 billion, representing a year-on-year increase of 6.5%; the market share of GEA's core home

appliances increased by 2.5 percentage points and the market share of all core home appliances realized growth.

① In terms of epidemic prevention and control, the Company, attaching great importance to epidemic prevention in the factory, established a business continuity team to overall plan epidemic prevention and safeguard employees' health; At the same time, GEA actively fulfilled its corporate social responsibility, donated home appliances to front-line personnel in need, maintained close contracts with the community, actively donated PPE materials, and continued to support charity organizations. ② In terms of brand, GEA adhered to the high-end transformation strategy, and focused on high-end brand construction and awareness enhancement: its high-end brands Café and Profile maintained a year-on-year growth of 30% and 11% respectively; ③ In terms of the supply chain, GEA continued to build smart factories and storage systems to deepen the extent of automation and optimize manufacturing and warehousing efficiency; ④ In terms of channel, to address the inconvenience for offline shopping due to adjusting business hours, increasing social distance and restricting the flow of people, GEA enabled offline shopping experience through such means of safe shopping such as pick-up outside the store, self-purchase and self-pick-up; online, GEA enhanced interaction with consumers through live broadcast, short video and other tools; for example, it launched Chibo - a global interactive live cooking platform to create a strongly interactive and collaborative cooking experience by means of live broadcast. ⑤ The international authoritative market research organization IoT Breakthrough awarded GE Appliances the "Internet of Things Breakthrough Annual Award" for two consecutive years; GEA was identified by UL as the first home appliance brand with a gold level of IoT safety.

(2) In the European market: the revenue amounted to RMB6.7 billion, representing a decrease of 6.6%, within which, the revenue of Haier Brand in Germany and Italy experienced a year-on-year increase of 61% and 52%, respectively. In terms of market share: ① In the first half of 2020, the market share in terms of sales volume of dual-brand (Haier + Candy) washing machines in major countries of the EU reached 14%, ranking Top 2; and the market share in terms of sales amount reached 12.6%, ranking Top 3; ② The overall market share in terms of sales amount of refrigerators in major four countries of the Europe (France, the UK, Italy and Russia) reached 8.8%, ranking Top 5. The price index of Haier washing machines and refrigerators was 112 and 117, respectively.

① At the beginning of the epidemic outbreak, the team in Europe actively communicated with the headquarters in China and well informed about the developments of the epidemic and the sales in China, especially changes in sales online and offline. By drawing on relevant experience from domestic companies, the team quickly realized a shift from offline sales to online sales, and made active efforts in promoting online sales through social networking and media to increase interaction with users; ② Regarding products, in response to epidemic prevention, new products were timely launched to bring more comfort and convenience to consumers, including large-capacity and full-space fresh-keeping refrigerators, steam sterilization washing machines, large-capacity freezers, a full range of intelligent and interconnected kitchenware, and 56°C air-conditioning product series; ③ In relation to production and supply chain, the factory in Europe made preparations in advance

and implemented epidemic prevention measures in strict compliance with the requirements of local government, making itself a local model enterprise in this regard; meanwhile, drawing on the experience in epidemic prevention from the headquarters in China, the factory ensured safe and continuous production to meet the needs from multiple market orders; ④ Haier Europe proactively assumed its social responsibilities as a local enterprise. It donated protective suits, masks and other epidemic prevention supplies to hospitals in Lombardia and Veneto, Italy, two regions most affected by the epidemic; in other European countries, Haier Europe also donated epidemic prevention supplies to hospitals and communities in need, which has won widespread praises.

(3) In the South Asia market: the revenue amounted to RMB2.7 billion, representing a decrease of 36%.

In Indian market: the Company maintained solid growth in January and February, but the epidemic led to the national lockdown in March, which was not lifted gradually until mid-May, causing stagnation of the Company's sales. With the gradual re-opening of the market, the Company ensured the orderly resumption of production by implementing the epidemic prevention program, and met the market demand by following government guidelines to prevent epidemic while continuing production.

In Pakistan market: many measures were taken to minimize such impact such as internal operations, efficiency improvement and fee reduction, strict risk control, and opening of new channels. As a result, sales (domestic currency) of the same caliber fell by 10%, much lower than the rate of reduction in market capacity in the industry. ① Products: the diversity of refrigerators and air conditioners was increased and customized products were provided. Among them, electronic inverter refrigerator series and anti-corrosion air-conditioners designed for Karachi received good feedback from the market. At the same time, the proportion of high-end and smart products sold was climbing and the unit prices of refrigerators, washing machines and air conditioners have all been increased; ② Channels: the number of Haier sales outlets has been gradually increasing; 20 new outlets were set up in the first half of the year, with an increasing penetration rate in third- and fourth-tier cities; sales from e-commerce channels also witnessed a sharp year-on-year increase of 500%.

(4) In the Australia and New Zealand markets: the revenue amounted to RMB2.5 billion, representing a year-on-year decrease of 1.5%. FPA core home appliances revenue realized a growth of 3% in NZ Dollars; the Australia market showed great development momentum, with a year-on-year growth of 17% in the first half of the year and double-digit growth in dual-brand products. ① Online terminal transformation was speeded up and scenario-based brand stores were built to replace single product display, which contributed to doubling of online sales and a substantial increase in the proportion of online sales; ② Breakthroughs were constantly made in sales of products for commercial use; sales of products for commercial use increased by 12%; ③ In relation to products, new products were updated and launched at a faster pace. In the month when Haier's 565 T-door refrigerators were launched, the total sales of T-door refrigerators increased by 280%, greatly optimizing the product portfolio; FPA ultra-high-end Column refrigerators and TFT touch-screen ovens won two prizes under the "Red Dot Awards".

(5) In the Japanese market: the revenue amounted to RMB1.8 billion, representing an increase of 16.3% against the trend. ① The Company launched the AQUA full-box Delie series refrigerators to expand the line-up of ultra-large and large products, achieving an increase of 24.3% against the trend in sales volume of and 48.5% in sales amount of ultra-large refrigerators in the first half of 2020; ② Regarding users' demand for preservation of large-capacity cold products during the epidemic, the Company promptly put on the market new high-end products including the 280L largest capacity vertical freezers in the industry and variable temperature series refrigerators, upgrading user experience in a timely manner; ③ The dual-brand "Haier+AQUA" has covered about 90% of the mainstream channels in the market. In the first half of 2020, the Company achieved cooperation with two new chain supermarket channels and took an active part in planning and building its own online channels.

(6) In the Southeast Asia market: the revenue amounted to RMB2.1 billion, representing a year-on-year increase of 7%; in response to the changing market demand, the Company focused on the theme of health, continued to deepen the main product models, and promoted the sales of healthy products, such as the new Magic Cooling series of refrigerators, and further upgraded functions such as temperature change, sterilization, and freshness preservation, highlighting the product sterilization and freshness preservation monitoring function; the cylinder washing machine focused on 525 large cylinder diameter and healthy washing. UV sterilization, high temperature washing, and antibacterial window mats brought more convenient, healthy and quiet washing experience to users under the epidemic. The online transformation of marketing innovation and the use of social media live broadcasting to promote medium and high-end products accelerated the development of e-commerce business. In terms of localized supply chain construction, the Company introduced global general suppliers to quickly optimize suppliers and reduce procurement costs.

(IV) Building the Haier Smart Home Experiential Cloud platform to create an IoT ecosystem

Haier Smart Home Experiential Cloud built a constantly-evolving platform connecting hundreds of millions of families and creating a win-win situation among users, enterprises and the ecology by upgrading traditional home appliances to smart network devices, and building a complete set of scenario solutions including smart kitchen and smart balcony based on the interconnection of smart network devices to achieve the transformation of "Replacing Products with Scenarios and Incorporating All Industries into the Ecosystem", and provide users with a full ecological service experience including clothing, food, housing and entertainment.

In the first half of 2020, the Company's sales of smart home appliances increased by 20% year on year; network appliance binding volume increased by 111%; set sales increased by 55% and set sale accounts for 29.64%, representing a year-on-year increase of 4.8 percentage points; set sales increased year-on-year by 107%, and the single user value of set increased by 89%; 627,000 sets of scenario-based solutions were sold, representing an increase of 65.75%; IoT ecological income amounted to RMB3.77 billion, representing a year-on-year increase of 96%. As of July 2020, the peak daily active users of Haier Smart Home APP reached 522,000, representing an increase of

132% compared to April 2020; the active resource providers were 9,289, representing an increase of 194% compared to April 2020.

1. Keeping strengthening the “AI+IoT” capabilities to achieve smart home whole-process active services. Integrating the three capabilities of IoT, big data and AI and based on users’ home appliance status and habits, the Company built customized intelligent sensing decision-making scenarios to provide users with the most reasonable responses and the most intimate interactive experience. ① The Company built the first smart home appliances-specific data empowerment platform in the industry—active service skill management platform, and worked out the first *Active Service Standards Based on Big Data* in the industry to unify the standards for functional requirements and evaluation methods of smart home appliances in providing users with personalized services such as active reminders, intelligent recommendations and self-feedback on faults under different user habits and different home environments. ② Focusing on the value interaction of “designing a home, building a home, serving a home and experiencing a home”, the Smart Home APP built smart home full-scenario immersive interactive experience covering users’ clothing, food, housing, entertainment, health, etc. In addition, the one-stop after-sales service experience also went live on a full scale, which could provide online full-scenario after-sales services from delivery, installation and maintenance to cleaning, repair, relocation, etc., achieving whole-process visibility.

2. Actively promoting the transformation, upgrade and implementation of the “1+N” smart home scenario solution. ① Promoting the construction of “1+N” service system and grasping users’ demands and needs: “1” refers to the project managers, the service housekeepers of users providing one-on-one all-inclusive services for users; “N” refers to the relevant resource providers, including all home appliance service personnel, complete-set service providers, distributors, cabinet vendors, home decoration companies, etc., The service housekeepers contact the resource providers with respect to provision of home appliances and decoration integration services for users; ② Creating a new online and offline OTO experience mode. Since the opening on 6 September 2019, 001 Experience Center in Shanghai realized the integrated sales of local decoration with “solution, scenario and ecology”, recorded average transaction price per customer of RMB241,000, and attracted a total of 25,000 visitors, realizing the value guidance of smart scenario solutions. It was selected as the excellent consumption experience hall of “2020 Shanghai Experience” and the “Model of First Store Economy” of 2020 Shanghai. In the first half of the year, 225 new Haier Smart Home 001 stores were established; ③ Live broadcasting of new ecology for the smart home scenario: Experiential Cloud crowdcasting. From live broadcasting to Experiential Cloud crowdcasting, the Company created a differentiation model in the industry, focusing on intelligent control, multi-screen interaction, active service, and massive health. Hot scenarios such as intelligent air washing, mother-baby scenario, and 56°C sterilization air conditioner have emerged.

3. Building eco brands such as the Internet of Clothing, the Internet of Food and the Internet of Air, to explore smart new ecology business model. (1) The Internet of Clothing of Haier and the head resource brand in the laundry detergent market jointly created the first ink-cartridge washing machine of Haier. The ink-cartridge washing ecological protection scheme

has been recognized by users for its leading technology and convenient service experience, such as super stain removal power, accurate self-delivery and intelligent reminder of laundry detergent, and one-button purchase. In addition, the Company, through cooperation with shoe & boot cleaning service resources, sports goods chain brands and shoe & boot brands, created a full-scenario experience of washing, care, storage and customization of shoes & boots. In April 2020, the Company drew up and issued the standards of the *Shoe Cabinet with Disinfection and Networking Functions* upon authorization of the China Association for Standardization. During the COVID-19 outbreak, the home full-scenario epidemic prevention solution of the Internet of Clothing provided users with a one-stop health protection solution from returning home → staying at home → traveling scenario. The Internet of Clothing covered 15 industries, involved more than 5,300 resource parties, including more than 2,100 parties of clothing, more than 1,000 parties of home textile, over 70 parties of shoes, over 50 parties of wash supplies, reached a year-on-year increase in IoT ecosystem revenue of 57%. (2) Haier's Internet of Food provided users with a service experience of "eating in smart home". Together with nearly 1,000 resource providers in 12 categories (food, logistics, kitchen appliance, cooking utensils, cabinets, kitchen peripherals, home decoration, association, education training, audio and video entertainment, IT technology, media, etc.), the Company built a management platform of ecological recipes via the Internet of Food to realize the creation, query and accuracy tagging of smart recipes and graphic recipes, and constantly improved the logic of recipe recommendation algorithm, so as to provide users with the whole-process scenario experience in the smart kitchen. (3) According to people's activity traces, the Internet of Air of Haier created three ecosystems, namely smart home ecology, campus ecology and travel ecology, from family to campus or to public space, covering 12 industries, including home furnishing, furniture, sterilization, hotel, mobile travel, finance, education and apartment, to jointly build the Internet of Things air eco brand. During the COVID-19 outbreak, through cloud upgrading, the Company created hot scenarios such as smart sterilization, air sterilization, and comfortable sleep, and led the release of the *Technical Specification for Evaluation of Smart Home Service Platform Based on Big Data - Smart Bedroom*, to fill in the industry gap.

(V) Smart manufacturing: Smart factory continue to lead the transition from mass manufacturing to mass customization through IOT and AI technologies

During the reporting period, the Company continued to promote the transformation and upgrading from mass manufacturing to mass customization in a use-oriented way and, through building the smart factory and "lighthouse factory", achieved the interconnection and intelligent optimization of its ecosystem. As of June 2020, the Company has built 22 smart factories, with large-scale customization system centered on users in the IoT era, and forming the world's leading benchmark of high-end manufacturing.

Through data-based simulation modeling verification, efficient production collaboration and precise quality control, more scenario-based and intelligent IoT products, intelligent combination solutions and AI technology applications, the Company's intelligent 5G smart factory effectively optimized the productivity in production efficiency, manufacturing cost and non-warehousing rate and to achieve the "self-perception" of full-process information, "self-decision" of full-factor events

and “self-iteration” of full-cycle scenarios, and strengthen the competitiveness of smart manufacturing.

The exploration and practice of intelligent manufacturing of the Company has been recognized by domestic and foreign authorities. ① In January 2020, Haier Shenyang Refrigerator Smart Factory was named a lighthouse factory by the World Economic Forum by deploying an extensible digital platform to realize end-to-end connection between enterprises and user resources and supplier resources. Since the first lighthouses were announced in 2018, five Chinese companies have been selected, including Haier, which has contributed two lighthouse factories to the world. ② In May 2020, Haier Sino-German Drum Washing Machine Smart Factory was selected as one of the first Chinese benchmark smart factories, which is the largest and most flexible eco-mass customization demonstration base of the Internet of Clothing in the world.

(VI) Sticking to *RenDanHeYi* Model and promoting organizational reform under ecosystem micro-community (EMC) self-driven mechanism

The EMC self-driven mechanism is the ability of the enterprise’s production and marketing nodes to continuously meet the changes of user’s need and to survive by realizing interconnection, synergy and iteration in a highly networked society with constantly changing supply and demand. It is the basic organizational mechanism guarantee for the Company to keep abreast of times and create a world-class Internet of Things model. EMC organization is an integration of “experience-oriented EMC” and “solution-oriented EMC”. The “experience-oriented EMC” is a community and touch point that directly interacts with users. It constantly interacts with users to obtain user needs in real time. The “solution-oriented EMC” refers to research, development and other nodes, which provides continuously iterative scenario solutions by connecting the resources of all parties. Under the same goal, the “experience-oriented EMC” and “solution-oriented EMC” merge and compromise each other to form a self-driven ecosystem that jointly meets the user’s needs. EMC organizations can achieve self-sustainability based on the continuous segmentation of user groups and can also spontaneously emerge based on new market opportunities. It undertakes market-leading goals to ensure continuous iteration of user experience. This self-organization and self-driven of EMC can realize the self-adaptation that can meet the needs of different users. Such self-adaptive non-linear network enables zero-distance integration between the EMC and users and continuously improves transaction efficiency.

II. Major operations during the reporting period

(I) Analysis of principal business

1 Table of movement analysis on the related items in financial statement

Unit and Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating revenue	95,728,097,106.65	100,023,464,237.90	-4.29
Operating cost	68,934,592,121.68	70,999,483,630.77	-2.91
Selling expenses	14,526,912,493.29	14,777,899,222.91	-1.70
Administrative expenses	4,608,308,707.03	4,536,101,362.72	1.59
Financial expenses	701,520,565.00	504,775,596.12	38.98

R&D expenses	2,939,733,549.14	2,797,067,620.86	5.10
Net cash flow generated from operating activities	-542,919,257.40	3,619,808,314.60	-115.00
Net cash flow generated from investing activities	-2,061,783,383.42	-7,858,425,144.60	73.76
Net cash flow generated from financing activities	10,579,538,929.35	888,769,226.44	1,090.36
Taxes and surcharges	275,190,778.54	406,052,828.55	-32.23
Gains from change in fair value	-30,987,103.15	57,409,956.80	-153.98
Loss on credit impairment	-108,905,504.07	37,775,605.39	-388.30
Loss on assets impairment	-609,748,132.69	-257,747,905.20	-136.57
Gains from disposal of assets	-14,442,406.46	12,706,682.87	-213.66
Non-operating income	68,886,689.07	272,606,469.33	-74.73
Non-operating expenses	55,470,756.55	114,506,708.29	-51.56
Income tax expense	661,226,873.34	1,056,104,931.20	-37.39

Reasons analysis of changes in indicators that change significantly:

- 1) Taxes and surcharges decreased by 32.23% compared to the corresponding period, which mainly resulted from the change in VAT rate, which has been reduced from 16% to 13% since 1 April 2019;
- 2) Financial expenses increased by 38.98% compared to the corresponding period, which mainly resulted from an increase in exchange loss due to the fluctuation in foreign exchange rate in the current period;
- 3) Gains and losses from change in fair value decreased by 153.98% compared to the corresponding period, which mainly resulted from a decrease in fair value of the forward foreign exchange trading in the current period compared to the corresponding period;
- 4) Loss on credit impairment increased by 388.30% compared to the corresponding period, which mainly resulted from an increase in the bad debt losses of receivables in the current period;
- 5) Loss on assets impairment increased by 136.57% compared to the corresponding period, which mainly resulted from an increase in the losses of provision for impairment of inventory in the current period;
- 6) Gains from disposal of assets decreased by 213.66% compared to the corresponding period, which mainly resulted from the recognised non-current asset disposal loss in the current period;
- 7) Non-operating income decreased by 74.73% compared to the corresponding period, which mainly resulted from a decrease in penalty income in the current period compared to the corresponding period;
- 8) Non-operating expenses decreased by 51.56% compared to the corresponding period, which mainly resulted from a decrease in recognised one-off expenses in the current period;
- 9) Income tax expenses decreased by 37.39% compared to the corresponding period, which mainly resulted from a decrease in taxable income compared to the corresponding period;
- 10) Net cash flow generated from operating activities decreased by 115% compared to the corresponding period, which mainly resulted from a decrease in collections due to the epidemic;
- 11) Net cash flow generated from investing activities increased by 73.76% compared to the corresponding period, which mainly resulted from the expenses on acquisition of Candy and the purchase of wealth management products;

- 12) Net cash flow generated from financing activities increased by 1,090.36% compared to the corresponding period, which mainly resulted from the new borrowings due to the epidemic.

2 Others

(1) Detailed explanation on significant changes in the components of profit or sources of profit of the Company

☐Applicable ☒Not Applicable

(2) Others

☐Applicable ☒Not Applicable

(II) Explanations on the major changes in profits caused by non-principle businesses

☐Applicable ☒Not Applicable

(III) Analysis of assets and liabilities

☒Applicable ☐Not Applicable

1. Assets and liabilities

Unit: RMB

Items	Amount as at the end of the period	Percentage of amount at the end of the period over total assets (%)	Amount as at the end of the corresponding period of last year	Percentage of amount at the end of the corresponding period of last year over total assets (%)	Percentage of change in amount from the end of the corresponding period of last year to current period (%)	Explanations
Financial assets held for trading	2,400,484,812	1.21	308,135,007.1	0.16	679.04	Mainly due to an increase in short-term wealth management products
Derivative financial assets	66,466,125.17	0.03	19,158,132.45	0.01	246.93	Mainly due to an increase in forward foreign exchange trading contracts in the current period
Accounts receivable	17,000,438,423	8.58	11,015,871,060	5.88	54.33	Mainly due to the prolongation of payment terms of strategic partners and a decrease in

						factoring in the current period
Prepayments	1,720,348,361	0.87	1,272,921,547	0.68	35.15	Mainly due to an increase in prepayments of bulk materials
Other current assets	3,498,969,606	1.77	6,985,966,115	3.73	-49.91	Mainly due to a decrease in wealth management products measured at amortised cost
Other non-current financial assets	72,739,420.26	0.04	294,547,364.47	0.16	-75.30	Mainly due to the reclassification of wealth management to financial assets held for trading
Short-term borrowings	17,223,889,737	8.70	8,585,049,237	4.58	100.63	Mainly due to the supplement to the Company's working capital
Financial liabilities held for sale	17,825,470.87	0.01	42,799,173.35	0.02	-58.35	Mainly due to the expiry of forward lock-exchange instruments
Derivative financial liabilities	164,280,435.10	0.08	99,548,853.97	0.05	65.02	Mainly due to an increase in cash flow hedging-interest rate swap agreements

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

☐ Applicable ☒ Not Applicable

3. Other explanations

☐ Applicable ☒ Not Applicable

(IV) Analysis of investment

I. Overall analysis on external equity investment

☐ Applicable ☒ Not Applicable

(1) Significant equity investment☐Applicable ☒Not Applicable**(2) Significant non-equity investment**☐Applicable ☒Not Applicable**(3) Financial assets measured at fair value**☒Applicable ☐Not Applicable

Items	Initial investment cost	Source of funds	Current purchase / sale during the reporting period	Investment income during the reporting period	Changes in fair value during the reporting period
Bank of Communications (601328)	1,803,769.50	Self-owned			-681,126.00
BAILIAN (600827)	154,770.00	Self-owned			215,452.36
Eastsoft (300183)	18,713,562.84	Self-owned			
Wealth management products	2,386,230,789.60	Self-owned	1,911,500,000.00	38,862,584.39	2,809,431.16
Interest rate swap agreement		Self-owned			
Forward Commodity contract		Self-owned			1,797,308.30
Forward foreign Exchange contract		Self-owned		17,271,384.79	-15,054,736.65
Others	1,440,211,738.79	Self-owned	10,790,331.50	14,526,208.93	-135,836,558.75
Total	3,847,114,630.73		1,922,290,331.50	70,660,178.11	-146,750,229.58

Note: As of 30 June 2020, the aggregate balance of foreign exchange derivative transaction amounted to approximately US\$1.526 billion.

(V) Sale of material assets and equity☐Applicable ☒Not Applicable**(VI) Analysis on major subsidiaries and Investees**☒Applicable ☐Not Applicable

Unit and currency: RMB 0'000

Name of the company	Scope of business	Total assets	Net assets	Net profit
Haier Electronics Group Co., Ltd.	Production and sale of home appliances	4,794,276	2,915,765	140,744
Haier US APPLIANCE SOLUTIONS, INC.	Investment holding	5,285,194	2,406,548	107,230

Remark: The financial data of Haier Electronics Group Co., Ltd. is determined in accordance with the Chinese Accounting Standards and the accounting policies of the Company.

(VII) Structured entities controlled by the Company

☐ Applicable ☒ Not Applicable

III. Other disclosures**(I) Warning and explanation for any prediction of accumulated net loss from the beginning of the year to the end of the next reporting period or substantial change in accumulated net profit as compare to the same period last year**

☐ Applicable ☒ Not Applicable

(II) Potential risks

☒ Applicable ☐ Not Applicable

1. Risk of soft demand due to a slowdown in macro-economic growth. As white home appliance products fall into the category of durable consumer electronic products, the income level and expectation on future income growth will have an effect on the purchase of white home appliance. In the event of a slowdown in the macro economic growth, which will decrease the purchasing power of consumers, growth of the industry will be adversely affected. In addition, slow-down in the growth of the real estate market will have some negative effect on market demand, which will in turn have some indirect effect on terminal demands for home appliance products.

2. Price war risk caused by intensifying industry competition. The industry of white goods products has intense competition with a high homogeneity of products. In recent years, the industry has shown a trend of increasing concentration. In addition, the increase of industry inventory caused by imbalance between supply and demand in individual sub-industries may lead to price wars and other risks.

3. Risk of price fluctuation of raw materials. The Company's products and core components are mainly made of metal raw materials such as steel, aluminum and copper, as well as plastics, foaming materials and other bulk raw materials. The potential increase of prices of raw materials may pose a certain pressure on the Company's production and operation.

4. Operating risk in overseas market. With the stable development of business globalization, the Company has set up several production bases, research and development centers and marketing centers in a number of countries around the world, leading to the continuous rise of overseas business. As the overseas market is subject to the impact of local political and economic situation, legal system and supervisory system, significant changes of such factors would pose risks to the Company's operation locally. Under the influence of global trade protectionism, the emergence of a series of problems, such as superpower games, trade frictions, tariff barriers, foreign exchange fluctuations, together with the complexity of global politics and economy, will increase the international trade cost, labor cost and foreign exchange transaction cost, as well as the uncertainty of the Company's overseas operations.

5. Risk of fluctuation in foreign currency exchange rate. With the deepening of the Company's global layout, the import and export of the Company's products involve the exchange of foreign currencies such as US dollars, Euro and Japanese yen. If the exchange rate of relevant currencies fluctuates, the Company's financial situation may be influenced to some extent and its financial costs may increase.

6. Risk of policy changes. The industry of home appliances is closely related to the consumer goods market and real estate market. The changes in macroeconomic policy,

consumption investment policy, real estate policy and other relevant laws and regulations will influence distributor demands of products, and may influence sales of the Company's products.

7. Risk of the epidemic. The new novel coronavirus epidemic starting from late 2019 has brought impact on consumer demand and consumer demand for home appliances, which in turn will affect the Company's product sales.

(III) Other disclosures

☐Applicable ☒Not Applicable

SECTION V SIGNIFICANT EVENTS

I. Introduction to the general meeting of shareholders

Meeting	Date	Index for details of websites designated for publishing resolutions	Date of disclosure
2020 First Extraordinary General Meeting	31 March 2020	For details, please refer to the <i>Announcement on Resolutions Passed at the 2020 First Extraordinary General Meeting of Haier Smart Home Co., Ltd.</i> (L2020-010) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers	1 April 2020
2019 Annual General Meeting	3 June 2020	For details, please refer to the <i>Announcement on Resolutions Passed at the 2019 Annual General Meeting of Haier Smart Home Co., Ltd.</i> (L2020-029) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers	4 June 2020

Explanation of Shareholders' general meeting

√Applicable □Not Applicable

(1) The 2020 First Extraordinary General Meeting of the Company was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC, in the afternoon on 31 March 2020, considering the amendment of articles of association of the Company and other relevant resolutions. The Company's share capital in aggregate amounted to 6,579,566,627 shares. 314 shareholders and proxies attended the meeting, holding a total of 3,718,197,212 shares, representing 56.51% of the total number of shares of the Company with voting rights. The Directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the meeting. The 2020 First Extraordinary General Meeting was convened by the Board of the Company and Chairman Mr. Liang Haishan, presided over the meeting. The Company had 9 Directors, of whom 1 Director attended the meeting (Directors Tan Lixia, Li Huagang, Wu Changqi, Yan Yan, Lin Sui, Qian Daqun, Dai Deming and Shi Tiantao were unable to attend the meeting due to personal engagement); the Company had 3 supervisors, all of whom attended the meeting. The secretary to the Board of the Company attended the meeting and other members of senior management of the Company were invited to attend the meeting.

(2) The 2019 Annual General Meeting of the Company was held by way of on-site voting and network voting by poll at Room B101, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC, in the afternoon on 3 June 2020, considering the annual report of the Company and other relevant resolutions. The Company's share capital in aggregate amounted to 6,579,566,627 shares. 517 shareholders and proxies attended the meeting, holding a total of 4,144,404,424 shares, representing 62.99% of the total number of shares of the Company with voting rights. The Directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the meeting. The General Meeting was convened

by the Board of the Company and Chairman Mr. Liang Haishan, presided over the meeting. The Company had 9 Directors, of whom 4 Directors attended the meeting (Directors Shi Tiantao, Qian Daqun, Wu Changqi, Lin Sui and Yan Yan were unable to attend the meeting due to personal engagement); the Company had 3 supervisors, all of whom attended the meeting. The secretary to the Board of the Company attended the meeting and other members of senior management of the Company were invited to attend the meeting.

II. Proposal of profit distribution or capitalization of capital reserve

(I) Proposal for interim profit distribution and proposal for reverse conversion into share capital

Whether distributed or converted	No
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III. Performance on undertakings

(I) The undertakings made by the ultimate controllers, 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 and term of undertakings	Any deadline for performance	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 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 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 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	27 September 2006, long-term	Yes	Yes

			suffer loss due to the unavailability of such land and property.			
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 <i>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</i> (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, long-term	Yes	Yes

	Eliminate the right defects in land property etc.	Haier Smart Home Co., Ltd.	The Company undertakes that it will eliminate the property defects of the Company and main subsidiaries within five years with reasonable business effort since 24 December 2013, to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the <i>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</i> (L2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014. During the aforesaid period, the Company has formulated relevant performance guarantee measures, including the re-application by the Company and its main subsidiaries to the competent government department for the property ownership certificate and to procure Haier Group Corporation to make guarantee undertakings in respect of the defective property owned by it and its subsidiaries. As of the expiration date, the Company has resolved the property defects of itself and its eight major subsidiaries, while that of the other remaining five major subsidiaries is in process. The Company will make reasonable business efforts to resolve the property defects of these five major subsidiaries. Because of historical issues and other reasons, the approval procedure involved in solving some defective property problems is complicated, including that of multiple government departments, and it takes a long time to handle and coordinate related matters. Due to the above external factors, the Company was unable to complete the above undertakings within the original undertaking period. Therefore, after the approval of the board meeting held by the Company on 5 November 2018 and the general meeting held on 21 December 2018, the term of the above undertakings was extended for three years based on the original deadline.	24 December 2013, eight years	Yes	Yes
Other	Asset	Haier	Inject the assets of Haier Photoelectric to the Company or dispose such assets through other ways according to the requirements of the	December 2015 to	Yes	Yes

undertakings	injection	Group Corporation	domestic supervision before June 2025. For more details, please refer to the <i>Announcement of Haier Smart Home Co., Ltd. on the Changes of Some Commitments on Asset Injection</i> (L2020-024) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 30 April 2020.	June 2025		
Other undertakings	Profit forecast and compensation	Haier Electric Appliances International Co., Ltd.	In August 2018, Guanmei (Shanghai) Enterprise Management Company Limited (贯美(上海)企业管理有限公司) (hereinafter referred to as “Guanmei”), an indirect holding subsidiary of the Company replaced the 55% equity interests of Bingji (Shanghai) Enterprise Management Company Limited (冰戟(上海)企业管理有限公司) held by it with the 51% equity interests of Qingdao HSW Water Appliance Co., Ltd. (hereinafter referred to as “Water Appliance”) held by Haier Electric Appliances International Co., Ltd. (hereinafter referred to as “Haier International”). In this regard, Haier International promises that the cumulative actual net profit recorded by the Water Appliance in the three accounting years during the profit compensation period shall not be less than its cumulative forecasted net profit in the corresponding year, otherwise Haier International shall compensate Guanmei’s results according to the <i>Assets Replacement Agreement</i> . Details are set out in the <i>Announcement on the Equity Replacement and Related-Party Transactions to Be Conducted by the Holding Subsidiary of Qingdao Haier Co., Ltd. and Haier Electronics International Co., Ltd.</i> (L2018-047) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 31 August 2018.	As of 30 April 2021	Yes	Yes

IV. Appointment and dismissal of accounting firm

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 the Company on the “non-standard audit report” issued by the accounting firm

☐Applicable ☒Not Applicable

Explanation of the Company on the “non-standard audit report” issued by the certified public accountants as set out in the financial report in the annual report last year

☐Applicable ☒Not Applicable

V. Matters relating to bankruptcy and restructuring

☐Applicable ☒Not Applicable

VI. Material litigation and arbitration matters

☐Material litigation and arbitration matter during the reporting period ☒No material litigation and arbitration matters during the reporting period

VII. Punishment and correction on the listed company and its directors, supervisors, senior management, controlling shareholders, ultimate controllers and acquirers and the issue of rectification

☐Applicable ☒Not applicable

VIII. Explanation of the integrity status of the Company and its controlling shareholders and ultimate controller during the reporting period

☐Applicable ☒Not applicable

IX. The Company's share option incentive scheme, employee shareholding scheme or other employee incentive measures and its influence

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

☐ Applicable ☒ Not applicable

(II) Share incentives not disclosed in temporary announcements or with subsequent progress

Share Option Incentive

☐ Applicable ☒ Not applicable

Other explanations

☐ Applicable ☒ Not applicable

Employee stock ownership plan (ESOP)

☒ Applicable ☐ Not applicable

Extension of the Phase II ESOPs: As some shares under the *Phase II ESOPs of Qingdao Haier Co., Ltd. (Draft)* (hereinafter referred to as “Phase II ESOPs”) remain unallocated, there are still 1,854,568 shares in the asset management account of the Phase II ESOPs. According to the original arrangement, the Phase II ESOPs would expire on 27 March 2020. Under the Phase II ESOPs, the validity period of the Phase ESOPs may be extended upon consideration by a Board meeting after expiry of the validity period. Therefore, with the confidence in the future continuous development of the Company and the judgment on the Company’s stock value, Haier Smart Home convened the 6th meeting of the Tenth session of the Board of Directors on 14 February 2020, which resolved to extend the validity period (from registration of underlying shares to the Phase II ESOPs (28 March 2017)) of Phase II ESOPs from “not more than 36 months” to “not more than 60 months”. After the change of the validity period, no lock-up period would be reset on the Phase II ESOPs. The meeting of the Board of Supervisors held on the same day also considered and passed the above matters, at which independent directors provided affirmative independent opinions.

Other incentive measures

☐ Applicable ☒ Not applicable

X. 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

The Company made a forecast on the related-party transaction matters of the Company for the year of 2020 at the 7th meeting of the Tenth session of the Board of Directors held on 29 April 2020. For details, please refer to the *Announcement of Haier Smart Home Co., Ltd. regarding the Anticipation on the Daily Related-party Transactions for 2020* and relevant announcement on the resolutions of the Board disclosed on 30 April 2020.

For the actual implementation of the Company's related-party transaction in the first half of 2020, 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. Matters 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 not disclosed in temporary announcements

☐ Applicable ☒ Not applicable

(V) Other significant related-party transactions

☐ Applicable ☒ Not applicable

(VI) Others

☐ Applicable ☒ Not applicable

XI. Significant contracts and their execution

1 Trusteeship, contracting and leasing

☐ Applicable ☒ Not applicable

2 Guarantee

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

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 (date of agreement)	Comment date of guarantee	Expiry date of guarantee	Type of guarantee	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 guarantee or not	Relationship
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							4,309,759						
Total balance of guarantees for subsidiaries at the end of the reporting period (B)							3,634,867						
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)													
Total amount of guarantee (A + B)							3,634,867						
Ratio of total amount of guarantees to net assets of the Company (%)							75.21						
Including:													
Amount of guarantees for shareholders, ultimate controllers and their related parties (C)							0						
Amount of debt guarantees provided directly or indirectly for the							2,369,621						

secured party with asset-liability ratio exceeding 70% (D)	
The amount of total amount of guarantee in excess of 50% of net assets (E)	1,218,346
Total amount of the above three guarantees (C + D + E)	3,587,967
Explanation of possibly bearing related discharge duty for premature guarantees	None
Explanation of guarantee status	The total amount of the aforementioned guarantees consists of two parts: 1. In 2016, the Company acquired the assets of GEA at a total consideration of USD 5.61 billion, which was sourced from self-owned funds and loan for merger, of which, the loan for merger in the amount of USD 3.3 billion was applied for by Haier US Appliance Solutions, Inc., a wholly-owned subsidiary of the Company, to China Development Bank Co., Ltd. The loan was fully secured by the Company and Haier Group Corporation. The balance of the guarantee amounted to approximately RMB4.984 billion as at the end of the reporting period. The provision of guarantee had been considered and approved by the Board and the general meeting of shareholders of the Company; 2. In June 2020, the resolution on the Expected Provision of Guarantee for subsidiaries in 2020 was reviewed and passed on the 2019 Annual General Meeting of the Company, according to which, the Company had provided guarantee in respect of the application for comprehensive facility made by certain subsidiaries to financial institutions. During the reporting period, the accumulated amount of guarantee offered by the Company to subsidiaries was approximately RMB33.775 billion. As of the end of the reporting period, the balance guaranteed was RMB31.364 billion.

3 Other major contracts

☐Applicable ☒Not Applicable

XII. Information on poverty alleviation of the listed companies

☒Applicable ☐Not Applicable

1. Targeted measures in poverty alleviation plan

☒Applicable ☐Not Applicable

In accordance with the national plan for targeted measures in poverty alleviation and the requirements set out in relevant documents, the Company places great emphasis on poverty alleviation, and carries out initiatives of targeted measures in poverty alleviation within the scope as authorized by the general meetings on related matters (such as donation).

Since the outbreak of the COVID-19, the Company has taken immediate action in active response to the front-line fight against the epidemic. Capitalizing on its global layout, the Company has continuously made multiple donations in funds, medical equipment, epidemic prevention materials, IoT appliances and green logistics channels, etc. to actively and comprehensively support the epidemic areas in fighting the epidemic.

In addition, over the years, the Company has been devoted to education undertakings and making significant contributions, with a view to targeting the weakest area of education and to blocking the transmission of poverty between generations through focused efforts in raising the basic cultural quality in poverty and the skill levels of labor force from poor families. Up to now, the Company and the Haier Group Corporation (its ultimate controller) and its subsidiaries (referred to as the “Haier Group”) have accumulatively built over 300 hope primary schools and hope middle schools, covering 26 provinces, municipalities directly under the central government and autonomous regions in China, and continuously provided the above-mentioned schools with support in materials and other respects in each year. These initiatives have effectively enhanced the basic educational capabilities in poverty-stricken areas and improved the quality of education; at the same time, the Company has continued to provide partner assistance in poverty alleviation through agricultural development, poverty alleviation through improvement of the health of farmers and other aspects in support of rural construction, contributing to the construction of beautiful villages. During the reporting period, the Company provided financial and other support to Qiongkuerkeshilake Village and Xiaheyadi Village in Xinjiang.

2. Summary of targeted measures in poverty alleviation during the reporting period

√Applicable □Not Applicable

In the first half of 2020, the Company's expenditures on targeted measures in poverty alleviation was approximately RMB23.45 million, which was mainly utilized in supporting disaster areas to fight against the epidemic as well as poverty alleviation through agricultural development, and poverty alleviation through improvement of the health of farmers, as part of its initiatives in response to the government and the performance of its social responsibilities.

3. Results of targeted measures in poverty alleviation

√Applicable □Not Applicable

Unit and Currency: RMB0'000

Indicator	Amount and the status
I. General information	
Including: 1. Fund	2,344.61
II. Breakdown of the use of funds	
1. Poverty alleviation through education	
Including: 1.1 Amount invested in helping	1.1

poor students	
2. Poverty alleviation through health enhancement	
Including: 2.1 Amount invested in medical and health resources in poverty areas	18.5
3. Basic guarantees	
3.1 Amount invested in helping people with disabilities who are living in poverty	7.1
4. Poverty alleviation in the society	
4.1 Contributed amount in targeted poverty alleviation works	4.0
4.2 Charity funds for poverty alleviation	2,299.9

4. Phased progress in performing social responsibilities of targeted poverty alleviation

☒Applicable ☐Not Applicable

In the first half of 2020, the Company's poverty alleviation work was focused on promoting anti-epidemic work in the society and the Company. After the outbreak of COVID-19, the Company took prompt actions to help the disaster areas tide over difficulties. The Company donated RMB13 million in cash to support Hubei and other badly stricken areas in building hospitals and purchasing emergency medical supplies, as well as home appliances and epidemic prevention supplies worth over RMB ten million. The Company urged branches in the US, Japan, Russia, France, India, Thailand, Malaysia, Indonesia, Nigeria and other countries to pool and donate epidemic prevention materials to relieve the epidemic areas from shortage of epidemic prevention materials. Meanwhile, Haier Wuhan Branch immediately set up an "Anti-epidemic Task Force" to deliver materials and install home appliances such as air-conditioners and water heaters for Wuhan Huoshenshan Hospital, Leishenshan Hospital, Tongji Hospital and Union Hospital, so as to support the anti-epidemic frontline.

5. Subsequent targeted measures in poverty alleviation plans

☒Applicable ☐Not Applicable

In the second half of the year, the Company will make concerted efforts with Haier Group and continue to implement the proposition of the documents issued by the central government in respect of poverty alleviation, consolidate its achievements in fight against the epidemic, and continue to provide materials and services for the epidemic areas, contributing to the nationwide campaign against the epidemic; and continue to dedicate to improve the education in poverty-stricken areas, promote the revitalization of rural talents, show care for children's physical and mental health and other initiatives, and will perform our social responsibilities in a proactive manner.

XIII. Convertible corporation bonds

☐Applicable ☒Not Applicable

XIV.Environmental Information

(I) 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

Innovation drive and green development are the development goals of modern manufacturing. The Company continues to promote green development, actively promote green consumption, enhance the application of energy-saving technologies, and integrate low carbon, cycling, energy saving and emission reduction into all aspects of enterprise development. Besides, the Company also continues to promote technological innovation, research and develop the products integrating smart IoT and green development to strive to increase the green of products at full life span, extend the green supply chain, lead innovation, green, interaction and win-win of the industry, and contribute to the national green development.

1. Information on pollutant discharge

☒Applicable ☐Not Applicable

Qingdao Economy and Technology Development Zone Haier Energy & Power Co., Ltd. (hereinafter referred to as “Development Zone Energy”), a subsidiary indirectly held by the Company, is one of the critical pollutant dischargers announced by the environmental protection department.

The Development Zone Energy, a non-production unit, is mainly responsible for unified wastewater treatment for all the production units in the Development Zone. The main information on pollutant discharge is as follows:

① Main pollutants:

Wastewater. According to the *Technical Specification for Application and Issuance of Pollutant Permit - Wastewater Treatment (for Trial)* (HJ 978-2018), Development Zone Energy should apply for a pollutant discharge permit and detect 17 types of pollutants (including specific pollutants), namely, total cadmium, total chromium, total mercury, total lead, total arsenic, hexavalent chromium, COD, ammonia nitrogen, total phosphorus, total nitrogen, PH, suspended solids, chroma, petroleum, BOD, rate of flow and temperature.

② Way of discharge: indirect discharge

③ Number and distribution of discharge outlets: one, on the southeast of the wastewater treatment plant, pipeline discharge

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	36.58 mg/L	9.62 tons	159.83 tons	No
2	Ammonia nitrogen	5.34 mg/L	1.37 tons	14.38 tons	No
3	Total phosphorus	0.18mg/L	0.04 ton	2.55 tons	No
4	Total nitrogen	7.98 mg/L	1.99 tons	22.37 tons	No

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

2. Construction and operation of pollution control facility

☒Applicable ☐Not Applicable

The Development Zone Energy has a wastewater treatment station with a designed processing capacity of 1,200 tons each day. The construction, maintenance and daily operations of the wastewater treatment facilities are performed in accordance with national and local environmental laws and regulations. All discharged wastewater data are monitored online during 24 hours. The monitoring data is transmitted in real time with the environmental protection department and all equipment works well.

3. Evaluation of the effect of construction projects on the environment and other environmental administration license

☒Applicable ☐Not Applicable

The Company and its subsidiaries perform the implementation and production of construction projects according to the laws and regulations. The Company performs environmental impact evaluation procedures in strict accordance with the Three Simultaneous system for environmental protection of construction projects which have been approved in the environmental impact assessment. There are no environmental violations such as having constructions without approval.

4. Emergency plan for environmental emergencies

☒Applicable ☐Not Applicable

The Emergency Plan for Environmental Emergencies is developed according to the laws and regulations by the Company and its subsidiaries. Drills have been organized. The Plan is continuously optimized and upgraded according to the drill results.

5. Environmental self-monitoring plan

☒Applicable ☐Not Applicable

All pollutant discharges of the Company comply with national and local environmental standards. The sewage is discharged after being collected and treated, and is monitored in real time through the automatic online sewage monitoring system. The data is connected to the Haier Smart Energy System. In May 2020, the Company entrusted a professional third-party certification body to carry out audit on renewal of ISO14001 environmental management system certification and passed it successfully.

6. Other environmental information to be disclosed

☐Applicable ☒Not Applicable

(II) Statement on environmental protection information of the companies not on the list of critical pollutant dischargers

☒Applicable ☐Not Applicable

All units of the Company perform the implementation and production of construction projects according to the requirements of laws and regulations. We complete environmental impact evaluation procedures in strict accordance with the Three Simultaneous system for environmental protection of construction projects. They have been approved in the environmental impact assessment. There are no environmental violations such as construction without approval.

The Company has established Haier Smart Energy Center, an industry-leading energy big data analysis system. It uses automation, information technology and centralized management mode to implement centralized dynamic monitoring and digital management of main energy consumption such as water, electricity and gas in all factories across the country; automatically and accurately collects energy data, and completes the prediction and analysis of energy consumption data, optimizes energy deployment and reduce the energy consumption of single product production, thus truly achieving low-carbon production.

(III) Statement on reasons for non-disclosure of environmental information by the companies not on the list of critical pollutant dischargers

☐Applicable ☒Not Applicable

(IV) Statement on subsequent progress or changes in the environmental information disclosed during the reporting period

☒Applicable ☐Not Applicable

The Company will continue to maintain and keep optimizing existing results and allows up-to-standard discharge in strict accordance with existing environmental discharge and emission standards.

XV. Statement on Other Significant Events

(I) Comparing with the last accounting period, information and reasons for the changes in accounting policies, accounting estimation and accounting method, and their impacts

☐Applicable ☒Not Applicable

(II) Information, the corrected amount, reasons and impacts for retrospective restatement to correct major accounting errors during the reporting period

☐Applicable ☒Not Applicable

(III) Others

☒Applicable ☐Not Applicable

(1) Entrusted wealth management: By the end of the reporting period, the balance of the Company's entrusted wealth management amounted to RMB2.985 billion, including three parts: ① **Temporarily-idle fundraising wealth management:** at the end of December 2018, the Company's proceeds for the issuance of convertible corporate bonds were fully landed. In order to improve the yield of temporarily-idle funds, the Company intended to carry out cash management with the amounts not exceeding RMB700 million after being approved by the Board of Directors. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB583 million; ② **Wealth management of the Company's Hong Kong listed subsidiary:** Haier Electronics Group Co., Ltd. (hereinafter referred to as "HEG", stock code: 01169.HK), the holding subsidiary of the Company, has purchased some short-term principal-protected wealth management and structural deposits from large commercial banks as an independently operating Hong Kong listed company in order to increase the efficiency of the use of idle funds within the authorities of the management and on the premise of safeguarding funds security. In the purchase process, all the necessary board reports were subject to the procedures such as filling and

management's review according to the regulations and requirements for Hong Kong listed company, so as to ensure sufficient funds for the day-to-day operations of the main business and improve the shareholders' returns. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB2.389 billion. ③ **Temporarily-idle funds wealth management by certain subsidiaries of the Company:** In order to improve the yield of temporarily-idle funds, some subsidiaries of the Company use temporarily-idle funds for cash management within the authority of the general manager's office meeting. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB13 million.

(4) **The progress of privatisation of HEG:** On 12 December 2019, the Company announced the preliminary discussion on the implementation of H-share listing and privatisation of HEG. On 30 July 2020, the Board of Directors of the Company approved related proposals and disclosed the *Report on Acquisition of Material Assets and Related-Party Transaction of Haier Smart Home Co., Ltd. (Draft)* and relevant documents. Up to now, the Company has been continuing to push forward the progress of relating matters and will continue to disclose related advances in accordance with related requirements.

SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS

I. Changes in share capital

(I) Table of Changes in shares

1. Table of Changes in shares

During the reporting period, there was no change in the total number of shares and shareholding structure of the Company.

2. Statement on the changes in shares

☐Applicable ☒Not Applicable

3. Effect of changes in shares on the financial indicators such as earnings per share and net assets per share (if any) after the reporting period to the disclosure date of interim report

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

(II) Changes in shares with selling restrictions

☐Applicable ☒Not Applicable

II. Information on shareholders

(I) Total number of shareholders:

Total number of ordinary shareholders by the end of the reporting period	161,351
Total numbers of preferential shareholders with restoration of voting rights by the end of the reporting period	0

(II) Table of shareholdings of top ten shareholders, top ten shareholders of tradable shares (or shares without selling restrictions) by the end of the reporting period

Unit: share

Shareholdings of top ten shareholders							
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 or frozen		Nature of shareholder
					Status	Number	
Haier Electric Appliances International Co., Ltd.		1,258,684,824	19.13		Nil		Domestic non-state-owned legal entity
Haier Group Corporation		1,072,610,764	16.30		Nil		Domestic non-state-owned legal entity
Hong Kong Securities Clearing Co., Ltd.		706,010,686	10.73		Unknown		Foreign legal entity
China Securities Finance Corporation Limited		182,592,697	2.78		Unknown		State-owned legal entity
Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司)		172,252,560	2.62		Nil		Domestic non-state-owned legal entity
GIC PRIVATE LIMITED		130,035,316	1.98		Unknown		Foreign legal entity
CLEARSTREAM BANKING S.A. (Note)		91,211,350	1.39		Unknown		Foreign legal entity
National social security fund, Portfolio 113		82,917,383	1.26		Unknown		Unknown
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)		73,011,000	1.11		Nil		Domestic non-state-owned legal entity

Central Huijin Asset Management Ltd.		69,539,900	1.06		Unknown		State-owned legal entity
Shareholdings of top ten shareholders without selling restrictions							
Name of shareholder	Number of tradable shares held without selling restrictions	Class and number of shares		Class	Number		
Haier Electric Appliances International Co., Ltd.	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.	706,010,686	RMB ordinary	706,010,686				
China Securities Finance Corporation Limited	182,592,697	RMB ordinary	182,592,697				
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				
GIC PRIVATE LIMITED	130,035,316	RMB ordinary	130,035,316				
CLEARSTREAM BANKING S.A. (Note)	91,211,350	Overseas listed foreign shares	91,211,350				
National social security fund, Portfolio 113	82,917,383	RMB ordinary	82,917,383				
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	73,011,000	RMB ordinary	73,011,000				
Central Huijin Asset Management Ltd.	69,539,900	RMB ordinary	69,539,900				
Related parties or parties acting in concert among the aforesaid shareholders	(1) Haier Electric Appliances International Co., Ltd. is a holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司) and Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) 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: (1) This account is the Deutsche Bank collection account for the Company's D shares, which is the original data provided by the Clearstream Bank Collection Account to the Company after the merger according to local market practices and technical settings, not representing the ultimate shareholder. (2)

57,142,857 shares in this account are held by Haier International Co., Limited, the concerted actor of the Company's ultimate controller Haier Group Corporation, accounting for 0.87% of the Company's total share capital.

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

III. Changes in controlling shareholder and the ultimate controller

☐ Applicable ☒ Not Applicable

SECTION VII RELEVANT INFORMATION OF PREFERRED SHARES

☐ Applicable ☒ Not Applicable

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

I. Changes of Shareholding

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

☐ Applicable ☒ Not Applicable

Other explanations

☐ Applicable ☒ Not Applicable

(II) Incentive share option granted to directors, supervisors and senior management during the reporting period

☐ Applicable ☒ Not Applicable

II. Changes in directors, supervisors and senior management of the Company

☒ Applicable ☐ Not Applicable

Name	Position	Changes
Shi Tiantao	Independent director	Designation upon expiration
Wang Keqin	Independent director	Election

Explanations on the change in directors, supervisors and senior management of the Company

☒ Applicable ☐ Not Applicable

During the reporting period, Mr. Shi Tiantao, an independent director of the Company, left his post upon expiration of his term of office. After deliberation and approval by the general meeting, Mr. Wang Keqin was nominated as the new independent director of the Company, and his term of office was the same as that of the Tenth session of Board of Directors of the Company.

III. Other explanations

☐ Applicable ☒ Not Applicable

SECTION IX RELEVANT INFORMATION OF CORPORATE

BONDS

☐ Applicable ☒ Not Applicable

SECTION X RESPONSIBILITY STATEMENT

‘As the executive director of the Board of Haier Smart Home Co., Ltd, we hereby confirms 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, 29 Aug 2020

The Board of Haier Smart Home Co., Ltd

Liang Haishan _____

Tan Lixia _____

Li Huagang _____

Wu Changqi _____

Lin Sui _____

Yan Yan _____

SECTION XI FINANCIAL REPORT

I. Audit report

☐ Applicable ☒ Not Applicable

II. Financial statements

Consolidated Balance Sheet

30 June 2020

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	30 June 2020	31 December 2019
Current assets:			
Monetary funds	VII. 1	44,112,940,130.82	36,178,815,683.25
Provision of settlement fund			
Funds lent			
Financial assets held for trading	VII. 2	2,400,484,812.34	308,135,007.05
Derivative financial assets	VII. 3	66,466,125.17	19,158,132.45
Bills receivable	VII. 4	13,176,349,200.41	13,951,419,893.96
Accounts receivable	VII. 5	17,000,438,423.14	11,015,871,060.09
Financing receivables			
Prepayments	VII. 6	1,720,348,360.69	1,272,921,546.72
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VII. 7	1,933,305,471.43	2,163,517,802.50
Financial assets purchased under resale agreements			
Inventories	VII. 8	25,281,752,105.06	28,228,600,971.61
Contract assets	VII. 9	470,929,672.21	422,738,398.42
Assets held for sale			
Non-current assets due in one year			
Other current assets	VII. 10	3,498,969,605.83	6,985,966,115.46
Total current assets		109,661,983,907.10	100,547,144,611.51
Non-current assets:			

Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables		317,806,792.51	307,588,203.00
Long-term equity investments	VII. 11	20,934,594,095.74	20,460,763,915.68
Investments in other equity instruments	VII. 12	1,270,543,648.96	1,395,959,878.92
Other non-current financial assets	VII. 13	72,739,420.26	294,547,364.47
Investment properties	VII. 14	30,844,577.15	29,402,691.38
Fixed assets	VII. 15	21,419,374,116.74	21,180,057,212.01
Construction in progress	VII. 16	2,938,851,804.25	2,391,364,659.97
Biological assets for production			
Oil and gas assets			
Right-of-use assets	VII. 17	2,975,445,961.32	2,755,066,601.59
Intangible assets	VII. 18	10,743,483,352.82	10,687,071,783.07
Development cost	VII. 19	216,254,816.09	193,285,777.10
Goodwill	VII. 20	24,140,784,341.49	23,351,729,813.35
Long-term prepaid expenses	VII. 21	426,073,900.57	437,586,912.58
Deferred income tax assets	VII. 22	1,432,333,930.84	1,578,901,892.73
Other non-current assets	VII. 23	1,461,663,204.40	1,843,764,965.81
Total non-current assets		88,380,793,963.14	86,907,091,671.66
Total assets		198,042,777,870.24	187,454,236,283.17
Current liabilities:			
Short-term borrowings	VII. 24	17,223,889,737.38	8,585,049,237.18
Borrowings from central bank			
Due to banks and other financial institutions			
Financial liabilities held for trading	VII. 25	17,825,470.87	42,799,173.35
Derivative financial liabilities	VII. 26	164,280,435.09	99,548,853.97
Bills payable	VII. 27	19,522,193,515.67	19,308,538,776.92
Accounts payable	VII. 28	29,649,104,954.11	33,750,567,046.28
Receipts in advance			
Contract liabilities	VII. 29	4,756,461,007.77	5,583,008,412.49
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's remuneration	VII. 30	2,837,357,250.92	3,155,572,417.30
Taxes payable	VII. 31	1,917,747,901.27	2,117,056,381.04
Other payables	VII. 32	18,154,358,442.12	15,156,392,521.82
Fees and commissions payable			
Reinsurance Accounts payables			
Liabilities held for sale			
Non-current liabilities due within one year	VII. 33	7,925,773,776.64	7,317,138,918.02
Other current liabilities	VII. 34	515,944,989.04	494,065,707.54
Total current liabilities		102,684,937,480.88	95,609,737,445.91
Non-current liabilities:			
Deposits for insurance contracts			
Long-term borrowings	VII. 35	14,716,070,114.06	13,276,452,935.56
Bonds payable	VII. 36	7,232,228,799.85	7,004,585,761.43
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VII. 37	2,215,066,141.93	1,980,271,767.35
Long-term payables	VII. 38	116,033,371.58	142,342,718.45
Long-term payables for staff's remuneration	VII. 39	1,120,685,891.42	1,122,350,237.36
Estimated liabilities	VII. 40	1,411,653,965.45	1,398,877,746.33
Deferred income	VII. 41	747,708,893.63	705,272,617.10
Deferred income tax liabilities	VII. 22	1,212,570,950.74	1,154,413,295.72
Other non-current liabilities	VII. 42	78,081,950.87	70,071,490.03
Total non-current liabilities		28,850,100,079.53	26,854,638,569.33
Total liabilities		131,535,037,560.41	122,464,376,015.24
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII. 43	6,579,566,627.00	6,579,566,627.00
Other equity instruments	VII. 44	431,424,524.07	431,424,524.07
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII. 45	4,787,092,806.14	4,435,890,845.47
Less: treasury stock			
Other comprehensive income	VII. 46	1,105,978,659.19	1,317,988,619.66
Special reserve			
Surplus reserve	VII. 47	2,655,327,405.46	2,655,327,405.46
General risk provisions			
Undistributed profits	VII. 48	32,771,011,657.53	32,468,121,744.26
Total equity attributable to owners (or shareholders) of the		48,330,401,679.39	47,888,319,765.92

Parent Company			
Minority shareholders' interests		18,177,338,630.44	17,101,540,502.01
Total owners' equity (or shareholders' equity)		66,507,740,309.83	64,989,860,267.93
Total liabilities and owners' equity (or shareholders' equity)		198,042,777,870.24	187,454,236,283.17

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Balance Sheet of the Parent Company

30 June 2020

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	30 June 2020	31 December 2019
Current Assets:			
Monetary funds		4,609,290,702.92	5,624,406,816.79
Financial assets held for trading			
Derivative financial assets			
Bills receivable		5,000,000.00	
Accounts receivable	XVIII. 1	5,604,386,498.20	1,182,234,481.49
Financing receivables			
Prepayments		1,509,874,027.01	30,749,459.11
Other receivables	XVIII. 2	3,134,888,436.32	5,885,752,905.74
Inventories		182,081,306.41	233,688,207.38
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		604,638,054.45	705,958,670.28
Total current assets		15,650,159,025.31	13,662,790,540.79
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity	XVIII. 3	36,526,235,885.10	35,566,480,370.20

investments			
Investments in other equity instruments		4,936,879.64	5,147,131.28
Other non-current financial assets			
Investment properties			
Fixed assets		167,481,627.77	180,807,176.98
Construction in progress		82,422,580.69	65,367,920.02
Biological assets for production			
Oil and gas assets			
Right-of-use assets		2,485,673.81	
Intangible assets		14,769,047.21	15,779,108.14
Development cost			
Goodwill			
Long-term prepaid expenses		4,633,466.62	5,405,209.80
Deferred income tax assets		102,602,840.34	97,384,845.46
Other non-current assets		16,402,236.00	3,792,624.04
Total non-current assets		36,921,970,237.18	35,940,164,385.92
Total assets		52,572,129,262.49	49,602,954,926.71
Current liabilities:			
Short-term borrowings		4,500,000,000.00	
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable			
Accounts payables		166,869,308.63	3,412,291,778.06
Receipts in advance			
Contract liabilities		14,218,302.12	16,562,259.31
Payables for staff's remuneration		49,020,254.00	76,513,196.33
Taxes payable		49,009,819.22	86,856,453.32
Other payables		30,766,612,619.71	26,900,844,668.74
Including: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		814,925.37	
Other current liabilities		3,205,084.56	2,149,745.37
Total current liabilities		35,549,750,313.61	30,495,218,101.13
Non-current liabilities:			
Long-term borrowings			

Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		851,678.50	
Long-term payable		20,000,000.00	20,000,000.00
Long-term payables for staff's remuneration			
Estimated liabilities			
Deferred income		56,050,000.00	59,820,000.00
Deferred income tax liabilities		44,874,977.96	43,325,120.18
Other non-current liabilities			
Total non-current liabilities		121,776,656.46	123,145,120.18
Total liabilities		35,671,526,970.07	30,618,363,221.31
Owners' equity (or Shareholders' equity):			
Paid-in capital (or share capital)		6,579,566,627.00	6,579,566,627.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		7,036,531,178.83	7,036,531,178.83
Less: treasury stock			
Other comprehensive income		3,961,350.45	11,077,477.45
Special reserve			
Surplus reserve		2,050,181,180.01	2,050,181,180.01
Undistributed profits		1,230,361,956.13	3,307,235,242.11
Total owners' equity (or shareholders' equity)		16,900,602,292.42	18,984,591,705.40
Total liabilities and owners' equity (or shareholders' equity)		52,572,129,262.49	49,602,954,926.71

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Profit Statement

January-June 2020

Unit and Currency: RMB

Items	Notes	2020 Interim	2019 Interim
I. Total operating revenue	VII. 49	95,728,097,106.65	100,023,464,237.90
Including: Operating revenue		95,728,097,106.65	100,023,464,237.90
Interest income			
Insurance premiums earned			
Fee and commission income			
II. Total cost of operations		91,986,258,214.68	94,021,380,261.93
Including: Operating cost	VII. 49	68,934,592,121.68	70,999,483,630.77
Interest expenses			
Fee and commission expenses			
Insurance withdrawal payment			
Net payment from indemnity			
Net provisions withdrew for insurance liability			
Insurance policy dividend paid			
Reinsurance cost			
Taxes and surcharges	VII. 50	275,190,778.54	406,052,828.55
Selling expenses	VII. 51	14,526,912,493.29	14,777,899,222.91
Administrative expenses	VII. 52	4,608,308,707.03	4,536,101,362.72
R&D expenses	VII. 53	2,939,733,549.14	2,797,067,620.86
Financial expenses	VII. 54	701,520,565.00	504,775,596.12
Including: Interest expenses		719,257,090.03	886,299,299.68
Interest income		219,622,316.65	258,697,380.60
Add: other income	VII. 55	525,289,255.43	473,929,407.12
investment income (losses are represented by “-”)	VII. 56	756,782,922.79	756,762,139.19
Including: Investment income of associates and joint ventures			
Income generated from the derecognition of financial assets measured at amortized cost (losses are represented by “-”)			
Exchange gain (losses are represented by “-”)			
Gains on net exposure hedges (losses are represented by “-”)			
Income from change in fair	VII. 57	-30,987,103.15	57,409,956.80

value (losses are represented by “-”)			
Loss on credit impairment (losses are represented by “-”)	VII. 58	-108,905,504.07	37,775,605.39
Loss on assets impairment (losses are represented by “-”)	VII. 59	- 609,748,132.69	- 257,747,905.20
Gain from disposal of assets (losses are represented by “-”)	VII. 60	-14,442,406.46	12,706,682.87
III. Operating profit (losses are represented by “-”)		4,259,827,923.82	7,082,919,862.14
Add: non-operating income	VII. 61	68,886,689.07	272,606,469.33
Less: non-operating expenses	VII. 62	55,470,756.55	114,506,708.29
IV. Total profit (total losses are represented by “-”)		4,273,243,856.34	7,241,019,623.18
Less: income tax expense	VII. 63	661,226,873.34	1,056,104,931.20
V. Net profit (net losses are represented by “-”)		3,612,016,983.00	6,184,914,691.98
(I) Classification by continuous operation			
1. Net profit from continuous operation (net losses are represented by “-”)		3,612,016,983.00	6,034,408,639.45
2. Net profit from discontinued operation (net losses are represented by “-”)			150,506,052.53
(II) Classification by ownership of the equity			
1. Net profit attributable to shareholders of the Parent Company (net losses are represented by “-”)		2,780,800,712.72	5,058,082,964.47
2. Profit or loss attributable to minority shareholders (net losses are represented by “-”)		831,216,270.28	1,126,831,727.51
VI. Other comprehensive income, net of tax	VII. 64	-261,463,495.41	206,080,907.09
(I) Other comprehensive income attributable to owners of the Parent Company, net of tax		-220,001,490.33	233,624,267.18
1. Other comprehensive income that cannot be reclassified into the profit or loss		-56,383,682.14	-12,242,959.12
(1) Changes arising from re-measurement of defined benefit plans		12,218.39	- 400,317.18

(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		-56,395,900.53	-11,842,641.94
(4) Changes in fair value of credit risks of the enterprise			
2. Other comprehensive income to be reclassified into the profit or loss		-163,617,808.19	245,867,226.30
(1) Other comprehensive income that can be transferred into profit or loss under equity method		29,046,113.28	19,829,612.65
(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		-85,267,888.94	-25,398,943.78
(6) Exchange differences on translation of financial statements denominated in foreign currencies		-107,396,032.53	251,436,557.43
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax		-41,462,005.08	-27,543,360.09
VII. Total comprehensive income		3,350,553,487.59	6,390,995,599.07
(I) Total comprehensive income attributable to the owners of Parent Company		2,560,799,222.39	5,291,707,231.65
(II) Total comprehensive income attributable to the minority shareholders		789,754,265.20	1,099,288,367.42
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XX. 1	0.423	0.794
(II) Diluted earnings per share (RMB/share)	XX. 1	0.413	0.764

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Profit Statement of the Parent Company

January-June 2020

Unit and Currency: RMB

Items	Notes	2020 Interim	2019 Interim
I. Operating income	XVIII. 4	5,042,717,099.68	1,330,869,374.63
Less: operating cost	XVIII. 4	4,398,410,781.55	950,382,533.32
Taxes and surcharges		11,343,686.85	8,794,240.92
Selling expenses		217,962,272.62	126,957,909.17
Administration expenses		132,288,406.83	141,039,328.01
R&D expenses		142,656,643.01	101,983,328.38
Financial expenses		28,978,469.77	99,436,940.80
Including: Interest expenses		46,159,222.22	113,544,460.15
Interest income		16,084,909.36	17,707,954.88
Add: other income		33,262,133.10	52,472,509.25
investment income (losses are represented by “-”)	XVIII. 5	245,974,740.37	245,568,113.58
Including: Investment income of associates and joint ventures			
Derecognition income on financial assets measured at amortized cost (losses are represented by “-”)			
Gains on net exposure hedges (losses are represented by “-”)			
Income from change in fair value (losses are represented by “-”)			
Loss on credit impairment (losses are represented by “-”)		284,032.12	987,137.94
Loss on assets impairment (losses are represented by “-”)		-1,306,612.25	
Gain from disposal of assets (losses are represented by “-”)			51,118.46
II. Operating profit (losses are represented by “-”)		389,291,132.39	201,353,973.26
Add: non-operating income		36,554.33	9,412,803.30

Less: non-operating expenses		319,495.89	1,963,024.43
III. Total profit (total losses are represented by “-”)		389,008,190.83	208,803,752.13
Less: income tax expenses		-1,456,008.32	-17,287,593.90
IV. Net profit (net losses are represented by “-”)		390,464,199.15	226,091,346.03
(I) Net profit from continuous operations (net losses are represented by “-”)		390,464,199.15	226,091,346.03
(II) Net profit from discontinued operations (net losses are represented by “-”)			
V. Other comprehensive income, net of tax		-7,116,127.00	-751,246.37
(I) Other comprehensive income that cannot be reclassified into the profit or loss		-178,713.89	67,243.43
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		-178,713.89	67,243.43
4. Changes in fair value of credit risks of the enterprise			
(II) Other comprehensive income to be reclassified into the profit or loss		-6,937,413.11	-818,489.80
1. Other comprehensive income that can be transferred into profit or loss under equity method		-6,937,413.11	-818,489.80
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		383,348,072.15	225,340,099.66
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Cash Flow Statement

January-June 2020

Unit and Currency: RMB

Items	Notes	2020 Interim	2019 Interim
I. Cash flow from operating activities:			
Cash received from the sale of goods and rendering services		89,745,966,042.83	97,600,282,926.70
Net increase in customer 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 placement from			

banks and other financial institutions			
Net increase in cash received from repurchase operation			
Net cash received from customer deposits for trading in securities			
Refunds of taxes		469,784,953.90	639,545,403.73
Cash received from other related operating activities		727,414,944.47	662,922,398.18
Sub-total of cash inflows from operating activities		90,943,165,941.20	98,902,750,728.61
Cash paid on purchase of goods and services		68,204,573,941.90	70,605,383,751.62
Net increase in loans and advances of customers			
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			
Cash paid to and on behalf of employees		11,031,460,042.03	11,146,189,101.38
Cash paid for all types of taxes		3,466,925,924.16	4,878,000,921.22
Cash paid to other operation related activities	VII. 66	8,783,125,290.51	8,653,368,639.79
Sub-total of cash outflows from operating activities		91,486,085,198.60	95,282,942,414.01
Net cash flow from operating activities	VII. 69	-542,919,257.40	3,619,808,314.60
II. Cash flow from investing activities:			
Cash received from recovery of investments		1,912,295,416.73	181,007,285.39
Cash received from return on investments		223,367,236.11	244,119,719.32
Net cash received from the disposal of fixed assets,		49,585,896.20	200,884,406.40

intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from investment activities			43,202,970.66
Sub-total of cash inflows from investing activities		2,185,248,549.04	669,214,381.77
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		3,105,838,460.63	3,589,722,216.30
Cash paid for investments		799,380,076.93	2,234,331,826.58
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities		338,445,082.28	2,693,234,416.95
Other cash paid on investment activities	VII. 67	3,368,312.62	10,351,066.54
Sub-total of cash outflows from investing activities		4,247,031,932.46	8,527,639,526.37
Net cash flow from investing activities		- 2,061,783,383.42	- 7,858,425,144.60
III. Cash flow from financing activities:			
Cash received from capital contributions		1,116,431,069.68	13,662,307.27
Including: Cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		15,878,143,451.50	9,176,456,625.95
Other cash received from financing activities			
Sub-total of cash inflows from financing activities		16,994,574,521.18	9,190,118,933.22
Cash paid on repayment of loans		5,448,817,686.75	6,691,975,437.27
Cash paid on distribution of dividends, profits or repayment of interest expenses		568,142,953.79	265,193,682.03
Including: Dividend and profit paid to minority shareholders by			

subsidiaries			
Other cash paid to financing activities	VII. 68	398,074,951.29	1,344,180,587.48
Sub-total of cash outflows from financing activities		6,415,035,591.83	8,301,349,706.78
Net cash flow from financing activities		10,579,538,929.35	888,769,226.44
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		84,027,232.22	115,227,948.70
V. Net increase in cash and cash equivalents		8,058,863,520.75	-3,234,619,654.86
Add: balance of cash and cash equivalents at the beginning of the period	VII. 70	34,962,947,399.85	36,553,047,466.15
VI. Balance of cash and cash equivalents at the end of the period	VII. 70	43,021,810,920.60	33,318,427,811.29

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Cash Flow Statement of the Parent Company

January-June 2020

Unit and Currency: RMB

Items	Notes	2020 Interim	2019 Interim
I. Cash flow from operating activities:			
Cash received from the sale of goods and rendering of services		1,201,820,635.00	918,342,631.75
Refunds of taxes		7,969,641.49	25,567,202.83
Other cash received from operating activities		44,874,440.51	110,143,217.54
Sub-total of cash inflows from operating activities		1,254,664,717.00	1,054,053,052.12
Cash paid on purchase of goods and services		9,839,119,707.06	189,337,944.61
Cash paid to and on behalf of		299,326,532.30	567,010,992.25

employees			
Cash paid for all types of taxes		139,592,241.79	95,735,060.62
Other cash paid to operation activities		114,847,819.51	93,648,702.91
Sub-total of cash outflows from operating activities		10,392,886,300.66	945,732,700.39
Net cash flow from operating activities		-9,138,221,583.66	108,320,351.73
II. Cash flow from investing activities:			
Cash received from recovery of investments		312,000,000.00	
Cash received from return on investments		3,840,802,526.75	1,233,656,109.64
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from investment activities			136,551,000.00
Sub-total of cash inflows from investing activities		4,152,802,526.75	1,370,207,109.64
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		68,733,039.41	25,031,303.67
Cash paid for investments		1,159,400,000.00	2,201,212,503.09
Net cash paid on acquisition of subsidiaries and other operating entities			
Other cash paid on investment activities		79,000,000.00	183,351,121.00
Sub-total of cash outflows from investing activities		1,307,133,039.41	2,409,594,927.76
Net cash flow from investing activities		2,845,669,487.34	-1,039,387,818.12
III. Cash flow from financing activities:			
Cash received from capital contributions			

Cash received from borrowings		4,500,000,000.00	
Other cash received from financing activities		818,187,321.17	
Sub-total of cash inflows from financing activities		5,318,187,321.17	
Cash paid on repayment of borrowings			1,500,000,000.00
Cash paid on distribution of dividends, profits or repayment of interest expenses		39,865,388.89	27,105,937.50
Other cash paid on financing activities		978,120.00	669,109,443.77
Sub-total of cash outflows from financing activities		40,843,508.89	2,196,215,381.27
Net cash flow from financing activities		5,277,343,812.28	-2,196,215,381.27
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		92,170.17	-537,110.94
V. Net increase in cash and cash equivalents		-1,015,116,113.87	-3,127,819,958.60
Add: balance of cash and cash equivalents at the beginning of the period		5,624,406,816.79	7,068,899,574.96
VI. Balance of cash and cash equivalents at the end of the period		4,609,290,702.92	3,941,079,616.36

Legal representative: Liang Haishan

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-June 2020

Unit and Currency: RMB

Items	2020 Interim														
	Equity attributable to owners of the Parent Company												Minority equity	Total owners' equity	
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others			Sub-total
preference shares		perpetual bonds	Others												
I. Closing balance for the previous year	6,579,566,627.00			431,424,524.07	4,435,890,845.47		1,317,988,619.66		2,655,327,405.46		32,468,121,744.26		47,888,319,765.92	17,101,540,502.01	64,989,860,267.93
Add: changes in accounting policies															
Error correction for prior period															
Business combination under common control															
Others															
II. Opening balance for	6,579,566,627.00			431,424,524.07	4,435,890,845.47		1,317,988,619.66		2,655,327,405.46		32,468,121,744.26		47,888,319,765.92	17,101,540,502.01	64,989,860,267.93

the current year															
III. Increase/decrease for the current period (decrease is represented by “-”)					351,201,960.67		-212,009,960.47				302,889,913.27		442,081,913.47	1,075,798,128.43	1,517,880,041.90
(I) Total comprehensive income							-220,001,490.33				2,780,800,712.72		2,560,799,222.39	789,754,265.20	3,350,553,487.59
(II) Capital injection and reduction by owners					359,193,490.53								359,193,490.53	965,639,084.88	1,324,832,575.41
1. Ordinary shares invested by owners					359,193,490.53								359,193,490.53	965,639,084.88	1,324,832,575.41
2. Capital contribution by holders of other equity instruments															
3. Share-based payment included in owners' equity															
4. Others															

(III) Profit distribution											-2,467,337,485.13		-2,467,337,485.13	-679,595,221.65	-3,146,932,706.78
1. Withdrawal of surplus reserves															
2. Withdrawal of provisions for general risks															
3. Distribution to owners (or shareholders)											-2,467,337,485.13		-2,467,337,485.13	-679,595,221.65	-3,146,932,706.78
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. 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					-7,991,529.86		7,991,529.86				-10,573,314.32		-10,573,314.32		-10,573,314.32
IV. Closing balance for the period	6,579,566,627.00			431,424,524.07	4,787,092,806.14		1,105,978,659.19		2,655,327,405.46		32,771,011,657.53		48,330,401,679.39	18,177,338,630.44	66,507,740,309.83

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Items	2019 Interim														
	Equity attributable to owners of the Parent Company												Minority equity	Total owners' equity	
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others			Sub-total
		Preference shares	Perpetual bonds	Others											
I. Closing balance for the previous year	6,368,416,700.00			904,485,788.71	2,208,773,474.57		772,632,347.35		2,288,301,317.10		26,859,741,163.95		39,402,350,791.68	15,727,928,145.82	55,130,278,937.50
Add: changes in accounting policies															
Error correction for prior period															
Business combination under common control					242,893,583.08						97,501,518.66		340,395,101.74	337,173,479.67	677,568,581.41
Others													0.00		
II. Opening balance for the current year	6,368,416,700.00			904,485,788.71	2,451,667,057.65		772,632,347.35		2,288,301,317.10		26,957,242,682.61		39,742,745,893.42	16,065,101,625.49	55,807,847,518.91
III. Increase/decrease for the current	48,856.00			-111,993.60	-315,515,639.53		233,624,267.18				2,763,882,965.59		2,681,928,455.64	201,485,612.52	2,883,414,068.16

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period (decrease is represented by “-”)															
(I) Total comprehens ive income							233,624,267. 18				5,058,082,96 4.47		5,291,707,23 1.65	1,099,288,36 7.42	6,390,995,59 9.07
(II) Capital injection and reduction by owners	48,856.00			-111,993.60	-315,515,639 .53								-315,578,777. 13	-349,305,402. 58	-664,884,17 9.71
1. Ordinary shares invested by owners	48,856.00			-111,993.60	-226,635,104 .87								-226,698,242. 47	-349,305,402. 58	-576,003,64 5.05
2. Capital contribution by holders of other equity instruments															
3. Share-based payment included in owners' equity															
4. Others					-88,880,534. 66								-88,880,534.6 6		-88,880,534. 66
(III) Profit distribution											-2,235,331,41 0.16		-2,235,331,41 0.16	-534,534,085. 77	-2,769,865,4 95.93
1. Withdrawal of surplus															

reserves															
2. Withdra wal of provisions for general risks															
3. Distribution to owners (or shareholder s)											-2,235,331,41 0.16		-2,235,331,41 0.16	-534,534,085. 77	-2,769,865,4 95.93
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															

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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											-58,868,588.72		-58,868,588.72	-13,963,266.55	-72,831,855.27
IV. Closing balance for the period	6,368,465,556.00			904,373,795.11	2,136,151,418.12		1,006,256,614.53		2,288,301,317.10		29,721,125,648.20		42,424,674,349.06	16,266,587,238.01	58,691,261,587.07

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Statement of Changes in Owners' Equity of the Parent Company

January-June 2020

Unit and Currency: RMB

Items	2020 Interim										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasur y stock	Other comprehensiv e income	Specia l reserv e	Surplus reserve	Undistributed profits	Total owners' equity
		Preferenc e shares	Perpetua l bonds	Others							
I. Closing balance for the previous year	6,579,566,627.0 0				7,036,531,178.8 3		11,077,477.45		2,050,181,180.0 1	3,307,235,242.11	18,984,591,705.40
Add: changes in accounting policies											
Error correction for prior period											
Others											
II. Opening balance for the current year	6,579,566,627.0 0				7,036,531,178.8 3		11,077,477.45		2,050,181,180.0 1	3,307,235,242.11	18,984,591,705.40
III. Increase/decreas e for the current period (decrease is represented by “-”)							-7,116,127.00			-2,076,873,285.9 8	-2,083,989,412.98
(I) Total comprehensive income							-7,116,127.00			390,464,199.15	383,348,072.15
(II) Capital											

injection and reduction by owners											
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											
(III) Profit distribution										-2,467,337,485.13	-2,467,337,485.13
1. Withdrawal of surplus reserves											
2. Distribution to owners (or shareholders)										-2,467,337,485.13	-2,467,337,485.13
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											

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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	6,579,566,627.00				7,036,531,178.83		3,961,350.45		2,050,181,180.01	1,230,361,956.13	16,900,602,292.42

Items	2019 Interim								
	Paid-in capital (or share capital)	Other equity instruments	Capital reserve	Less: treasury	Other comprehensive	Special reserve	Surplus reserve	Undistributed profits	Total owners'

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		Preference shares	Perpetual bonds	Others		stock	income				equity
I. Closing balance for the previous year	6,368,416,700.00			473,061,264.64	4,182,825,672.98		7,791,344.47		1,683,155,091.65	2,239,335,007.65	14,954,585,081.39
Add: changes in accounting policies											
Error correction for prior period											
Others											
II. Opening balance for the current year	6,368,416,700.00			473,061,264.64	4,182,825,672.98		7,791,344.47		1,683,155,091.65	2,239,335,007.65	14,954,585,081.39
III. Increase/decrease for the current period (decrease is represented by "-")	48,856.00			-111,993.60	-10,644,884.53		-751,246.37			-2,009,240,064.13	-2,020,699,332.63
(I) Total comprehensive income							-751,246.37			226,091,346.03	225,340,099.66
(II) Capital injection and reduction by owners	48,856.00			-111,993.60	-10,644,884.53						-10,708,022.13
1. Ordinary shares invested by owners	48,856.00			-111,993.60	669,546.35						606,408.75
2. Capital											

contribution by holders of other equity instruments											
3. Share-based payment included in owners' equity											
4. Others					-11,314,430.88						-11,314,430.88
(III) Profit distribution										-2,235,331,410.16	-2,235,331,410.16
1. Withdrawal of surplus reserves											
2. Distribution to owners (or shareholders)										-2,235,331,410.16	-2,235,331,410.16
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											

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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	6,368,465,556.00			472,949,271.04	4,172,180,788.45		7,040,098.10		1,683,155,091.65	230,094,943.52	12,933,885,748.76

Legal representative: Liang Haishan

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. (herein after 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, and approved by Qing Ti Gai [1989] No.3 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.

The Company's registered office is located at the Haier Industrial Park of Laoshan District, Qingdao, Shandong Province, and the headquarter is located at the Haier Industrial Park of Laoshan District, Qingdao, Shandong Province.

The Company is mainly engaged in manufacturing and trading as well as R&D of refrigerator, air-conditioner, freezer, washing machine, water heater, dishwashers, gas stove and relevant products and commercial circulation business.

The ultimate holding company of the Company is Haier Group Corporation.

These financial statements have been approved for publication by the Board of the Company on 28 August 2020.

2. Scope of consolidated statements

√ Applicable ☐ Not Applicable

For details of changes in the scope of consolidated financial statements for the current period, please refer to “VIII. Changes in Consolidation Scope” and “IX. 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 Business Enterprises – Basic Standards* published by the Ministry of Finance, specific accounting standards, and guidance on application of accounting standards for business enterprises, interpretations to accounting

standards for business enterprises and other relevant requirements (herein after collectively referred to as the “Accounting Standards for Business 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 2014)* 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

Specific 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.10); the measurement of inventories (Note V.11); the depreciation and amortization of the investment properties (Note V.13); the depreciation of fixed assets (Note V.14); the amortization of intangible assets (Note V.18); the criterion for determining of long-term assets impairment (Note V.19); and the date of revenue recognition (Note V.25), etc.

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises, which accurately and completely reflected information relating to the financial condition as at 30 June 2020, the operating results and cash flow from January to June 2020 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 cycle

☒ Applicable ☐ Not Applicable

The Company takes 12 months as an operating cycle, 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. 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 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.

In case the consideration for long-term equity investments formed in business combination under common control is paid by ways of cash, transfer of non-cash assets or assumption of debts, the Company will regard the share of carrying amounts of the net assets of the transferor in the ultimate controller's consolidated financial statements obtained as the initial investment cost of long-term equity investments as at the date of combination. For carrying value of net assets of the transferor is negative as at the date of combination, investment cost of long-term equity investment is calculated as zero. In case the transferor is controlled by the ultimate controller by the business combination not under common control before combination, the initial investment cost of the long-term equity investment of the acquirer includes relevant goodwill. The Company should adjust the capital reserve (capital premium or share premium) in accordance with the differences between initial investment cost of the long-term equity investment and the cash paid, the non-cash assets transferred and the carrying value of liability assumed; in case the balance of the capital reserve (capital premium or share premium) is insufficient for the elimination, the surplus reserves and undistributed profits shall be used to dilute such expenses in order. In case the consideration for the combination is paid by issuance of equity instruments, the aggregate nominal value of shares issued will be deemed as the share capital. The difference between the initial investment cost of long-term equity investments and aggregate nominal value of shares issued shall be adjusted to capital reserve (capital premium or share premium); in case the capital reserve (capital premium or share premium) is insufficient for the elimination, the surplus reserves and undistributed profits shall be used to dilute such expenses in order.

Intermediary fees (such as audit, legal services and valuation consultancy) and other relevant management fees incurred in the business combination by 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.

For business combination under common control realized through several transactions step by step, in case of a package transaction, each transaction is accounted as one transaction that has acquired the control; in case of not a package transaction, in the financial statement of parent company the capital reserve (share premium) is adjusted by the difference between the initial investment cost and the sum of the carrying value of the original long-term equity investment and the book value of the new payment consideration for further acquisition of shares with the share of acquirer's owner's equity on the date of combination in case calculated on the proportion of shareholding on the date of combination as its initial investment cost; where the capital reserve is insufficient, the retained earnings will be used to offset such expenses.

In the consolidated financial statements, the long-term equity investment held by the combining party before the date of acquiring control of the combined parties, and relevant profit and loss, the other comprehensive income and changes in the other owners' equity recognized during the period between the later of the date of acquisition and the date when the combining and the combined parties are under the common control of the same party and the date of combination, are written down to the retained earnings or profit or loss at the beginning of the comparative reporting period, respectively.

(2) Business combinations 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 involving in the business combination 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 not under common control, the cost of combination shall be the sum of the assets paid, obligations incurred or assumed and the fair value of the equity securities issued by the acquirer 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 acquirer 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 acquirer 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 acquirer in a business combination 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 obtained on the acquisition date, 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 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 acquirer's interest in 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.

In business combination not under common control that is realized in phases through multiple exchange transactions, in the Company individual financial statements, the sum of the book value of the equity investment of the transferor held before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment.

In the consolidated financial statement, the equity of the transferor held before the date of acquisition is re-measured at the fair value on the date of acquisition, and the difference between the fair value and book value is included in current investment income; where the equity of the transferor held before the date of acquisition involves the other comprehensive income, such equity and relevant other comprehensive income are transferred to current investment income on the date of acquisition, other than the other comprehensive income that cannot be reclassified in the profit or loss.

The fair value on the acquisition date of equity interest in the transferor prior to the acquisition date and the fair value of the considerations paid for the acquisition of the new equity on the acquisition date are regarded as the combination costs of the Company, comparing with acquirer's share of the fair value on the acquisition date of the transferor's net identifiable assets on the proportion of the shareholding on the acquisition date to confirm the goodwill that required to be recognized on the acquisition date or the amount that shall be included in the profit or loss.

6. Preparation method of consolidated accounting statements

✓ Applicable ☐ Not Applicable

(1) Scope of consolidated financial statements

The Company incorporated all of its subsidiaries (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.

(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 on the basis of the balance sheets of the Company and subsidiaries, which offset the internal transactions incurred between the Company and subsidiaries and among subsidiaries. The owner's equity of the subsidiaries not attributable to the Company shall be presented as “minority interests” under the owner's equity item in the consolidated balance sheet.

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, the assets, liabilities, operating results and cash flow of the subsidiaries are included in the consolidated financial statements from the beginning of the period in which the combination took place, as if the combination has taken since the ultimate controller began its control. When preparing the consolidated financial statements, for the subsidiaries acquired from business combination not under common control, separate financial statement will be adjusted on the basis of their fair values of the identifiable net assets on the date of acquisition.

7. 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.

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 loss 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.

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.

8. 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.

9. 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 spot exchange rate at the transaction date.

Monetary items denominated in foreign currencies are translated 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, except ① 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; ② those arising from the other changes in the balance other than amortized cost of available-for-sale monetary items denominated in foreign currency are recognized in the other comprehensive income.

Non-monetary items in foreign currency measured at historical cost are translated 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 balance sheet 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 income statement are translated using the approximate rate of the spot exchange rate on the transaction date. Differences arising from the translation of foreign currency financial statements are presented as the “other comprehensive income” in the owner's equity of the balance sheet.

Foreign currency cash flow is translated using the approximate rate of the spot exchange rate on the transaction date. The impact of exchange rate changes on cash amount is reflected separately in the cash flow.

When disposing overseas operations, converted difference in foreign currency statements related to the overseas operation shall be transferred together or as the percentage of disposing the overseas operation to profit or loss in the current period of disposal.

10. 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 is recognized when the Company becomes a party to the contract of a financial instrument.

(1) Financial assets

① Classification and measurement

According to the business model for managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies financial assets into: (1) Financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income; (3) 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 or 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, the Company shall take the consideration amount entitled to be received as the initial recognized amount.

a. Debt instrument

The debt instruments held by the Company refer to the tools that are in conformity with the definition of financial liability from the perspective of the issuing party, which are measured in the following three ways, respectively:

(a) 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 mainly include cash and cash equivalents, bills receivable and 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 (inclusive) from the balance sheet date as non-current assets matured within one year; the creditor's rights investments matured within one year (inclusive) when being obtained are listed as other current assets.

(b) 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 are listed as other creditor's rights investments. Other creditor's rights investments matured within one year (inclusive) from the balance sheet date are listed as non-current assets matured within one year; other creditor's rights investments matured within one year (inclusive) when being obtained are listed as other current assets.

(c) Measured at fair value through profit or loss of the current period:

The Company lists its held debt instruments that are neither measured at amortized cost nor at fair value through other comprehensive income as financial assets held for trading measured at fair value through profit or loss of the current period. 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. Investments 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.

b. Equity instruments

The Company lists equity instrument investments that have no control, joint control and significant influence on itself as financial assets held for trading 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. The relevant dividends and interest income of such financial assets are included in profit and loss of the current period.

② Impairment

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 impairment 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 contractual 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 on the historical credit losses experience, the existing conditions and forecast of future economic conditions.
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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.
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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.

③ Derecognition

A financial asset is derecognized when any of the below criteria is met: a. the contractual rights to receive the cash flow from the financial asset have been terminated; b. the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; c. the financial asset has been transferred and the Company has not retained control of the financial asset, although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

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

(2) Financial liabilities

Financial liabilities are classified as financial liabilities measured at amortized cost and financial liabilities at fair value through profit or loss of the current period at initial recognition.

The 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 (inclusive) are listed as current liabilities: those with maturity of more than one year but are mature within one year from the balance sheet date (inclusive) are listed as non-current liabilities due within one year; the rest are presented as non-current liabilities.

When all or partial current obligations of financial liabilities have been discharged, such financial liabilities or the part with obligations discharged are derecognized by the Company. The difference between the carrying amount of a financial liability de-recognized and the consideration paid is recognized in the profit and loss of the current period.

(3) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. 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 trading 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.

(4) Significant accounting estimates and judgments

① Significant accounting estimates and key assumptions

Measurement of expected credit loss

The Company applies exposure at default and expected credit loss rate to calculate expected credit loss, and determines expected credit loss rate based on probability of default and loss given default. For the determination of expected credit loss rate, the Company applies data including internal historical credit losses experience, and adjusts historical data taking account current conditions and forward-looking information. Regarding forward-looking information, indicators used by the Company include economic downturn risk, growth in expected unemployment rate, changes in external market environment, technology environment and customer status. The Company monitors and reviews assumptions related to the calculation of expected credit loss on a regular basis. No major change occurred in the above-mentioned estimate techniques and key assumptions in this year.

② Critical judgments on application of accounting policies

a. Classification of financial assets

On classification of financial assets, critical judgments considered by the Company include the business mode, an analysis of contractual cash flow characteristics and others.

From the dimension of financial asset portfolio, the Company determines the business mode of financial asset management. Considerations cover assessments, reporting methods of financial asset performance to key management personnel, risks impacting financial asset performance and relevant management methods, as well as methods of relevant business management personnel receiving remuneration.

In assessing the consistency between contractual cash flow of financial assets and the basic lending arrangements, the Company makes the following major judgments: whether the time distribution or amount of the principal changes during the duration of the financial assets due to prepayment, etc.; and whether the interest includes considerations for the currency time value, credit risk, as well as other basic borrowing risks, costs and profits. For example, whether the prepayment amount merely reflects the principal unpaid and interest incurred by the principal unpaid, as well as reasonable compensation paid due to premature termination of contracts.

b. Judgment that credit risk increases significantly

The main standards for the Company to judge significant increase in credit risk are that overdue days are more than 30 days, or that significant changes occur in one or more of the following indicators: business environment of debtors, internal and external credit rating, the significant change of actual or expected business performance, value of collaterals or significant drop in credit rating of guarantors.

The main standards for the Company to judge incurred credit impairment are that overdue days are more than 90 days (i.e. default occurred), or that one or more of the following conditions are met: a debtor is under significant financial difficulty; other ongoing debt restructuring or high possibility of bankruptcy.

11. Inventories

☒ Applicable ☐ Not Applicable

(1) Classification of inventories

Inventories refer to the finished goods or commodities held for sale in daily activities, goods in progress in the production process, consumed materials and supplies in the production process or providing services of the Company, which mainly include raw materials, revolving materials, entrusted processed materials, wrap page, goods in progress, self-made semi-finished goods, finished goods (merchandise inventory) and engineering construction, etc.

(2) Measurement of inventories transferred out

At delivery, inventories are accounted using the weighted average method.

(3) Provision for inventory impairment

At balance sheet date, inventories are measured at the lower of cost or net realizable value.

The net realizable value of inventories (including finished products, merchandize and materials for sale) that can be sold directly is determined based on the estimated selling price of such inventory deducted by the estimated selling expenses and relevant taxes. The net realizable value of materials held for production is determined based on the estimated selling price of the finished product deducted by the estimated cost to be incurred upon completion, estimated selling expenses and relevant taxes. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held by the enterprise exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated based on the general selling price.

Provision for impairment of inventories is made for individual inventory. For items of inventories that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicable evaluated separately from other items, cost and net realizable value of inventories may be determined on an aggregate basis. For large quantity and low value items of inventories, cost and net realizable value of inventories may be determined on types of inventories.

Provision for inventory impairment is made and recognized as profit or loss when the cost is higher than the net realizable value on the balance sheet date. If the factors that give rise to the provision in prior years are not in effect in current year, provision would be reversed within the amount of provision for inventory impairment originally recognized, and the reversed amount shall be recognized in the profit or loss.

(4) Inventory system

The Company adopts perpetual inventory system.

(5) Amortization of low-value consumables and packaging

Low-value consumables and packages of the Company are amortized by one-time write-off.

12. Long-term equity investments

√ Applicable ☐ Not Applicable

Long-term equity investments in this section refer to equity investments held by the Company that give it control, joint control or significant influence over the investee. Long-term equity investments where the Company does not exercise control, joint control or significant influence over the investee are accounted for as available-for-sale financial assets.

(1) Recognition of initial cost of investment

①For long-term equity investment obtained from business consolidation under common control, the initial cost is measured at the combining party's share of the carrying amount of the equity of the combined party; for a long-term equity investment obtained from business consolidation not under common control, the initial cost is the consolidation cost at the date of acquisition;

②For the long-term equity investment acquired in a manner other than business combination: the initial investment cost of the long-term equity investment acquired by payment in cash shall be the purchase price actually paid; the initial investment cost of the long-term equity investment acquired by issuing equity securities shall be the fair value of the equity securities issued; for long-term equity investment acquired by debt restructuring, the initial investment cost shall be determined in accordance with the relevant requirements under *Accounting Standards for Enterprises No. 12 - Debt Restructuring*; for long-term equity investment acquired by the exchange of non-monetary assets, the initial investment cost shall be determined in accordance with relevant requirements under the Rules.

(2) Subsequent measurement and profit or loss recognition

①Cost method

Where the investor has a control over the investee, long-term equity investments are measured using cost method. For long-term equity investments using cost method, unless increasing or recovering the investment, the carrying value is generally unchanged. The profit distributions or cash dividends declared by the investee attributable to the Company are recognized as investment income.

②Equity method

Investor's long-term equity investments in associates and joint ventures are measured using equity method. Where part of the equity investments of an investor in its associates are held indirectly through venture investment institutions, common fund, trust companies or other similar entities including investment linked insurance funds, such part of equity investments indirectly held by the investor shall be measured at fair value through profit or loss according to relevant requirements of *Accounting Standards for Business Enterprises No.22—Recognition and measurement of Financial Instruments* regardless whether the above entities have significant influence on such part of equity investments, while the remaining part shall be measured using equity method.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Company recognizes

the investment income and other comprehensive income according to its share of net profit or loss and other comprehensive income of the investee, and the carrying amount of the long-term equity investments shall be adjusted accordingly; the carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by an investee; for changes in owner's equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and recognized to capital reserve. When recognizing attributable share of the net profit and losses of the investee, the net profit of the investee shall be recognized after adjustment on the ground of the fair value of all identifiable assets of the investee when it obtains the investment. If the accounting policies and accounting periods adopted by the investee are different from those adopted by the Company, an adjustment shall be made to the financial statements of the investee in accordance with the accounting policies and accounting periods of the Company and recognize the investment incomes and other comprehensive income.

The Company's share of net losses of the investee shall be recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Company has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making net profits in subsequent periods, the Company shall resume recognizing its share of profits after setting off against the share of unrecognized losses.

(3) Change of the accounting methods for long-term equity investments

① Change of measurement at fair value to accounting under equity method: where the equity investment originally held have no control, joint control or significant impact on the investee, and that are accounted according to the Standards for Recognition and Measurement of Financial Instruments and can impose common control or place significant impact on the investee due to addition of investment which resulted in the increase of shareholding, the investee shall take the fair value of the equity investment originally held determined in accordance with the Standards for Recognition and Measurement of Financial Instruments plus the fair value of the consideration payable for new investment as the initial investment cost accounted after the equity method is adopted.

② Change of measurement at fair value or accounting under equity method to cost method: the equity investment originally held by the investor with no control, joint control or significant impact on the investee and accounted according to the Standards for Recognition and Measurement of Financial Instruments, or the long-term equity investment originally held in associates or joint ventures that can impose control over the investee due to addition of investment, shall be accounted as long-term equity investment formed by combination of relevant enterprises.

③ Change of accounting under equity method to measurement at fair value: for the long-term equity investment originally held with common control or significant impact on the investee that can no longer impose common control or significant impact on the investee due to a decrease of shareholding as a result of factors such as partial disposal, the remaining equity investment shall be accounted in accordance with Standards for Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact no longer exists and the book value is included in profit or loss.

④ Change of cost method to equity method: where control on the investee changes to significant impact or common control on the investee with other investors due to factors such as disposal of investment, the long-term equity investment cost that ceased to be recognized shall first be carried forward on the proportion of the investment disposed. Then the Company compares the cost of the remaining long-term equity investment with the attributable fair value of the identifiable net assets which are entitled to the investee at the time of original investment and are calculated based on the proportion of the remaining stake; where the former is larger than the later, it belongs to the goodwill as

showed in deciding the investment price and the carrying amount of the long-term equity investment will not be adjusted; where the former is less than the later, the retained earnings will be adjusted along with the adjustment of the cost of long-term equity investment.

(4) Basis of conclusion for common control and significant impact over the investee

①Joint control over an investee means that activities which have a significant impact on the return of a certain arrangement could be decided only by mutual consent of the investing parties sharing the right of control, which includes the sales and purchase of goods or services, management of financial assets, acquisition and disposal of assets, research and development activities and financing activities, etc.

②Significant impact on the investee exists when the investing parties hold more than 20% but less than 50% of the shares with voting rights in the investee or, if the investing parties hold less than 20% shares in the investee, they:

- 1) have representatives in the board of directors or similar governing body of the investee;
- 2) participate in the investee's policy formulation;
- 3) assign management personnel to the investee;
- 4) provide technology or technical information that the investor is dependent on;
- 5) have major transactions with the investee.

(5) methods of impairment test and provision for impairment

At the balance sheet date, the Company reviews whether there are signs for the impairment of long-term equity investments. If yes, the recoverable amount is determined through impairment test and provision for impairment is made based on the difference between the recoverable amount and the carrying value. Impairment loss will not be reversed in subsequent accounting periods once provision is made for it.

The recoverable amount is the higher of net fair value of long-term equity investments on disposal and the present value of estimated future cash flow.

(6) Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the considerations actually received and the carrying value of the disposed investment is recognized in current profit or loss. For long-term equity investment accounted for using the equity method, the part previously recognized in other comprehensive income is accounted on pro rata basis upon disposal in the same way as the relevant assets or liabilities are disposed of directly by the investee.

13. Investment properties

Investment properties of the Company include leased land use rights and leased buildings.

An investment property is initially measured at cost, and cost method is adopted for subsequent measurement.

The buildings leased out of investment properties of the Company are depreciated over their useful lives using the straight-line method. The specific measurement policy is the same as that of fixed assets. For land use rights leased out of investment properties or held for resale after appreciation in value, they are amortized using the straight-line method. The specific measurement policy is the same as that of intangible assets.

At the balance sheet date, the Company reviews whether there are signs for impairment of investment properties. 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.

14. Fixed assets

(1). Recognition criteria of fixed assets

☒ Applicable ☐ Not Applicable

Fixed assets are tangible assets that are held for production of goods, provision of labor services, leasing or operation and management purposes, and have a useful life of more than one fiscal year, which are recognized when the following conditions are met:

- ① economic benefits in relation to the fixed assets are very likely to flow into the enterprise;
- ② the cost of the fixed assets can be measured reliably.

(2). Depreciation method of fixed assets

☒ Applicable ☐ Not Applicable

The fixed assets of the Company can be divided into: houses and buildings, production equipment, transportation equipment, office equipment, etc. The straight-line method over useful lives is used to measure depreciation. The useful lives and the expected net residual value of fixed assets are determined according to the nature and usage of various fixed assets. At the end of each year, the useful lives, expected net residual value and depreciation method of fixed assets are reviewed, and adjusted if there is variance with original estimates. The Company has made provisions for all the fixed assets except for the fixed assets that have been fully depreciated and still in use.

Type	Depreciation life (years)	Residual ratio
Land ownership	-	-

Houses and buildings	8-40 years	0%-5%
Machinery equipment	4-20 years	0%-5%
Transportation equipment	5-10 years	0%-5%
Office equipment and others	3-10 years	0%-5%

(3). Method of test and provision for impairment of fixed assets

At the balance sheet date, the Company reviews whether there are signs for impairment of the fixed assets. 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.

(4). Basis for recognition and method of measurement for fixed assets held under finance lease

√ Applicable ☐ Not Applicable

Basis for recognition of fixed assets held under finance lease: leases for which all the risks and rewards related to the ownership of relevant assets are transferred substantially. Fixed assets held under finance lease are recognized if one or more of the following conditions is/are met: ① upon expiry of the lease term, the ownership of the leased asset is transferred to the lessee; ② the lessee has the option to purchase the leased asset at a price expected to be sufficiently lower than the fair value of the leased asset when the option is exercised and at the inception of the lease, it is reasonably ascertained that the lessee will exercise such option; ③ the lease term approximates the useful life of the leased asset even if the ownership of the asset is not transferred; ④ at the inception of the lease, the present value of the minimum lease payments of the lessee is substantially equivalent to the fair value of the leased asset; ⑤ the leased assets are of such a specialized nature that only the lessee can use them without major modification.

Measurement of fixed assets held under finance lease: fixed assets held under finance lease are initially recognized at the lower of fair value of the leased assets at the inception of lease and the present value of minimum lease payments.

For subsequent measurement of fixed assets held under finance lease, provision for depreciation and impairment is made adopting the same depreciation policies for self-owned fixed assets.

15. Construction in progress

√ Applicable ☐ Not Applicable

(1) Types of construction in progress

Construction in progress for the Company is in a self-operated manner.

(2) Standard and timing of transfer from construction in progress to fixed assets

The construction in progress of the Company is transferred to fixed assets when the project is completed and ready for its intended use, which shall satisfy one of the following conditions:

① The construction of the fixed assets (including installation) has been completed or substantially completed;

② The fixed asset has been used for trial production or operation and it is evidenced that the asset can operate ordinarily or steadily produce qualified products; or the result of trial operation proves that it can operate normally or be opened for business;

③ Further expenditure incurred for construction of the fixed asset is very minimal or remote;

④ The constructed fixed asset reaches or almost reaches the design or contractual requirements, or complies with the design or contractual requirements.

(3) Method of test and provision for impairment of impairment of construction in progress

At the balance sheet date, the Company reviews the construction in progress 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 construction in progress should base on the higher of net fair value of asset less disposal expense and the present value of estimated future cash flow of the asset.

16. Borrowing costs

☒ Applicable ☐ Not Applicable

(1) Recognition principles for capitalization of borrowing costs

The Company's borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in current profit or loss based on the amount incurred. Qualifying assets for capitalization include fixed assets, investment properties and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or for sale.

(2) Computation of capitalized amount

Period of capitalization refers to the period from the commencement to the cessation of capitalization timing of borrowing costs, excluding the periods in which capitalization of borrowing costs is suspended.

Period of suspended capitalization: Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and the suspension lasts for more than 3 months.

Computation of capitalized amount: ① Specific borrowings will be determined based on the actual interest expense incurred in the current period of the special borrowings less the interest income from unutilized borrowings deposited in banks or investment income from temporary investment; ② Normal borrowings utilized are calculated based on the weighted average of the asset expenses accumulated exceeding the asset expenses of the portion of special borrowings multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on weighted average interest rate of normal borrowings; ③ For borrowings with discount or premium, the discount or premium which should be amortized in each accounting period is determined based on the effective interest rate method and an adjustment should be made to the amount of interests in each period.

17. Right-of-use assets

√ Applicable ☐ Not Applicable

Right-of-use assets are the right of the Company as a lessee to use leased assets during the lease term. On the commencement date of the lease term, the Company as lessee shall recognize the right-of-use assets and lease liabilities for the lease, except for short-term leases and low value assets leases which are treated with practical expedient. The commencement date of the lease term refers to the start date when the lessor provides the leased assets to make it available to the lessee.

The Company's right-of-use assets shall be initially measured at the costs. The costs include:

- (1) initial measurement amount of the lease liability;
- (2) a lease payment paid on or before the date of commencement of the lease period, where there was lease incentive, such incentives shall be deducted;
- (3) initial direct costs incurred by the Company as lessee;
- (4) 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.

The Company refers to the relevant depreciation provisions of *Accounting Standards for Business Enterprises No. 4-Fixed Assets* to accrue depreciation for right-of-use assets. If the Company can reasonably determine that the ownership of the leased asset can be acquired at the expiration of the lease term, the leased asset shall be depreciated 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 leased asset shall be depreciated within the lease term or its remaining useful life (whichever is shorter).

The Company determines whether the right-of-use assets are impaired in accordance with the provisions of *Accounting Standards for Business Enterprises No. 8 – Asset Impairment* and performs accounting treatment on the identified impairment losses.

When the lease liabilities are remeasured in accordance with the Standards, the Company adjusts the book value of the right-of-use assets accordingly. If the book value of the right-of-use assets is reduced to zero, but needs a further reduction in the measurement of the lease liabilities, the Company recognizes any remaining amount of the remeasurement in current profit or loss.

If the lease change results in a narrower lease or a shorter lease term, the Company reduces the book value of the right-of-use assets accordingly and recognizes the related gains or losses of the partially terminated or completely terminated leases into current profit and loss. For other lease changes which result in the remeasurement of lease liabilities, the Company adjusts the book value of the right-of-use assets accordingly.

18. Intangible assets

Intangible assets are the identifiable non-monetary assets which have no physical form and are possessed or controlled by the Company.

(1). Valuation method, service life and impairment test

☒ Applicable ☐ Not Applicable

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.

Subsequent measurement of intangible assets of the Company: ① Intangible 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; ② Intangible 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 useful lives of the intangible assets with indefinite useful lives are reviewed. 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) Accounting policies regarding expenditure for internal research and development projects

☒ Applicable ☐ Not Applicable

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 recognized as intangible assets if all of the following conditions are met: ① the technical feasibility of completing the intangible assets so that they will be available for use or for sale; ② the 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: research stage refers to 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 stage of applying the research achievements and other knowledge in a plan or design to produce new or substantially improved materials, equipment and products is regarded 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.

19. 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 is tested for impairment at least at the end of each year.

In terms of impairment test of the goodwill of the Company, 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 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 on goodwill shall be recognized when the recoverable amount of the related asset groups or asset group portfolios is lower than the carrying amount thereof.

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

20. 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.

21. Staff's remuneration

Staff's 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.

Short-term remunerations 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, short-term remunerations that actually incurred shall be recognized as liabilities and credited into the current profit or loss or the cost of relevant assets on an accrual basis by the benefit objects.

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 cost for providing benefits is determined 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's 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.

Termination benefits: 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 following conditions are met, the Company will recognize and credit into the profit or loss the accrued liabilities arising from the indemnity as a result of terminating labor relations with the employees: the Company has made a formal plan for termination of labor relations or has made an offer for voluntary redundancy which will be implemented immediately; and the Company could not unilaterally withdraw the plan for termination of labor relations or the redundancy offer. Early retirement plans for employees will be handled in the principle the same as the termination benefits above. The Company will credit the salaries and social insurance premiums to be paid to the early retirees during the period from the date of early retirement to the normal retirement date to the profit or loss when recognition conditions for estimated liabilities are met.

22. Lease liabilities

√ Applicable ☐ Not Applicable

On the commencement date of the lease term, the Company as the lessee shall recognize the right-of-use assets and lease liabilities for the lease. The Company's lease liabilities are initially measured at the present value of the lease payment that has not been paid on the commencement date of the lease term.

When calculating the present value of the lease payment, the Company adopts interest rate implicit in lease as discount rate; if it is impossible to determine the interest rate implicit in lease, the incremental borrowing rate of the Company (i.e. lessee) shall be adopted as the discount rate.

The interest rate implicit in lease refers to the interest rate that makes the sum of the present value of the lessor's lease receivable amount and the present value of the unguaranteed residual value equal to the sum of the fair value of the leased asset and the initial direct cost of the lessor. The lessee's incremental borrowing rate refers to the interest rate that the lessee is required to pay for borrowing funds under similar mortgage conditions in a similar economic environment in order to obtain assets close to the value of the right-of-use assets during a similar period.

The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into current profit or loss or assets cost.

After the commencement date of the lease term, where the assessment results of the renewal of the option, the termination of the lease option and the purchase option have changed, the Company re-determines the lease payment and re-measures the lease liabilities in accordance with the present value of the lease payment after changes and the revised discount rate.

After the commencement date of the lease term, in the event that the future lease payment changes due to a change in expected payment under a guaranteed remaining value or changes in an index or rate used in determining the lease payments, the Company shall re-measure lease liabilities based on present value of the lease payment after changes. In such cases, the discount rate adopted by the Company shall remain unchanged; however, if the change in lease payment results from a change in floating interest rates, the Company shall use a revised discount rate.

23. 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.

24. Share-based payments

☒ Applicable ☐ Not Applicable

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 grant date. For the payment of such fair value that may only be exercised if services are fulfilled during the vesting period or the specified performance condition is achieved, the amount of such fair value shall, based on the best estimate of the number of exercisable equity instruments during the vesting period, be recognized in relevant costs or expenses in straight-line method 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 Company shall consider the modified vesting conditions 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, it 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.

25. Revenue

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.

26. 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: ① those 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; ② those 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.

27. Deferred income tax assets and deferred income tax liabilities

☒Applicable ☐Not Applicable

Deferred income tax assets and deferred income tax liabilities of the Company are recognized:

(1) Based on the difference between the carrying amount and the tax base amount of an asset or a liability (items not recognized as assets and liabilities but their tax base is ascertained by the tax laws and regulations, the tax base is the difference), deferred income tax asset or deferred income tax liability is calculated using the applicable tax rate prevailing at the expected time of recovering the asset or discharging the liability.

(2) Deferred income tax asset 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) Deferred income tax liability is recognized 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. For deductible temporary differences arising from investments in subsidiaries and associated companies, deferred income tax asset is recognized 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) No deferred income tax liability is recognized 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 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.

28. Other significant accounting policies and accounting estimations

☒Applicable ☐Not Applicable

(1) Asset securitization business

Some of the Company's receivables are securitized. The Company's underlying assets are trusted to a special purpose entity which issues securities to investors. The Company serves as the asset service supplier, providing services including asset maintenance and its daily management, formulation of the annual asset disposal plan, formulation and implementation of the asset disposal plan, signing relevant asset disposal agreements and periodic preparation of asset service report.

The Company has evaluated the extent to which it transfers the risks and rewards of assets to other entities and the extent it exercises control over such entities while applying the accounting policy in respect of securitization of financial assets:

① The financial asset is derecognized when the Company transfers substantially all the risks and rewards of ownership of the financial asset;

② Recognition of the financial asset is continued when the Company retains substantially all the risks and rewards of ownership of the financial asset;

③ When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company evaluates whether it retains control over the financial asset. If the Company does not retain control, it derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Company retains control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

(2) Hedge accounting

Hedge refers to risk management activities that enterprises designate financial instruments as hedge instruments in order to manage risk exposure caused by specific risks such as foreign exchange risk, interest rate risk, price risk and credit risk, allowing to expect changes in fair value or cash flow of hedge instruments to offset all or partial changes in fair value or cash flow of hedged items.

Hedged items refer to items which make enterprises face risks of changes in fair value or cash flow and are designated as hedged objects and can be reliably measured.

A hedging instrument is a financial instrument designated by an enterprise for the purpose of hedging, whose fair value or cash flow changes are expected to offset the change in the fair value or cash flow of the hedged items.

The Company continuously conducts assessment over whether hedge relationship complies with requirements of hedge effectiveness on the starting date of hedge and during follow-on period. Hedge effectiveness refers to the extent that changes in fair value or cash flow of hedge instruments can offset that of hedged items caused by the risks of being hedged. The portion that the changes in fair value or cash flow of hedge instruments is greater or less than that of hedged items is the ineffective portion of hedge.

(3) Explanations on significant accounting estimates

Judgments, estimates and assumptions shall be made to book value of the financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Such judgments, estimates and assumptions were based on the management's historical experience and made after other various factors are considered. These

judgments, estimates and assumptions will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainties of these estimations may be different from the current estimates of the management, and thus cause a material adjustment to the carrying amounts of assets and liabilities affected in the future. The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only affect the current period, the amount affected shall be recognized in the current period; if the revisions affect both the current and future periods, the amount affected shall be recognized in both the current and future periods.

On the balance sheet date, the Company needs to have judgments, estimates and assumptions about the following items on the financial statements:

① Estimated liabilities

Provision for product quality guarantee, expected contract losses, and other estimates shall be made in accordance with the terms of contracts, current knowledge and historical experience. If the contingent event has formed a present obligation the performance of which is very probable to result in outflow of economic benefits from the Company, an estimated liability shall be recognized by the Company on the basis of the best estimate of the expenditures to settle relevant present obligation. Recognition and measurement of the estimated liability significantly rely to a great extent on the management's judgments. In the process of judgment, the Company takes into consideration the assessment of relevant risks, uncertainties, time value of money and other factors related to the contingent events. Among them, the Company will undertake estimated liabilities with respect to the after-sales services provided for the return, maintenance and installation of goods. When estimating liabilities, the Company has considered the empirical data on maintenance in recent years, but the previous maintenance experiences may fail to reflect the future circumstances. Any increase or decrease in this provision is likely to affect the profits and losses of the next year.

② Provision of expected credit losses

The Company calculates the expected credit losses in accordance with breach risk exposure and expected credit loss rate, and confirms expected credit loss rate on the basis of breach possibilities and breach loss rate. When confirming expected credit loss rate, the Company uses data such as internal historical credit loss experiences, and conducts adjustments over historical data in combination with current status and forward-looking information. When considering forward-looking information, indexes used by the Company include risks such as economic downturn, growth of expected unemployment rate, changes in external market environment, technological environment and client conditions. The Company regularly monitors and reviews relevant assumptions relating to calculation of expected credit losses. The aforesaid estimation techniques and key assumptions have not changed substantially in this year.

③ Impairment provision of inventories

Inventories are measured by lower of cost and net realizable value according to the accounting policies of inventories; for inventories whose costs are higher than the net realizable value or those obsolete and unsalable, the impairment provision of inventories shall be made. The carrying value of inventory shall be written down to the net realizable value on the basis of the evaluation of the salability of inventories and the net realizable value thereof. Authenticating inventory impairment requires the management's obtaining of solid evidence, and their judgments and estimations made after considering the purpose of holding inventories and the effect of events after the balanced sheet date and etc. The difference between the actual outcome and the previously estimated outcome will influence the carrying value of inventories and the provision or reversal of impairment provision of inventories during the period when the estimates are changed.

④Fair value of financial instruments

For financial instruments where there is no active market, the Company will determine their fair value through a variety of valuation methods. Such valuation methods include discounted cash flow analysis. In the valuation, the Company shall estimate the future cash flow, credit risk, market volatility and correlation, and select the appropriate discount rate. Such related assumptions are uncertain, and their changes may affect the fair value of financial instruments.

⑤Impairment of investment in other equity instruments

The Company largely relies on judgments and assumptions of the management when determining whether investments of other equity instruments are impaired to determine whether it is needed to recognize their impairment. During the process of conducting judgments or making assumptions, the Company shall assess the extent and duration period that the fair value of such investments is below the cost, as well as financial conditions and short-term business prospects of the invested objects, including industry conditions, technological reform, credit rating, breach rate and risks of counterparties.

⑥Provision of long-term assets impairment

As at the balance sheet date, the Company shall judge whether there is any possible indication of impairment against non-current assets other than financial assets. The intangible assets with indefinite useful life must be tested for impairment on an annual basis as well as when there is any indication of impairment. Other non-current assets other than financial assets shall be tested for impairment when there is an indication showing that the carrying value is not recoverable. Impairment occurs while the carrying value of an asset or asset group is higher than the recoverable value, which is the higher of the net of fair value less disposal expenses and the present value of expected future cash flow. The net of fair value less disposal expenses is determined with reference to the price in the sale agreement regarding analogous asset in fair transactions or the observable market price less the increase of cost that is directly attributable to the disposal of assets. Significant judgments regarding the output, sales price, relevant operating costs of the assets (or assets group) and the discount rate used to calculate the present value shall be made when estimating the present value of future cash flow. Recoverable amount shall be estimated by the Company using all accessible relevant information, including predictions made on the output, sales price, and relevant operating costs based on reasonable and supportive assumptions. The

Company shall test for goodwill impairment at least every year. This requires the Company to estimate the present value of future cash flow for such assets groups or asset group portfolios allocated with goodwill. When estimating the present value of future cash flow, the Company shall not only estimate the future cash flow generated by such asset groups or asset group portfolios, but also select the appropriate discount rate to determine the present value of such future cash flow.

⑦ Depreciation and amortization

Investment properties, fixed assets and intangible assets are depreciated and amortized by the Company with a straight-line approach over their useful life by taking into consideration the residual value. Useful life shall be periodically reviewed by the Company to determine the amount of depreciation and amortization expenses for each reporting period and be determined on the basis of historical experience regarding analogous assets and the expected technological updates. Significant changes to previous accounting estimates will result in adjustments against depreciation and amortization expenses in the future periods.

⑧ Deferred income tax assets

Deferred income tax asset is recognized by the Company for all the uncompensated tax losses to the extent that there is sufficient taxable profit for the deduction of loss. In order to determine the amount of deferred income tax assets, the management of the Company needs to predict the timing and the amount of taxable profits in the future by making abundant judgments, as well as through the strategy of tax planning.

⑨ Income tax

In the ordinary course of business of the Company, the ultimate tax treatment and calculations of some transactions are uncertain. Whether some items could be presented before taxation shall be approved by relevant tax authorities. Where there are differences between the final tax outcome of these items and the initial estimated amount, such differences will impact the current and deferred tax in the period of final confirmation.

⑩ Provisions for sales rebates

The Company and its subsidiaries adopt the policy of sales rebates for consumers. According to the relevant conventions in the sales agreement, the review of specific transactions, the market situation, the pipeline inventory levels and the historical experiences, the Company and its subsidiaries estimate and accrue sales rebate on a regular basis with reference to the completion of agreed assessment indexes by customers. Accrual of sales rebate involves the judgment and estimates of the management. In case of any significant changes in the previous estimates, the difference above will have an impact on the sales rebate during the period when relevant changes in estimates occur.

29. Changes in the significant accounting policies and accounting estimates

(1). Changes in the significant accounting policies

☐ Applicable ☒ Not Applicable

(2). Changes in the significant accounting estimates

☐ Applicable ☒ Not Applicable

VI. Taxation

1. Main tax categories and rates

Main tax categories and rates

☒ Applicable ☐ Not Applicable

Tax categories	Basis of taxation	Tax rate
Value-added tax	Taxable revenue from sales of goods or rendering services	6%, 9%, 13%
City maintenance and construction tax	Circulation Taxes payable	7%
Enterprise income tax	Taxable income	Statutory tax rate or preferential rates as follows
(Local) education surcharge	Circulation Taxes payable	1%, 2%, 3%

Disclosure of tax entities with different enterprise income tax rates

☐ Applicable ☒ Not Applicable

2. Preferential tax

☒ Applicable ☐ Not Applicable

Companies subjected to preferential tax:

Name of company	Tax rate	Preferential tax
Haier Smart Home Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

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Qingdao Haier Special Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Dishwasher Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Limited	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Zhengzhou Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shenyang Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Moulds Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hai Gao Design and Manufacture Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hairi Hi-Tech Model Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Haier Guangke Digital Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Technology Development Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Central Air Conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air Conditioner Gen Corp., Ltd.	15%	entitled to the preferential taxation policies as

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		a hi-tech enterprise
Beijing ASU Tech Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Zero Micro Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Tianjin Haier Washing Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Economic and Technological Development Zone Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Strauss Water Equipment Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Lejia Electric Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier New Energy Electric Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Ririshun Lexin Cloud Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Electronic Plastic Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Penghai Software Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Wei Xi Intelligent Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

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Qingdao Haier Special Refrigerating Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Technology Co., Ltd.	10%	significant software enterprise tax preferential
Wuhan Haier Energy and Power Co., Ltd.	10%	entitled to the preferential policies as a microenterprise
Shenyang Haichen Zhilian Technology Co., Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
Dalian Haier Energy & Power Co., Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
Qingdao Hailian Rongchuang Technology Co., Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
Haier Digital Technology (Nanjing) Co., Ltd.	10%	entitled to the preferential policies as a small/micro enterprise
Jiaxing Penghai Information Technology Co., Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
Qingdao Haimeihui Management Consulting Co., Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
GE Appliance (Shanghai) Co., Ltd.	10%	entitled to the preferential policies as a small/micro enterprise
Shanghai Haier Zhongzhi Fang Chuang Ke Management Co., Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
Haier Digital Technology (Tianjin) Co., Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
Chongqing Haier Electronics Sales Co., Ltd. and some Western branches	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Xin Ri Ri Shun Electric Sales Co., Ltd. And some Western branches	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Refrigeration Appliance Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Guizhou Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

Chongqing Haier Precision Plastic Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Washing Machine Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Water Heater Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Drum Washing Machine Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

VII. Explanatory Notes for Items in Consolidated Financial Statements

Unless otherwise specified, the following closing balance refers to the amount as of 30 June 2020. The opening balance refers to the amount as of 31 December 2019. The amount for the current period refers to the amount in the period from 1 January to 30 June 2020. The amount of the previous period refers to the amount of the period from 1 January to 30 June 2019.

1. Monetary funds

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	3,439,833.06	7,556,892.38
Deposit in bank	42,540,524,252.52	34,502,656,877.99
Other monetary funds	1,568,976,045.24	1,668,601,912.88
Total	44,112,940,130.82	36,178,815,683.25
Including: Total amount deposit overseas	11,074,244,229.27	8,787,573,078.32

Other explanations:

The cash in the monetary funds deposited in Haier Finance Co., Ltd. was RMB19,329,361,440.18 at the end of the period, the balance of which included time deposit of RMB5,500,507,628.24. The investment fund in the closing balance of other monetary funds was RMB367,976,424.43, deposit on third party payment platforms was RMB109,870,410.59 and the security deposit was

RMB1,005,013,116.34, the frozen fund was RMB191,918.23, and the restricted fund was RMB85,924,175.65.

2. Financial assets held for trading

Items	Closing balance	Opening balance
Forward foreign exchange contracts	24,368,892.60	84,934,313.67
Short-term wealth management products	2,341,623,479.22	198,614,361.33
Investment in other equity instruments	34,492,440.52	24,586,332.05
Total	2,400,484,812.34	308,135,007.05

3. Derivative financial assets

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange trading contracts	62,752,517.52	17,241,833.10
Forward commodity contracts	3,713,607.65	1,916,299.35
Total	66,466,125.17	19,158,132.45

4. Bills receivable

(1) Details of bills receivable

Items	Closing balance	Opening balance
Bank acceptance notes	605,212,558.20	462,888,721.91
Commercially acceptance notes	12,585,193,338.81	13,503,587,868.65
Balance of bills receivable	13,190,405,897.01	13,966,476,590.56
Allowance for bad debts	14,056,696.60	15,056,696.60
Bills receivable, net	13,176,349,200.41	13,951,419,893.96

(2) Changes in allowance for bad debts of bills receivable in the current period

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision	Other increases	Reversal	Write-off/ other	

					movement	
Allowance for bad debts	15,056,696.60			1,000,000.00		14,056,696.60
Total	15,056,696.60			1,000,000.00		14,056,696.60

The bills receivable pledged by the Company at the end of the period was RMB9,980,778,418.11.

(1). Disclosure by classification of bad debt provisions

☐Applicable ☒Not Applicable

5. Accounts receivable

① Accounts receivable are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	16,816,289,465.42	10,948,682,641.60
1-2 years	367,962,469.63	274,136,141.64
2-3 years	137,615,516.50	98,672,021.59
Over 3 years	168,317,106.24	139,300,727.01
Accounts receivable, balance	17,490,184,557.79	11,460,791,531.84
Allowance for bad debts	489,746,134.65	444,920,471.75
Accounts receivable, net	17,000,438,423.14	11,015,871,060.09

② The total amount of the top 5 accounts receivable at the end of the period is RMB5,148,884,871.86, accounting for 29.44% of the book balance of accounts receivable.

☐Applicable ☒Not Applicable

③ Changes in bad debts of accounts receivable in the current period:

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other increases	Reversal	Write-off/ other movement	
Allowance for bad debts	444,920,471.75	104,092,338.61	2,109,154.85	2,003,555.96	59,372,274.60	489,746,134.65

④ Actual write-off of accounts receivable in the current period

The amount of accounts receivable actually written off in the current period is RMB59,372,274.60, and there is no important bad debt write-off of accounts receivable.

- ⑤ The company's accounts receivable that were terminated due to the transfer of financial assets in the current period.

In the current period, the amount of accounts receivable that the company terminated due to the transfer of financial assets was RMB4,336,031,449.56, and the transfer method was selling-type factoring/asset securitization.

- ⑥ Current limited accounts receivable

The amount of accounts receivable pledged at the end of the period is RMB1,280,306,436.00.

6. Prepayments

- (1) Prepayments are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	1,634,749,215.82	1,226,300,431.60
1-2 years	48,134,250.21	14,275,907.31
2-3 years	11,997,337.82	6,036,100.01
Over 3 years	25,467,556.84	26,309,107.80
Total	1,720,348,360.69	1,272,921,546.72

- (2) The amount of the top 5 in the prepayments at the end of the period totals RMB737,779,070.53, which accounts for 42.89% of the prepayment balance.

7. Other receivables

Items are set out

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	210,808,262.82	273,009,954.80
Dividend receivable	95,417,478.62	4,524,472.84
Other receivables	1,627,079,729.99	1,885,983,374.86
Total	1,933,305,471.43	2,163,517,802.50

Other explanations:

☐ Applicable ☒ Not Applicable

(1) Interest receivable

Aging	Closing balance		Opening balance	
	Book value balance	Proportion	Book value balance	Proportion
Within one year	209,221,480.99	99.25%	224,873,084.17	82.36%
1-2 years	1,586,781.83	0.75%	26,470,812.60	9.70%
2-3 years			21,666,058.03	7.94%
Total	210,808,262.82	100.00%	273,009,954.80	100.00%

(2) Dividend receivable

Aging	Closing balance		Opening balance	
	Book value balance	Proportion	Book value balance	Proportion
Within one year	90,893,005.78	95.26%		
1-2 years				
2-3 years				
Over 3 years	4,524,472.84	4.74%	4,524,472.84	100.00%
Total	95,417,478.62	100.00%	4,524,472.84	100.00%

(3) Other receivables

① Other receivables are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	1,505,760,639.37	1,801,028,378.02
1-2 years	107,424,370.48	65,979,912.86
2-3 years	11,557,659.31	26,319,826.19
Over 3 years	75,596,740.09	64,449,296.31
Other receivables balance	1,700,339,409.25	1,957,777,413.38
Allowance for bad debts	73,259,679.26	71,794,038.52
Other receivables, net	1,627,079,729.99	1,885,983,374.86

② The total amount of the top 5 other receivables at the end of the period is RMB801,299,548.96, which accounts for 47.13% of the book balance of other receivables.

③ Changes in bad debt provision for other receivables in the current period

Items	Opening	Increase for the period	Decrease for the period	Closing
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	balance	Provision	Other Increases	Reversal	Write-off/ other movement	balance
Allowance for bad debts	71,794,038.52	8,662,065.46	107,745.40	845,344.04	6,458,826.08	73,259,679.26

④ Other receivables written off during the period

The amount of other receivables actually written off in the current period is RMB6,458,826.08, and no significant other receivables are written off for bad debts.

Other receivables mainly include deposits, quality guarantees, employee loans, tax refunds, and advance payments, etc.

8. Inventories

(1) Details of Inventories

Items	Closing balance		Opening balance	
	Book value balance	Impairment provision	Book value balance	Impairment provision
Raw material	3,317,190,269.90	140,329,593.27	3,068,331,798.61	115,668,613.58
Work in progress	329,714,177.59		408,055,609.14	425,020.38
Finished goods	22,528,230,727.83	753,053,476.99	25,720,392,258.54	852,085,060.72
Total	26,175,135,175.32	893,383,070.26	29,196,779,666.29	968,178,694.68

(2) Impairment provision of inventories

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other Increases	Reversal	Write-off/ other movement	
Raw material	115,668,613.58	40,252,160.86		183,192.35	15,407,988.82	140,329,593.27
Work in progress	425,020.38				425,020.38	
Finished goods	852,085,060.72	431,760,554.10	169,936.18	59,504,356.29	471,457,717.72	753,053,476.99
Total	968,178,694.68	472,012,714.96	169,936.18	59,687,548.64	487,290,726.92	893,383,070.26

9. Contract assets

(1) Details

Items	Closing balance	Opening balance
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	Book value balance	Impairment Provision	Book value balance	Impairment Provision
Relating to construction service contract	474,583,868.48	3,654,196.27	426,392,594.69	3,654,196.27
Total	474,583,868.48	3,654,196.27	426,392,594.69	3,654,196.27

(2) Provision of credit loss

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off and other movement	
Relating to construction service contract	3,654,196.27					3,654,196.27
Total	3,654,196.27					3,654,196.27

10. Other current assets

(1) Details

Items	Closing balance		Opening balance	
	Book value balance	Impairment provision	Book value balance	Impairment provision
Bank deposit for financial products	889,536,054.45		3,981,314,321.50	
Taxes to be deducted	2,320,829,386.20	2,953,191.39	2,578,384,287.03	3,276,161.33
Return cost receivable	389,324,414.91	230,224,779.86	374,052,448.32	218,016,000.42
Others	132,457,721.52		273,507,220.36	
Total	3,732,147,577.08	233,177,971.25	7,207,258,277.21	221,292,161.75

(2) Impairment provision

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other Increases	Reversal	Write-off / other movement	
Deductible	3,276,161.33			322,969		2,953,191.39

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input tax				.94		
Return cost	218,016,000.	197,745,936.			185,537,156.	230,224,779.
receivables	42	31			87	86
Total	221,292,161.	197,745,936.		322,969	185,537,156.	233,177,971.
	75	31		.94	87	25

11. Long-term equity investments

√Applicable □ Not Applicable

Investees	Opening balance	Increase/decrease for the period				
		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.	6,010,611,728.26		352,650,151.68	1,562,835.07		-126,000,000.00
Bank of Qingdao Co., Ltd.	2,586,957,693.97		132,352,393.34	-18,620,015.12		-77,995,640.00
Wolong Electric (Jinan) Motor Co., Ltd.	123,555,578.44		8,189,589.12			
Qingdao Hegang New Material Technology Co., Ltd.	280,063,773.80		8,645,979.45			
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	434,540,103.12		-626,240.10			
Mitsubishi Heavy Industries	643,056,436.86		34,236,531.91			

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Haier (Qingdao) Air-conditioners Co., Ltd.						
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	395,933,487.26		5,297,623.12			
Qingdao Haier multimedia Co., Ltd.	432,386,801.26		-42,017,109.03			
Qingdao Haier Software Investment Co., Ltd.	19,636,136.75					
Hefei Feier Smart Technology Co., Ltd.	758,188.30					
Qingdao Xinaohaizhi Energy Co., Ltd.	25,966,044.95		522,787.67			
Qingdao Zhongzaihaina Environmental Services Co., Ltd.	2,261,258.70					
Shandong Haibida Big Data Co., Ltd.	5,332,640.10		-340,822.72			
Beijing Mr. Hi Network Technology Company Limited	3,757,759.75					
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82					
Beijing ASU Tech Co., Ltd.	5,862,115.78		-5,264,385.58			
Shenzhen	6,914,487.73					

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Genyuan Environment al Protection Technology Co., Ltd.						
Qingdao Haimu Investment Management Co., Ltd.	2,198,276.46					
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	48,046,197.64					
Guangzhou Heying Investment Partnership (Limited Partnership)	219,198,634.81			-11,271,104.09		
Qingdao Home Wow Cloud Network Technology Co., Ltd.	3,168,859.99		-58,822.53			
Bingji (Shanghai) Corporate Management Co., Ltd.	894,539,765.00		88,871,603.09			
Youjin (Shanghai) Corporate Management Co., Ltd	1,625,617,754.55					
RRS (Shanghai) Investment Co., Ltd.	2,954,850,462.82					
Haier Best Water Technology Co., Ltd.	21,725,345.26		-1,806,868.15			
Meiling Candy Washing Machine	23,222,136.38		-1,733,369.98	879,525.97		

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Co., Ltd.						
Konan Electronic Co., Ltd.	71,196,748.97		1,986,998.58	1,571,603.76		-
HNR Company (Private) Limited	104,557,145.65		4,116,720.13	-0.01		
HPZ LIMITED	78,149,551.49		-2,481,483.12	-2,770,007.89		
Controladora Mabe S.A.deC.V	3,497,668,453.45		96,502,250.12	50,082,821.58		-20,392,107.51
MiddleEast Air conditioning Company Limited	19,002,595.66					
Total	20,543,423,504.98		679,043,527.00	21,435,659.27		-224,387,747.51

(Continued)

Investees	Increase/decrease for the period		Closing balance	Impairment provision Closing balance
	Other movement	Disposal of the investment		
Associate:				
Haier Finance Co., Ltd.			6,238,824,715.01	
Bank of Qingdao Co., Ltd.			2,622,694,432.19	
Wolong Electric (Jinan) Motor Co., Ltd.			131,745,167.56	
Qingdao Hegang New Material Technology Co., Ltd.			288,709,753.25	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)			433,913,863.02	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			677,292,968.77	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			401,231,110.38	21,000,000.00
Qingdao Haier Multimedia Co., Ltd			390,369,692.23	48,300,000.00
Qingdao Haier Software Investment Co., Ltd.			19,636,136.75	
Hefei Feier Smart Technology Co., Ltd.			758,188.30	
Qingdao Xinaohaizhi Energy Co., Ltd.			26,488,832.62	
Qingdao Zhongzaihaina Environmental Services Co., Ltd.		-2,261,258.70		
Shandong Haibida Big Data Co., Ltd.			4,991,817.38	
Beijing Mr. Hi Network Technology Company Limited			3,757,759.75	3,757,759.75

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Beijing Xiaobei Technology Co., Ltd.			2,687,341.82	2,687,341.82
Beijing ASU Tech Co., Ltd.			597,730.20	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.			6,914,487.73	6,914,487.73
Qingdao Haimu Investment Management Co., Ltd.			2,198,276.46	
Qingdao Haimu Zhijia Investment Partnership (Limited Partnership)			48,046,197.64	
Guangzhou Heying Investment Partnership (Limited Partnership)			207,927,530.72	
Qingdao Home Wow Cloud Network Technology Co., Ltd.			3,110,037.46	
Bingji (Shanghai) Corporate Management Co., Ltd.			983,411,368.09	
Youjin (Shanghai) Corporate Management Co., Ltd			1,625,617,754.55	
RRS (Shanghai) Investment Co., Ltd.			2,954,850,462.82	
Haier Best Water Technology Co., Ltd.			19,918,477.11	
Meiling Candy Washing Machine Co., Ltd.			22,368,292.37	
Konan Electronic Co., Ltd.			74,755,351.31	
HNR Company (Private) Limited			108,673,865.77	
HPZ LIMITED			72,898,060.48	
Controladora Mabe S.A.deC.V.			3,623,861,417.64	
Middle East Airconditioning Company, Limited			19,002,595.66	
Total	-	-2,261,258.70	21,017,253,685.04	82,659,589.30

12. Details of investment in other equity instruments

(1) Details of investment in other equity instruments at the end of the period:

Items	Closing balance	Opening balance
SINOPEC Fuel Oil Sales Corporation Limited (中国石化销售股份有限公司)	1,112,101,000.00	1,242,930,000.00
Others	158,442,648.96	153,029,878.92
Total	1,270,543,648.96	1,395,959,878.92

(2) Dividends from investment in other equity during the current period:

Items	Amount for the current period
SINOPEC Fuel Oil Sales Corporation Limited (中国石化销售股份有限公司)	14,252,549.71

Others	273,659.22
Total	14,526,208.93

13. Other non-current financial assets

√Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Long-term wealth management products	72,739,420.26	294,547,364.47
Total	72,739,420.26	294,547,364.47

14. Investment properties

Measure mode for investment properties

(1) The changes in investment properties measured at cost for this year are as follows:

Items	Houses and buildings	Land use rights	Total
I. Original book value			
1. Opening balance	46,415,383.99	2,128,550.51	48,543,934.50
2. Increase for the period			
(1) Outsourced			
(2) Inventories\fixed assets\construction in progress transferred in	1,971,634.23		1,971,634.23
(3) Increase in business combinations			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Converted difference in foreign currency statements	479,484.30		479,484.30
5. Closing balance	48,866,502.52	2,128,550.51	50,995,053.03
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	18,591,095.18	550,147.94	19,141,243.12
2. Increase for the period			
(1) Provision or amortization	906,365.24	20,118.10	926,483.34

3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Converted difference in foreign currency statements	82,749.42		82,749.42
5. Closing balance	19,580,209.84	570,266.04	20,150,475.88
III. Impairment provision			
1. Opening balance			
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Converted difference in foreign currency statements			
5. Closing balance			
IV. Book value			
1. Closing book value	29,286,292.68	1,558,284.47	30,844,577.15
2. Opening book value	27,824,288.81	1,578,402.57	29,402,691.38

(2) The depreciation and amortization amount charge for the period is RMB926,483.34.

(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

Presented as

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Fixed assets	21,398,455,636.12	21,159,138,731.39
Disposals of fixed assets	20,918,480.62	20,918,480.62
Total	21,419,374,116.74	21,180,057,212.01

(1) Fixed assets:

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value			
1. Opening balance	9,989,544,831.06	24,245,714,440.91	174,044,711.29
2. Increase for the period			
(1) Acquisition	112,395,048.87	718,888,652.82	572,389.15
(2) Construction in progress transferred in	408,861,191.41	540,982,555.81	9,660,945.19
(3) Increase in business combinations		322,355,185.01	755,209.24
3. Decrease for the period			
(1) Disposal or Write-off	18,072,656.50	225,902,133.45	3,570,623.98
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-23,168,007.04	-22,624,253.23	-841,528.37
5. Closing balance	10,469,560,407.80	25,579,414,447.87	180,621,102.52
II. Accumulated depreciation			
1. Opening balance	3,419,949,048.61	11,017,050,073.01	96,937,625.18
2. Increase for the period			
(1) Provision	248,175,958.11	1,194,443,129.99	10,774,150.77
(2) Increase in business combinations		145,073,532.93	372,442.10
3. Decrease for the period			
(1) Disposal or write-off	9,400,567.89	147,233,701.45	2,823,282.77
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	1,670,703.73	1,299,636.52	-107,808.65
5. Closing balance	3,660,395,142.56	12,210,632,671.00	105,153,126.63
III. Impairment provision			
1. Opening balance	34,461,480.76	14,555,443.55	80,617.22
2. Increase for the period			
(1) Provision			
(2) Increase in business combinations		127,167,231.67	
3. Decrease for the period			
(1) Disposal or Write-off		10,355,336.24	

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(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	635,780.59	13,471.59	402.66
5. Closing balance	35,097,261.35	131,380,810.57	81,019.88
IV. Book value			
1. Closing book value	6,774,068,003.89	13,237,400,966.30	75,386,956.01
2. Opening book value	6,535,134,301.69	13,214,108,924.35	77,026,468.89

(Continued)

Items	Office furniture	Others	Total
I. Original book value			
1. Opening balance	863,015,378.72	2,266,565,579.67	37,538,884,941.65
2. Increase for the period			
(1) Acquisition	11,205,099.32	21,218,488.76	864,279,678.92
(2) Construction in progress transferred in	70,702,218.79	70,784,971.20	1,100,991,882.40
(3) Increase in business combinations	152,184.27	7,966.39	323,270,544.91
3. Decrease for the period			
(1) Disposal or Write-off	10,590,048.89	92,160,434.42	350,295,897.24
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-3,249,731.54	-12,645,437.75	-62,528,957.93
5. Closing balance	931,235,100.67	2,253,771,133.85	39,414,602,192.71
II. Accumulated depreciation			
1. Opening balance	438,400,670.33	1,346,669,714.51	16,319,007,131.64
2. Increase for the period			
(1) Provision	59,599,208.61	95,713,632.40	1,608,706,079.88
(2) Increase in business combinations	82,716.75	6,866.74	145,535,558.52
3. Decrease for the period			

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(1) Disposal or Write-off	8,242,654.10	72,139,869.24	239,840,075.45
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	286,029.16	1,361,643.57	4,510,204.33
5.Closing balance	490,125,970.75	1,371,611,987.98	17,837,918,898.92
III. Impairment provision			
1.Opening balance	68,672.62	11,572,864.47	60,739,078.62
2.Increase for the period			
(1) Provision			
(2) Increase in business combinations			127,167,231.67
3.Decrease for the period			
(1) Disposal or Write-off			10,355,336.24
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-1,032.45	28,061.23	676,683.62
5.Closing balance	67,640.17	11,600,925.70	178,227,657.67
IV. Book Value			
1.Closing book value	441,041,489.75	870,558,220.17	21,398,455,636.12
2.Opening book value	424,546,035.77	908,323,000.69	21,159,138,731.39

(2) In the current period, the balance of the construction in progress transferred to the original value of the fixed assets is total RMB1,100,991,882.40.

(3) The amount of fixed assets mortgage at the end of the period is RMB 55,674,337.91.

(4) Disposals of fixed assets

Items	Closing balance	Opening balance	Reason for transferring to disposal
Relocation of Qingdao Industrial Park	20,918,480.62	20,918,480.62	Demolition
Total	20,918,480.62	20,918,480.62	

16. Construction in progress

Presented as

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Construction in progress	2,938,851,804.25	2,391,364,659.97
Construction materials		
Total	2,938,851,804.25	2,391,364,659.97

Construction in progress

(1). Details of construction in progress

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Zhengzhou New Energy Project	397,682,156.25		397,682,156.25	339,598,483.94		339,598,483.94
America GEA Project	310,496,166.77	34,565,935.90	275,930,230.87	301,439,928.75	34,061,569.61	267,378,359.14
Qingdao Smart Appliance Equipment Project	222,046,723.04		222,046,723.04	236,539,836.43		236,539,836.43
Europe Candy Project	164,936,388.09		164,936,388.09	44,645,629.53		44,645,629.53
Smart Home Appliance Technology Project	120,509,363.38		120,509,363.38	17,586,162.11		17,586,162.11
Dalian Refrigerator Project	106,483,938.05		106,483,938.05	20,869,021.20		20,869,021.20
New Zealand FPA Project	100,314,539.32		100,314,539.32	83,150,746.03		83,150,746.03
Haier India Project	87,086,179.62		87,086,179.62	32,308,143.64		32,308,143.64
Haier Smart Home Project	82,422,580.69		82,422,580.69	65,367,920.02		65,367,920.02
Jiaonan Washing	77,312,248.54		77,312,248.54	38,432,444.33		38,432,444.33

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Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Machine Project						
Haier Air-Conditioning Electronic Project	69,535,937.27		69,535,937.27	61,168,160.86		61,168,160.86
Qingdao Washing Appliance Project	63,350,293.33		63,350,293.33	108,566,194.72		108,566,194.72
Hefei Refrigerator Project	53,478,214.27		53,478,214.27	32,162,988.77		32,162,988.77
Tianjin Washing Appliance Project	48,245,572.23		48,245,572.23	45,468,458.70		45,468,458.70
Laiyang Smart Kitchen Project	45,458,466.33		45,458,466.33	81,387,700.67		81,387,700.67
Chongqing Water Heater Project	43,383,570.58		43,383,570.58	3,039,596.13		3,039,596.13
Qingdao Haier's science and technology Project	43,359,730.83		43,359,730.83	36,834,016.09		36,834,016.09
RRS Health Project	36,941,638.55		36,941,638.55	6,389,644.74		6,389,644.74
Zhengzhou Air-conditioning Project	34,862,632.84		34,862,632.84	20,471,229.32		20,471,229.32
Others	865,511,400.17		865,511,400.17	849,999,923.60		849,999,923.60
Total	2,973,417,740.15	34,565,935.90	2,938,851,804.25	2,425,426,229.58	34,061,569.61	2,391,364,659.97

(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	Converted difference in foreign currency statements	Closing balance	Source of fund
Zhengzhou New Energy Project	339,598,483.94	58,083,672.31				397,682,156.25	Self-funding

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America GEA Project	301,439,928.7 5	245,967,113. 83	241,413,089 .40		4,502,213.59	310,496,166 .77	Self-fundi ng
Qingdao Smart Appliance Project	236,539,836.4 3	2,982,044.06	17,475,157. 45			222,046,723 .04	Self-fundi ng
Europe Candy Project	44,645,629.53	135,665,044. 55	7,649,870.3 7		-7,724,415.62	164,936,388 .09	Self-fundi ng
Smart Home Appliance Technology Project	17,586,162.11	106,767,645. 72	3,844,444.4 5			120,509,363 .38	Self-fundi ng
Dalian Refrigerator Project	20,869,021.20	87,079,916.8 5	1,465,000.0 0			106,483,938 .05	Self-fundi ng
New Zealand FPA Project	83,150,746.03	55,347,552.5 8	37,793,197. 69		-390,561.60	100,314,539 .32	Self-fundi ng
Haier India Project	32,308,143.64	67,894,544.9 8	10,624,830. 98		-2,491,678.02	87,086,179. 62	Self-fundi ng/ fund raising
Haier Smart Home Project	65,367,920.02	18,145,866.7 2	1,091,206.0 5			82,422,580. 69	Self-fundi ng
Jiaonan Washing Machine Project	38,432,444.33	50,231,042.9 5	11,351,238. 74			77,312,248. 54	Self-fundi ng
Haier Air- conditioning Electronic Project	61,168,160.86	22,612,094.8 7	14,244,318. 46			69,535,937. 27	Self-fundi ng
Qingdao Washing Appliance Project	108,566,194.7 2	5,604,748.77	50,820,650. 16			63,350,293. 33	Self-fundi ng
Hefei Refrigerator Project	32,162,988.77	31,458,883.5 3	10,143,658. 03			53,478,214. 27	Self-fundi ng
Tianjin Washing Appliance Project	45,468,458.70	43,227,363.8 3	40,450,250. 30			48,245,572. 23	Self-fundi ng
Laiyang Smart Kitchen Project	81,387,700.67	6,666,856.45	42,596,090. 79			45,458,466. 33	Self-fundi ng/ fund raising
Chongqing Water Heater Project	3,039,596.13	40,524,877.0 3	180,902.58			43,383,570. 58	Self-fundi ng
Qingdao Haier's	36,834,016.09	6,912,045.24	386,330.50			43,359,730.	Self-fundi

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science and technology Project						83	ng/ fund raising
RRS Health Project	6,389,644.74	30,551,993.81				36,941,638.55	Self-funding
Zhengzhou Air-conditioning Project	20,471,229.32	20,705,334.38	6,313,930.86			34,862,632.84	Self-funding/ fund raising
Others	849,999,923.60	625,230,700.24	603,147,715.59	1,971,634.23	-4,599,873.85	865,511,400.17	Self-funding/ fund raising
Total	2,425,426,229.58	1,661,659,342.70	1,100,991,882.40	1,971,634.23	-10,704,315.50	2,973,417,740.15	

(3) Impairment provision of construction in progress

Project name	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Exchange differences	Closing balance
America GEA Project	34,061,569.61				504,366.29	34,565,935.90

17. Right-of-use assets

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value:			
1. Opening balance	2,817,150,021.16	30,765,699.60	168,524,791.57
2. Increase for the current period			
(1) Increase	550,503,778.80	2,278,108.14	24,658,892.92
3. Decrease for the current period			
(1) Disposal	60,893,951.15	67,987.79	10,726,727.37
(2) Disposal of subsidiary			
4. Converted difference in foreign currency statements	1,885,919.43	-510,552.05	-3,166,102.23
5. Closing balance	3,308,645,768.24	32,465,267.90	179,290,854.89
II. Accumulated amortization			
1. Opening balance	470,357,728.65	4,559,852.96	54,622,784.52
2. Increase for the current period			
(1) Provision	272,188,683.21	1,764,565.75	26,875,376.44
3. Decrease for the current period			
(1) Disposal	39,864,806.50	67,987.79	10,477,919.65

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(2) Disposal of subsidiary			
4. Converted difference in foreign currency statements	1,787,965.78	-420,614.87	-335,525.40
5. Closing balance	704,469,571.14	5,835,816.05	70,684,715.91
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. Converted difference in foreign currency statements			
5. Closing balance			
IV. Book Value			
1. Closing book value	2,604,176,197.10	26,629,451.85	108,606,138.98
2. Opening book value	2,346,792,292.51	26,205,846.64	113,902,007.05

(Continued)

Items	Office furniture	Other	Total
I. Original book value:			
1. Opening balance	60,995,358.04	309,577,979.06	3,387,013,849.43
2. Increase for the current period			
(1) Increase	7,686,629.57	9,632,580.98	594,759,990.41
3. Decrease for the current period			
(1) Disposal	836,904.38	3,160,877.47	75,686,448.16
(2) Disposal of subsidiary			
4. Converted difference in foreign currency statements	147,833.76	4,633,423.68	2,990,522.59
5. Closing balance	67,992,916.99	320,683,106.25	3,909,077,914.27
II. Accumulated amortization			
1. Opening balance	11,686,634.26	90,720,247.45	631,947,247.84
2. Increase for the current period			
(1) Provision	9,055,910.79	43,497,956.90	353,382,493.09
3. Decrease for the current period			
(1) Disposal	836,904.38	3,160,877.47	54,408,495.79
(2) Disposal of subsidiary			

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4. Converted difference in foreign currency statements	-14,463.98	1,693,346.28	2,710,707.81
5.Closing balance	19,891,176.69	132,750,673.16	933,631,952.95
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. Converted difference in foreign currency statements			
5.Closing balance			
IV. Book Value			
1.Closing book value	48,101,740.30	187,932,433.09	2,975,445,961.32
2.Opening book value	49,308,723.78	218,857,731.61	2,755,066,601.59

18. Details of intangible assets

(1). Intangible assets

√Applicable □Not Applicable

Items	Proprietary technology	Licenses and franchises	Land use rights
I. Original book value			
1. Opening balance	1,777,017,298.95	4,211,491,949.66	1,191,959,998.86
2. Increase for the current period			
(1) Purchase	7,674,795.05	20,556,973.98	149,562,420.38
(2) Internal research and development	55,419,760.06		
(3) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			24,302,311.01
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-12,502,430.21	70,878,820.37	-1,667,170.25
5. Closing balance	1,827,609,423.85	4,302,927,744.01	1,315,552,937.98
II. Accumulated amortization			
1. Opening balance	735,680,465.49	451,771,449.40	145,020,102.09
2. Increase for the current period			
(1) Provision	91,496,129.76	65,066,332.11	11,578,897.19
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-16,645,748.90	11,660,491.00	-565,874.08
5. Closing balance	810,530,846.35	528,498,272.51	156,033,125.20
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			

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(1) Provision			
(2) Increase in business combination			
3.Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements			
5.Closing balance			
IV. Book Value			
1.Closing book value	1,017,078,577.50	3,774,429,471.50	1,159,519,812.78
2.Opening book value	1,041,336,833.46	3,759,720,500.26	1,046,939,896.77

(Continued)

Items	Trademark rights	Application management software and others	Total
I. Original book value			
1.Opening balance	2,721,643,301.47	3,604,814,269.91	13,506,926,818.85
2.Increase in the current period			
(1) Purchase		50,306,605.68	228,100,795.09
(2) Internal research and development		93,415,083.79	148,834,843.85
(3) Increase in business combination		46,073,558.74	46,073,558.74
3.Decrease for the current period			
(1) Disposal		8,404,736.39	32,707,047.40
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	23,421,549.43	60,607,883.75	140,738,653.09
5.Closing balance	2,745,064,850.90	3,846,812,665.48	14,037,967,622.22
II. Accumulated amortization			
1.Opening balance		1,477,417,910.84	2,809,889,927.82
2.Increase in the current period			
(1) Provision		310,068,883.65	478,210,242.71
(2) Increase in business combination		28,339.27	28,339.27

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3.Decrease for the current period			
(1) Disposal		6,865,274.30	6,865,274.30
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements		8,807,057.92	3,255,925.94
5.Closing balance		1,789,456,917.38	3,284,519,161.44
III. Impairment provision			
1.Opening balance		9,965,107.96	9,965,107.96
2.Increase in the current period			
(1) Provision			
(2) Increase in business combination			
3.Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements			
5.Closing balance		9,965,107.96	9,965,107.96
IV. Book value			
1.Closing book value	2,745,064,850.90	2,047,390,640.14	10,743,483,352.82
2.Opening book value	2,721,643,301.47	2,117,431,251.11	10,687,071,783.07

At the end of the period, the intangible assets developed through the Company accounted for the 15.95% of the original value.

19. Development cost

Items	Opening balance	Increase for the period	Decrease for the period		Converted difference in foreign currency statements	Closing balance
			Confirmed as an intangible asset	Included in current profit and loss		
91ABD.ERP IT Program	98,811,149.48	51,193,000.36	72,157,488.73		1,285,239.51	79,131,900.62
Others	94,474,627.62	201,703,749.36	76,677,355.12	79,351,385.34	-3,026,721.05	137,122,915.47
Total	193,285,777.10	252,896,749.72	148,834,843.85	79,351,385.34	-1,741,481.54	216,254,816.09

20. Goodwill

Items	Opening balance	Increase for the period	Decrease for the period	Impact of fluctuation in exchange rate for the period	Closing balance
GEA	20,724,937,078.57			303,246,388.12	21,028,183,466.69
Candy	2,032,029,984.37			37,829,999.71	2,069,859,984.08
Others	594,762,750.41	463,971,411.23	-	-15,993,270.92	1,042,740,890.72
Total	23,351,729,813.35	463,971,411.23	-	325,083,116.91	24,140,784,341.49

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 5-10 years budget. Future cash flows beyond the budget period are estimated using the estimated perpetual annual growth rate. The perpetual annual growth rate (mainly 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 income growth rate (mainly 2.50%-14.39%) and the EBITDA profit margin (mainly 2.22%-6.21%) 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 9.83%-11.12%). 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.

21. Long-term prepaid expenses

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Amortization for the current period	Other decrease	Converted difference in foreign currency statements	Closing balance
Renovation	172,232,866.44	45,080,298.24	58,165,998.75			159,147,165.93
Improvement on leased property	196,714,339.49	4,933,597.45	14,039,749.19		184,393.11	187,792,580.86
Others	68,639,706.6	20,013,563.	9,758,052.6		238,936.54	79,134,153.7

	5	28	9			8
Total	437,586,912.58	70,027,458.97	81,963,800.63		423,329.65	426,073,900.57

22. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets before elimination

Items	Closing balance	Opening balance
Provision for assets impairment	263,575,303.32	330,149,872.25
Liabilities	1,679,505,927.99	1,638,698,620.85
Internal unrealized earnings eliminated due to combination	441,005,035.75	648,447,634.39
Government grants	139,236,881.90	104,843,341.38
Uncovered losses	690,316,680.96	644,817,113.91
Others	106,659,910.24	97,140,142.95
Total	3,320,299,740.16	3,464,096,725.73

(2) Deferred income tax liabilities before elimination

Item	Closing balance	Opening balance
Disposal of subsidiaries and movement in investment in other equity instruments	752,099,715.18	752,137,954.24
Withholding income tax of overseas enterprises	77,190,532.32	77,190,532.32
Difference between the tax base of the assets formed from amortization of mergers and acquisitions	2,151,892,146.63	2,063,021,233.00
Others	119,354,365.93	147,258,409.16
Total	3,100,536,760.06	3,039,608,128.72

(3) The deferred income tax assets and the deferred income tax liabilities eliminated at the end of this period was RMB1,887,965,809.32.

23. Other non-current assets

Items	Closing balance	Opening balance
Prepayments for equipment and land	887,397,762.93	1,423,060,146.73
Others	574,265,441.47	420,704,819.08
Total	1,461,663,204.40	1,843,764,965.81

24. Short-term borrowings

√Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings - secured by pledge	325,590,243.64	172,099,117.93
Borrowings - secured by mortgage	68,214,231.98	68,231,758.92
Borrowings - secured by guarantor	798,084,424.13	3,505,822,164.08
Borrowings – unsecured	16,032,000,837.63	4,838,896,196.25
Total	17,223,889,737.38	8,585,049,237.18

25. Financial liabilities held for trading

Items	Closing balance	Opening balance
Forward foreign exchange trading contracts	17,825,470.87	42,799,173.35
Total	17,825,470.87	42,799,173.35

26. Derivative financial liabilities

√ Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange trading contracts	72,492,566.52	85,557,428.14
Interest rate swap agreement	91,787,868.57	13,991,425.83
Total	164,280,435.09	99,548,853.97

27. Bills payable

√ Applicable ☐Not Applicable

Unit and Currency: RMB

Categories	Closing balance	Opening balance
Commercially acceptance notes	2,216,928,340.87	2,237,116,468.45
Bank acceptance notes	17,305,265,174.80	17,071,422,308.47

Total	19,522,193,515.67	19,308,538,776.92
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28. Accounts payable

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Accounts payable	29,649,104,954.11	33,750,567,046.28
Total	29,649,104,954.11	33,750,567,046.28

The book balance at the end of the period was mainly the unpaid expenditures on material, equipment and labor.

29. Contract liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Contract liabilities	4,756,461,007.77	5,583,008,412.49
Total	4,756,461,007.77	5,583,008,412.49

The book balance at the end of the period was mainly the receipt in advance.

30. Payables for staff's remuneration

(1) Payables for staff's 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	2,978,630,280.51	9,771,451,412.70	10,073,403,850.89	2,676,677,842.32
II. Post-employment benefits-defined contribution plan	27,079,985.45	393,382,772.11	392,097,954.19	28,364,803.37

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III. Termination benefits	9,818,188.41	2,718,370.05	2,718,370.05	9,818,188.41
IV. Other benefits due within one year	140,043,962.93	2,073,698.75	19,621,244.86	122,496,416.82
Total	3,155,572,417.30	10,169,626,253.61	10,487,841,419.99	2,837,357,250.92

(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, allowance and benefit	1,956,628,751.50	7,006,363,559.42	7,317,095,464.55	1,645,896,846.37
II. Employee welfare	298,793,183.14	430,472,087.18	413,258,792.73	316,006,477.59
III. Social benefit	145,972,223.15	759,775,992.65	755,411,378.85	150,336,836.95
IV. Housing fund	1,739,030.08	201,110,032.22	199,540,859.81	3,308,202.49
V. Labor union fee and education fee	1,249,039.97	34,799,963.35	34,915,192.28	1,133,811.04
VI. Short-term compensated absences	246,545,110.83	204,045,855.99	168,629,086.08	281,961,880.74
Others	327,702,941.84	1,134,883,921.89	1,184,553,076.59	278,033,787.14
Total	2,978,630,280.51	9,771,451,412.70	10,073,403,850.89	2,676,677,842.32

(3) Defined contribution plan

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for current the period	Closing balance
I. Basic pension insurance	26,540,835.95	383,114,458.54	381,673,378.77	27,981,915.72
II. Unemployment insurance	268,380.08	4,123,809.09	4,191,204.28	200,984.89
III. Enterprise annuity payment	270,769.42	6,144,504.48	6,233,371.14	181,902.76
Total	27,079,985.45	393,382,772.11	392,097,954.19	28,364,803.37

(4) Termination benefits

Items	Closing balance	Opening balance
Termination compensation	9,818,188.41	9,818,188.41
Total	9,818,188.41	9,818,188.41

31. Taxes payable

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Value-added tax	663,494,732.60	606,034,986.30
Enterprise income tax	999,227,617.96	1,278,004,157.85
Individual income tax	48,831,948.89	57,716,819.31
City maintenance and construction tax	15,493,800.86	12,703,998.50
Education surcharge	6,374,591.07	5,473,294.35
The electrical and electronic products waste treatment fund	71,581,165.50	102,288,068.00
Other taxes	112,744,044.39	54,835,056.73
Total	1,917,747,901.27	2,117,056,381.04

32. Other payables

Presented as

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interests payable	66,942,018.46	49,395,752.93
Dividends payable	3,299,128,584.79	145,851,115.28
Other payables	14,788,287,838.87	14,961,145,653.61
Total	18,154,358,442.12	15,156,392,521.82

(1) Interests payable:

Items	Closing balance	Opening balance
Interest of long-term borrowings	19,149,452.44	22,160,847.23

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Interest of short-term borrowings	47,792,566.02	27,234,905.70
Total	66,942,018.46	49,395,752.93

(2) Dividends payable:

Name of company	Closing balance	Opening balance
Brave Lion (HK) limited	122,756,874.10	122,756,874.10
Haier Electric Appliances International Co., Ltd.	472,006,809.00	
Haier Group Corporation	402,229,036.50	
Others	2,302,135,865.19	23,094,241.18
Total	3,299,128,584.79	145,851,115.28

(3) Other payables:

Items	Closing balance	Opening balance
Other payables	14,788,287,838.87	14,961,145,653.61
Total	14,788,287,838.87	14,961,145,653.61

The closing balance at the end of the period mainly included the incurred but unpaid costs.

33. 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	5,436,859,759.62	4,730,070,447.82
Long-term payables due within one year	36,500,000.00	
Lease liabilities due within one year	630,509,455.70	594,930,209.58
Estimated liabilities due within one year	1,821,904,561.32	1,992,138,260.62
Total	7,925,773,776.64	7,317,138,918.02

34. Other current liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Payable refund	506,141,612.19	486,038,304.57
Tax amount to be written off	9,012,519.06	6,284,243.87
Others	790,857.79	1,743,159.10
Total	515,944,989.04	494,065,707.54

35. Long-term borrowings

✓ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings - secured by mortgage	8,942,630.78	12,663,597.65
Borrowings - secured by guarantor		2,343,619,509.01
Borrowings - unsecured	14,707,127,483.28	8,877,523,705.58
Borrowings - secured by guarantor and mortgage		2,042,646,123.32
Total	14,716,070,114.06	13,276,452,935.56

Explanation of long-term loan classification:

Interest rate on long-term borrowings – secured by guarantor is the one stipulated in the loan agreement + LIBOR.

Interest rate on domestic long-term borrowings – unsecured is the benchmark rate published by the People's Bank of China.

Interest rate on offshore long-term borrowings – unsecured is the one stipulated in the loan agreement + LIBOR.

Interest rate on long-term borrowings – secured by mortgage is the one stipulated in the loan agreement + LIBOR.

36. Bonds payable

On 21 November 2017, Harvest International Company, the Company's wholly-owned subsidiary, issued HK\$8 billion five-year exchangeable corporate bonds, with a coupon rate of zero and a rate on investment of 1%.

The corporate bonds were divided into liabilities and equities on initial recognition:

Items	Exchangeable corporate bonds issued in 2017
Initial recognition:	6,731,131,007.13
Including:	
Equity portion of the exchangeable bond	431,424,524.07
Liability portion of the exchangeable bond	6,299,706,483.06

Changes in the liability portion of corporate bonds in the current period:

Items	Opening balance	Increase for the current period	Accrued bond interest for the current period	Less: Bond interest paid for the current period	Exchange rate impact	Shares converted in the current period	Shares redeemed in the current period	Closing balance
Exchangeable corporate bonds issued in 2017	7,004,585,761.43		89,010,255.63		138,632,782.79			7,232,228,799.85
Total	7,004,585,761.43		89,010,255.63		138,632,782.79			7,232,228,799.85

37. Lease liabilities

Items	Closing balance	Opening balance
Lease liabilities	2,845,575,597.63	2,575,201,976.93
Less: lease liabilities due within one year	630,509,455.70	594,930,209.58
Total	2,215,066,141.93	1,980,271,767.35

38. Long-term payables

Items	Closing balance	Opening balance
Investment from CDB development fund	93,000,000.00	93,000,000.00
Others	59,533,371.58	49,342,718.45
Less: long-term payables due within one year	36,500,000.00	
Total	116,033,371.58	142,342,718.45

Under the *Investment Contract of China Development Fund* executed by the Company and its subsidiaries including Qingdao Haier Refrigerator Co., Ltd., 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 RMB20 million in Qingdao Haier Refrigerator Co., Ltd., and 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. From 2020 to 2027, the Company and its subsidiaries will repurchase the investments made by China Development Fund Co. Ltd. to the subsidiaries of the Company.

39. Long-term payables for staff's remuneration

√Applicable □Not Applicable

(1) The presentation of long-term payables for staff's remuneration

Items	Closing balance	Opening balance
Post-employment benefits- net liability of defined benefit plan	581,328,718.69	577,613,222.26
Termination benefits	314,814,646.49	324,191,428.30
Provision for work-related injury compensation	224,542,526.24	220,545,586.80
Other long-term benefits		
Total	1,120,685,891.42	1,122,350,237.36

(2) Defined benefit 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. (海尔亚洲株式会社), a subsidiary of the Company.

Actuarial assumption used in the defined benefit plan

Items	Rate
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Discount rate	0.50%
Expected rate of return	2.00%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	334,764,594.79
II. Defined benefit cost recognized in current profit or loss	
1. Current service cost	
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	
4. Interest expenses	
III. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss (gain indicated in “—”)	
IV. Other changes	8,995,172.62
1. The consideration paid at the time of settlement	
2. Benefits paid	
3. Exchange differences	8,995,172.62
V. Closing balance	343,759,767.41

Fair value of plan assets

Items	Amount
I. Opening balance	368,725,328.67
II. Defined benefit cost recognized in current profit or loss	
1. Interest income	
III. Defined benefit cost recognized in other comprehensive income	
1. Return on plan assets (except those included in net interests)	
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	9,907,702.40
1. Employer contributions	
2. Benefits paid	
3. Exchange differences	9,907,702.40
V. Closing balance	378,633,031.07

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	-33,960,733.88
II. Defined benefit cost recognized in current profit or loss	
III. Defined benefit cost recognized in other comprehensive income	
IV. Other changes	-912,529.78
V. Closing balance	-34,873,263.66

The average term for the defined benefit obligation is 12.29 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 qualified staff with defined benefit plan for post-retirement health care benefits.

Actuarial assumptions used in defined benefit plans

Item	Rate
Discount rate	3.27%

Present value of defined benefit obligations

Item	Amount
I. Opening balance	138,607,020.37
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	23,207,509.29
1. Current period service cost	18,790,871.82
2. Past service cost	
3. Settlement gains ((loss indicated in “—”))	
4. Interest expenses	4,416,637.47
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss (gain indicated in “—”)	
V. Other changes	-6,646,413.67
1. The consideration paid at the time of settlement	

2. Benefits paid	-8,820,919.86
3. Exchange differences	2,174,506.18
VI. Closing balance	155,168,115.98

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	138,607,020.37
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	23,207,509.29
IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	-6,646,413.68
VI. Closing balance	155,168,115.98

The average term for the defined benefit obligation is 10.48 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 qualified staff with defined benefit plan for post-retirement health care benefits.

Actuarial assumptions used in defined benefit plans

Item	Rate
Discount rate	3.06%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	310,036,866.40
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	4,926,993.33
1. Current period service cost	-4,183,217.81
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	
4. Interest expenses	9,110,211.14
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss (gain indicated in “—”)	
V. Other changes	-24,349,634.30
1. The consideration paid at the time of settlement	

2. Benefits paid	-28,738,438.06
3. Exchange differences	4,388,803.76
VI. Closing balance	290,614,225.43

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	310,036,866.40
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	4,926,993.33
IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	-24,349,634.30
VI. Closing balance	290,614,225.43

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 qualified staff with defined benefit plan for post-retirement pension.

Actuarial assumptions used in defined benefit plans

Item	Rate
Discount rate	2.96%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	257,475,210.72
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	18,932,257.12
1. Current service cost	11,979,824.74
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	
4. Interest expenses	6,952,432.38
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss (gain indicated in “—”)	
V. Other changes	-45,215,485.83
1. The consideration paid at the time of settlement	
2. Benefits paid	-48,774,803.65

3. Exchange differences	3,559,317.82
VI. Closing balance	231,191,982.01

Fair value of plan assets

Items	Amount
I. Opening balance	184,922,772.57
II. Defined benefit cost recognized in current profit or loss	8,003,112.18
1. Interest income	8,003,112.18
III. Defined benefit cost recognized in other comprehensive income	
1. Return on plan assets (except those included in net interests)	
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-30,699,602.42
1. Employer contributions	15,550,981.96
2. Benefits paid	-48,774,803.65
3. Exchange differences	2,524,219.27
V. Closing balance	162,226,282.33

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	72,552,438.15
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	10,929,144.94
IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	-14,515,883.41
VI. Closing balance	68,965,699.68

(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	220,545,586.80
II. Business combination not under common control	
III. Compensation recognized in current profit and loss	44,302,460.73

IV. Actual compensation paid in the current period	-30,123,892.44
V. Other changes	-10,181,628.85
VI. Closing balance	224,542,526.24

Classification of the balance of defined benefit plan

Items	Closing balance	Opening balance
Short-term salary	66,157,847.86	84,527,455.18
Long-term salary	581,328,718.69	577,613,222.26
Total	647,486,566.55	662,140,677.44

40. Estimated liabilities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance
Pending litigation	19,619,840.35	19,985,099.99
Others	192,441,718.48	216,794,204.60
Projection of three guarantees and installation fees	1,186,816,187.50	1,174,874,660.86
Total	1,398,877,746.33	1,411,653,965.45

Significant assumption and estimation relating to estimation of three guarantees and installation fees: the Company reasonably estimated the three guarantees and installation fee rate based on its actual expenses on the three guarantees and installation fees as well as sales data in the past. The Company estimated the three guarantees and installation fees that are likely to be incurred in the future according to its policies on the three guarantees and installation fees, as well as the actual sales data.

41. Deferred income

Statement of 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	705,272,617.10	84,191,382.87	41,755,106.34	747,708,893.63
Total	705,272,617.10	84,191,382.87	41,755,106.34	747,708,893.63

42. Other non-current liabilities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Obligation of repurchasing the minority equity rights	55,618,608.25	54,598,203.27
Others	22,463,342.62	15,473,286.76
Total	78,081,950.87	70,071,490.03

43. Share capital

Categories of shares	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	6,579,566,627			6,579,566,627
1. Ordinary shares in RMB	6,308,552,654			6,308,552,654
2. Domestic listed foreign Shares				
3. Offshore listed foreign Shares	271,013,973			271,013,973
4. Others				
III. Total shares	6,579,566,627			6,579,566,627

44. Other equity instruments

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Equity portion of exchangeable bonds	431,424,524.07			431,424,524.07
Total	431,424,524.07			431,424,524.07

45. 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	3,636,172,794.06	356,159,994.82	4,958,034.15	3,987,374,754.73
Other capital reserve	799,718,051.41			799,718,051.41
Total	4,435,890,845.47	356,159,994.82	4,958,034.15	4,787,092,806.14

Other explanation, including the statement and reason of the changes for the current period:

The main reasons for the change in capital premium: acquisition of minority shareholding from subsidiaries in the current period and non-proportional capital injection in subsidiaries in the current period, increasing the capital of RMB356,159,994.82; reducing the share premium of RMB4,958,034.15 .

46. Other comprehensive income

Items	Opening balance	Amount for the current period					Closing balance
		Amount before income tax in the current period	Less: income tax expense	Amount attributable to the parent company after tax	Amount attributable to minority shareholders after tax	Others	
a	17,478,970.09	21,435,659.27	2,817,776.02	29,046,113.28	-4,792,677.99	-131,777.35	46,393,306.02
b	3,180,368.82	-118,793,065.63	34,309,668.35	-85,267,888.94	784,491.66	-219,905.85	-82,307,425.97
c	1,265,319,179.57	-78,096,266.33		-107,396,032.53	29,299,766.20	8,343,213.06	1,166,266,360.10
d	-28,644,680.35	-136,302,232.40	13,152,751.06	-56,395,900.52	-66,753,580.82		-85,040,580.87
e	60,654,781.53	392,164.85	-379,950.60	12,218.38	-4.13		60,666,999.91
Total	1,317,988,619.66	-311,363,740.24	49,900,244.83	-220,001,490.33	-41,462,005.08	7,991,529.86	1,105,978,659.19

Notes:

(1) Items a, b, and c are other comprehensive income that will be reclassified into profit or loss, the details are as follows:

Item a represents other comprehensive income classified into profit and loss under the equity method.

Item b represents cash flow hedge reserves (effective portion of profit or loss generated from cash flow hedge).

Item c represents the balance arising from translation of foreign currency financial statements.

(2) Items 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.

47. 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	2,607,670,603.87			2,607,670,603.87
Discretionary surplus reserve	26,042,290.48			26,042,290.48
Reserve fund	11,322,880.64			11,322,880.64
Enterprise development fund	10,291,630.47			10,291,630.47
Others				
Total	2,655,327,405.46			2,655,327,405.46

Pursuant to the *Company Law of the People's Republic of China* and the articles of association, the Company is required to appropriate 10% of its net profits as statutory surplus reserve.

48. Undistributed profits

☒Applicable ☐Not Applicable

Items	Amounts
Undistributed profits at the end of previous year	32,468,121,744.26
Adjustment due to business combination under common control	
Undistributed profits at the beginning of the year	32,468,121,744.26
Add: net profit attributable to owners of the parent company	2,780,800,712.72
Other transfer in	-10,573,314.32
Adjustment due to implementation of enterprise accounting standard	
Profit available for appropriation for the year	35,238,349,142.66
Less: appropriation of statutory surplus reserve	
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	2,467,337,485.13
Undistributed profits at the end of period	32,771,011,657.53

49. Operating income and operating cost

(1) Operating income

Items	Amount for the current period	Amount for the previous period
Primary business	95,222,506,535.21	99,544,803,143.48
Other business	505,590,571.44	478,661,094.42
Total	95,728,097,106.65	100,023,464,237.90

(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	16,994,714,538.19	12,325,759,112.18	17,949,320,326.04	12,445,279,485.61
Refrigerator	26,737,917,721.21	18,296,498,256.27	28,391,857,610.26	19,344,949,352.58
Kitchen appliance	14,065,148,916.99	9,863,397,560.12	13,935,656,244.43	9,524,496,311.55
Water appliance	4,455,955,349.13	2,567,869,114.74	4,711,519,852.30	2,701,220,546.63
Washing machine	19,706,304,066.77	13,498,929,586.30	20,360,042,986.22	14,029,982,831.27
Equipment product and integrated channel services	13,262,465,942.92	12,143,658,318.29	14,196,406,124.23	12,752,908,748.43
Total	95,222,506,535.21	68,696,111,947.90	99,544,803,143.48	70,798,837,276.07

50. 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	88,690,704.32	144,597,080.21
Education surcharge	63,314,967.69	102,997,780.28
Property tax	22,487,302.01	33,641,891.03
Land use tax	5,207,509.93	17,075,135.53
Stamp duty	72,199,239.68	85,535,965.97
Others	23,291,054.91	22,204,975.53
Total	275,190,778.54	406,052,828.55

51. Selling expenses

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Selling expenses	14,526,912,493.29	14,777,899,222.91
Total	14,526,912,493.29	14,777,899,222.91

The Company's selling expenses are mainly salary expenses, transportation and storage expenses, advertising and promotion expenses, and after-sales expenses etc.

52. Administrative expenses

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Administrative expenses	4,608,308,707.03	4,536,101,362.72
Total	4,608,308,707.03	4,536,101,362.72

The Company's management expenses are mainly salary expenses, administrative office expenses, depreciation and amortization of assets fees, etc.

53. R&D expenses

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Item	Amount for the current period	Amount for the previous period
R&D expenses	2,939,733,549.14	2,797,067,620.86
Total	2,939,733,549.14	2,797,067,620.86

The Company's R&D expenses are mainly salary expenses, R&D equipment expenses, inspection and testing fees.

54. Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expenses	719,257,090.03	886,299,299.68
Less: Interest income	219,622,316.65	258,697,380.60
Less: Cash discount	65,843,464.11	87,173,770.76
Exchange gains and losses	216,765,382.01	-107,354,539.68
Others	50,963,873.72	71,701,987.48

Items	Amount for the current period	Amount for the previous period
Total	701,520,565.00	504,775,596.12

Interest expenditure in lease liabilities in the current period is RMB61,835,788.46.

55. Other income

Items	Amount for the current period	Amount for the previous period	Related to assets/ revenue
Government grants	497,272,167.38	444,934,593.58	Related to revenue
Government grants	28,017,088.05	28,994,813.54	Related to assets
Total	525,289,255.43	473,929,407.12	

56. Investment income (losses are represented by “-”)

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investment calculated by equity method	679,043,527.00	542,608,907.11
Investment income from disposal of long-term equity investment	-199,825.65	1,089,977.75
Investment income from disposal of other equity instrument investments		-
Investment income from other equity instrument investments during holding period	14,526,208.93	18,421,982.06
Income from wealth management products	48,451,938.85	95,852,264.16
Investment income from disposal of financial assets at fair value through profit or loss	14,961,073.66	98,789,008.11
Total	756,782,922.79	756,762,139.19

57. Gains on changes in fair value (losses are represented by “-”)

Items	Amount for the current period	Amount for the previous period
Changes in fair value of forward foreign exchange trading contracts	-35,571,335.94	46,068,278.74
Changes in fair value of wealth management products	2,809,431.16	11,905,128.74
Others	1,774,801.63	-563,450.68

Total	-30,987,103.15	57,409,956.80
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58. Credit impairment loss (losses are represented by “-”)

Items	Amount for the current period	Amount for the previous period
Bad debts losses on accounts receivable	-109,905,504.07	37,775,605.39
Impairment losses on contract assets		
Impairment losses on bills receivable	1,000,000.00	
Total	-108,905,504.07	37,775,605.39

59. Impairment loss on assets (losses are represented by “-”)

Items	Amount for the current period	Amount for the previous period
Impairment losses on inventory	-412,325,166.32	-249,884,430.08
Impairment losses on other current assets	-197,422,966.37	-7,863,475.12
Impairment losses on fixed assets		
Impairment losses on intangible assets		
Impairment losses on construction in progress		
Impairment losses on long-term equity investment		
Total	-609,748,132.69	-257,747,905.20

60. Gains on disposal of assets

☒ 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	14,120,787.44	18,889,267.13
Less: losses on disposal of non-current assets	-28,563,193.90	-6,182,584.26
Total	-14,442,406.46	12,706,682.87

Other explanation:

☐ Applicable ☒ Not Applicable

61. Non-operating income

√ Applicable ☐ Not Applicable

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	12,240,620.38	7,143,791.10
Quality claims and fines	17,811,610.75	251,941,034.86
Others	38,834,457.94	13,521,643.37
Total	68,886,689.07	272,606,469.33

62. Non-operating expenses

Items	Amount for the current period	Amount for the previous period
Losses on disposal of non-current assets	9,175,290.01	16,637,393.70
Others	46,295,466.54	97,869,314.59
Total	55,470,756.55	114,506,708.29

63. Income tax expenses

(1) Statement of income tax expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Current income tax expenses	432,844,606.93	1,185,812,989.93
Deferred income tax expenses	228,382,266.41	-129,708,058.73
Total	661,226,873.34	1,056,104,931.20

(2) Current reconciliation between accounting profit and income tax expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMBItems	Amount for the current period
Total accounting profit	4,273,243,856.34
Income tax expenses calculated pursuant to statutory/applicable tax rate(s)	1,068,310,964.01

Impact from different tax rates applicable to subsidiaries	-407,798,430.47
Impact from adjustment to income tax in prior periods	-161,151,691.96
Impact from non-taxable income	-174,134,803.68
Impact from non-deductible cost, expense and loss	85,767,193.68
Impact from deductible provisional differences or deductible losses of unrecognized deferred tax assets	250,233,641.76
Total income tax expense	661,226,873.34

Other explanation:

☐Applicable ☒Not Applicable

64. Other comprehensive income

☒ Applicable ☐Not Applicable

Please refer to Note VII. 46 for details.

65. Other cash received from operating activities

Items	Amount
Deposits and securities	5,906,876.76
Government grants	392,986,831.27
Non-operating income excluding government grants	35,931,408.66
Interest income	290,942,012.96
Others	1,647,814.82
Total	727,414,944.47

66. Other cash paid to operating activities

Items	Amount
Cash paid on selling expenses	5,614,309,250.88
Cash paid on administrative and R&D expenses	3,030,125,415.61
Cash paid on financial expenses	62,725,109.74
Non-operating expenses	18,068,509.35
Others	57,897,004.93
Total	8,783,125,290.51

67. Other cash paid to investing activities

Items	Amount
Others	3,368,312.62
Total	3,368,312.62

68. Other cash paid to financing activities

Items	Amount
Payment from Minority shareholders due to the withdrawal	13,817,500.00
Lease payment in cash	384,257,451.29
Total	398,074,951.29

69. Information of Net profit adjusted to cash flow of operating activities

(1) Supplementary information of 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	3,612,016,983.00	6,184,914,691.98
Add: impairment provision for assets	718,653,636.76	219,972,299.81
Losses on credit impairment		
Depreciation of fixed assets, oil and gas assets and production materials	1,963,015,056.31	1,808,446,184.52
Amortization of ROU assets		
Amortization of intangible assets	478,210,242.71	369,529,224.67
Amortization of long-term prepaid expenses	81,963,800.63	17,998,286.51
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are represented by "-")	11,377,076.09	-3,213,080.27
Losses on retirement of fixed assets (gains are represented by "-")		
Losses on change of fair value (gains are represented by "-")	30,987,103.15	-57,409,956.80
Financial expenses (gains are represented by "-")	936,022,472.04	778,944,760.00
Loss on investments (gains are represented by "-")	-756,782,922.79	-756,762,139.19
Decrease in deferred tax assets (increase is represented by "-")	143,796,985.57	36,353,097.23
Increase of deferred tax liabilities (decrease is represented by "-")	84,585,280.84	-166,061,155.96

“-”)		
Decrease in inventories (increase is represented by “-”)	2,543,296,922.45	-1,499,604,914.30
Decrease of operational account receivables (increase is represented by “-”)	-5,862,948,537.55	-4,917,381,549.69
Increase of operational account payables (decrease is represented by “-”)	-4,757,655,587.32	1,256,347,755.36
Others	230,542,230.71	347,734,810.73
Net cash flow generated from operational activities	-542,919,257.40	3,619,808,314.60
2. Significant investment and financing activities not involving cash inflows and outflows:		
Capital transferred from debts		
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	43,021,810,920.60	33,318,427,811.29
Less: cash balance at the beginning of the period	34,962,947,399.85	36,553,047,466.15
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	8,058,863,520.75	-3,234,619,654.86

70. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	43,021,810,920.60	34,962,947,399.85
Including: cash on hand	3,439,833.06	7,556,892.38
Bank deposits always available for payment	42,540,524,252.52	34,502,656,877.99
Other monetary funds always available for payment	477,846,835.02	452,733,629.48
II. Cash equivalents		
Including: Bond investments due within three months		
III. Closing balance of cash and cash equivalents	43,021,810,920.60	34,962,947,399.85
Including: Cash and cash equivalents, the use of which by the parent or subsidiaries of the Group is restricted		

71. Monetary items in foreign currency

Items	Closing Balance	Opening Balance
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2020 Interim Report
Haier Smart Home Co., Ltd

	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
Monetary funds						
USD	1,112,828,734.88	7.0795	7,878,271,028.61	730,666,614.19	6.9762	5,097,276,433.90
EUR	102,609,671.37	7.9610	816,875,593.74	151,676,201.42	7.8155	1,185,425,352.21
JPY	3,458,117,268.00	0.065808	227,571,781.17	3,356,863,028.27	0.064086	215,127,924.03
HKD	823,031,917.20	0.9134	751,757,353.17	745,289,079.40	0.8958	667,629,957.33
Others			2,661,458,827.78			2,043,389,309.90
Sub-total			12,335,934,584.47			9,208,848,977.37
Accounts receivable						
USD	770,200,080.05	7.0795	5,452,631,466.75	269,987,662.70	6.9762	1,883,487,932.50
EUR	381,459,702.52	7.9610	3,036,800,691.75	325,463,066.35	7.8155	2,543,656,595.07
JPY	4,719,265,155.58	0.065808	310,565,401.36	3,829,608,370.79	0.064086	245,424,282.05
Others			4,142,060,327.37			2,931,185,158.50
Sub-total			12,942,057,887.23			7,603,753,968.12
Short-term borrowings						
USD	653,432,031.02	7.0795	4,625,972,063.59	521,126,042.56	6.9762	3,635,479,498.10
EUR	401,026,674.98	7.9610	3,192,573,359.51	320,772,912.41	7.8155	2,507,000,696.91
JPY	7,078,374,287.70	0.065808	465,813,655.13	6,656,569,078.27	0.064086	426,592,885.95
Others			357,673,200.39			66,592,438.54
Sub-total			8,642,032,278.62			6,635,665,519.50
Accounts payable						
USD	1,304,104,302.25	7.0795	9,232,406,407.74	1,219,489,898.22	6.9762	8,507,405,427.96
EUR	344,476,846.44	7.9610	2,742,380,174.54	421,042,022.97	7.8155	3,290,653,930.56
JPY	5,255,586,005.08	0.065808	345,859,603.82	5,988,441,245.39	0.064086	383,775,245.65
NZD	132,436,461.05	4.5495	602,519,679.56	147,674,519.27	4.6973	693,671,519.36
Others			1,751,708,103.93			1,735,111,878.01
Sub-total			14,674,873,969.59			14,610,618,001.54
Non-current liabilities due within one year						
USD	784,018,758.46	7.0795	5,550,460,800.52	692,201,069.75	6.9762	4,828,933,102.79
EUR	100,417,162.41	7.9610	799,421,029.95	104,804,376.00	7.8155	819,098,600.63
JPY	1,840,220,625.06	0.065808	121,101,238.89	1,923,050,313.62	0.064086	123,240,602.40
RUB	224,988,897.55	0.100900	22,701,379.76	183,707,445.72	0.112600	20,685,458.39
Others			295,367,620.58			278,535,431.52
Sub-total			6,789,052,069.70			6,070,493,195.73
Long-term borrowings						

USD	1,406,945,406.71	7.0795	9,960,470,006.80	876,451,371.56	6.9762	6,114,300,058.28
EUR	401,516,934.33	7.9610	3,196,476,314.19	712,443,399.37	7.8155	5,568,101,387.80
RUB	524,883,500.00	0.100900	52,960,745.15	500,000,010.04	0.112600	56,300,001.13
NZD	319,931,612.94	4.5495	1,455,528,873.07	319,915,612.92	4.6973	1,502,739,608.57
Others			41,591,910.14			22,348,282.12
Sub-total			14,707,027,849.35			13,263,789,337.90

VIII. Changes of consolidation scope

1. Business combination not under common control

√ Applicable ☐ Not applicable

(1). Business consolidation not under common control occurring in the current period

√ Applicable ☐ Not applicable

Unit and Currency: RMB

Acquiree Name	Time of equity acquisition	acquisition cost	Percentage of equity acquired (%)	Equity acquisition method	Equity acquisition date	Recognition basis of acquisition dates	Acquiree's revenue from acquisition date to the end of current period	Acquiree's net profit from acquisition date to the end of current period
Qingdao Gooday Lejia Iot Technology Co., Ltd.	January 2020	578,514,747.42	79.82	Acquisition	January 2020	shareholding transferred	153,697,292.00	7,376,809.43
Guangdong Black Dragon Intelligent Technology Co. Ltd.	January 2020	35,493,500.00	76.72	Acquisition	January 2020	shareholding transferred	13,008,769.00	-2,006,720.38

(2). Combination cost and goodwill

√ Applicable ☐ Not applicable

Unit and Currency: RMB		
Items	Qingdao Gooday Lejia Iot Technology Co., Ltd.	Guangdong Black Dragon Intelligent Technology Co. Ltd.
----- Cash	562,420,000.00	35,493,500.00
----- Contingent consideration	16,094,747.42	
Total combination cost	578,514,747.42	35,493,500.00
Less: fair value of identifiable net assets acquired	130,500,584.86	19,536,251.33
Goodwill	448,014,162.56	15,957,248.67

(3). Acquiree's identifiable assets and liabilities at acquisition date

√Applicable □Not applicable

Unit and Currency: RMB		
Items	Qingdao Gooday Lejia Iot Technology Co., Ltd.	
	Fair Value	Book Value
Monetary funds	223,974,917.72	223,974,917.72
Accounts receivable	15,398,428.75	15,398,428.75
Other receivables	8,407,600.82	8,407,600.82
Prepayments	20,000.00	20,000.00
Inventories	208,069.03	208,069.03
Fixed assets	49,800,195.00	4,908,266.00
Construction in progress	837,735.85	837,735.85
Intangible assets	45,965,425.27	23,584,905.66
Short term borrowing	-800,000.00	-800,000.00
Accounts payable	-78,775,509.26	-78,775,509.26
Taxes payable	-874,611.20	-874,611.20
Payables for staff's remuneration	-3,916,546.24	-3,916,546.24
Other payables	-71,177,812.37	-71,177,812.37
Contract liabilities	-20,468,473.67	-20,468,473.67
Deferred income	-2,052,083.28	-2,052,083.28
Net assets	166,547,336.42	99,274,887.81
Less: Minority equity interests	-3,063,051.15	-3,063,051.15
Net assets obtained	163,484,285.27	96,211,836.66

Items	Guangdong Black Dragon Intelligent Technology Co. Ltd
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	Fair value	Book Value
Monetary funds	27,557,545.48	27,557,545.48
Bills receivable	200,000.00	200,000.00
Accounts receivable	47,300.87	47,300.87
Prepayments	815,329.43	815,329.43
Other receivables	425,636.25	425,636.25
Inventories	8,873,825.08	8,873,825.08
Other current assets	19,686.99	19,686.99
Fixed assets	767,559.72	767,559.72
Intangible assets	79,794.20	79,794.20
Long-term prepaid expenses	221,425.59	221,425.59
Accounts payable	-1,964,381.05	-1,964,381.05
Receipts in advance	-10,495,805.40	-10,495,805.40
Payables for staff's remuneration	-747,591.42	-747,591.42
Taxes payable	-155,049.94	-155,049.94
Other payables	-179,924.13	-179,924.13
Net assets	25,465,351.67	25,465,351.67
Less: Minority equity interests		
Net assets obtained	25,465,351.67	25,465,351.67

2. Business combination under common control

☐Applicable ☒Not applicable

3. Disposal of subsidiary

Whether single disposal of the investment in a subsidiary has led to the loss of control

☐Applicable ☒Not applicable

Other explanations

☐Applicable ☒Not applicable

Whether investment in a subsidiary is realized through several transactions step by step and has led to the loss of control in the current period

☐Applicable ☒Not applicable

4. Disclosure of discontinued operation

The disposal of Qingdao Haier Goodaymart Logistic Co., Ltd. by the Company's subsidiary in the previous year constitutes discontinued operation. The relevant financial information is disclosed as follows:

(1) Profit or loss from discontinued operation

① Net profit from discontinued operation (net losses are represented by '-')

Items	For the current period	The corresponding period of the previous year
Operating income		4,907,810,524.82
Less: cost and others		4,710,367,482.14
Total profit		197,443,042.68
Less: income tax expense		46,936,990.15
Net profit		150,506,052.53

② Profit or loss from disposal of discontinued operation

Items	For the current period	The corresponding period of the previous year
Total profit or loss from disposal of discontinued operation		
Less: income tax expense		
Net profit or loss from disposal of discontinued operation		

(2) Cash flow from discontinued operation

Items	For the current period	The corresponding period of the previous year
Cash flow of operating activities		-160,498,574.34
Cash flow of investing activities		19,567,060.81
Cash flow of financing activities		-283,463,745.83

(3) Net profit from discontinued operation

Items	For the current period	The corresponding period of the previous year
Net profit from discontinued operation (net losses are represented by '-')		150,506,052.53
Net profit attributable to shareholders of the Parent Company		40,789,130.33
Net profit attributable to minority shareholders		109,716,922.20

5. Changes of consolidation scope due to other reasons

√Applicable □Not applicable

(1) Qingdao Haier Intelligent Electronics Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Jiaozhou Haier Zhikong Electronics Co., Ltd (青岛胶州海尔智控电子有限公司).

(2) Haier Digital Technology (Qingdao) Co., Ltd. (海尔数字科技(青岛)有限公司), a subsidiary of the Company, established a wholly-owned subsidiary Haier Yuncheng Digital Technology (Qingdao) CO., LTD. (海尔云城数字科技(青岛)有限公司) for the period.

(3) Haier Digital Technology (Qingdao) Co., Ltd. (海尔数字科技(青岛)有限公司), a subsidiary of the Company, established a wholly-owned subsidiary Haier Digital Technology (Chongqing) Co., Ltd. (海尔数字科技(重庆)有限公司) for the period.

(4) Haier Digital Technology (Qingdao) Co., Ltd. (海尔数字科技(青岛)有限公司), a subsidiary of the Company, established a wholly-owned subsidiary Haier Digital Technology (Beijing) Co., Ltd. (海尔数字科技(北京)有限公司) for the period.

(5) The Company established a wholly-owned subsidiary Qingdao Haidacheng Procurement Services CO., LTD. (青岛海达诚采购服务有限公司) for the period.

(6) Haier Digital Technology (Qingdao) Co., Ltd. (海尔数字科技(青岛)有限公司), a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Haiyouhe IoT Technology CO., LTD. (青岛海优禾物联科技有限公司) for the period.

(7) Qingdao Haier Air Conditioner Gen Corp., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Beijing Haixianghui Technology CO., LTD. (北京海享汇科技有限公司) for the period.

IX. Interests in other entities

1. Interests in subsidiaries

(1) Composition of the Group

√Applicable □Not applicable

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding (%)		Proportion of the voting rights (%)	Acquiring method
				Direct	Indirect		
Haier Electronics Group Co., Ltd.	Mainland of China	Bermuda	Group company, which mainly engages	13.94	31.74	57.63	Business combinatio

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	and Hong Kong		in investment holding, and production, sale, distribution and logistics of washing machines and water heaters				n under common control
Wonder Global (BVI) Investment Limited	The US and other overseas areas	British Virgin Islands	Group company, which mainly engages in household 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 engages in the production and distribution of home appliances		100.00	100.00	Business combination under common control
Haier New Zealand Investment Holding Company Limited	New Zealand	New Zealand	Group company, which mainly engages in the production and distribution of household appliances		100.00	100.00	Business combination under common control
Candy S.p.A	Europe	Italy	Group company, which mainly engages in the production and distribution of household appliances		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 operation of household air-conditioners		100.00	100.00	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

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Hefei Haier Air-conditioning Co., Limited	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air-conditioners	99.22		99.22	Business combination under common control
Wuhan Haier Electronics Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air-conditioners	60.00		60.00	Business combination under common control
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of air-conditioners	100.00		100.00	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	77.36	4.83	82.19	Business combination under common control
Qingdao Haier Moulds Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	R&D and manufacture of precise mold and product	75.00	25.00	100.00	Business combination under common control
Qingdao Meier Plastic Powder Co., Ltd.	Qingdao Development	Qingdao Development	Manufacture of plastic powder, plastic	40.00	60.00	100.00	Business combination

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	t Zone	t Zone	sheet and high-performance coatings				n 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
Chongqing Haier Intelligent Electronics Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sale of electronics and automatic control system equipment	90.00	10.00	100.00	Business combination under common control
Qingdao Haier Robot Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	R&D, manufacture and sale of robot		100.00	100.00	Business combination under common control
Qingdao Haier Refrigerator Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture of fluorine-free refrigerators	100.00		100.00	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	R&D 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	R&D and sales of health-related small home appliance	98.33		98.33	Establishment
Qingdao Haier Intelligent Electronics Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design and development of electronics and automatic control system	100.00		100.00	Establishment
Qingdao Haier Special Refrigerator Co., Ltd.	Qingdao Development	Qingdao Development	Manufacture and sales of fluorine-free	100.00		100.00	Establishment

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	t Zone	t Zone	refrigerators				
Qingdao Haier Dishwasher Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of dish washing machine and gas stove	100.00		100.00	Establishment
Qingdao Haier Special Freezer Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Development, manufacture and sales of freezer and other refrigeration products	96.06		96.06	Establishment
Dalian Haier Air-conditioning Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture of air conditioners	90.00		90.00	Establishment
Dalian Haier Refrigerator Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture of refrigerators	90.00		90.00	Establishment
Qingdao Haier Electronic Plastic Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Development, assembling and sales of plastics, electronics and products	80.00		80.00	Establishment
Wuhan Haier Freezer Co., Ltd.	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Wuhan Economic & Technological Development Zone High-tech Industrial Park	R&D, manufacture and sales of freezer and other refrigeration products	95.00	5.00	100.00	Establishment
Qingdao Haidarui Procurement Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development, purchase and sale of 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 household appliances, communication, electronics and network engineering technology	98.91	1.09	100.00	Establishment
Chongqing Haier Air-conditioning Co., Ltd.	Jiangbei District,	Jiangbei District,	Manufacture and sales of air	76.92	23.08	100.00	Establishment

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	Chongqing City	Chongqing City	conditioners				
Qingdao Haier Precision Products Co., Ltd.	Qianwangang Road, Jiaonan City	Qianwangang Road, Jiaonan City	Development and manufacture of precise plastic, metal plate, mold and electronic products for household 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
Qingdao Ding Xin Electronics Technology Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacturing and sales of electronic components		100.00	100.00	Establishment
Chongqing Haier Electronics Sales Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of household appliances	95.00	5.00	100.00	Establishment
Chongqing Haier Refrigeration Appliance Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture of refrigerator	84.95	15.05	100.00	Establishment
Hefei Haier Refrigerator Co., Ltd.	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture of refrigerator	100.00		100.00	Establishment
Wuhan Haier Energy and Power Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Energy service		75.00	75.00	Establishment
Qingdao Haier HVAC Engineering Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Air-conditioning engineer		100.00	100.00	Establishment
Chongqing Goodaymart Electric Appliance Sale Co.,	Jiangbei District,	Jiangbei District,	Sales of household appliances and		51.00	51.00	Establishment

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Ltd.	Chongqing City	Chongqing City	electronics				
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air-conditioners		100.00	100.00	Establishm ent
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	Establishm ent
Haier Shareholdings (Hong Kong) Limited	Hong Kong	Hong Kong	Investment	100.00		100.00	Establishm ent
Harvest International Company	Cayman Islands	Cayman Islands	Investment		100.00	100.00	Establishm ent
Shenyang Haier Refrigerator Co., Ltd.	Shenbei New Area, Shenyang City	Shenbei New Area, Shenyang City	Manufacture and sales of refrigerator	100.00		100.00	Establishm ent
Foshan Haier Freezer Co., Ltd.	Sanshui District, Foshan City	Sanshui District, Foshan City	Manufacture and sales of freezer	100.00		100.00	Establishm ent
Zhengzhou Haier Air-conditioning Co., Ltd.	Zhengzhou Economic and Technologic al Developmen t Zone	Zhengzhou Economic and Technologic al Developmen t Zone	Manufacture and sales of air conditioner	100.00		100.00	Establishm ent
Qingdao Haidayuan Procurement Service Co., Ltd.	Qingdao Developmen t Zone	Qingdao Developmen t Zone	Development, purchase and sale of electrical products and components	100.00		100.00	Establishm ent
Qingdao Haier Intelligent Technology Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	R&D of household appliance products	100.00		100.00	Establishm ent
Qingdao Hairi Hi-Tech Model Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, manufacture and sales of product model and mould		100.00	100.00	Business combinatio n under common control
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Qingdao High-tech	Qingdao High-tech	Industrial design and prototype production		75.00	75.00	Business combinatio

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	Zone	Zone					n under common control
Beijing Haier Guangke Digital Technology Co., Ltd.	Beijing	Beijing	Technological development, promotion and transfer		55.00	55.00	Business combination under common control
Shanghai Haier Medical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail of medical facility		100.00	100.00	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 household appliances and digital products		100.00	100.00	Establishment
Haier Overseas Electric Appliance Co., Ltd.	Qingdao	Qingdao	Sales of household appliances, international freight forwarding	100.00		100.00	Establishment
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Dalian	Dalian	Sales of household 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 conditioners and refrigeration equipment		100.00	100.00	Establishment
Beijing Haier Yun Kitchen Technology Co., Ltd.	Beijing	Beijing	Technological development promotion		95.77	95.77	Establishment

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			and transfer				
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Hefei	Hefei	Sales of household appliances		100.00	100.00	Establishment
Beijing Haier Zhongyou Netmedia Co., Ltd.	Beijing	Beijing	Radio and television program		51.00	51.00	Establishment
Qingdao Weixi Smart Technology Co., Ltd.	Qingdao	Qingdao	Intelligent sanitary ware		71.43	71.43	Establishment
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	Beijing	Beijing	Software development	100.00		100.00	Establishment
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	Qingdao	Qingdao	Industrial intelligence technology	100.00		100.00	Establishment
Haier (Shanghai) Electronics Co., Ltd.	Shanghai	Shanghai	Sales and R&D of home appliances	100.00		100.00	Establishment
Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd.	Shanghai	Shanghai	Business management consulting, chuankge management	100.00		100.00	Establishment
Haier COSMO IOT Ecosystem Technology Co., Ltd.	Qingdao	Qingdao	Industrial investment, robotics and automation R&D, etc.	67.03	8.23	75.27	Establishment
Maniiq (Qingdao) Intelligent Equipment Co., Ltd.	Qingdao	Qingdao	Internet of things, robot and automation R&D, design, etc.		100.00	100.00	Establishment
Haier digital technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Technological development, promotion and transfer, material sales, etc.		100.00	100.00	Establishment
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of kitchen smart household appliances		100.00	100.00	Establishment
JYI Appliance (Shanghai) Co., Ltd.	Shanghai	Shanghai	Sales of household appliances		100.00	100.00	Establishment
Qingdao Hao Pin Hai Rui Information Technology Co., Ltd.	Qingdao	Qingdao	Development, purchase and sales of electrical products and components		100.00	100.00	Establishment
Fisher&Paykel Production Machinery Limited	New Zealand	New Zealand	Manufacturing of automation and customization special		100.00	100.00	Business combination

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			equipment				under common control
Maniiq (Singapore) Intelligent Equipment Co., Ltd.	Singapore	Singapore	Investment management		100.00	100.00	Establishment
Maniiq (HK) Intelligent Equipment Co., Ltd.	Hong Kong	Hong Kong	Investment management		100.00	100.00	Establishment
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of household appliances		100.00	100.00	Establishment
Beijing Zero Micro Technology Co., Ltd.	Beijing	Beijing	Technological development and promotion		55.00	55.00	Establishment
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	Laiyang	Laiyang	Production and sales of household appliances		100.00	100.00	Establishment
Qingdao Blue Whale Technology Co., Ltd.	Qingdao	Qingdao	Industrial intelligence technology		67.00	67.00	Establishment
Qingdao Hailian Rongchuang Technology Co., Ltd.	Qingdao	Qingdao	Industrial intelligence technology	100.00		100.00	Establishment
Hefei Haier Air Conditioning Electronics Co., Ltd.	Hefei	Hefei	Production and sales of household appliances		100.00	100.00	Establishment
Taizhou Haier Medical Technology Co., Ltd.	Taizhou	Taizhou	Promotion of medical research and development		100.00	100.00	Establishment
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.	Shanghai	Shanghai	R&D of household appliances		100.00	100.00	Establishment
Haier (Shenzhen) R&D Co., Ltd.	Shenzhen	Shenzhen	Development, research and technical services of home and commercial appliances		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

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Qingdao Haier Institute of Investment Management Co., Ltd.	Qingdao	Qingdao	Venture Capital business		70.00	70.00	Establishment
Tianjin Haiyun Chuang Digital Technology Co., Ltd.	Tianjin	Tianjin	R&D of digital technology		100.00	100.00	Establishment
Haier Digital Technology (Qingdao) Co., Ltd.	Qingdao	Qingdao	R&D of digital technology		100.00	100.00	Establishment
Haier Digital Technology (Nanjing) Co., Ltd.	Nanjing	Nanjing	R&D of digital technology		100.00	100.00	Establishment
Haier Digital Technology (Wuxi) Co., Ltd.	Wuxi	Wuxi	R&D of digital technology		100.00	100.00	Establishment
Haier Digital Technology (Xi'an) Co., Ltd.	Xi'an	Xi'an	R&D of digital technology		100.00	100.00	Establishment
Ficoteng Intelligent Technology (Qingdao) Co., Ltd.	Qingdao	Qingdao	Intelligent device integrated service		100.00	100.00	Establishment
Qingdao Yunshang Yuyi IOT Technology Co., Ltd.	Qingdao	Qingdao	IoT technology R&D, sales of household appliances, digital products and accessories, clothing shoes and hats, textiles, daily necessities, and furniture.		70.00	70.00	Establishment
Haiyu (Shanghai) Intelligent Technology Co., Ltd.	Shanghai	Shanghai	Rental of apartments, intelligent equipment, etc.		70.00	70.00	Establishment
Tianjin Haier Zhikong Electronics Co., Ltd.	Tianjin	Tianjin	Development and manufacturing of automatic control system		100.00	100.00	Establishment

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Hefei Haier Intelligent Electronics Co., Ltd.	Hefei	Hefei	Development and manufacturing of automatic control system		100.00	100.00	Establishment
Qingdao Haizhi Investment Management Co., Ltd.	Qingdao	Qingdao	Asset management, equity investment		100.00	100.00	Establishment
Qingdao Haiduv Health Technology Co., Ltd.	Qingdao	Qingdao	Design and development of household appliances		70.0	70.0	Establishment
Qingdao Jijia Cloud Intelligent Technology Co., Ltd.	Qingdao	Qingdao	R&D and sales of lighting appliances		80.0	80.0	Establishment
Qingdao Penghai Software Co., Ltd.	Qingdao	Qingdao	Information transmission, software and information technology services		60.01	60.01	Business combination under common control
Qingdao Haier Energy & Power Co., Ltd.	Qingdao	Qingdao	Water, electricity, steam heat supply		100.00	100.00	Business combination under common control
Haier Digital Technology (Guangzhou) Co., Ltd.	Guangzhou	Guangzhou	Scientific research and technical service		100.00	100.00	Establishment
Xiong'an Haier Digital Technology Co., Ltd.	Hebei	Hebei	Scientific research and technical service		100.00	100.00	Establishment
Qingdao Haopin Haizhi Information Technology Co., Ltd.	Qingdao	Qingdao	Information technology consulting services		100.00	100.00	Establishment
Qingdao Hainazhi Business Management Co., Ltd. (青岛)	Qingdao	Qingdao			100.00	100.00	Business combination under

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海纳智商务管理有限公司)							common control
Qingdao Haimeihui Management Consulting Co., Ltd.	Qingdao	Qingdao	Leasing and business services		100.00	100.00	Establishment
Wuxi Yunshang Internet of Clothing Technology Co., Ltd.	Wuxi	Wuxi	Internet of Things technology R&D		100.00	100.00	Establishment
Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd.	Qingdao	Qingdao	Scientific research and technical service		43.32	43.32	Establishment
Shenyang Haichen Zhilian Technology Co., Ltd.	Shenyang	Shenyang	Wholesale and retail		60.00	60.00	Establishment
Hangzhou Gandao Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou	Technology development, service		60.00	60.00	Establishment
Haier Digital Technology (Chongqing) Co., Ltd. (海尔数字科技(重庆)有限公司)	Chongqing	Chongqing	Scientific research and technical service		100.00	100.00	Establishment
Haier Digital Technology (Beijing) Co., Ltd. (海尔数字科技(北京)有限公司)	Beijing	Beijing	Scientific research and technical service		100.00	100.00	Establishment
Haier Yuncheng Digital Technology (Qingdao) CO., LTD. (海尔云城数字科技(青岛)有限公司)	Qingdao	Qingdao	Scientific research and technical service		100.00	100.00	Establishment
Qingdao Jiaozhou Haier Zhikong Electronics CO., LTD. (青岛胶州海尔智控电子有限公司)	Qingdao	Qingdao	Development and manufacturing of automatic control system		100.00	100.00	Establishment
Qingdao Haidacheng Procurement Services CO., LTD. (青岛海达诚采购服	Qingdao	Qingdao	Development, purchase and sales of electrical products	100.00		100.00	Establishment

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务有限公司)			and components				
Guangdong Heilong Intelligent Technology CO., LTD. (广东黑龙智能科技有限公司)	Guangzhou	Guangzhou	Scientific research and technical service		76.72	76.72	Business combination not under common control
Qingdao Haiyouhe IoT Technology CO., LTD. (青岛海优禾物联科技有限公司)	Qingdao	Qingdao	Scientific research and technical service		100.00	100.00	Establishment
Beijing Haixianghui Technology CO., LTD. (北京海享汇科技有限公司)	Beijing	Beijing	Scientific research and technical 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 household appliances				Establishment

Reasons for including subsidiaries in which the Company has 50% or less of the equity into the scope of consolidated financial statements:

At the end of the reporting period, the Company had substantial control over the finance and operation decisions of Haier Electronics Group Co., Ltd., and microenterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd, which were included into the scope of consolidated financial statements.

Reason for the ratio of voting rights higher than the ratio of shareholding of Haier Electronics Group Co., Ltd.: on 10 July 2015, HCH (HK) Investment Management Co., Limited (hereinafter referred to as "HCH") signed a Shareholder Voting Right Entrustment Agreement with the Company. HCH entrusted the Company to exercise the underlying shareholder voting rights of 336,600,000 shares of Haier Electronics Group Co., Ltd. Both parties agreed that HCH will not revoke the entrustment and authorization to the Company unless the Company issues a written notice of revoking the trustor to HCH.

(2). Material non-wholly owned subsidiaries

√Applicable □Not Applicable

Unit and Currency: RMB

Name of subsidiary	Shareholding of minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dividends announced to be distributed to minority shareholders in the current period	Balance of minority interests at the end of the period
Haier Electronics Group Co., Ltd.	54.32	793,105,148.68	679,595,221.65	16,364,398,176.70
Guizhou Haier Electronics Co., Ltd.	41.00	5,092,265.40		117,214,827.70
Wuhan Haier Electronics Co., Ltd.	40.00	-8,061,897.55		257,121,346.78

Description of the difference between the ratio of shareholding and the ratio of voting rights of minority shareholders of subsidiaries:

□Applicable √Not Applicable

Other descriptions:

□Applicable √Not Applicable

(3). Summarized financial information in respect of material non-wholly owned subsidiaries

Name of subsidiary	Closing balance					
	Current assets	Non-current Assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics Group Co., Ltd.	33,329,356,554.25	14,613,405,536.09	47,942,762,090.34	16,883,445,962.95	1,374,462,917.71	18,257,908,880.66
Guizhou Haier Electronics Co., Ltd.	445,510,306.49	71,386,128.45	516,896,434.94	222,763,242.91	8,243,368.43	231,006,611.34
Wuhan Haier Electronics Co., Ltd.	950,267,357.30	154,268,445.52	1,104,535,802.82	461,732,435.87		461,732,435.87

(Continued)

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Name of Subsidiary	Opening balance					
	Current assets	Non-current Assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics Group Co., Ltd.	35,532,721,320.45	14,246,629,453.30	49,779,350,773.75	19,005,798,243.85	1,368,203,239.83	20,374,001,483.68
Guizhou Haier Electronics Co., Ltd.	395,985,056.11	62,937,392.59	458,922,448.70	177,929,542.31	7,523,242.30	185,452,784.61
Wuhan Haier Electronics Co., Ltd.	968,026,486.23	159,403,524.03	1,127,430,010.26	464,471,899.44		464,471,899.44

Name of subsidiary	Amount for the current period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Haier Electronics Group Co., Ltd.	35,076,615,436.22	1,407,435,438.11	1,306,711,254.33	1,849,474,991.37
Guizhou Haier Electronics Co., Ltd.	489,594,043.14	12,420,159.51	12,420,159.51	-244,989,823.11
Wuhan Haier Electronics Co., Ltd.	555,927,511.14	-20,154,743.87	-20,154,743.87	28,624,806.30

(Continued)

Name of subsidiary	Amount for the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Haier Electronics Group Co., Ltd.	41,237,226,098.73	1,936,902,298.59	1,905,305,772.79	2,296,625,722.88
Guizhou Haier Electronics Co., Ltd.	657,983,753.04	14,143,673.23	14,143,673.23	85,092,387.46
Wuhan Haier Electronics Co., Ltd.	1,097,872,964.21	29,993,585.30	29,993,585.30	263,391,235.42

2. Control over subsidiaries' transactions despite change in owners' equity in subsidiaries

√Applicable ☐Not Applicable

(1). Descriptions of change in owners' equity in subsidiaries

√Applicable ☐Not Applicable

The minority shareholders of Haier Electronics Group Co., Ltd., subsidiary of the Company, exercised rights for the current period, leading to changes in the Company's shareholding ratio. Capital contribution not proportional to the original shareholding resulted in changes of shareholding ratio in the subsidiary. The acquisition of minority shareholding by the Company and its subsidiaries and the capital increase by minority shareholders of the Company's subsidiaries resulted in the change in the Company's shareholding ratio.

(2). Impact of the transactions on minority interests and the equity attributable to shareholders of the Parent Company:

Items	Haier Electronics Group Co., Ltd.	Others
Total consideration for acquisition/disposal		154,160,683.22
Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed	-28,339,099.34	-168,759,823.16
Difference	28,339,099.34	322,920,506.38
Including: capital reserve adjustment	28,339,099.34	322,920,506.38

3. Interests in joint ventures or associates

√Applicable ☐Not Applicable

(1) Associates

Name of associates	Principal place of business	Place of registration	Nature of business	Shareholding	Accounting treatment of investment
Haier Finance Co., Ltd.	Qingdao	Qingdao	Financial services	42.00%	Equity method
Bank of Qingdao Co., Ltd.	Qingdao	Qingdao	Commercial Bank	8.65%	Equity method
Wolong Electric (Jinan) Motor Co., Ltd.	Jinan	Jinan	Motor Manufacturin	30.00%	Equity method

			g		
Qingdao Hegang New Material Technology Co., Ltd.	Qingdao	Qingdao	Steel plate Manufacturing	25.65%	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 household appliances	45.00%	Equity method
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Qingdao	Qingdao	Manufacturing of household appliances	49.00%	Equity method
Qingdao Haier Multimedia Co., Ltd.	Qingdao	Qingdao	R&D and sales of televisions	20.20%	Equity method
Qingdao Haier Software Investment Co., Ltd.	Qingdao	Qingdao	Software development	25.00%	Equity method
Hefei Feier Smart Technology Co., Ltd.	Hefei	Hefei	Technology development	40.00%	Equity method
Qingdao Xinaohaizhi Energy Co., Ltd.	Qingdao	Qingdao	Production and sales of energy	49.00%	Equity method
Shandong Haibida Big Data Co., Ltd.	Zibo	Zibo	Big Data Resource service	40.00%	Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technology development	29.03%	Equity method
Beijing Xiaobei Technology Co., Ltd.	Beijing	Beijing	Sales of household appliances	42.75%	Equity method
Beijing ASU Tech Co. Ltd	Beijing	Beijing	Technical service import and export business	42.61%	Equity method
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	Shenzhen	Shenzhen	Technical advisory services	18.77%	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
Guangzhou Heying Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Investment	50.00%	Equity method
Qingdao Java Cloud Network Technology Co., Ltd.	Qingdao	Qingdao	Home online service	24.93%	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.	Shanghai	Shanghai	Investment management	45.00%	Equity method
Haier Best Water Technology Co., Ltd.	Qingdao	Qingdao	Water equipment technology development service	49.00%	Equity method
Meiling Candy Washing Machine Co., Ltd.	Hefei	Hefei	Manufacturing of home appliances	40.00%	Equity method
Konan Electronic Co., Ltd.	Japan	Japan	Motor Manufacturing	50.00%	Equity method
HPZ LIMITED	Nigeria	Nigeria	Manufacturing of household appliances	25.01%	Equity method
HNR Company (Private) Limited	Pakistan	Pakistan	Manufacturing of household appliances	31.72%	Equity method
Controladora Mabe S.A.deC.V.	Mexico	Mexico	Manufacturing of household appliances	48.41%	Equity method
Middle East Air conditioning Company, Limited	Saudi Arabia	Saudi Arabia	Sales of household appliances	49.00%	Equity method

(1). Major financial information of significant joint ventures

□Applicable √Not Applicable

(2). Major financial information of significant associates

✓ Applicable □ Not Applicable

① Basic information of significant associates:

a. Haier Finance Co., Ltd. (hereinafter referred to as “Finance Company”) was established by Haier Group Corporation and its three affiliates via capital contribution. The place of registration and principal place of business of the Finance Company is Yulong International Center, No.178-2 Haier Road, Laoshan District, Qingdao City. The Company's subsidiaries hold an aggregate of 42.00% equity in the Finance Company.

b. General Electric Company has participated in the capital contribution to the establishment of Controladora Mabe S.A.deC.V. (hereinafter referred to as “MABE”). In June 2016, a subsidiary of the Company acquired 48.41% equity in MABE held by General Electric Company. The place of registration and principal place of business of MABE is Mexico. The Company's subsidiaries hold an aggregate of approximately 48.41% equity in MABE.

c. Bank of Qingdao Co., Ltd. (hereinafter referred to as “Qingdao Bank”), one of the first city commercial banks in China, was established in November 1996. The place of registration and principal place of business of Qingdao Bank is No. 68 Hong Kong Middle Road, Shinan District, Qingdao, Shandong Province. The Company and its subsidiaries hold an aggregate of approximately 8.65% equity in Qingdao Bank at the end of the period.

② Financial Information of significant associates:

Unit and Currency: RMB

Items	Finance company	
	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Current assets	59,989,703,072.66	61,570,216,228.62
Non-current assets	8,947,355,078.39	5,905,904,013.65
Total assets	68,937,058,151.05	67,476,120,242.27
Current liabilities	53,909,950,568.34	52,896,669,320.65
Non-current liabilities	172,763,023.35	268,470,616.43
Total liabilities	54,082,713,591.69	53,165,139,937.08
Minority equity interests		
Equity interest attributable to shareholders of the Parent Company	14,854,344,559.36	14,310,980,305.19
Including: share of net assets calculated based on shareholding percentage	6,238,824,714.93	6,010,611,728.26
Operating income	1,116,349,935.66	1,300,482,943.40

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Net profit	839,643,218.29	817,752,896.21
Other comprehensive income	3,721,035.88	-162,279.20
Total comprehensive income	843,364,254.17	817,590,617.01
Dividend received from associates for the year	126,000,000.00	126,000,000.00

(Continued)

Items	MABE	
	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Current assets	6,404,356,403.00	6,554,356,162.20
Non-current assets	12,175,614,359.50	11,976,635,517.00
Total assets	18,579,970,762.50	18,530,991,679.20
Current liabilities	8,287,170,666.50	8,493,118,880.40
Non-current liabilities	5,729,460,588.50	5,735,182,853.40
Total liabilities	14,016,631,255.00	14,228,301,733.80
Minority equity interests		
Equity interest attributable to shareholders of the Parent Company	4,563,339,507.50	4,302,689,945.40
Including: share of net assets calculated based on shareholding percentage	2,209,331,695.88	2,083,138,731.69
Operating income	9,121,639,583.17	10,480,026,514.09
Net profit	199,323,864.03	109,678,922.13
Other comprehensive income	103,445,272.07	15,778,276.40
Total comprehensive income	302,769,136.10	125,457,198.53
Dividend received from associates for the year	20,392,107.51	32,367,659.70

(Continued)

Items	Qingdao Bank	
	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Current assets	280,411,713,000.00	238,853,193,000.00
Non-current assets	160,110,296,000.00	134,768,957,000.00
Total assets	440,522,009,000.00	373,622,150,000.00
Current liabilities	326,610,243,000.00	264,534,891,000.00
Non-current liabilities	82,986,616,000.00	78,609,341,000.00

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Total liabilities	409,596,859,000.00	343,144,232,000.00
Minority equity interests	596,432,000.00	562,458,000.00
Equity interest attributable to shareholders of the Parent Company	30,328,718,000.00	29,915,460,000.00
Including: share of net assets calculated based on shareholding percentage	2,622,694,432.19	2,586,957,693.97
Operating income	5,035,264,000.00	3,725,353,000.00
Net profit	1,530,517,000.00	1,438,462,000.00
Other comprehensive income	-215,321,000.00	-25,404,000.00
Total comprehensive income	1,315,196,000.00	1,413,058,000.00
Dividend received from associates for the year	77,995,640.00	77,995,640.00

(3). Summarized financial information of insignificant associates

Investment in Associates	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Wolong Electric (Jinan) Motor Co., Ltd.	131,745,167.56	123,555,578.44
Qingdao Hegang New Material Technology Co., Ltd.	288,709,753.25	280,063,773.80
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	433,913,863.02	434,540,103.12
Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd.	677,292,968.77	643,056,436.86
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	401,231,110.38	395,933,487.26
Qingdao Haier Multimedia Co., Ltd.	390,369,692.23	432,386,801.26
Qingdao Haier Software Investment Co., Ltd.	19,636,136.75	19,636,136.75
Hefei Feier Smart Technology Co., Ltd.	758,188.30	758,188.30
Qingdao Xinaohaizhi Energy Co., Ltd.	26,488,832.62	25,966,044.95
Qingdao Zhongzaihaina Environmental Services Co., Ltd.		2,261,258.70
Shandong Haibida Big Data Co., Ltd.	4,991,817.38	5,332,640.10
Beijing Mr. Hi Network Technology Company Limited	3,757,759.75	3,757,759.75
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82	2,687,341.82
Beijing ASU Tech Co., Ltd.	597,730.20	5,862,115.78
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	6,914,487.73	6,914,487.73
Qingdao Haimu Investment Management Co., Ltd.	2,198,276.46	2,198,276.46

Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	48,046,197.64	48,046,197.64
Guangzhou Heying Investment Partnership (Limited Partnership)	207,927,530.72	219,198,634.81
Qingdao Java Cloud Network Technology Co., Ltd.	3,110,037.46	3,168,859.99
Bingji (Shanghai) Corporate Management Co., Ltd.	983,411,368.09	894,539,765.00
Youjin (Shanghai) Corporate Management Co., Ltd.	1,625,617,754.55	1,625,617,754.55
RRS (Shanghai) Investment Co., Ltd.	2,954,850,462.82	2,954,850,462.82
Haier Best Water Technology Co., Ltd.	19,918,477.11	21,725,345.26
Meiling Candy Washing Machine Co., Ltd.	22,368,292.37	23,222,136.38
Konan Electronic Co., Ltd.	74,755,351.31	71,196,748.97
HNR Company (Private) Limited	108,673,865.77	104,557,145.65
HPZ LIMITED	72,898,060.48	78,149,551.49
MiddleEast Air conditioning Company, Limited	19,002,595.66	19,002,595.66
Total book value of investment	8,531,873,120.20	8,448,185,629.30
Total amount of the following financial data of associates calculated based on shareholding percentage		
--Net profit	97,538,731.86	21,659,978.97
--Other comprehensive income	-11,589,982.26	14,315,460.92
--Total comprehensive income	85,948,749.60	35,975,439.89

X. Segment Report

(1). Determining basis and accounting policy of reporting segment

☒ Applicable ☐ Not Applicable

The Company principally engaged in manufacture and sales of household appliances and relevant services business, manufacture of upstream household appliances parts business and distribution of products of third-party, logistics and after-sale business. The Company has three business segments: (1) China smart home business segment; (2) Overseas home appliance and smart home business segment; (3) Other business segments. 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.

(1) China smart home business segment consists of:

① Internet of Food solutions: mainly engages in production and sales of refrigerator/freezers and

kitchen appliances.

② Internet of Clothing solutions: mainly engages in production and sales of washing machine products.

③ Air energy solutions: mainly engages in production and sales of air conditioners products.

④ Whole house water solutions: mainly engages in production and sales of water home appliances such as water heaters and water purification products.

(2) Overseas home appliance and smart home business segment mainly includes overseas business segments such as GEA, FPA, Candy, etc.

(3) Other business segments: mainly include channel industrial Internet of Things, equipment components, small home appliance business and others.

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, other equity instruments investment, long-term accounts receivable, long-term equity investment, 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, dividends payable, taxes 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	China smart home business				
	Internet of Food solutions		Air energy solutions	Internet of clothing solutions	Whole house water solutions
	Refrigerator/freezers	Kitchen appliances	Air conditioners	Washing machine	Water home appliances
Segment revenue	14,683,603,976.09	1,267,093,978.37	13,393,533,030.85	10,412,711,732.81	4,480,940,852.13
Including: external revenue	13,241,028,063.00	1,136,861,395.44	10,819,622,386.98	8,957,518,846.77	4,405,383,279.52
Inter-segment	1,442,575,913.09	130,232,582.93	2,573,910,643.87	1,455,192,886.04	75,557,572.61

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revenue					
Total segment operating cost	13,228,134,258.51	1,257,529,605.79	13,392,894,090.92	9,830,205,497.05	3,950,589,964.96
Segment operating profit	1,455,469,717.58	9,564,372.58	638,939.93	582,506,235.76	530,350,887.17
Total segment assets	13,026,256,793.12	1,537,404,374.74	16,152,797,751.76	9,643,833,688.47	3,256,484,637.11
Total segment liabilities	26,981,522,397.14	1,367,998,481.75	9,083,081,923.93	6,136,730,402.67	3,623,476,540.95

(Continued)

Segment information	Overseas home appliance and smart home business	Other businesses	Inter-segment offsetting	Total
Segment revenue	46,113,430,665.25	41,772,176,557.36	-36,395,393,686.21	95,728,097,106.65
Including: external revenue	45,890,025,774.06	11,277,657,360.88	-	95,728,097,106.65
Inter-segment revenue	223,404,891.19	30,494,519,196.48	-36,395,393,686.21	-
Total segment operating cost	44,606,124,147.48	42,001,089,962.02	-36,397,663,815.46	91,868,903,711.27
Segment operating profit	1,507,306,517.77	-228,913,404.66	2,270,129.25	3,859,193,395.38
Total segment assets	51,144,877,675.60	47,276,851,709.62	-42,338,809,142.76	99,699,697,487.66
Total segment liabilities	26,317,965,365.81	49,035,306,671.56	-42,309,727,928.23	80,236,353,855.58

Segment information for the corresponding period of last year

Segment information	China smart home business				
	Internet of Food solutions		Air energy solutions	Internet of Clothing solutions	Whole house water solutions
	Refrigerator/freezers	Kitchen appliances	Air conditioners	Washing machine	Water home appliances
Segment revenue	16,014,369,082.11	1,309,588,301.27	13,811,298,219.09	10,790,566,310.14	4,694,014,711.94
Including: external revenue	14,904,667,347.36	1,169,023,520.38	11,646,933,304.59	9,747,570,995.49	4,655,524,031.86

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Inter-segment revenue	1,109,701,734.75	140,564,780.89	2,164,364,914.50	1,042,995,314.65	38,490,680.08
Total segment operating cost	14,021,016,300.13	1,199,160,979.26	12,838,615,639.09	9,808,869,510.07	4,144,904,947.31
Segment operating profit	1,993,352,781.98	110,427,322.01	972,682,580.00	981,696,800.07	549,109,764.63
Total segment assets	10,182,685,599.34	1,601,295,526.79	16,080,937,914.13	9,674,956,522.67	3,321,820,888.60
Total segment liabilities	30,598,595,271.84	1,468,196,660.29	8,590,183,771.36	7,447,258,502.94	4,135,690,962.81

(Continued)

Segment information	Overseas home appliance and smart home business	Other business	Inter-segment offsetting	Total
Segment revenue	45,860,296,598.71	43,820,299,344.99	-36,276,968,330.35	100,023,464,237.90
Including: external revenue	45,689,299,226.28	12,210,445,811.94	-	100,023,464,237.90
Inter-segment revenue	170,997,372.43	31,609,853,533.05	-36,276,968,330.35	-
Total segment operating cost	44,229,726,774.58	43,607,332,867.16	-36,306,535,875.03	93,543,091,142.57
Segment operating profit	1,630,569,824.13	212,966,477.83	29,567,544.68	6,480,373,095.33
Total segment assets	45,754,466,477.11	48,931,878,145.26	-38,979,895,269.93	96,568,145,803.97
Total segment liabilities	24,233,067,377.15	48,310,739,488.06	-39,098,430,484.39	85,685,301,550.06

(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.

External transaction revenue

Items	Amount for the current period	Amount for the previous period
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Mainland China	48,729,778,108.08	53,310,745,918.69
Other countries/regions	46,998,318,998.57	46,712,718,319.21
Including:		
America	29,493,797,283.55	27,693,537,889.15
Australia	2,495,026,782.34	2,534,236,838.15
South Asia	2,710,264,399.09	4,249,663,938.66
Europe	6,742,180,009.93	7,221,130,297.04
Southeast Asia	2,108,114,856.79	1,970,496,955.14
Central East and Africa	725,859,940.76	690,928,785.10
Japan	1,797,904,898.35	1,546,013,513.31
Others	925,170,827.76	806,710,102.66
Total	95,728,097,106.65	100,023,464,237.90

Total non-current assets

Items	Closing balance	Opening balance
Mainland China	14,847,261,037.58	14,257,835,282.97
Other countries/regions	25,364,730,695.76	25,259,765,320.54
Total	40,211,991,733.34	39,517,600,603.51

The total non-current assets exclude other equity instruments investment, long-term accounts receivable, long-term equity investment, goodwill, deferred income tax assets and other non-current financial assets.

XI. Disclosure of fair value

1. Assets and liabilities measured at fair value

The level to which the fair value measurement result belongs is determined by the lowest level of inputs which are 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

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Items	Inputs used for fair value measurement			
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	Total
Continuously measured at fair value				
Financial assets held for trading	306,542.35	2,365,992,371.82	34,185,898.17	2,400,484,812.34
Including: Bank wealth management products		2,341,623,479.22		2,341,623,479.22
Forward foreign exchange contract		24,368,892.60		24,368,892.60
Equity instruments investment	306,542.35		34,185,898.17	34,492,440.52
Derivative financial assets	-	66,466,125.17	-	66,466,125.17
Including: Forward foreign exchange contract		62,752,517.52		62,752,517.52
Forward commodity contract		3,713,607.65		3,713,607.65
Other equity instruments	19,001,392.40		1,251,542,256.56	1,270,543,648.96
Including: Equity instruments measured at fair value through other comprehensive income	19,001,392.40		1,251,542,256.56	1,270,543,648.96
Other non-current financial assets		72,739,420.26		72,739,420.26
Including: Bank wealth management products		72,739,420.26		72,739,420.26
Other non-current assets		62,836,363.78		62,836,363.78
Including: Other non-current financial		62,836,363.78		62,836,363.78

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assets				
Financial liabilities held for trading		17,825,470.87		17,825,470.87
Including: Forward foreign exchange contract		17,825,470.87		17,825,470.87
Derivative financial liabilities		164,280,435.09		164,280,435.09
Including: Forward exchange contract		72,492,566.52		72,492,566.52
Interest rate swap agreement		91,787,868.57		91,787,868.57
Other non-current liabilities			55,618,608.25	55,618,608.25
Including: Obligation of repurchasing the minority equity rights			55,618,608.25	55,618,608.25

At the beginning of the period

Items	Input used for fair value measurement			
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	Total
Continuously measured at fair value				
Financial assets held for trading	400,433.88	283,548,675.00	24,185,898.17	308,135,007.05
Including: Bank wealth management products		198,614,361.33		198,614,361.33
Forward foreign exchange contract		84,934,313.67		84,934,313.67
Investment in equity instruments	400,433.88		24,185,898.17	24,586,332.05
Derivative financial assets		19,158,132.45		19,158,132.45
Including: Forward exchange contract		17,241,833.10		17,241,833.10

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Forward commodity contract		1,916,299.35		1,916,299.35
Other equity instruments	19,467,066.04		1,376,492,812.88	1,395,959,878.92
Including: Equity instruments measured at fair value and changes of which included in other comprehensive income	19,467,066.04		1,376,492,812.88	1,395,959,878.92
Other non-current financial assets		294,547,364.47		294,547,364.47
Including: Bank wealth management products		294,547,364.47		294,547,364.47
Other non-current assets		62,836,363.78	14,220,964.80	77,057,328.58
Including: Other non-current financial assets		62,836,363.78	14,220,964.80	77,057,328.58
Financial liabilities held for trading		42,799,173.35		42,799,173.35
Including: Forward foreign exchange contract		42,799,173.35		42,799,173.35
Derivative financial liabilities		99,548,853.97		99,548,853.97
Including: Forward foreign exchange contract		85,557,428.14		85,557,428.14
Interest rate swap agreement		13,991,425.83		13,991,425.83
Other non-current liabilities			54,598,203.27	54,598,203.27
Including: Obligation of repurchasing the minority equity rights			54,598,203.27	54,598,203.27

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 continual and discontinuous Level 2 fair value measurement items, the valuation techniques adopted and information of important parameters

☒Applicable ☐Not Applicable

Items	Closing fair value	Valuation techniques
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Financial assets held for trading		
Including: Bank wealth management products	2,341,623,479.22	Discounted cash flow
Forward exchange contract	24,368,892.60	Bank quote for similar products
Derivative financial assets		
Including: Forward exchange contract	62,752,517.52	Bank quote for similar products
Forward commodity contract	3,713,607.65	Futures exchange quote for similar products
Other non-current financial assets		
Including: Bank wealth management products	72,739,420.26	Discounted cash flow
Other non-current assets		
Including: Other non-current financial assets	62,836,363.78	Discounted cash flow model
Financial liabilities held for trading		
Including: Forward exchange contract	17,825,470.87	Bank quote for similar products
Derivative financial liabilities		
Including: Forward exchange contract	72,492,566.52	Bank quote for similar products
Interest rate swap agreement	91,787,868.57	Bank quote for similar products

3. Continual and discontinuous Level 3 fair value measurement major items, the valuation techniques adopted and information of important parameters

√Applicable □Not Applicable

Items	Fair value at the end of the period	Valuation technique	Significant unobservable input	Range	Sensitivity of the input to fair value
Other equity Instruments					
Including: China Petrochemical Marketing Co., Ltd.	1,112,101,000.00	Valuation multiples	1. Average P/E multiple of peers 2. Discount for lack of marketability	1. 24.03 -24.52 2. 9%-11%	1. 1% increase (decrease) in multiple would result in increase (decrease) in fair value by

					RMB11,121,000.00. 2. 1% increase (decrease) in the risk-free interest rate would result in decrease (increase) in fair value by RMB12,356,000.00.
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4. The fair value of financial assets and financial liabilities not measured at fair value

☒Applicable ☐Not Applicable

Items	Closing book value	Closing fair value
Bonds payable (exchangeable corporate bonds issued in 2017)	7,232,228,799.85	7,392,397,948.27

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. Except for the difference between the book value and the fair value of bonds payable disclosed above, 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.

XII. 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. 40), 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	Zhang Ruimin	Parent Company	16.30%	16.30%
Haier Electric Appliances International Co., Ltd.	Joint-stock company	Qingdao High-tech Zone Haier Park	631,930,635	Zhang Ruimin	Subsidiary of Parent Company	19.13%	19.13%
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	2.62%	2.62%
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	Limited partnership	Qingdao High-tech Zone Haier Park	1,053,306,000	Zhang Ruimin	Parties acting in concert of Parent Company	1.11%	1.11%
Haier International Co., Limited	Company with limited liability	Hong Kong	10,000 (Hong Kong Dollars)	/	Parties acting in concert of Parent Company	0.87%	0.87%

2. Subsidiaries of the Company

The details of the subsidiaries of the Company are detailed in Note IX. 1 the disclosure of interests in subsidiaries

☐Applicable ☒Not Applicable

3. Associates and joint ventures of the Company

The details of important associates or joint ventures of the Company are detailed in Note VII. 12 and Note IX. 3

☐Applicable ☒Not Applicable

Other associates or joint ventures that have related party transactions with the Company for the current period or have related party transactions with the Company for the previous period and have formed balances are as follows

☐Applicable ☒Not Applicable

4. Related company with no controlling relationship

Name of company	Relationship with the Company
Haier International Co., Ltd	Subsidiary of Haier Group
Dalian Haier International Trade Co., Ltd.	Subsidiary of Haier Group
Haier Group Finance Co., Ltd.	Subsidiary of Haier Group
Haier Group Electric Appliance Industry Co., Ltd.	Subsidiary of Haier Group
Haier Finance Leasing (China) Co., Ltd.	Subsidiary of Haier Group
Hefei Haier Logistics Co., Limited	Subsidiary of Haier Group
Laiyang Haier Electrical Co. Ltd.	Subsidiary of Haier Group
Qingdao Haier Industry and City Innovation Group Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Trading Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Household Integration Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Parts Procurement Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Special Plastic Development Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Brothers Animation Industry Co., Ltd.	Subsidiary of Haier Group
Qingdao Goodaymart Supply Chains Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Goodaymart Logistic Co., Ltd.	Subsidiary of Haier Group
RRS Internet of Things Co., Ltd.	Subsidiary of Haier Group
Shanghai Cotai Supply Chain Management Co., Ltd.	Subsidiary of Haier Group
Suzhou Hai Xin InfoTech Ltd	Subsidiary of Haier Group
Brave Lion (HK) limited	Subsidiary of Haier Group
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Subsidiary of Haier Group

Chongqing Haier Logistics Co., Ltd.	Subsidiary of Haier Group
Qingdao Dingteng Industrial Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Investment and Development Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier New Materials R & D Co., Ltd.	Associate of Subsidiary of Haier Group
Controladora Mabe S.A.deC.V.	Associate
HNR Company (Private) Limited	Associate
Qingdao Haier Software Investment Co., Ltd.	Associate
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Associate
Wolong Electric (Jinan) Motor Co., Ltd.	Associate
Bank of Qingdao Co., Ltd.	Associate
Hefei Hegang New Material Technology Co., Ltd.	Subsidiary of Associate
Qingdao HBIS Composite New Material	Subsidiary of Associate

(III) Related-party transactions

1. Details of the goods and services purchased by the Company from the related parties are as follows:

The Name of Related parties	Amount for the current period	Amount for the previous period
Controladora Mabe S.A.deC.V.	4,864,433,223.10	5,464,515,041.24
Qingdao Haier Parts Procurement Co., Ltd.	2,382,418,704.31	2,837,415,037.84
Chongqing Haier Electrical Appliances Sales Co., Ltd.	1,361,963,444.17	1,476,163,477.81
HNR Company (Private) Limited	1,142,507,687.58	1,429,096,343.19
Qingdao Haier Goodaymart Logistic Co., Ltd.	949,267,175.72	
Hefei Haier Logistics Co., Limited	839,757,307.64	892,337,984.63
Chongqing Haier Logistics Co., Ltd.	838,951,651.12	1,051,553,656.77
Shanghai Cotai Supply Chain Management Co., Ltd.	535,089,057.35	
Qingdao Haier International Trading Co., Ltd.	527,076,966.47	539,532,451.15
Hefei Hegang New Material Technology Co., Ltd.	413,914,100.88	412,953,069.36
Qingdao HBIS Composite New Material	355,481,832.09	283,067,913.51
Wolong Electric (Jinan) Motor Co., Ltd.	345,676,591.78	293,778,828.75
Qingdao Haier Special Plastic Development Co., Ltd.	295,364,122.98	321,899,079.51

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Qingdao Haier Investment and Development Co., Ltd.	188,110,164.96	19,898,573.91
Qingdao Goodaymart Supply Chains Co., Ltd.	173,942,768.33	
Dalian Haier International Trade Co., Ltd.	122,952,604.28	185,031,961.19
Qingdao Haier International Travel Agency Co., Ltd.	63,556,939.55	88,298,910.21
Laiyang Haier Electrical Co. Ltd.	40,454,392.37	36,567,109.85
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	33,241,619.88	33,990,109.50
Other related parties	624,953,584.30	1,125,264,035.03
Total	16,099,113,938.86	16,491,363,583.45

2. Details of the Company's sales of goods to the related parties are as follows:

The Name of Related parties	Amount for the current period	Amount for the previous period
Qingdao Haier International Trading Co., Ltd.	284,072,456.94	268,434,363.24
Qingdao Haier Special Plastic Development Co., Ltd.	277,812,831.60	287,905,105.77
Qingdao Haier New Materials R & D Co., Ltd.	148,412,255.35	192,841,505.74
Wolong Electric (Jinan) Motor Co., Ltd.	145,337,819.93	146,756,467.18
Controladora Mabe S.A.deC.V.	144,426,966.26	121,852,991.92
Qingdao HBIS Composite New Material	81,567,030.58	87,743,947.93
Qingdao Haier International Travel Agency Co., Ltd.	55,926,947.01	37,294,684.35
Hefei Xingang New Material Technology Co., Ltd.(合肥河钢新材料科技有限公司)	55,018,521.20	65,960,255.44
Other related parties	236,732,885.30	262,209,804.45
Total	1,429,307,714.17	1,470,999,126.02

3. Amount for outstanding items of related parties:

Items and name of distributors	Closing Balance	Opening Balance
Bills receivable:		
Qingdao Haier New Materials R & D Co., Ltd.		5,000,000.00
Other related-party	17,221,927.54	18,658,821.43
Dividend receivable:		
Bank of Qingdao Co., Ltd.	77,995,640.00	

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Qingdao Haier Software Investment Co., Ltd.	4,524,472.84	4,524,472.84
Other related-party	12,897,365.78	
Accounts receivable:		
HNR Company (Private) Limited	492,607,934.19	420,113,418.64
Controladora Mabe S.A.deC.V.	160,726,715.74	86,399,338.60
Qingdao Haier International Travel Agency Co., Ltd.	108,468,352.39	112,821,150.93
Haier Group Electric Appliance Industry Co., Ltd.	105,295,609.96	96,399,344.74
Qingdao Haier Special Plastic Development Co., Ltd.	66,523,545.92	32,485,794.84
Chongqing Haier Electrical Appliances Sales Co., Ltd.	45,284,480.33	108,719,296.71
Haier Finance Leasing (China) Co., Ltd.	26,752,954.40	64,250,047.12
Qingdao Haier International Trading Co., Ltd.	22,719,696.91	31,247,321.37
Qingdao Haier Household Integration Co., Ltd.	20,005,683.11	8,092,101.80
Suzhou Hai Xin InfoTech Ltd	10,659,432.30	10,781,192.30
Haier Group Co., Ltd.	6,193,216.66	6,166,666.66
RRS Internet of Things Co., Ltd.	5,388,791.31	35,268,625.02
Other related-party	318,746,516.55	329,064,547.30
Prepayments:		
Qingdao Haier Parts Procurement Co., Ltd.	298,138,484.89	269,505,987.96
Qingdao Haier International Trading Co., Ltd.	109,539,290.53	23,318,702.14
HNR Company (Private) Limited	85,631,617.45	66,648,390.11
Hefei Haier Logistics Co., Limited	16,469,909.68	45,776,811.08
Chongqing Haier Logistics Co., Ltd.	16,042,377.73	34,842,309.86
Other related-party	95,833,868.92	86,209,477.02
Interest receivable:		
Haier Finance Co., Ltd.	98,462,714.60	49,797,510.75
Other receivables:		
Haier Group Co., Ltd	225,733,742.40	215,130,000.00
Qingdao Haier International Trading Co., Ltd.	87,570,907.66	1,894,273.76
Qingdao Haier Goodaymart Logistic Co., Ltd	53,549,458.56	3,962,494.53
Haier Group Electric Appliance Industry Co., Ltd.	12,576,056.03	11,925,794.18
Qingdao Haier Industry and City Innovation Group Co., Ltd.		88,640,000.00

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Other related-party	102,801,759.37	138,099,198.98
Bills payable:		
Laiyang Haier Electrical Co. Ltd.	21,637,277.43	39,208,909.70
Other related-party	50,578,836.26	28,684,896.03
Accounts payable:		
Qingdao Haier Parts Procurement Co., Ltd.	1,547,113,429.70	1,968,841,996.69
Chongqing Haier Electrical Appliances Sales Co., Ltd.	591,047,787.64	1,061,806,342.30
Controladora Mabe S.A.deC.V.	494,597,468.17	230,300,308.48
Qingdao Haier International Trading Co., Ltd.	146,056,483.67	314,990,780.41
Dalian Haier International Trade Co., Ltd.	73,786,270.28	156,594,556.64
Qingdao HBIS Composite New Material	72,110,382.82	29,418,148.41
Hefei Hegang New Material Technology Co., Ltd.	63,231,433.65	43,160,933.30
Qingdao Haier Special Plastic Development Co., Ltd.	60,348,809.72	69,159,088.68
Chongqing Haier Logistics Co., Ltd.	33,077,540.64	132,648,041.70
Haier International Co., Ltd	15,638,736.92	11,823,617.47
Laiyang Haier Electrical Co. Ltd.	14,067,278.01	16,287,220.50
Other related-party	200,317,123.66	241,561,098.62
Contract liabilities:		
Qingdao HBIS Composite New Material Technology Co., Ltd.	11,457,935.00	1,848,679.58
Hefei Hegang New Material Technology Co., Ltd.	5,606,408.75	5,980,624.73
Qingdao Dingteng Industrial Technology Co., Ltd.	4,728,399.00	4,723,750.00
Qingdao Haier New Materials R & D Co., Ltd.	3,872,966.24	6,373,064.84
Wolong Electric (Jinan) Motor Co., Ltd.	4,066.72	15,580,146.24
Other related-party	14,610,372.99	9,977,087.41
Other payables:		
Qingdao Goodaymart Logistic Co., Ltd.	484,252,410.26	571,867,437.60
Qingdao Haier Investment and Development Co., Ltd.	239,908,090.96	10,311,777.96
Qingdao Haier Brothers Animation Industry Co., Ltd.	197,165,604.92	274,526,190.97
Qingdao Goodaymart Supply Chains Co., Ltd.	141,544,554.72	187,341,850.29
Qingdao Haier International Trading Co., Ltd.	77,476,842.23	47,981,351.46
Shanghai Cotai Supply Chain Management	68,665,259.03	103,450,224.91

Co., Ltd.		
Qingdao Haier Special Plastic Development Co., Ltd.	43,054,748.09	43,054,748.09
Other related-party	193,869,326.99	275,584,489.94
Interest payable:		
Haier Finance Co., Ltd.	7,263,993.16	11,288,860.64
Dividends payable:		
Brave Lion (HK) limited	122,756,874.10	122,756,874.10
Haier Electric Appliances International Co., Ltd.	472,006,809.00	
Haier Group Corporation	402,229,036.50	
Other related-party	255,567,089.87	14,040,737.31

4. Other related party transactions

(1) Certain of the Company's subsidiaries entered into loan contracts with Haier Finance Co., Ltd. The loan balance as of 30 June 2020 was RMB3.400 billion and the aggregate interest expense payable by the Company to Haier Finance Co., Ltd. for the current period was RMB52 million.

(2) Information of the guarantor (as a related party) of the Company's guaranteed loan at the end of the period:

Borrower	Loan amount	Guarantor
Haier U.S. Appliance Solutions, Inc.	4,984,181,990.91	Haier Group Corporation
Haier Singapore Investment Holding Co., Ltd.	798,084,424.13	Haier Group Corporation
Total	5,782,266,415.04	

(3) The interest income of deposits received by the Company and subsidiaries from Haier Finance Co., Ltd. for the current period was RMB71 million.

(4) Haier Electrical Appliances Rus Limited lends an amount of RMB20 million to Haier Russian Trading Company LLC, a related-party.

(5) Leasing

Lessees	Lessors	Uses for leased assets	Lease expense recognized for the period
Subsidiaries of the Company	Qingdao Haier Investment and Development Co., Ltd. and its subsidiaries	Production and operation	8,891,910.72
Subsidiaries of the Company	Other companies of Haier Group	Production and operation	61,627,269.54
Total			70,519,180.26

(IV) Pricing policy

1. Related-party sales

Following the acquisition of the overseas white goods assets, the Company's original overseas sales model, being exports through the Group's exporting platform, was changed. The trading company under the company holding overseas white goods assets was fully responsible for sales of export-oriented products. Meanwhile, the trading company was also responsible for the overseas sales of some of the Group's products (such as brown goods). As such, the Company and Haier Group Corporation entered into a *Sales Framework Agreement*, according to which, the Company and Haier Group Corporation will sell products and provide sales-related services (including but not limited to agency sales services, after-sales services and technical support) on a reciprocal basis for a term of three years.

Related-party sales among Haier Electronics Group Co., Ltd. (hereinafter referred to as “Haier Electronics”), a holding subsidiary of the Company, Qingdao Haier Investment and Development Co., Ltd., and Haier Group Corporation are carried out according to relevant provisions of *Goods Export Agreement*, *After-sales Service Agreement*, and *Logistics Service Agreement* entered into among the parties.

2. Related-party Procurement

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements and delivery of part of raw materials, which is conducted according to the *Purchase and Distribution Contract* entered among the Company, Haier Group Corporation and other parties. The Company, Haier Group Corporation and its subsidiaries purchase materials from agents. They purchase and distribute goods for production and non-production use according to the specific material procurement target proposed by the Company. After procurement and delivery, the supply price consists of the actual purchase price and the agency fee, of which the agency fee was calculated by 1.25% of the actual purchase price, while in principle the supply price should not be higher than the price for the Company's independent purchases from the market.

Related-party procurements among Haier Electronics, Qingdao Haier Investment and Development Co., Ltd., and Haier Group Corporation are carried out according to relevant provisions of *Materials Procurement Agreement* and *Production and Experimental Equipment Procurement Agreement* entered among parties.

3. Related-party Transactions on Financial and Logistics Services

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 and its subsidiaries. According to the *Financial Service Agreement* entered into by and among the Company, Haier Group Corporation and other parties, the price of financial services is determined by the principle

of not being less 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 based 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 Finance Co., Ltd. (hereinafter referred to as "Finance Company") to provide some foreign exchange derivative businesses 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.

Related-party transactions of financial services among Haier Electronics, Finance Company, Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation are carried out according to relevant provisions of *Financial Service Agreement* entered into by and among parties.

In order to further standardize the logistics services provided by the related companies of Haier Group Corporation, the Company signed the *Logistics and Service Agreement* with Qingdao Haier Investment and Development Co., Ltd. and Haier Group Corporation, the Company entrusted the subsidiaries of Haier Group to provide energy and power, basic research and detection, equipment leasing, house rental and maintenance, landscaping and sanitation, gift purchasing, design, consultation, all kinds of ticket booking and other services.

In accordance with the *Comprehensive Service Agreement, Promotion Agreement, Product Research and Development Agreement* entered into among Haier Electronics, Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, Haier Electronics entrusted subsidiaries of Haier Group to provide Haier Electronics with hydropower energy and related support; meeting, accommodation, ticket agent; integrated services such as product certification, software, food and beverage agent, property decoration, house lease and finance, marketing, product research and development and other services.

4. Others

In order to expand the sales businesses in the third and fourth tier markets, Haier Electronics renewed the *Products Procurement Agreement* and *Internal Sales Agreement* with Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, according to which, while Haier Electronics purchases products from contract parties, the purchasing price shall be determined based on the prices at which Haier Electronics purchases the same type of products in similar transactions from independent third parties in the market and as per the terms and conditions not less favorable than those provided by the independent third parties to Haier Electronics; while Haier Electronics sells products to contract parties for their own use or distribution on sales network, the selling price shall be determined based on the prices at which Haier Electronics sells the same type of products in similar transactions to

independent third parties in the market and as per the terms and conditions not less favorable than those provided by Haier Electronics to the independent third parties.

The Company and its subsidiaries entered into a series of contracts, including the *Framework Agreement Regarding the Procurement of Modular Products* with Wolong Electric (Jinan) Motor Co., Ltd. and other companies, pursuant to which, it is agreed that they shall supply modular products to the Company at the most favorable price which is not higher than the price it offers to other clients.

The Company and its subsidiaries entered into a series of contracts, including the *Contract Arrangement Regarding the Procurement of Special Steel Plate Products* with Qingdao Hegang New Material Technology Co., Ltd., under which, it is agreed that they shall supply products to the Company on terms which are not less favorable than those offered by other suppliers.

XIII. Share-based payments

1. Overall of share-base payments

☐Applicable ☒Not Applicable

XIV. Contingencies

Contingencies

☐Applicable ☒Not Applicable

As of 30 June 2020, the Company has no significant contingencies that need to be disclosed.

Significant commitments

☐Applicable ☒Not Applicable

XV. Events subsequent to the balance sheet date

1. Explanations on other events subsequent to the balance sheet date

☒Applicable ☐Not Applicable

1. On 16 July 2020, based on the total number of A shares of 6,579,566,627, the Company paid cash bonus RMB0.375 (including tax) per A share, with cash bonus totaling to RMB2,467,337,485.13.

2. On 29 July 2020, the 9th meeting of the 10th Board of Directors deliberated and approved the Proposal on the Company's Transfer of 54.50% of the Equity of Haier Kaos Wulian Ecological Technology Co., Ltd. and Related Transactions (“《关于公司转让海尔卡奥斯物联生态科技有限公司 54.50% 股权暨关联交易的议案》”). The Company intends to transfer 54.50% of the equity held by

Haier Kaos Wulian Ecological Technology Co., Ltd. to Qingdao Haier Ecological Investment Co., Ltd. (青岛海尔生态投资有限公司) with the consideration of RMB4,060,000,000. This transaction constitutes a related transaction, which still needs to be submitted to the shareholders' meeting for review.

3. On 30 July 2020, the 10th meeting of the 10th Board of Directors deliberated and approved the Proposal on the Specific Scheme of this Material Assets Reorganization (“《关于本次重大资产重组具体方案的议案》”) on item by item basis. Overview of the Scheme: The Company, as the offeror, requests the Board of Directors of Haier Electronics Group Co., Ltd. (hereinafter referred to as “Haier Electronics”), upon satisfaction of the prerequisites, to put forward a proposal on privatizing Haier Electronics by way of agreement arrangement to all shareholders (hereinafter referred to as “Scheme Shareholders”) of Haier Electronics other than the Company and its subsidiaries of shares that have been issued by Haier Electronics or may be issued prior to the record date of the agreement arrangement (hereinafter referred to as “Scheme Shares”). The proposal will be made in accordance with Section 99 of the Bermuda Companies Act in the form of an Agreement Arrangement (hereinafter referred to as “Agreement Arrangement”) involving, among other things, the write-off of all the Scheme Shares, whereby the Scheme Shareholders will receive the newly issued H-shares of the Company and cash payment from Haier Electronics. The Agreement Arrangement will be specifically implemented through the following steps: (1) all Scheme Shares will be cancelled; (2) for each so cancelled Scheme Share, Scheme Shareholders will receive 1.60 newly issued H Shares of the Company and cash payment of HK \$1.95 from Haier Electronics; (3) Haier Electronics will reduce the issued shares by canceling Scheme Shares, and immediately after the reduction of the share capital, issue new shares to the Company, the number of which is equal to the number of Scheme Shares so cancelled, so that the number of issued shares of Haier Electronics will be increased to that of it before the Scheme Shares were cancelled; and (4) after the Scheme takes effect, the amount equivalent to the cash payment made to cancel the Scheme Shares will be reduced from Haier Electronics' equity premium and other reserve accounts. Upon this Agreement Arrangement taking effect: (1) Haier Electronics will be delisted from the Hong Kong Stock Exchange and become a wholly-owned or controlling subsidiary of the Company (subject to the implementation of the Exchangeable Bond (EB) to Convertible Bond (CB) Scheme); (2) H shares of the Company will be listed and traded on the main board of the Hong Kong Stock Exchange by way of introduction; (3) the Scheme Shareholders will become H-share shareholders of the Company.

The Proposal is subject to be submitted to the General Meeting of Shareholders of the Company for consideration.

4. On 17 July 2020, the Company issued RMB3 billion of unsecured ultra-short-term financing bonds with a 180-day period and an annual interest rate of 1.45%. The ultra-short-term financing bonds have been approved by the National Association of Financial Market Institutional Investors and registered with the Shanghai Clearing House.

5. The Company has no other significant events subsequent to the balance sheet date that need to be disclosed.

XVI. 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			
	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	Total
Monetary funds		44,112,940,130.82		44,112,940,130.82
Financial assets held for trading	2,400,484,812.34			2,400,484,812.34
Derivative financial assets			66,466,125.17	66,466,125.17
Bills receivable		13,176,349,200.41		13,176,349,200.41
Accounts receivable		17,000,438,423.14		17,000,438,423.14
Other receivables		1,933,305,471.43		1,933,305,471.43
Other current assets		889,536,054.45		889,536,054.45
Long-term receivables		317,806,792.51		317,806,792.51
Other equity instruments			1,270,543,648.96	1,270,543,648.96
Other non-current financial assets	72,739,420.26			72,739,420.26
Other non-current assets	62,836,363.78			62,836,363.78

Financial assets (Continued)

Items	Opening balance			
	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	Total
Monetary funds		36,178,815,683.25		36,178,815,683.25
Financial assets held for trading	308,135,007.05			308,135,007.05

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Derivative financial assets			19,158,132.45	19,158,132.45
Bills receivable		13,951,419,893.96		13,951,419,893.96
Accounts receivable		11,015,871,060.09		11,015,871,060.09
Other receivables		2,163,517,802.50		2,163,517,802.50
Other current assets		3,981,314,321.50		3,981,314,321.50
Long-term receivables		307,588,203.00		307,588,203.00
Other equity instruments			1,395,959,878.92	1,395,959,878.92
Other non-current financial assets	294,547,364.47			294,547,364.47
Other non-current assets	77,057,328.58			77,057,328.58

Financial liabilities

Items	Closing balance			
	Financial liabilities measured at fair value and changes of which included in current profit and loss	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value and changes of which included in other comprehensive income	Total
Short-term borrowings		17,223,889,737.38		17,223,889,737.38
Financial liabilities held for trading	17,825,470.87			17,825,470.87
Derivative financial liabilities			164,280,435.09	164,280,435.09
Bills payable		19,522,193,515.67		19,522,193,515.67
Accounts payable		29,649,104,954.11		29,649,104,954.11
Other payables		15,687,020,956.99		15,687,020,956.99
Non-current liabilities due within one year		5,473,359,759.62		5,473,359,759.62
Long-term borrowings		14,716,070,114.06		14,716,070,114.06
Bonds payable		7,232,228,799.85		7,232,228,799.85
Long-term payables		116,033,371.58		116,033,371.58
Other non-current liabilities	55,618,608.25			55,618,608.25

Financial liabilities (Continued)

Items	Opening balance
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	Financial liabilities measured at fair value and changes of which included in current profit and loss	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value and changes of which included in other comprehensive income	Total
Short-term borrowings		8,585,049,237.18		8,585,049,237.18
Financial liabilities held for trading	42,799,173.35			42,799,173.35
Derivative financial liabilities			99,548,853.97	99,548,853.97
Bills payable		19,308,538,776.92		19,308,538,776.92
Accounts payable		33,750,567,046.28		33,750,567,046.28
Other payables		15,156,392,521.82		15,156,392,521.82
Non-current liabilities due within one year		4,730,070,447.82		4,730,070,447.82
Long-term borrowings		13,276,452,935.56		13,276,452,935.56
Bonds payable		7,004,585,761.43		7,004,585,761.43
Long-term payables		142,342,718.45		142,342,718.45
Other non-current liabilities	54,598,203.27			54,598,203.27

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.

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.

XVII. Other Significant Events

The Company has no other significant events that need to be disclosed.

XVIII. Notes to Main Items of Financial Statements of the Parent Company

1. Accounts receivable

Aging	Closing balance	Opening balance
Within 1 year	5,598,528,164.87	1,175,031,729.66
1-2 years		7,798,791.09
2-3 years	6,166,666.66	
Over 3 years		
Accounts receivable, balance	5,604,694,831.53	1,182,830,520.75
Allowance for bad debts	308,333.33	596,039.26
Accounts receivable, net	5,604,386,498.20	1,182,234,481.49

The total amount of the top 5 accounts receivable at the end of the period was RMB5,600,662,200.35, accounting for 99.93% of book balance of the accounts receivable.

(1). Classification and disclosure according to method for provision for bad debts

☐Applicable ☒Not Applicable

(2). Allowance for bad debts

☒Applicable ☐Not Applicable

Changes in allowance for bad debts of accounts receivable in the current period:

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision	Other increase	Reversal	Write-off / other movement	
Allowance for bad debts	596,039.26			287,705.93		308,333.33

2. Other receivables

Presented as

☒Applicable ☐Not Applicable

Unit and Currency: RMB

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Items	Closing balance	Opening balance
Interest receivable	14,606,194.06	16,753,860.49
Dividend receivable	173,411,284.52	3,836,055,151.41
Other receivables	2,946,870,957.74	2,032,943,893.84
Total	3,134,888,436.32	5,885,752,905.74

Other explanation:

☐Applicable ☒Not Applicable

Interest receivable

Aging	Closing balance	Opening balance
Within one year	14,606,194.06	16,753,860.49
Over 1 year		
Total	14,606,194.06	16,753,860.49

Dividend receivable

Aging	Closing balance	Opening balance
Within 1 year	173,411,284.52	3,836,055,151.41
Over 1 year		
Total	173,411,284.52	3,836,055,151.41

Other receivables

① The disclosure of other receivables by aging is as follows:

Aging	Closing balance	Opening balance
Within 1 year	2,946,953,724.13	2,033,022,986.42
Over 1 year		
Other receivables, balance	2,946,953,724.13	2,033,022,986.42
Allowance for bad debts	82,766.39	79,092.58
Other receivables, net	2,946,870,957.74	2,032,943,893.84

② The total amount of the top 5 other receivables at the end of the period is RMB1,910,229,807.68, accounting for 64.82% of book balance of other receivables.

③ Changes in allowance for bad debt of other receivables in the current period:

Items	Opening	Increase for the period	Decrease for the period	Closing
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	balance	Provision	Other increase	Reversal	Write-off / other movement	balance
Allowance for bad debts	79,092.58	3,673.81				82,766.39

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 investments				
Including: long-term equity investments in subsidiaries	33,299,653,033.48	7,100,000.00	32,396,253,033.48	7,100,000.00
Long-term equity investments in associates	3,302,982,851.62	69,300,000.00	3,246,627,336.72	69,300,000.00
Total	36,602,635,885.10	76,400,000.00	35,642,880,370.20	76,400,000.00

(2) Long-term equity investments in 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.	329,832,047.28		329,832,047.28	
Qingdao Haier Information Plastic Development Co., Ltd	102,888,407.30		102,888,407.30	

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Dalian Haier Precision Products Co., Ltd.	41,836,159.33		41,836,159.33	
Hefei Haier Plastic Co., Ltd.	42,660,583.21		42,660,583.21	
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.	48,000,000.00		48,000,000.00	
Dalian Haier Refrigerator Co., Ltd.	99,000,000.00		99,000,000.00	
Dalian Haier Air Conditioner Co., Ltd.	99,000,000.00		99,000,000.00	
Guizhou Haier Electronics Co., Ltd.	96,904,371.71		96,904,371.71	
Hefei Haier Air-conditioning Co., Limited	67,110,323.85		67,110,323.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	238,758,240.85		238,758,240.85	
Qingdao Haier Air-Condition Electronic Co., Ltd.	1,113,433,044.51		1,113,433,044.51	
Qingdao Haier Air Conditioner General Corp., Ltd.	220,636,306.02		220,636,306.02	
Qingdao Haier Special Freezer Co., Ltd.	442,684,262.76		442,684,262.76	
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 Co., Ltd.	100,715,445.04		100,715,445.04	
Chongqing Haier Air Conditioner 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 Appliances Services Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration	91,750,000.00		91,750,000.00	

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Appliance Co., Ltd.			0.00	
Shanghai Haier Zhongzhi Fang Chuang Ke Space Management Co., Ltd.	2,000,000.00		2,000,000. 00	
Haier COSMOPlat IOT Ecosystem Technology Co., Ltd.	897,454,010.03		897,454,010. 03	
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	100,000,000.0 0		100,000,0 00.00	
Haier Shareholdings (Hong Kong) Limited	25,076,411,626 .24	578,000,00 0.00	25,654,411, 626.24	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.0 0		100,000,0 00.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.0 0		100,000,0 00.00	
Zhengzhou Haier Air Conditioner Co., Ltd.	100,000,000.0 0		100,000,0 00.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,00 0.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.0 0		130,000,0 00.00	
Qingdao Haier Technology Investment Co., Ltd.	302,105,635.0 0	25,400,000. 00	327,505,6 35.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.	10,000,000.00		10,000,00 0.00	
Haier Overseas Electric Appliance Co., Ltd.	40,000,000.00	200,000,00 0.00	240,000,0 00.00	
Haier (Shanghai) Electronics Co., Ltd.	12,500,000.00		12,500,00 0.00	
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	143,000,000.0 0		143,000,0 00.00	
Haier Electronics Group Co., Ltd.	669,830,769.2 6		669,830,7 69.26	7,100,0 00.00
Qingdao Haidarui Procurement Service Co., Ltd.	107,800,000.0 0		107,800,0 00.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	326,400,000.0 0		326,400,0 00.00	
Qingdao Haidacheng Procurement Service Co., Ltd.		100,000,00 0.00	100,000,0 00.00	
Total	32,396,253,033 .48	903,400,00 0.00	33,299,653, 033.48	7,100,0 00.00

(3) Long-term equity investments in associates

Name of	Opening	Increase/decrease for the current period	Closing	Impairment
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Haier Smart Home Co., Ltd

investee	balance	Increase/decrease for the current period	Recognized investment income under equity method	Others	balance	provisions at the end of the period
Wolong Electric (Jinan) Motor Co., Ltd.	115,90 7,764.18		8,444,516.27		124,35 2,280.45	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	434,54 0,103.12		-626,240.10		433,91 3,863.02	
Bank of Qingdao Co., Ltd.	963,84 4,234.82		49,311,626.39	-6,937,41 3.11	1,006,2 18,448.10	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	643,05 6,436.86		34,236,531.91		677,29 2,968.77	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	395,93 3,487.26		5,297,623.12		401,23 1,110.38	21,000, 000.00
Qingdao Haier Multimedia Co., Ltd.	432,38 6,801.25		-42,017,109.03		390,36 9,692.22	48,300, 000.00
Qingdao HBIS New Material Technology Co., Ltd.	260,95 8,509.23		8,645,979.45		269,60 4,488.68	
Total	3,246,6 27,336.72	-	63,292,928.01	-6,937,41 3.11	3,302,9 82,851.62	69,300, 000.00

4. Operating revenue and operating cost

✓ Applicable ☐ Not Applicable

Unit and Currency: RMB

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Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	4,971,571,357.13	4,334,933,560.26	1,243,167,506.32	873,770,520.48
Other business	71,145,742.55	63,477,221.29	87,701,868.31	76,612,012.84
Total	5,042,717,099.68	4,398,410,781.55	1,330,869,374.63	950,382,533.32

5. Investment income

✓ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Investment income from long-term equity investments accounted for using cost method	173,411,284.52	158,604,089.57
Investment income from long-term equity investment accounted for using equity method	63,292,928.01	64,297,967.85
Investment income generated from disposal of long-term equity investment		
Income from wealth management products	9,270,527.84	22,666,056.16
Investment income from investment in other equity instrument during the holding period		
Total	245,974,740.37	245,568,113.58

XIX. Approval of financial report

This financial report was approved by the board of directors of the Company for reporting on 28 August 2020.

XX. Supplementary Information

1. Basic earnings per share and diluted earnings per share

Items	Amount for the current period	Amount for the previous period
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Haier Smart Home Co., Ltd

	Weighted average return rate on net assets	Earnings per share (RMB)		Weighted average return rate on net assets	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Parent Company	5.68%	0.423	0.413	11.99%	0.794	0.764
Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss	5.25%	0.391	0.380	11.22%	0.739	0.710

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	2,780,800,712.72	5,058,082,964.47
Less: non-recurring profit or loss	211,360,215.13	464,726,732.93
Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss	2,569,440,497.59	4,593,356,231.54

Details of non-recurring profit or loss for the current period

Non-recurring profit or loss items	Amount for the current period
Profit or loss from disposal of non-current assets	-11,377,076.09
Profit from disposal of long-term equity investments	-199,825.65
Government grants included in current profit or loss, except that closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards	390,801,680.26
Gains from the costs of investment in the acquisition of subsidiaries, associated companies and joint ventures being lower than the share of the fair value of the investee's identifiable net assets	
Profit or loss from fair value changes of financial assets/liabilities held for trading, as well as investment gains arising from disposal of financial assets/liabilities held for trading and financial assets available-for-sale, except the effective hedging related to the normal operations of the Company	-16,026,029.49
Other non-operating income and expenses except the aforementioned items	10,350,602.15

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Impact on minority interest	-130,081,198.31
Impact on income tax	-32,107,937.74
Impact on profit from business combination under common control	
Total	211,360,215.13

1. Difference on figures by domestic and foreign accounting standards

☐Applicable ☒Not Applicable

SECTION XII DOCUMENTS AVAILABLE FOR INSPECTION

Documents Available for Inspection	I. 2020 Interim Report of Haier Smart Home Co., Ltd. with signature of the legal representative.
	II. Financial statements with signatures or seals of the person in charge of the entity, chief accountant and person in charge of accounting department.
	III. All documents publicly disclosed on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn) during the reporting period.

Chairman of the Board: Liang Haishan

Date of approval for publication by the Board: 28 August 2020