

Company Code: 600690.SH, 690D.DE

Short Name: Haier Smart Home

Haier Smart Home Co., Ltd.

2021 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 this reporting period resolved and passed by the Board**

Not Applicable

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. Are there more than half of the Directors could not warrant the truthfulness, accuracy and completeness of the interim report disclosed by the Company

No

X. Important risk warnings

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

XI. Others

☐ Applicable ☒Not Applicable

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

30 August 2021

Contents

SECTION I — DEFINITIONS	4
SECTION II — GENERAL INFORMATION OF THE COMPANY AND KEY FINANCIAL INDICATORS	6
SECTION III — MANAGEMENT DISCUSSION AND ANALYSIS	11
SECTION IV — CORPORATE GOVERNANCE	37
SECTION V — ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES	41
SECTION VI — SIGNIFICANT ISSUES	48
SECTION VII — CHANGES IN SHARES AND INFORMATION ABOUT SHAREHOLDERS	66
SECTION VIII — RELEVANT INFORMATION OF PREFERRED SHARES	76
SECTION IX — RELEVANT INFORMATION OF BONDS	77
SECTION X — RESPONSIBILITY STATEMENT	84
SECTION XI — FINANCIAL REPORT	85

Documents Available for Inspection	I. 2021 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.

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 originally listed in Hong Kong, stock code: 01169.HK), a subsidiary as accounted for in the consolidated statement of the Company. Haier Electronics has been privatized by way of H shares issuance on 23 December 2020 and became a wholly owned subsidiary of the Company since then.
GEA	GE Appliances, household appliances assets and business of General Electric Group, have currently been owned by the Company.
FPA	Fisher & Paykel Appliances Holdings Limited (Chinese Name: 斐雪派克) was established in 1934 and is known as the national appliance brand of New Zealand, the global top-level kitchen appliance brand and the famous luxury brand of the world. It has products including ventilator, gas stove, oven, dishwasher, microwave oven, built-in freezer, washing machine, clothes dryer and etc. Its business covers over 50 countries/regions across the world. FPA is wholly-owned subsidiary of the Company.
Candy	Candy Group (Candy S.p.A) is an international professional appliances manufacturer from Italy. Since its establishment in 1945, it has been committed to enabling the global users to enjoy a higher quality of life through innovative technologies and quality services. Candy Group has been prestigious in the global market with users all over the world via its ten self-owned professional household appliance brands. In January 2019, Candy became a wholly-owned subsidiary of the Company.
CMM	China Market Monitor Co., Ltd., as an authoritative market research institute in Chinese 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 has over 40-years of experience in respect of publishing market report, commercial reference data and on-line database. They create data and analysis on thousands of products and services around the world.
All View Cloud	All View Cloud (AVC) is a big data integrated solution provider to the smart home field, providing enterprises with big data information services, regular data information services and special data services.
IEC	The International Electrotechnical Commission. Founded in 1906, 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>	The concept of " Achieving win-win via RenDanHeYi " is the guarantee of Haier's sustainable operation and the driving force of the Company featuring a self-motivated and empowering corporate culture. “Ren” is an employee who has the spirit of entrepreneurship and innovation; “Dan” is to create value for users. The " RenDanHeYi " management model encourages employees to create value for users with an entrepreneurial mindset, and to achieve self-value in line with the those of the Company and its shareholders.

SECTION II GENERAL INFORMATION OF THE COMPANY AND KEY FINANCIAL INDICATORS

I. Information of the Company

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

II. Contact person and contact Information

	Secretary to the Board	Representative of securities affairs	Representative of securities affairs (D shares)	Company Secretary (H shares)	Others
Name	Ming Guozhen	Liu Tao	Sun, Yao Sophie	Ng Chi Yin, Trevor	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, Konrad-Zuse-Platz 6, 81829 München, Germany	Room 3513, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong	/
Tel	0532-88931670	0532-88931670	+49 160 9469 3601 (Germany)	+852 2169 0880	4006 999 999
Fax	0532-88931689	0532-88931689	/	+852 2169 0000	/
Email	finance@haier.com	finance@haier.com	Y.sun@haier.de	ir@haier.hk	/

III. Summary of the changes in general information

Registered address	Haier Industrial Park, Laoshan District, Qingdao City
Historical change of the registered address	Not Applicable
Business address	Haier Information Industrial Park, Laoshan District, Qingdao City
Postal code of the business address	266101
Website	https://smart-home.haier.com/cn/
Email	9999@haier.com
Query index for any changes during the reporting period	Not applicable

IV. Movement of place for information disclosure

Designated newspaper for information disclosure	<i>Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily</i>
Website for publishing interim report	www.sse.com.cn
Website for publishing annual report by other websites	https://smart-home.haier.com/cn/, www.xetra.com, www.dgap.de, https://www.hkexnews.hk
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
H Share	Hong Kong Stock Exchange	Haier Smart Home	6690	/

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 (%)
Operating revenue	111,618,822,064.73	95,728,097,106.65	16.60
Net profit attributable to shareholders of the listed Company	6,852,271,812.97	2,780,800,712.72	146.41
Net profit after deduction of non-recurring profit or loss	6,269,906,406.72	2,569,440,497.59	144.02

attributable to shareholders of the listed Company			
Net cash flows from operating activities	8,423,823,726.89	-542,919,257.40	1,651.58
	As at the end of the reporting period	As at the end of reporting period of last year	Increase/decrease as at the end of the reporting period compared with that of last year (%)
Net assets attributable to shareholders of the listed Company	73,846,216,357.78	66,816,422,614.55	10.52
Total assets	206,247,420,630.60	203,459,495,879.65	1.37

(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 (%)
Basic earnings per share (RMB / share)	0.741	0.423	75.18
Diluted earnings per share (RMB / share)	0.730	0.419	74.22
Basic earnings per share after deducting non-recurring profit or loss (RMB / share)	0.678	0.391	73.40
Weighted average return on net assets (%)	9.29	5.68	increased by 3.61 percentage points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	8.50	5.25	increased by 3.25 percentage points

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

√Applicable □Not Applicable

In the first half of 2021, the Company's revenue amounted to RMB111.619 billion, representing an increase of 16.6% and 11.6% as compared to the corresponding periods in 2020 and 2019, respectively. Due to the spin-off of the business of COSMO in the third quarter of 2020, the business of RRS Logistics had been excluded in the third quarter of 2019. Excluding the effect of spin-off of the business of COSMO and RRS Logistics, revenue of the Company in the first half of 2021 would have increased by 27.2% and 22.7% as compared to the corresponding periods in 2020 and 2019, respectively, on the same basis.

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

☒ Applicable ☐ Not Applicable

(I) Difference in net profit and net assets attributable to shareholders of the listed company in financial statements as disclosed in accordance with International Accounting Standards and Chinese Accounting Standards

☐ Applicable ☒ Not Applicable

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

(II) Difference in net profit and net assets attributable to shareholders of the listed company in financial statements as disclosed in accordance with overseas accounting standards and Chinese Accounting Standards

☐ Applicable ☒ Not Applicable

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

(III) Explanation on difference in 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	135,411,372.65
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	283,535,138.53
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	229,227,021.99
Other non-operating income and expenses except the aforementioned items	35,439,577.28
Effect of minority equity interests	-7,969,113.19
Effect of income tax	-93,278,591.01
Total	582,365,406.25

X. Others

☐ Applicable ☒ Not Applicable

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS'

I. Introduction of the industry where the Company operates and its major business during the reporting period

Since its birth in 1984, Haier Smart Home aspires to being an enterprise of the times. With thirty years of unyielding commitment to provide our users with innovation and iteration, the Company has established itself as the global leader in home appliance industry and a proud pioneer in smart home solutions:

- Euromonitor ranked the Company as the first by volume in the global major home appliance market for 12 consecutive years, recognizing our strengths as a global portfolio of brands including Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. Haier brand refrigerators and washing machines also ranked first by volume for 13 and 12 consecutive years from 2009 to 2020.
- Euromonitor also recognizes the Company as one of the first in the industry to launch smart home solutions. Leveraging on our smart home appliance products, Smart Home APP, Smart Home Experiential Cloud Platform, store network and online presence, we are able to provide scenario-based comprehensive smart home solutions to our users in their pursuit of a better life.

The Company has built its global presence pillared on smart home business in China, smart home business overseas and other businesses.

Smart Home Business in China

Leveraging on Haier Smart Home APP and experience stores network, the Company provides both comprehensive appliance products and value-added solutions, consists of Household Food Solutions (Internet of Food), Household Clothing Solutions (Internet of Clothing), Household Air Solutions (Internet of Air), and Household Water Solutions (Internet of Water).

- The Company manufactures, distributes and exports refrigerators, freezers and kitchen appliances, leveraging on connectivity amongst our smart products, we are able to provide smart dietary solutions that combines hardware with software in order to meet users' demand for convenience, wellbeing and taste.
- The Company manufactures, distributes and exports washing machines and tumble dryers, leveraging on connectivity amongst our smart products, we are able to provide smart laundry solutions that combines hardware with software in order to meet users' demand for cloth care.
- The Company manufactures, distributes and exports household air conditioners, commercial air conditioners, air purifiers and new wind control systems, leveraging on connectivity amongst our smart products, we are able to provide smart air solutions that combines hardware with software in order to meet users' demand for temperature, humidity, cleanliness and freshness.
- The Company manufactures, distributes and exports household electric water heaters,

gas water heaters, solar powered water heaters, heat pumps, POE water purifiers, POU water purifiers and water softeners, leveraging on connectivity amongst our smart products, we are able to provide smart water solutions that combines hardware with software in order to meet users' demand for water purification, softening and heating.

Smart Home Business Overseas

In addition, the Company manufactures and distributes a comprehensive portfolio of home appliance products and provides value-added services in over 160 countries and regions including North America, Europe, South Asia, Southeast Asia, Australia, New Zealand, Japan, Middle East and Africa.

We have over 20 years of experience in managing proprietary brand portfolio overseas, during which time, several successful acquisitions have been completed, including Sanyo Electric Co., Ltd.'s white goods businesses in Japan and Southeast Asia in 2015, GE Appliances in 2016, Fisher&Paykel in 2018, and Candy in 2019.

Solid foundations have been laid for the Company's overseas business, which now offers a comprehensive product portfolio under seven brands across the globe. In 2020, with a market share of 18.6% by volume, Euromonitor ranked the Company the first in major home appliances in Asia; second in North America with a market share of 22.0%; second in Australia & New Zealand with a market share of 13.4%; third in Middle East & Africa with a market share of 8.4% and number five in Europe with a market share of 7.2%.

Other Businesses

The Company also expanded its business to cover, among others, parts and components, small home appliances and distribution services. Our parts and components business primarily involves procurement, manufacturing and distribution of ancillary parts and components for home appliances. Small home appliances business primarily involves in-house design, outsourced manufacturing and distribution of small home appliances products. The distribution business primarily involves distribution of televisions, consumer electronic products and others for Haier Group and third parties through our distribution network.

During the reporting period, for the second time, the Company was included in Fortune Global 500, moving up 30 places as compared with 2020. We are also nominated as one of the 2021 World's Most Admired Companies by Fortune, making Haier the only one from home appliance and furniture industries in Europe and Asia as well as the only one from outside the US. For a second time, the Company made it to BrandZ Top 100 Most Valuable Global Brands list as the world's only Internet-of-Things (IoT) ecosystem brand.

Industry Analysis

1. The China Market

In the first half of 2021, China's economy continued to recover with improving consumer momentum. According to the data from the National Bureau of Statistics, in the first half of the year, sales of urban consumer goods amounted to RMB18,409.8 billion, representing an increase of 23.3% compared to the corresponding period in 2020, and sales of rural consumer goods amounted to RMB2,780.7 billion, representing an increase of 21.4% as

compared to the corresponding period in 2020. The home appliance industry showed similar trend. According to CMM, in the first half of 2021, the aggregated sales of refrigerators, washing machines, air conditioners, water heaters and kitchen appliances (range hoods and stoves) in China amounted to RMB245.7 billion, representing an increase of 14.1% compared to the corresponding period in 2020.

CMM data also indicates that, in the first half of 2021, sales of refrigerator/ freezer amounted to RMB48.9 billion, representing an increase of 20.9% and 7.5% as compared to the corresponding periods in 2020 and 2019. Sales of washing machine amounted to RMB35.6 billion, representing an increase of 24.5% and 6.9% as compared to the corresponding periods in 2020 and 2019. Growth in both could be attributable to the constant innovation in functions, designs and application scenarios. Sales of air-conditioners amounted to RMB98.1 billion, representing an increase of 5.7% and a decrease of 21.3% as compared to the corresponding periods in 2020 and 2019. The weakness was mainly attributable to the mild temperature during the summer which suppressed the demand for air conditioners. Sales of water heaters amounted to RMB31.2 billion, representing an increase of 14.6% and a decrease of 4.5% as compared to the corresponding periods in 2020 and 2019. Sales of range hoods and gas stoves amounted to RMB31.8 billion, representing an increase of 22.0% and 0.6% as compared to the corresponding periods in 2020 and 2019; integrated stoves maintained rapid growth with sales amounted to RMB9.68 billion, representing an increase of 66.6% and 64.6% as compared to the corresponding periods in 2020 and 2019. Consumer demand for laundry care drove rapid growth of dryers, clothes care machines and shoe washers. According to AVC, sales of dryers amounted to RMB2.49 billion, representing an increase of 116.4% as compared to the corresponding period in 2020. At present, the penetration of dryers per 100 households in China is 0.2%, whereas the penetration in the US is 76.2%, thus ample growth potential could be unlocked going forward.

The shift of consumer demand from functions to quality has been driving industry growth. When the desire for basic functions is satisfied, consumers start to pay increasing attention to wellbeing, design and IoT technologies. For example, large refrigerators with multi-temperature zone are becoming popular, while fresh-keeping, sterilization and built-in designs have created a brand-new experience; sterilization, partition washing and smart dispensing together make laundry healthier; as consumers are becoming increasingly concerned with air quality, functions such as sterilization, dust prevention and purification functions have been popular. On the supply side, industry leaders with world-class R&D resources and innovative ideas have also accelerated the development of high-end products. More and more consumers wish to integrate home appliances with interior design when they are redecorating, consequently a brand that offers a “complete package of design, purchase and installation” does not only save consumers’ time and efforts, and it also makes the whole renovation process much more efficient.

The transition of consumption online caused by COVID-19 and attractive pricing continue to drive e-commerce growth. For example, in the first half of 2021, the online retail sales of air-conditioners accounted for 55.3%, representing an increase of 3.8 and 12.3 percentage points as compared to the corresponding periods in 2020 and 2019. Benefiting from platform diversification, social networks and live streaming have also become new sales channels. On the other hand, offline channels fully tapped scenario offering and services to enhance on-site experience and strengthen product premiumization. In addition, growing number of consumers are purchasing home appliances before they start renovation. The size, model and design style of appliances have become important elements in making renovation plans, and

home improvement markets as well as designers have become increasingly important channels.

The industry continues to consolidate as concentration ratio of leading brands increases. In the offline market, combined market share of top three refrigerator brands, washing machine brands and air-conditioner brands was 63.53%, 66.71% and 84.32% respectively, representing an increase of 1.50, 1.73 and 2.64 percentage points as compared to the corresponding period of last year.

Profitability of appliances industry remained under significant pressure caused by inflation in the commodity market where price of steel, copper and aluminium rose sharply; post pandemic supply chain disruption and surge in sea freight.

2. *The Overseas Market*

(1) *The US market:*

Second quarter US economic output growth accelerated 0.2 percentage point from the previous quarter to an annualized rate of 6.5%; making it the first quarter in which domestic output exceeded pre-pandemic level, personal consumption increased 11.8% while private domestic investment declined 3.5%, indicating labour shortage and supply chain disruption as having the biggest impact on the economy. According to AHAM, core appliances grew by double digit figure in the first half this year.

(2) *The European market:*

According to GFK, sales volume of refrigerators and washing machines grew by 16% and 12% in Europe, driven by growing demand for product upgrade, also reflecting low base effect caused by pandemic outbreak in second quarter 2020.

(3) *The Australian and New Zealand market:*

① Industry growth in Australia has slowed down and competition has intensified. ② The market in New Zealand maintained growth in the first half of the year with relatively stable demand.

(4) *The Asian market:*

① The Indian market was affected by resurgence of COVID-19 at the end of the first quarter and the foot traffic in physical stores was only 50% of usual in the second quarter.

② Pakistan has actively promoted vaccination, and its economic environment is improving. Home appliance sales volume increased by 5% in the first half of the year.

③ Sales of refrigerators in Vietnam dropped by 4% and washing machines remained the same, while air-conditioners dropped by 8%. Resurgence of COVID-19 in Thailand led to economic slowdown and extension of emergency decree to 31 July had a negative impact on the market momentum. In Indonesia, sales of refrigerators and washing machines increased by 5% and 13.5% respectively, while air-conditioners dropped by 18%.

④ Sales of white goods fell by 1% in Japan, but COVID-19 has spawned new demand for large-capacity, healthy cleaning and fresh-keeping products.

Business Review

In the first half of 2021, the Company's revenue amounted to RMB111.619 billion, representing an increase of 16.6% and 11.6% as compared to the corresponding periods in 2020 and 2019, excluding the disposal of COSMOPlat (completed in 2020) and RRS Logistics (completed in 2019), revenue growth would have been 27.2% and 22.7% as compared to the corresponding periods in 2020 and 2019. The rapid growth was mainly attributable to the Company's focus on promoting high-end brand, scenario brand & ecosystem brand; global integration and digital transformation

During the reporting period, net profit amounted to RMB6.938 billion, representing an increase of 92.1% and 12.2% as compared to the corresponding periods in 2020 and 2019, and net profit attributable to owners of the parent company amounted to RMB6.852 billion, representing an increase of 146.4% and 35.5% as compared to the corresponding periods in 2020 and 2019. Despite inflation in raw materials and components, the Company's gross profit margin grew 2.1 percentage point reaching 30.1%. The growth was mainly attributable to the increasing proportion of high-end products, the continuous optimization of supply chain and disposal of low margin business. The Company's selling and administrative expense ratio was 15.0% and 4.5% respectively. Exclude the disposal of COSMOPlat in the first half of 2020, the selling and administrative expense ratio would have decreased by 1.6 percentage points and 0.7 percentage points as compared to the corresponding period in 2020 respectively (If the revenue from COSMOPlat was included in the first half of 2020, the selling and administrative expense ratio would have been 15.2% and 4.8% respectively.) Cost optimization was mainly attributable to digitalization in China, growing economies of scale and improvement of operational efficiency overseas.

In the first half of 2021, the Company's net cash flow from operating activities amounted to RMB8.424 billion, representing an increase of RMB8.968 billion and RMB4.804 billion as compared to the corresponding periods in 2020 and 2019, with net cash flow to net profit ratio was 1.23. The improvement was mainly attributable to the rapid growth in net profit and the enhancement of operational efficiency.

(I) Smart Home Business in China

In the first half of 2021, revenue from smart home business in China amounted to RMB57.461 billion, representing an increase of 29.9% as compared to the corresponding period in 2020. Operating profit amounted to RMB3.87 billion, representing an increase of 50.1% as compared to the corresponding period in 2020. The growth was attributable to enhanced competitiveness across the board, 74.4% revenue growth of Casarte brand and accelerated digital transformation.

1. Household Food Solutions (Internet of Food)

(1) Refrigerators/Freezers Business

In the first half of 2021, revenue from the refrigerators/freezers segment amounted to RMB19.189 billion, representing an increase of 30.7%. Among which, the growth of Casarte

was 52.9%, and its revenue contribution reached 16.0%, representing an increase of 2.6 percentage points. According to CMM, the Company's market share online and offline reached 38.6% and 41.4%, representing an increase of 3.4 and 1.7 percentage points as compared to the corresponding period last year, Casarte's market share reached 13.9%, representing an increase of 2.6 percentage points as compared to the corresponding period of last year.

During the post pandemic period, there was an increasing demand for healthy diet, and enhanced food preservation. By consolidating global resources, optimizing the supply chain, upgrading technology and publishing the cold storage/frozen cell-class fresh-keeping standard & built-in industry standard 2.0, the Company achieved 46.7% market share offline in products priced above RMB10,000, representing an increase of 2.8 percentage points as compared to the corresponding period of last year. During the June 18 Festival, over 30,000 units of Casarte Yuanshi (原石) series which focus on innovative technology and natural aesthetics were sold, while Homey 505 & 506 series ranked first in products priced above RMB10,000. In addition, benefiting from global integration in R&D, production and supply chain management, export revenue of products with a unit price of over US\$1,000 and €1,000 grew by 200% and 128% respectively, demonstrating enhanced competitiveness of large-capacity T door and French-style refrigerators. In Europe, Haier's market share increased by 1.3 percentage points as compared to the corresponding period of last year, and we were also the fastest growing refrigerator manufacturing in the UK, Spain and Italy.

In the first half of the year, the Company led the formulation of IEC63169, the industry's first international standard for food preservation, Haier also applied for 449 invention patents. In April 2021, the Company received seven iF Design

Awards in Germany for Casarte Italian-style refrigerator, Casarte Homey series refrigerator, Haier 505T refrigerator, Leader's customized refrigerator, Haier's scenario-adapted refrigerator, Leader's Internet refrigerator and Haier's smart large-screen refrigerator, making Haier the company with the largest number of awards within refrigerator industry.

(2) Kitchen Appliances Business

During the reporting period, revenue from kitchen appliances segment in China amounted to RMB1.785 billion, representing an increase of 40.8% as compared to the corresponding period in 2020. Among which, Casarte's kitchen appliances revenue increased 164.5% as compared to the corresponding period of 2020, and its revenue contribution amounted to 21.1%, representing an increase of 10.6 percentage points.

According to CMM, in the first half of the year, the Company's market share was 6.9%, representing an increase of 0.8 percentage points. Among which, Casarte's share was 2.6%, representing a 73% increase or 1.1 percentage points expansion. The Company's market share online remained flat at 5.6%.

During the period, the Company focused on the development of high-end, complete sets and smart kitchen, continued to consolidate kitchen appliance technologies from GE Appliances, Fisher&Paykel in order to build user recognition. The Company launched C6 "Galaxy" series under Casarte brand, with 114 patents and 5 breakthrough technologies, including (1). large range hood that pioneered the smart 12-square "effective air volume" technology. the constant air volume function enables effective extraction of smoke by sensing the pressure

from ventilation pipe and adjust the speed of extraction by utilizing the infrared smoke tracking technology. (2). One-pot same-temperature gas stove that pioneered the “simultaneous five-ring fire” function, with 40% increase in heated area, when cooking dumplings, dough will not break nor stick to the pot. (3). Chef oven pioneered self-cooking technology, with ultrahigh temperature at 300 °C, pizza can be thoroughly baked in 3 minutes, and baking can be stopped automatically once the food is ready. (4). Casarte’s dishwasher drawer does not only accommodate tableware up to 265mm in diameter, it also pioneered the vertical moving spray system, making it easier for consumers without having to bend over. (5) Casarte pioneered the food-grade disinfection cabinet targeting 10 types of bacteria and viruses, and took the lead in formulating medical-grade disinfection standards. The product offers the industry’s fastest disinfection of 15 minutes at room temperature, it can also disinfect fresh & dry food ingredients as well as degrade pesticide residues at room temperature.

In Russia, the Philippines, the Middle East and Africa markets, Haier’s export kitchen appliances business maintained a good growth momentum, and the Company ranked among the top three in the Philippines.

(3) Ecosystem of the Internet of Food

The Internet of Food focuses on providing consumers with healthy dining experience. Under “smart device + chef + pre-prepared dishes” model, together with China Cuisine Association, the Company created digital recipes with more than 100 chefs from 23 provinces and cities, so gourmet dishes are prepared and home delivered, so users can enjoy healthy quality food with their families at home.

2. Household Clothing Solutions (Internet of Clothing)

(1) Washing Machine Business:

During the period, revenue from washing machine business amounted to RMB12.958 billion, representing an increase of 24.4% as compared to the corresponding period of last year. At the same time, online and offline retail market share reached 40.6% and 42.2% respectively, representing an increase of 1.3 and 3 percentage points as compared to the corresponding period of last year.

The growth was driven by consumption upgrade as the Company captured post pandemic demand for large-capacity, partition washing, disinfection and sterilization functions as well as dryers.

In response to users’ concern of removing stubborn stains, reducing discolouration and the difficulty in working out the right amount of detergent for each wash, the Company cooperated with the detergent industry to launch the detergent cartridge series. Through “professional washing and care + special detergent + smart dispensing”, providing users with bright colour care and opportunity to purchase detergent. Promoted by growing demand for dryers, the Company launched washing & drying integrated machine and Zhongzihemei (中和美) series of Casarte. The height of the machine is reduced to 1.5m to save space. Upon completion of washing in the lower drum, the upper drum will immediately start to pre-heat, thereby shortening drying time. Our leadership was consolidated as market share in front

loading washing machines priced over RMB10,000 grew 2.6 percentage points reaching 78.3%.

In order to address demand in drying large items, delicate items and reducing crease, the Company developed industry leading technologies including independent fan, hybrid fast drying and smart wind speed control, which have effectively improved drying experience. Sales of dryers exceeded 120,000 units during the period, representing an increase of 227% as compared to the corresponding period of last year. Market share went up to 27% online and 31.9% offline, representing an increase of 11.9 and 18.7 percentage points as compared to the corresponding period of last year.

Despite significant pressure caused by the resurgence of COVID-19 in South and Southeast Asia, currency inflation and surging shipping cost, the washing machine segment adhered to differentiated high-end brand strategy, optimized product mix, developed e-commerce channels and captured the increasing demand for large-capacity washing machines to maintain a stable growth in export revenue.

(2) Internet of Clothing:

During the reporting period, the Company remained focused on meeting consumers demand with smart solutions that caters for laundry, care, storage and styling.

With the launch of 1+N+ecosystem model, stores from our distribution network were able to explore new growth opportunities by providing one stop solution of laundry, care, storage and styling services, together with partners across 9 disciplines including apparel, textile luxury goods, hotels and property developments, the Company continued to lead the transition from individual industry's singular service offering towards comprehensive ecosystem-based scenarios.

During the reporting period, the Company signed up 3,000 laundry outlets, launched Mr. Wash Stores, formed partnership with laundry and clothing specialists including JShine(潔神), Saint Angelo (報喜鳥) and Mendale (夢潔) and the total number of Internet of Clothing outlets reached over 4,000.

3. Household Air Solutions

During the period, revenue of air-conditioners segment amounted to RMB17.645 billion, representing an increase of 31.7% as compared to the corresponding period last year.

(1) Household Air-conditioners Business:

The Company adhered to offering healthy and smart products while accelerating network digitalization. According to CMM, in the first half of the year, the Company's market share offline and online reached 15.88% and 13.2%, representing an increase of 1.83 and 1.7 percentage points as compared to the corresponding period of last year. Through continuous expansion of Casarte's product portfolio and network, our share in the high-end market (hanging machines priced above RMB4,000 and standing machines priced above RMB10,000) reached 19.2%, representing an increase of 4.3 percentage points as compared to the corresponding period of last year.

Leveraging multiple brand portfolio, the Company created differentiated experience for users, built market reputation and established a solid foundation for development.

In the first half of the year, revenue of Casarte's air-conditioners increased by 124.6% as it adheres to original technology in creating "eco-breathing and exclusive comfort" experience. During the reporting period, Casarte's product series expanded to 6, fully covering the high-end price range. The Company also launched the Galaxy series air-conditioner, equipped with smart voice control and two-way constant temperature technology to balance indoor temperature and reduce the temperature difference to within 0.5°C after 3 minutes from switching on. 189,000 units have been sold, contributing to the doubling of Casarte's revenue and 1.6 percentage points increase in its market share. In addition, Haier's air-conditioner focuses on creating smart and healthy experience with rapid product upgrades. It launched the Thor sleep air-conditioner that connects with the smart pillow when adjusting room temperature. 36,000 sets were sold within one and a half month, contributing to 4 percentage point increase in market share of products priced above RMB3,500, and drove the share of products priced above RMB3,500 to over 30% in 13 regions.

The Company improved the user acquisition and conversion with measures including (1) integrate the management of online channels with physical network to improve store layout and marketing activities, thus increasing same store sales performance; compared to the beginning of the year, the number of sales outlets increased by 8,000. (2) promote the presence in home improvement markets. (3) accelerate retail transformation with strategies such as reaching out to village and replacing old appliances for new, in order to maintain close interaction and increase user recognition.

The export revenue of air conditioners maintained rapid growth. Despite the resurgence of COVID-19, overseas teams closely captured market demand with upgraded products, including UVC module with TEXCELL certification in France and well received by European market. According to GFK, the Company's market share in air conditioners became no. 1 in Thailand in addition to being number 1 in the US, Pakistan and Russia.

(2) Commercial Air-conditioners Business

In the first half of the year, the Company customized scenario-based commercial air conditioners solutions to accelerate growth. Our market share reached 11.5% in China, representing an increase of 0.7 percentage points as compared to the corresponding period of last year. The Company also led the market in replacement multi-split system, rail transit and coal-to-clean energy transition. In the first half of the year, market share of our export business was 14.6%, representing an increase of 1.7 percentage points as compared to the corresponding period of last year.

With its innovative products and scenario solutions the Company continued to lead the industry development in IoT based central air-conditioners. The Company made major breakthrough with oil-free, energy-saving technology and IoT based AI technology, both were highly recognized by the market. (1) The Company also launched the X+ series magnetic levitation unit, which saves 25% of occupied area as compared to the previous generation, and increases energy efficiency by 7%. It can achieve a maximum capacity of 3,600RT (refrigeration tons), with coverage from 15,000 square meters to 120,000 square meters. Through dual air and refrigerant technologies, the cooling water temperature can be reduced to 10°C. Haier IoT cloud platform facilitate its remote control, fault diagnosis and

real-time interaction. It is especially suitable for manufacturing premises and data centres and the unit has been installed in projects for Guangzhou Metro, Chongqing Metro, Bangkok Airport, Goertek and Luxshare, with its market share ranking first in the world. (2) The business of multi-split air-conditioner system focuses on innovation and energy-saving technologies, with remote viewing, control and IoT billing. At present, it has been successfully implemented in projects including Jiaodong International Airport, Tibet University and Shanghai Research Institute of Building Sciences. (3) The Company launched “Yujia” (御家), a “forest-breeze” (森林風) new product, equipped with self-balance of temperature and humidity, nano plasma cluster ion sterilization, 3D sterilization chamber, smart wind sensor and oxygen-enriched fresh air technologies for household central air conditioning system. The “3D sterilization chamber” module enables self-cleaning sterilization, 56°C disinfection and UVC deep sterilization. 5G module enables remote control of the device without Internet connection, a function particular users during home renovations. (4) The Company also launched the VC-B series of air-conditioner with integrated floor-heating that operates in –30°C environment.

4. Household Water Solutions

The water heaters and water purifiers business are committed to providing users with safe, smart and comfortable household water solutions. The segment revenue amounted to RMB5.885 billion, representing a high growth of 31.3%.

(1) Water Heaters Business:

During the period, the water heaters business consolidated its leadership as market share offline and online reached 27.1% and 30.9% respectively, representing an increase of 3.6 and 5.1 percentage points as compared to the corresponding period of last year. Casarte water heater grew 87.6% in revenue and 4.2 percentage points in market share through utilizing ceramic heating chamber, closed stable combustion chamber and gas-electric hybrids. Through cooperating with B.Duck IP, Leader introduced the concept of happy bath & enjoy life and re-established itself as brand for younger generations by utilizing seamless inner tank (金剛無縫膽) & NFC one touch technology as well as stylish designs with colourful lightings.

According to CMM, the Company’s market share in electric water heaters online and offline grew 4.2 and 2.5 percentage points reaching 41.4% and 39.5% respectively, which were also 1.5 and 1.44 times the size of runner up. During the reporting period, three new electric water heaters were launched featuring crystal inner tank, ceramic heating chamber and macaron colour themes. Casarte’s Galaxy series was the industry’s first water heater without magnesium rod, as it uses a crystal inner tank to eliminate limescale, rust and corrosion, and it has obtained the NSF certification for bathing and drinking.

In the first half of 2021, revenue of Haier’s gas water heaters grew by 78%, and with Casarte brand doubling in revenue. According to CMM, the Company’s market share online and offline reached 22% and 19%, respectively, representing an increase of 7.8 and 4.8 percentage points as compared to the corresponding period of last year. The Company pioneered the gas-electric hybrid technology and obtained the industry standard certification from China Household Electrical Appliances Association, in addition, the exterior design of the gas-electric hybrid CT7 unit won the 2021 Red Dot Design Award in Germany.

In order to meet post pandemic demand, Haier's air-powered water heaters accelerated the development of high water temperature and sterilization products. In the first half of the year, Haier led the industry with 60% market share offline and 63% online while nine of our products made it to the top 10 best sellers.

(2) Water Purifiers Business

According to CMM, Haier water purifiers grew by 19.7% online with market share of 10.9%, ranking second in the industry, while the growth offline was 7.8% and market share increased by 0.7 percentage point as compared to the corresponding period of last year.

During the period, the water purifiers segment promoted Casarte's Yunzun (雲鱒) mineral water purifiers and offered the solution of strontium-rich mineral water to meet users' demand for healthy water, and developed partnerships with the leading property developers by leveraging on BWT's brand strengths in whole house water solutions.

Internet of Water Business

During the reporting period, The Company provided one-stop solution for household water purification, water softening, heating and hot water. In addition, Casarte's heating unit is equipped with remote-control enabled pre heating and scheduled heating, making it more environmentally-friendly and energy efficient.

5. Distribution network in China

During the reporting period, the Company achieved solid revenue growth, continuous market share expansion and efficiency improvement through digitalization, implementation of Three-Winged Bird channel brand and expansion of Casarte brand.

In the first half of the year, the Company focused on promoting digitalization of sales, services and supply chain with measures including the establishment of a middle platform that facilitates social marketing etc., helping sales team mobilizing resources and managing traffic. At the same time, the Company made use of big data analysis and modelling to encourage repeating purchase. In addition, the Company launched training and resource management tools online to improve efficiency and reduce operating costs. Digitalized tools have also been implemented in dispatching and managing service coverage, as a result service cost went down by 0.4 percentage point.

The Company actively expanded its distribution network. As of the end of June 2021, 382 Three-Winged Bird 001 stores have been established, and formed alliance with 1,600 outlets offering appliance and decoration services in home improvement markets across China. (2) The Company introduced services such as whole house refurbishment, partial refurbishment and customized home appliances to offer users with smart home full-scenario solutions including kitchen, balcony, bathroom, living room, bedroom as well as household air, water and household smart solutions, so as to promote sales of smart product sets, which grew by 39% as compared to the corresponding period of last year. Three Winged Bird's kitchen business has recruited more than 100 designers to develop products and smart scenario packages, and launched kitchen scenarios based on user groups, functional needs and decorating styles targeting the elderly, small family and newlyweds with smart elderly

kitchen, smart baby-friendly kitchen and smart trendy kitchen as well as kitchen upgrade packages to help the stores shift from selling single product to promoting scenario solutions. The average ticket price tripled to approximately RMB40,000. (3) The Company developed the Three-Winged Bird APP, which integrates designers, home improvement, home furnishing and building companies, so as to provide users with one-stop personalized solutions covering design, planning, renovation and delivery.

Casarte continued to expand its leading advantages in the industry. In the first half of the year, its revenue increased by 74.4%. Casarte developed 2,589 sales outlets in core shopping area and home improvement markets. In addition to offering exquisite high-end seven-star services, it provides scenario solutions ranging from “minor refurbishment to major kitchen balcony and bathroom renovation, balcony and bathroom”. In the first half of 2021, Casarte memberships increased by 180,000 with exclusive rewards and service offerings.

The Company’s e-commerce business maintained rapid growth. According to AVC, the Company’s online retail sales amounted to RMB32.9 billion, representing an increase of 41%, ranking first in the high-end segment. (1) The Company offered exclusive customized Casarte’s products to meet the demand of high-end user online. The Company improved users’ experience and recognition with Casarte’s exclusive customer service and “one-stop delivery and free installation”, as well as scenario interaction and living stream. Casarte’s retail sales increased by 135%. (2) The Company actively increased presence on Douyin(抖音) and Kuaishou (快手), and interacted with young users through innovative videos, self-hosted livestreams and celebrity-hosted livestreams, with an increase of 3.5 million fans on Douyin/Kuaishou, Haier ranked first in the number of fans on Douyin platform within home appliances industry.

The franchise store channel has benefited from the Company’s effort in establishing unified warehouse and distribution system and the implementation of Yilihuo (易理货) digital tool. It has maintained rapid growth despite unfavourable environment offline. Distributors are encouraged to expand presence in home improvement markets in order to capture changing demand.

6. Smart Manufacturing

The Company has built 17 smart factories, two of which were named lighthouse factories. With its user-oriented mass customization model, the Company has implemented an innovative, fully digitalized and efficient collaborative manufacturing system, enabling the integration of factories, suppliers and users, thereby quickly satisfying the needs of users for complex under multiple scenarios. In the first half of 2021, 4 smart factories including Qingdao Sino- German washing machine, Qingdao Sino-German water heater, Huangdao refrigerator and Tianjin washing machine factories were selected as China’s top 100 benchmark smart factories. Hefei refrigerator factory and Laiyang kitchen appliance smart factory took the lead in practising the in-depth integration of new generation AI technology and manufacturing, ranking among top 5 in the list of “2021 Industry 4.0 Innovation Top 50”, making Haier the only company that had two factories in the list.

The Company continued to promote lean production, and improve supply chain efficiency. UPH (units per hour) increased by 24% as compared to the corresponding period of last year, and inventory turnover days of finished products optimized by 20% as compared to the

corresponding period of last year. Product quality also enhanced by 26% as compared to the corresponding period of last year. The Company further optimized efficiency with measures by consolidating nationwide inventory management, upgrading APS order management system and increasing the proportion of suppliers capable of centralized delivery by 30%.

(II) Overseas Home Appliances and Smart Home Businesses

During the reporting period, the Company's overseas sales revenue grew 23.4% to RMB56.916 billion; operating profit grew 113.4% to RMB3.22 billion and operating profit margin reached 5.7%, representing an increase of 2.4 percentage points as compared to the corresponding period in 2020. The strong growth was driven by our continued effort in building a seven-brand portfolio with particular focus on premiumization and experience enhancement, seizing the opportunities online and localizing operations that captures current momentum while unlocking future growth potentials.

1. The US Market

In the first half of this year, with the RenDanHeYi transformation, each microenterprise at GE Appliances actively provided the market with innovations, seized opportunities such as strong demand in the North American market, and responded to challenges such as the shortage of raw materials and the shortage of international logistics. Thanks to the unrelenting efforts of the team, GE Appliances achieved record growth of revenue and profit in the North American market, with revenue up 19.8% reaching RMB35.324 billion. The success of premium brands and high-end products is the key to winning the market.

During the reporting period, GE Appliances continued to accelerate the expansion of premium brands and develop the scenario-based home appliance business to meet consumer demand after the pandemic. Products such as Ultra-Fresh Front Load Laundry, Multi-door Refrigerator, and Front Control Range were well recognized by users, and premium brands such as Café, Profile and Monogram experienced rapid revenue growth. GE Appliances launched industry-first Over-The-Air software upgrade by adding air-fry function to existing ranges at consumer homes, and kicked off the disruptive experience marketing of “Appliances Are Never Outdated, and We Are Better When Connected”, which won recognition and praise from customers and users. It is not only a revolutionary change in hardware upgrades, but also industry leading ecological transformation based on the Internet of Things. During the reporting period, GE Appliances was selected as the Smart Appliance Company of the Year by IoT Breakthrough for the third consecutive year.

Global collaboration and integration within Haier family are the keys to coping with material inflation, shortages of parts and components and logistics cost pressures. The rapid response of the Global Procurement Platform in terms of resource coordination, supplier and parts sharing helped GE Appliances achieve double-digit production output growth despite challenges such as extreme weather in Texas. In response to raw material inflation, GE Appliances also launched many collaborative procurement projects, with significant cost saving benefits.

During the reporting period, GE Appliances once again achieved a perfect score on the Human Rights Campaign's Corporate Equality Index (CEI), earning the designation as a “Best Place to Work for LGBTQ Equality” for the fourth consecutive year.

2. *The European Market*

During the period, the Company's sales revenue from the European market amounted to RMB9.094 billion, representing an increase of 34.9% as compared to the corresponding period of last year, continued to ranked fifth in overall market share, with leading position in several segments, including first for four consecutive years in air-conditioner in Russia, first in multi-door refrigerator in Germany, France, Spain, Italy and Poland, first in washer-dryer combo in the Czech Republic, first in wine cabinet in the UK and ranked first for two consecutive years in washing machine, dryer and washer-dryer combo segments in the UK.

At the same time, the Company has received several awards, including Red Dot Design Award of Hoover air purifier in Germany; in the UK, Haier Smart Home was nominated as the fastest growing Chinese company by Grant Thornton, while Hoover & Candy were named the six best dryers in 2021 by HomeStyle Magazine; in Italy Haier Smart Home was listed among the five best online washing machines by ELLE DECOR Magazine. At the same time, Candy has obtained the highest level A certification under the EU's new energy efficiency standard.

During the period, the Company further implemented the "high-end branding" strategy in Europe, and steadily promoted the launch of multi-door refrigerators, high-end large-capacity washing machines and UVC healthy air conditioners. The Company fully promoted the strategic cooperation with local mainstream distributors and e-commerce channels to outgrow the industry.

At the same time, Haier made full use of the synergy of global procurement and R&D to effectively alleviate the impact of chip shortage. Equipped with the leading smart technologies, the new refrigerator factory in Romania is expected to be recognized as a lighthouse factory and it will specialize in the production of energy saving, smart high-end series.

3. *The Australian and New Zealand Markets*

In the first half of 2021, sales revenue from the Australian and New Zealand markets amounted to RMB3.459 billion, representing an increase of 38.6%. Profit margins continued to increase with product optimization and cost control measures.

In March this year, the new FPA high-end front-loading washing machine achieved remarkable results, and the heat pump dryer became the No. 1 in HVN, the largest channel, upon launching. At the same time, the Company continued to launch built in kitchen appliances and enriched the selection of product sets. The kitchen scenario display and digital experience have been well recognized by high-end retail customers. The revenue of the two brands from the builders channel also grew steadily.

Despite sharp rise in global shipping costs and the resurgence of COVID-19, the Australian and New Zealand team closely coordinated with global supply chain platform and adjusted go-to market strategies in order to maintain rapid growth.

4. *The South Asian Market*

During the reporting period, the Company's sales revenue amounted to RMB3.926 billion,

representing a year-on-year increase of 44.9%. Of which:

(1) Market share in India increased by 2 percentage points to 9.7% as the Company promoted network expansion, consolidated product leadership and accelerated localization of the supply chain management with measures including increasing the distribution network coverage in top 50 cities from 45% to 60%, improving retail capabilities through delivering product samples to stores and conducting weekly reviews. The Company also launched 30 new products, including side-by-side T door refrigerator and 525 front-loading washing machine, so as to enhance high-end consumer recognition. ③ The Company overcame the difficulties brought by the resurgence of COVID-19 and continued the construction of Northern Industrial Park targeting to finish building by the end of the year. Once the new facility ramps up, the Company will be better positioned to meet market demand while optimizing procurement cost and logistics efficiency.

In Pakistan, the Company's overall market share reached 35% with first position in refrigerators, freezers, air conditioners and washing machines. During the reporting period, the Company further improved the products portfolio, actively expanded online & offline presence and promoted smart scenario implementation. 3 smart home appliance experiential stores and 43 smart pop-up stores were opened to provide consumers with one-stop scenario solutions, accelerating Haier's transformation from a high-end brand to a scenario and ecosystem brand.

5. *The Southeast Asian Market*

During the reporting period, the Company's sales revenue amounted to RMB2.611 billion, representing a year-on-year increase of 23.8%. Faced with weak market demand in Thailand, the Company made quick adjustments, as a result, revenue from air-conditioners increased by 17% and its market share jumped to No. 1 in May and June. In Vietnam, the market share of Haier's refrigerators increased by 2.3 percentage points as compared to the corresponding period of last year, with 4.7 percentage points increase in high-end T door units. The Company also promoted retail transformation and actively expanded the lower-tier network. In the Vietnam, the Company improved user traffic acquisition and conversion through store standardization and consumer interaction in a distribution network consists of 2,100 stores

6. *The Japanese Market*

In the first half of the year, the Company's sales revenue amounted to RMB1.778 billion, representing a year-on-year decrease of 1.1% in Japan or 6.6% growth in local currency. Market share of refrigerators, freezers and washing machines combined reached 13.8%, jumping to the third in the industry, of which, refrigerators and freezers led the industry with 15.3% market share while 400L refrigerator and variable frequency washing machine significantly outgrew the industry.

During the reporting period, Haier made efforts to increase brand recognition and met with users on TV for the first time with videos on popular channels in March. The Company also cooperated with KOLs on YouTube and Instagram to create scenario-based high end product experience.

AQUA brand introduced several new products including ultrathin TZ refrigerators, Delie refrigerators and the industry's only ultrasound Prette washing machines, while re-

establishing itself with videos to interact with users online and offline throughout Japan.

In addition, community-based washing business has cooperated with partners including FamilyMart, P&G, ENEOS and MUJI to establish more than 100 multi-scenario experiential stores that offer services in laundry, food and transportation, creating a more convenient experience for users.

Plans for the second half of the year

In the second half of 2021, the Company will continue to promote high-end brands, scenario brands and ecosystem brands, grow the value of scenario-based product sets, and offer users with solutions in apparel, food, lifestyle and entertainment, while accelerating digitalization and enhancing operational efficiency.

II. Analysis on core competitiveness during the reporting period

☒ Applicable ☐ Not Applicable

The Company has established a solid strategic layout and competitive advantages in China and overseas markets. On this basis, the Company will continue to further solidify our leading industry position through integration and coordination on a unified global platform, digitalisation-driven efficiency reform, technical strength and innovation ability. As designed to be a basis for sustainable growth, the Company's RenDanHeYi management model enables us to guides our management and enables us to replicate our successful experiences. The Company believes that the following advantages will help us strengthen our leading position in the future.

(1) Competitive advantages in the Chinese market

The Company has maintained our long-term leadership positions in China's large-format home appliance market. According to CMM's report, in the first half of 2021, the Company has established a leading market position in different large-format home appliance categories. The Company's leading position in full-range home appliance products is the basis for the development of our smart home solutions. The Company's core technology, advanced manufacturing experience and user base in various categories of products enable us to have sufficient single product scale and industry experience, and to successfully transform our model from delivery of the single product form deliver to users by the Company from a single product to provision of a full-suite solution.

(2) Dominance in the high-end market

In line with the consumption upgrade in China, the Company started building our Casarte brand targeting the PRC high-end market more than 10 years ago. In addition to focus, experience and patience, the creation of high-end brands also requires the technical ability for continuous innovation and differentiated service, so as to meet users' demand for a high-quality experience. By combining our technical strengths, product development ability, manufacturing techniques and other advantages in the world as well as specialised marketing and differentiated services, our Casarte brand has gradually gained the trust of users in China's high-end market. According to the information from CMM, in the first half of 2021, Casarte has established absolute leadership in China's high-end major home appliance market, and ranked first in terms of the retail volume of refrigeration appliances, laundry appliances, air-

conditioners and other items in the high-end market. Among which, in terms of offline retail volumes, the share of the Casarte washing machines and refrigerators in China's market above RMB10,000 reached 78% and 37.9% respectively, and the share of the air-conditioners in the Chinese market above RMB15,000 reached 37.98%. The offline market average price of refrigerators, air conditioners and washing machines was two to three times the average industry price.

(3) Continuous expansion and upgrades of smart home solutions

With the continuous improvement of users' demand for a better life and the development of technologies such as IoT, big data, cloud computing, and AI, the home appliance industry shows the development trend towards smart, full-suite and scenario-based offerings. With our leading customer insight and rich category coverage, the Company has pioneered in the industry in transforming into offering smart home solutions based on personalised life scenarios in living spaces such as living rooms, kitchens, bedrooms, bathrooms and balconies. Users can use the Company's Haier Smart Home App as the gateway to interact with existing equipment, place orders, and obtain services to meet the comprehensive needs in specific lifestyle scenarios. In the future, the Company will continue to meet the needs of user experience, further upgrade and enrich the smart home solutions provided by the Company.

(4) Competitive advantages in overseas market and comprehensive and deep-rooted global layout with localised operation capabilities

In addition to our success in China, the Company also demonstrates strong performance in overseas markets. The Company focuses on developing overseas markets with our own self-managed brands. The Company's business strategy has enabled us to establish a multi-brand, cross-segment and cross-regional three-in-one model for R&D, manufacturing and distribution to achieve self-developing, interconnectivity and collaborative operations.

The Company's extensive global layout also relies on our localised business teams and flexible and independent management mechanisms established in overseas regional markets, through which the Company can quickly detect and respond to local consumers' demands. The Company also actively integrates into local market and culture, and has established a corporate image well received by the local society in overseas regions where the Company operates.

In the first half of 2021, the Company had 14 research and development centres, 122 production centres, 108 marketing centres around the world, and covered nearly 130,000 point-of-sales overseas.

(5) Constantly increasing market share

With the deep-rooted local set-up across the world, the Company has the product competitiveness to adapt to the local market, the sales channel to penetrate into the local market, the successful experience of other regional markets, as well as the collaborative and operating capabilities in respect of global R&D, procurement and production scheduling, so that the Company can continuously improve our market share in each of the major global markets.

(6) Comprehensive self-managed brand portfolio and, generating strong brand image

Through independent development and M&A, the Company has formed a portfolio covering seven brands, namely Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. To meet the needs of different groups of users in the global markets, the Company adopts a differentiated multi-brand strategy centering on users to achieve extensive and intensive user coverage.

(7) Cross-border acquisition and integration capabilities

The Company has a successful track record in acquisition and integration. In 2015, the Company acquired Haier Group's overseas white goods business, including Sanyo Electric Co., Ltd.'s white goods business in Japan and Southeast Asia. In 2016, the Company acquired GE Appliances. In 2018, the Company acquired from Haier Group Fisher&Paykel, a New Zealand-based brand which the Company had been managing since 2015 under a trust arrangement. In 2019, the Company acquired the Italian Company, Candy. Our merger and acquisition integration capabilities are reflected in the following aspects.: Firstly, the Company promotes the RenDanHeYi management model in the enterprises acquired, i.e. a mechanism for the teams to share added value under the same goal in the whole process, which can vitalise the enterprises acquired and encourage the employees, to create more value. Secondly, the Company empowers the enterprises that the Company acquired in aspects including strategy, research and development and procurement based on our global platforms to enhance their competitiveness. Thirdly, it is easy for the Company to be well received by the enterprises acquired with our open and inclusive corporate culture and the support for the enterprises acquired to establish flexible and autonomous management mechanisms, which facilitates the improvement of integration.

(8) Comprehensive and effective global collaboration ability

The Company is well-positioned to take advantage of our global collaboration platform and integrations such as R&D, product development, procurement, supply chain, marketing and branding. Furthermore, the Company is able to share the successful experience of existing markets to all markets around the world. By continuously deepening the synergy among our global businesses, the Company injects a strong driving force into our future development.

- **Global collaboration in R&D:** With a global collaboration R&D system, the Company has established a global technology research and development mechanism to share our common modules and multiplexing technologies, as well as to share patents within the scope of compliance. For example, the Company has successfully applied the direct-drive motor researched and developed by Fisher&Paykel to our Casarte laundry appliances and achieved a desirable outcome.

- **Global collaboration in product development:** The Company has established a global product development mechanism to coordinate cooperative product development efforts around the globe and achieved regional collaboration and complementation among product categories. For example, the Company has successfully supported GE Appliances' resumption of its water heater business.

- **Global collaboration in procurement:** The Company's global procurement activities are guided and implemented by our global commodity committee. The Company's operation departments in different areas can share procurement resources in the globe with our Global Sourcing Operation Platform ("GSOP") and, so as to achieve economies of scale effects.

- **Global collaboration in supply chain:** With the visualised and digitalised global supply chain management system, the Company can flexibly deploy our production capacity across the globe and share and develop intelligent manufacturing technologies in a coordinated way.

- **Global collaboration in marketing and branding:** The Company has realised global collaboration in branding, with the operation of our multi-level brand portfolios around the globe. The Company also carries out promotion activities among various regional markets around the globe and introduces successful marketing strategies. For example, the Company has successfully introduced the sales and marketing models in the third- and fourth-tier markets of China into India, Pakistan, Thailand and other markets, which strengthened our brand image and market competitiveness.

(9) Industry-leading R&D and technical strengths

Based on the core concept of “the world as my R&D department”, the Company has established a leading global R&D innovation system to ensure that the Company is making continuous innovations centering on user demands. The Company has established 14 R&D centres around the world and formed a R&D resource sharing network globally. On this basis, the Company independently took the initiative to build the Haier Open Partnership Ecosystem (HOPE platform), which currently has over 120,000 experts and connects to more than 1 million world-class resources partners to cover over 100 technical fields. The resource partners can thereby participate in our user-centered iterative R&D process.

In 2021, Haier Smart Home ranked first on the global smart home patent application ranking list for five consecutive occasions with 1,868 home appliance patents; Haier Smart Home won 1 more awards at the 22st Chinese Outstanding Patented Invention Golden Award Presentation. We won a total of 10 national patented invention awards, coming first in the industry. As a pioneer of standards in the home appliance sector, Haier Smart Home participated and led the establishment/amendment of 74 international standards and 570 national/industrial standards. In 2021, experts from Haier were elected as members of the Council Board (CB) of the IEC, rendering Haier Smart Home the only enterprise in the world to have representatives in both the CB of the IEC and the Market Strategy Board (MSB) of the IEC, which are the two most authoritative regulatory bodies. Domestically, as the sole initiating entity in the home appliance industry, Haier Smart Home and heavyweights in the domestic intelligent interaction industry jointly established the Open Link Association (OLA) to co-develop technically advanced IoT connection standards and industrial ecosystem which cater to the characteristics of China’s industry landscape, thereby promoting healthy industry development.

(10) Honest corporate culture and win-win RenDanHeYi management model

The DNA intrinsic genes of Haier’s integrity culture as supported by survival and development mentality lay our integrity culture in taking our belief in quality and services is the foundation, which is imperative for Haier’s continuous success. What makes Haier evolved from a close to bankruptcy small collective enterprise to the world’s No.1 brand of white household appliances is its honesty culture, namely “Users come first”, “Be sincere forever”, which makes Haier soldier on the Internet innovation wave.

Haier's win-win view under the "RenDanHeYi" management model ensures its sustainable operation, which is the driving force for our self-motivating and empowering corporate culture. As "Ren" refers to employees who have the spirit of entrepreneurship and innovation, and "Dan" refers to the value created for users, the management model of RenDanHeYi encourages employees to generate value for users with an entrepreneur mindset, and realise their self-value aligned with the value of our Company and the value for the shareholders. The RenDanHeYi management model effectively destructs "department gateways", promotes innovation and improves corporate efficiency. To date, this model has been treated as a research object by various companies and research institutions.

III. Discussion and analysis on operations

Please refer to "I. Introduction of the industry where the Company operates and its major business during the reporting period" of this section.

Significant changes in the Company's operating conditions during the reporting period, and matters occurring during the reporting period that have and expected to have a significant impact on the Company's operating conditions

☐Applicable ☒Not Applicable

IV. Major operations during the reporting period

(I) Analysis of principal business

1. Table of movement analysis on the related items in financial statements

Unit and Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating revenue	111,618,822,064.73	95,728,097,106.65	16.60
Operating cost	78,071,651,525.66	68,934,592,121.68	13.25
Selling expenses	16,730,914,492.75	14,526,912,493.29	15.17
Administrative expenses	5,033,576,083.72	4,608,308,707.03	9.23
Financial expenses	295,660,086.07	701,520,565.00	-57.85
R&D expenses	3,738,734,614.40	2,939,733,549.14	27.18
Net cash flow generated from operating activities	8,423,823,726.89	-542,919,257.40	1,651.58
Net cash flow generated from investing activities	-3,234,885,281.31	-2,061,783,383.42	-56.90
Net cash flow generated from financing activities	-9,607,019,105.46	10,579,538,929.35	-190.81
Investment income	1,136,683,667.22	756,782,922.79	50.20
Income from change in fair value	64,269,511.32	-30,987,103.15	307.41
Loss on credit impairment	-44,031,423.21	-108,905,504.07	59.57
Gain from disposal of assets	142,414,954.25	-14,442,406.46	1,086.09
Income tax expense	1,523,183,264.40	661,226,873.34	130.36

Analysis of the reasons for the indicators with significant changes:

- 1) Reasons for changes in financial expenses: decreased by 57.85% as compared to the corresponding period, primarily attributable to reduction in interest expenses;
- 2) Reasons for changes in net cash flow generated from operating activities: increased by 1651.58% as compared to the corresponding period, primarily attributable to increase in operating profit and operating efficiency enhancement for the period;
- 3) Reasons for changes in net cash flow generated from investing activities: representing a change of -56.90% as compared to the corresponding period, primarily attributable to cash outflow incurred in purchase of wealth management products for the period;
- 4) Reasons for changes in net cash flow generated from financing activities: decreased by 190.81% as compared to the corresponding period, primarily attributable to repayment of borrowings and decrease in newly raised borrowings for the period;
- 5) Reasons for changes in investment income: increased by 50.20% as compared to the corresponding period, primarily attributable to increase in income from long-term equity investments and gain or loss from expiry of forward lock-exchange instruments for the period;
- 6) Reasons for changes in income from change in fair value: increased by 307.41% as compared to the corresponding period, primarily attributable to change in fair value of trading financial products;
- 7) Reasons for changes in loss on credit impairment: representing a change of 59.57% as compared to the corresponding period, primarily attributable to decrease in bad debts losses on accounts receivable for the period;
- 8) Reasons for changes in gain from disposal of assets: increased by 1086.09% as compared to the corresponding period, primarily attributable to increase in gain from disposal of assets by subsidiaries for the period;
- 9) Reasons for changes in income tax expenses: increased by 130.36% as compared to the corresponding period, primarily attributable to increase in profit for the period as compared to the corresponding period;

2. Detailed explanation on significant changes in the operation types and the components of profit or sources of profit of the Company during the period

☒Applicable ☐Not Applicable

In December 2020, the Company completed the material asset restructuring involved in the privatisation of Haier Electronics through H Share issues, details of which was set out in the “report on the implementation of material asset acquisition and connected transaction of Haier Smart Home Co., Ltd.” dated 26 December 2020 of the Company. Upon completion of the material asset restructuring, profit attributable to minority shareholders of Haier Electronics from the original minority shareholders’ interest would be transferred to the Company’s net profit attributable to shareholders of the parent company. Thus, the restructuring was one of factors in change in indicators, such as net profit attributable to shareholders of the parent company, of the Company for the reporting period.

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

□Applicable √Not Applicable

(III) Analysis of assets and liabilities

√Applicable □Not Applicable

1. Assets and liabilities

Unit: 0'000

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 (%)
Monetary fund	4,184,377.76	20.29	4,646,132.94	22.84	-9.94
Receivables	2,020,160.73	9.79	1,593,002.43	7.83	26.81
Inventory	3,350,819.01	16.25	2,944,697.34	14.47	13.79
Contract assets	24,226.59	0.12	26,341.29	0.13	-8.03
Investment real estates	2,725.44	0.01	2,838.70	0.01	-3.99
Long-term equity investment	2,258,700.71	10.95	2,156,765.85	10.60	4.73
Fixed assets	2,068,082.74	10.03	2,089,550.47	10.27	-1.03
Works in progress	502,005.56	2.43	359,690.24	1.77	39.57
Right in use assets	279,345.47	1.35	283,985.83	1.40	-1.63
Short term borrowings	1,116,011.00	5.41	768,790.82	3.78	45.16
Contract liabilities	746,655.92	3.62	704,863.77	3.46	5.93
Long term borrowings	959,029.89	4.65	1,182,141.63	5.81	-18.87
Lease liabilities	201,185.37	0.98	207,270.24	1.02	-2.94
Derivative financial assets	12,197.56	0.06	7,783.90	0.04	56.70
Other receivables	226,582.12	1.10	171,715.29	0.84	31.95
Financial liabilities held for trading	342.38	0.00	2,695.25	0.01	-87.30
Derivative financial liabilities	9,208.14	0.04	23,958.25	0.12	-61.57
Non-current liabilities due within one year	497,672.06	2.41	752,272.49	3.70	-33.84
Other current liabilities	49,745.94	0.24	611,205.39	3.00	-91.86
Bonds payable	42,643.68	0.21	671,350.11	3.30	-93.65
Other equity instruments	14,848.32	0.07	236,419.53	1.16	-93.72
Capital reserve	2,231,035.40	10.82	1,500,902.74	7.38	48.65
Treasury stock	179,615.46	0.87	2,889.66	0.01	6115.81

Reasons analysis of changes in indicators that change significantly:

- 1) Derivative financial assets increased by 56.70% as compared to the beginning of the period, primarily attributable to fair value change in forward lock-exchange instruments;
- 2) Other receivables increased by 31.95% as compared to the beginning of the period, primarily attributable to increase in other receivables;
- 3) Works in progress increased by 39.57% as compared to the beginning of the period, primarily attributable to investments in factory construction;
- 4) Short term borrowings increased by 45.16% as compared to the beginning of the period, primarily attributable to overseas operating capital replenishment;
- 5) Financial liabilities held for trading decreased by 87.30% as compared to the beginning of the period, primarily attributable to expiry of lock-exchange instruments;
- 6) Derivative financial liabilities decreased by 61.57% as compared to the beginning of the period, primarily attributable to fair value changes in lock-exchange instruments and interest rate swap agreements;

- 7) Non-current liabilities due within one year decreased by 33.84% as compared to the beginning of the period, primarily attributable to repayment of long-term borrowings due within one year;
- 8) Other current liabilities decreased by 91.86% as compared to the beginning of the period, primarily attributable to repayment of ultra-short-term financing bonds;
- 9) Bonds payable decreased by 93.65% as compared to the beginning of the period, primarily attributable to conversion of convertible bonds of the Company for the period;
- 10) Other equity instruments decreased by 93.72% as compared to the beginning of the period, primarily attributable to conversion of convertible bonds of the Company resulting in reduction in equity component;
- 11) Capital reserve increased by 48.65% as compared to the beginning of the period, primarily attributable to conversion of convertible bonds of the Company resulting in increase in share capital premium;
- 12) Treasury stock increased by 6115.81% as compared to the beginning of the period, primarily attributable to repurchase of shares by the Company.

2. Overseas Assets

☒Applicable ☐Not Applicable

(1) Scope of assets

Among the assets, overseas assets amounted to 9,653,733 (unit and currency: RMB0'000), representing 46.8% of the total assets.

(2) Relevant information on overseas assets

☐Applicable ☒Not Applicable

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

☐ Applicable ☒Not Applicable

4. Other explanations

☐ Applicable ☒Not Applicable

(IV) Analysis of investment

1. 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

Unit and currency: RMB

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
Equity instrument investments	3,061,290,481.15	Self-owned	139,879,387.68	440,255.20	43,521,944.78

Wealth management products	1,874,000,000.00	Self-owned	6,372,119.15	28,216,179.52	1,881,780.81
Investment funds	105,408,639.01	Self-owned			15,457,768.79
Forward foreign exchange contract		Self-owned		156,251,279.12	224,968,094.55
Interest rate swap agreement		Self-owned			13,896,465.10
Others	29,450,000.00	Self-owned			-821,846.16
Total	5,070,149,120.16		146,251,506.83	184,907,713.84	298,904,207.87

Note: As of 30 June 2021, the aggregate balance of foreign exchange derivative transaction amounted to approximately US\$2.236 billion.

(V) Sale of material assets and equity

☐ Applicable ☒ Not Applicable

(VI) Analysis on major subsidiaries and Investees

☐ Applicable ☒ Not Applicable

(VII) Structured entities controlled by the Company

☐ Applicable ☒ Not Applicable

V. Other disclosures

(I) Potential risks

☒ Applicable ☐ Not Applicable

- 1. Risk of decreasing market demand due to slowdown in macroeconomic growth.** As white goods are durable consumer appliances, the level of users income and their expectations of future income growth will have an impact on their willingness to purchase products. A slowdown in macroeconomic growth causing the decline in the purchasing power of users would have a negative impact on industry growth. In addition, a slowdown in real estate market would also have some negative impact on market demand, which will indirectly affect end-user demand for home appliances.
- 2. Risk of price war due to intensify industry competition.** The white goods industry is highly competitive with a high degree of product homogeneity and industry concentration has increased in recent years. The increase in industry inventory capacity in individual sub-sectors due to the imbalance between supply and demand may lead to risks such as price wars. Furthermore, due to technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation, it is becoming increasingly difficult for us to take advantage of the higher selling prices typically associated with new products, services and technologies while having to invest more in research and development.
- 3. Risk of fluctuations in raw material prices.** The raw materials that we mainly use in our products and core components are metal raw materials such as steel, aluminium and copper, as well as commodities raw materials such as plastics and foam. If the prices of raw materials supply continue to rise, it will put pressure on the Company's production and operations. In addition, the Company relies on third party suppliers for key raw materials, components and manufacturing equipment, as well as OEM suppliers, and

any disruption in supply or significant price increases from these suppliers would have a negative impact on the Company's business. As a leader in the industry, the Company will take steps to reduce the risk of raw material fluctuations on its operations by using valuation adjustment mechanism on volume and price with suppliers and hedging tools.

4. **Operational risks in overseas business.** The Company has steadily developed its global business and has established production bases, research and development centres and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year-on-year. The overseas markets are subject to political and economic situations, legal systems and regulatory regimes of those countries and regions, and significant changes in these factors may pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impact, including actively discussing and working with suppliers and customers to mitigate the impact of additional tariffs imposed by the United States; improving production efficiency to offset the impact on the Company's overall cost of sales; and potentially expanding the Company's supply resources to other countries.
5. **Risk of exchange rate fluctuations.** As the Company's global footprint progresses, the import and export of the Company's products involves the exchange of foreign currencies such as the U.S. dollar, the Euro and the Japanese yen. If the exchange rates of the relevant currencies fluctuate, it will have a certain impact on the Company's financial position and increase its financial costs. In addition, the Company's combined financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of the primary economic environment in which the entity operates, and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.
6. **Risk of policy changes.** The home appliance industry is closely related to the consumer goods market and the real estate market. Changes in macroeconomic policies, consumer investment policies, real estate policies and relevant laws and regulations will affect demand for the Company's products, which in turn will affect the sales of the Company's products. The Company will closely monitor changes in the relevant policies and laws and regulations, and make forecasts of market changes to ensure the further development of the Company.
7. **Risk of COVID-19 outbreak.** The COVID-19 outbreak could lead to a further weakening of consumer demand for home appliances, which could in turn affect the Company's product sales. Firstly, lockdowns, social distancing measures and travel restrictions will reduce customer mobility and result in the closure of the retail sales sites, thereby reducing consumer demand for home appliances. Secondly, the epidemic may also lead to operational disruptions for customers, such as logistical disruptions in product deliveries, resulting in customer dissatisfaction with the Company's service and consequently reduced demand for the Company's products. The Company will leverage on its experience in the China market and make best use of the synergy of global resources to mitigate the impact of the epidemic on our operations.
8. **Credit risk.** There is possibility that we will be unable to fully recover our trade receivables from our customers or that they cannot settle our trade receivables in a

timely manner, our business, financial condition and results of operations may be adversely affected. As to this risk, depending on the credit history of our customers and their transaction amounts with us, we allow the flexibility by offering a credit period of 30 to 90 days to certain customers.

(II) Other disclosures

☐ Applicable ☒ Not Applicable

SECTION IV CORPORATE GOVERNANCE

I. Introduction to the general meetings of shareholders

Meeting	Date	Index for details of websites designated for publishing resolutions	Date of disclosure	Resolutions approved
2021 First Extraordinary General Meeting	5 March 2021	For details, please refer to the <i>Announcement on Resolutions Passed at the 2021 First Extraordinary General Meeting, 2021 First A Shares Class Meeting, 2021 First D Shares Class Meeting and 2021 First H Shares Class Meeting of Haier Smart Home Co., Ltd.</i> (L2021-009) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers	6 March 2021	Considered and approved the resolutions for the amendment of the articles of association, the appointment of auditors, the general mandate to repurchase H share and the election of additional directors
2021 First A Shares Class Meeting				Considered and approved a resolution for general mandate to repurchase H share
2021 First D Shares Class Meeting				
2021 First H Shares Class Meeting				
2020 Annual General Meeting	25 June 2021	For details, please refer to the <i>Announcement on Resolutions Passed at the 2020 Annual General Meeting, 2021 Second A Shares Class Meeting, 2021 Second D Class Meeting and 2021 Second H Shares 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	26 June 2021	Considered and approved the resolutions related to annual report, profit distribution proposal, expected annual guarantee/foreign exchange operation, general mandate to issue additional/ repurchase H/D shares of the Company, Employee Stock Ownership Plan and the election of sole director/supervisors, etc.
2021 Second A Shares Class Meeting				Considered and approved a resolution for general authorization to repurchase H/D shares of the Company
2021 Second D Class Meeting				
2021 Second H Shares Meeting				

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

☐Applicable ☒Not Applicable

Explanation of Shareholders' general meeting

☒Applicable ☐Not Applicable

(1) The 2021 First Extraordinary General Meeting and the 2021 First A/D/H Shares Class Meetings of the Company was held in successive order by way of on-site voting and network voting by poll at Room B101, Haier RenDanHeYi Research Center, Haier Information Park, No.1 Haier Road, Qingdao, the PRC, in the afternoon on 5 March 2021, considering the amendment of articles of association of the Company and other relevant resolutions. The total number of the shares of the Company carrying voting rights amounted to 9,284,895,068 shares (of which 6,308,552,654 shares were A shares, 271,013,973 shares were D shares and 2,705,328,441 shares were H shares). 463 shareholders and proxies, representing 5,402,912,205 shares or 58.19% of the total number of the shares of the Company carrying voting rights, were present at the 2021 First Extraordinary General Meeting; 342 shareholders and proxies, representing 3,389,819,287 shares or 53.73% of the total number of A shares of the Company carrying voting rights, were present at the 2021 First A Shares Class Meeting; 115 shareholders and proxies, representing 136,331,271 shares or 50.30% of the total number of D shares of the Company carrying voting rights, were present at the 2021 First D Shares Class Meeting; 7 shareholders and proxies, representing 1,827,803,082 shares or 67.56% of the total number of H shares of the Company carrying voting rights, were present at the 2021 First H Shares Class Meeting. The Directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the abovementioned four meetings. The 2021 First Extraordinary General Meeting was convened by the Board of the Company and Vice Chairman Ms. Tan Lixia, presided over the meeting. The Company had 8 Directors, of whom 2 Directors attended the meetings (Directors Liang Haishan, Wu Changqi, Lin Sui, Dai Deming, Qian Daqun and Wong Hak Kun were unable to attend the meetings 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 abovementioned meetings and other members of senior management of the Company were invited to attend the abovementioned meetings.

(2) The 2020 Annual General Meeting and the 2021 Second A/D/H Shares Class Meetings of the Company was held in successive order by way of on-site voting and network voting by poll at Room B101, Haier RenDanHeYi Research Center, Haier Information Park, No.1 Haier Road, Qingdao, the PRC, in the afternoon on 25 June 2021, considering the annual report and other relevant resolutions. The total number of the shares of the Company carrying voting right amounted to 9,351,540,298 shares (of which 6,268,408,194 shares were A shares, 271,013,973 shares were D shares and 2,812,117,411 shares were H shares). 985 shareholders and proxies, representing 6,080,584,192 shares or 64.63% of the total number of the shares of the Company carrying voting right, were present at the 2020 Annual General Meeting. 865 shareholders and proxies, representing 4,029,351,155 shares or 63.87% of the total number of A shares of the Company carrying voting rights, were present at the 2021 Second A Shares Class Meeting; 119 shareholders and proxies, representing 140,727,610 shares or 51.93% of the total number of D shares of the Company carrying voting rights, were present at the 2021 Second D Shares Class Meeting; 5 shareholders and proxies, representing 1,989,396,251 shares or 70.74% of the total number of H shares of the Company carrying voting rights, were present at the 2021 Second H Shares Class Meeting. The Directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the abovementioned four meetings. The General Meeting was convened by the Board of the Company and Chairman Mr. Liang Haishan, presided over the meeting. The Company had 11 Directors, of whom 4 Directors attended the meetings (Directors Li Huagang, Xie Juzhi, Wu Changqi, Lin Sui, Dai Deming, Chien Da-Chun and Li Shipeng were unable to attend the meetings due to personal engagement); the Company had 3

supervisors, of whom 1 supervisor attended the meeting (Supervisors Wang Peihua and Ming Guoqing were unable to attend the meetings due to personal engagement). The secretary to the Board of the Company attended the abovementioned meetings and other members of senior management of the Company were invited to attend the abovementioned meetings.

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

√Applicable □Not Applicable

<u>Name</u>	<u>Position</u>	<u>Change situation</u>
Xie Juzhi	Director	Election
Yu Hon To	Director	Election
Li Kam Fun	Director	Election
Li Shi Peng	Independent director	Election
Wu Qi	Independent director	Election
Tan Lix	Director	Resignation
Dai Deming	Independent director	Resignation
Liu Dalin	Supervisor	Election
Ma Yingjie	Supervisor	Election
Wang Peihua	Supervisor	Resignation
Ming Guoqing	Supervisor	Resignation
Li Pan	Senior management	Appointment
Li Yang	Senior management	Appointment
Wu Yong	Senior management	Appointment
Wang Li	Senior management	Appointment
Guan Jiangyong	Senior management	Appointment
Huang Xiaowu	Senior management	Appointment

Explanation of changes in Directors, supervisors and senior management of the Company

√Applicable □Not Applicable

In December 2020, the Company completed the major asset restructuring transaction involved in the introduction of H-share listing and privatization of Haier Electric (01169.HK). In order to optimize the governance structure of the new listed Company after the reorganization and integrate advantageous resources, the Company has reorganized the Board of Directors, the Board of Supervisors and the senior management.

III. Proposal of profit distribution or capitalization of capital reserve

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

Whether distributed or converted	No
----------------------------------	----

IV. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

(I) Relevant incentive events disclosed in provisional announcements but without subsequent development or changes during implementation

□ Applicable √Not Applicable

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

Equity incentive

□Applicable √Not Applicable

Other explanations

□Applicable √Not Applicable

Employee stock ownership plan

☒Applicable ☐Not Applicable

1. **Partial Vesting of Employee Stock Ownership Plan and Termination of the First Phase of Employee Stock Ownership Plan :** During the Reporting period, pursuant to the "Core Employee Stock Ownership Plan of Qingdao Haier Co., Ltd (Draft)" (the "First phase ESOP"), the "Second Phase Stock Ownership Plan of Core Employee Stock Ownership Plan of Qingdao Haier Co., Ltd (Draft)" (the "Second Phase ESOP"), the "Third Phase Stock Ownership Plan of Core Employee Stock Ownership Plan of Qingdao Haier Co., Ltd (Draft)" (the "Third Phase of ESOP"), on 15 January 2021, the Management Committee resolved that: (1) the First phase ESOP be vested, 33 persons who pass the appraisal vest 1,783,038 shares; (2) Second Phase ESOP be vested, 116 persons who pass the appraisal vest 1,132,832 shares; (2) Third Phase ESOP be vested, 32 persons who pass the appraisal vest 179,351 shares. Directors, supervisors and senior management of the Company are entitled to vest a total of 1,339,483 shares. Any change in their stock ownership is subject to the relevant provisions of the Rules Governing the Shares of the Company Held by Directors, Supervisors and Senior Management of Listed Companies and Changes Thereof. The Company has, in accordance with the aforesaid resolutions, completed the transfer of the relevant shares on 27 January 2021 at the Shanghai Branch of the China Securities Depository and Clearing Corporation, with an aggregate number of 3,095,221 shares. During the reporting period, vesting of shares of the First Phase ESOP were completed and all assets of the stock ownership plan are monetary funds. In accordance with the relevant provisions of the First Phase ESOP, the First Phase ESOP has been implemented and terminated. Upon completion of the liquidation and allocation of assets, the remaining capital was remitted to the Company.

2. **Termination of the Second Phase and Third Phase Employee Stock Ownership Plan :** During the Reporting period, all 721,736 and 5,374,465 shares held by the Second Phase ESOP and the Third Phase ESOP, respectively, have been sold, and all assets of the stock ownership plan are monetary funds. In accordance with the relevant provisions of the Second Phase ESOP and the Third Phase ESOP, the aforementioned plans have been implemented and terminated. Upon completion of the liquidation and allocation of assets, the remaining capital was remitted to the Company.

3. **Introduction of the new phase of A-share and H-share ESOPs:** In order to further improve the corporate governance mechanism, create shareholder value and promote the full implementation of the Company's IoT smart household ecological brand strategy, the Company introduced the Core Employees A Share Ownership Plan of Haier Smart Home Co., Ltd (for Years 2021–2025) (Draft) and its Summary and the Core Employees H Share Ownership Plan of Haier Smart Home Co., Ltd (for Years 2021–2025) (Draft) and its Summary upon the approval at the 2020 Annual General Meeting convened by the Company on 25 June 2021. As of the date of disclosure of this regular report, the shares pool for the A-share and H-share ESOPs for 2021 have been established.

Other Incentives

☐Applicable ☒Not applicable

Section V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

1. 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

1. Information on pollutant discharge

√Applicable □Not Applicable

The Company's indirect non-wholly owned subsidiaries Zhengzhou Haier Air-conditioning Co., Ltd. ("Zhengzhou Air-conditioning"), Foshan Haier Freezer Co., Ltd. ("Foshan Freezer"), Hefei Haier Refrigerator Co., Ltd. ("Hefei Refrigerator"), Wuhan Haier Water Heater Co., Ltd. ("Wuhan Water Heater"), Wuhan Haier Freezer Co., Ltd. ("Wuhan Freezer") and Chongqing Haier Precision Plastic Co., Ltd., Chongqing Haier Air-conditioning Co., Ltd., Chongqing Haier Drum Washing Machine Co., Ltd., Chongqing Haier Washing Machine Co., Ltd., Chongqing Haier Water Heater Co., Ltd. (the aforementioned 5 companies located in Chongqing are collectively referred to as the "Chongqing Park Companies") are among the key emission units announced by the local environmental protection department (according to the latest catalogue of key emission units published by Chongqing Ecology and Environment Bureau at the end of April 2021, three companies, namely Chongqing Haier Precision Plastic Co., Ltd, Chongqing Haier Drum Washing Machine Co., Ltd and Chongqing Haier Washing Machine Co., Ltd, were no longer listed as key emission units).

The main information on pollutant discharge is as follows:

(1) Zhengzhou Air-conditioning

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, north 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	26.66mg/L	0.65 tons	6.25 tons	No
2	Ammonia nitrogen	3.00mg/L	0.073 tons	0.63 tons	No

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

(2) Foshan Freezer

①Main 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 6 types of pollutants (including specific pollutants), namely, COD, ammonia nitrogen, zinc, PH, SS, suspended solids, petroleum

②Way of discharge: indirect discharge

③Number and distribution of discharge outlets: one, south of the wastewater treatment plant to the southeast of Fushan Sanshui District Haier Park, pipeline discharge; exhaust emission, six dust emitting processes, eight foam generating processes, four welding processes, one plastic injection and breaking process, two kitchens, for a total of 21

④Concentration 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	31 mg/L	2.57 tons	25.92 tons	No
2	Ammonia nitrogen	0.028mg/L	0.023 tons	2.88 tons	No

⑤Pollutant discharge standards implemented: first standard of the second period set forth in the “Discharge Limits of Water Pollutants” of local standard in Guangdong Province

(3) Hefei Refrigerator

①Main 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 9 types of pollutants (including specific pollutants), namely, COD, ammonia nitrogen, total phosphorus, total nitrogen, PH, suspended solids, rate of flow, chemical oxygen demand, five-day biochemical oxygen demand.

Exhaust gas. According to the *Volatile Organic Unorganized Emission Control Standard* (GB 37822-1-2019), Development Zone Energy should apply for a pollutant discharge permit and detect pollutants. Main types of atmospheric pollutants: particulate matter, non-methane total hydrocarbons

②Way of discharge: continuous discharge

③Number and distribution of discharge outlets: 1 sewage, at the north entrance of the refrigerator Park; 25 exhaust gas, above the refrigerator block A and B factories

④Concentration of discharge and discharge standard:

According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount 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	92.044 mg/L	40.8 tons	165 tons	No
2	Ammonia nitrogen	10.767mg/L	4.73 tons	10 tons	No

3	total nitrogen	25.1 mg/L	11.17 tons	25 tons	No
4	total phosphorus	1.96 mg/L	0.87 tons	3 tons	No

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

(4) Wuhan water heater

① Main pollutants:

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

② Way of discharge: indirect discharge

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

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	30.96 mg/L	1.93 ton	9.075 ton	No
2	Ammonia nitrogen	9.6 mg/L	0.6 ton	0.9075 ton	No

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

(5) Wuhan freezer

① Main pollutants:

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

② Way of discharge: indirect discharge

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

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	Whether it is excessive
-----	-------------------	----------------------------	---------------------------	--------------------------	-------------------------

				discharge	discharge
1	COD	43 mg/L	1.97 tons	4.3628 tons	No
2	Ammonia nitrogen	0.082 mg/L	0.0038 ton	0.4365 ton	No

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

(6) Chongqing Park Company

①Main pollutants:

Wastewater. According to the registration and declaration of Pollutant Permit of the PRC, 7 types of pollutants (including specific pollutants) should be tested, namely, COD、ammonia nitrogen (NH₃-N), PH, suspended solids, petroleum, animal and vegetable oil, rate of flow.

②Way of discharge: indirect discharge

③Number and distribution of discharge outlets: three, first wastewater treatment plant, second integrated wastewater treatment plant, the apartment wastewater treatment station, 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	59 mg/L	33.93 tons	228.1 tons	No
2	Suspended solids	21 mg/L	12.08 tons	177.2 tons	No
3	Animal and vegetable oil	1.24 mg/L	0.71 tons	34 tons	No
4	Petroleum	0.14 mg/L	0.08 ton	1.32 tons	No

Integrated wastewater discharge standard (GB 8978-1996) – grade 3

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

√Applicable □Not Applicable

Zhengzhou Air-conditioning, Foshan Freezer, Wuhan Freezer, Wuhan Water Heater have one, one, one and two wastewater treatment plants with a designed treatment capacity of 550 tonnes/day, 1,800 tonnes/day, 550 tonnes/day, 300 tonnes/day and 260 tonnes/day, respectively. There are three wastewater treatment plants in Chongqing Haier Park Companies with a wastewater treatment capacity of 3,600 tonnes/day. The construction, maintenance and daily operation of all wastewater treatment facilities are conducted in accordance with the requirements of national and local environmental laws and regulations. Information on all wastewater discharge is subject to 24-hour online monitoring and such monitored information is transmitted to environmental authorities in a real-time manner. All equipment is operating normally. In addition, the Chongqing Park Companies have all installed exhaust treatment facilities and all equipment is operating normally. Exhaust

produced is treated by the prevention and treatment facilities before compliant release and is monitored regularly.

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

☒Applicable ☐Not Applicable

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

4. Emergency plans for environmental incidents

☒Applicable ☐Not Applicable

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

5. Self-monitoring environmental programs

☒Applicable ☐Not Applicable

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

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

☒Applicable ☐Not Applicable

7. Other environmental information that should be disclosed

☒Applicable ☐Not Applicable

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

☒Applicable ☐Not Applicable

1. Administrative penalty due to environmental issues

☐Applicable ☒Not Applicable

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

☒Applicable ☐Not Applicable

All division of the Company execute construction project implementation and production in accordance with the requirements of laws and regulations and strictly comply with the “three simultaneous” requirements of environmental protection for construction

projects in the process of environmental impact assessment, and have passed environmental assessment acceptance and are not involved in any environmental illegal conducts such as construction before approval.

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

3. Reasons for failure to disclose other environmental information

☐Applicable ☒Not Applicable

(III) Explanation of the subsequent progress or changes in the disclosure of environmental information content during the Reporting Period

☒Applicable ☐Not Applicable

The Company will continue to maintain and improve existing results and strictly comply with existing environmental protection and emission standards to achieve compliant emission.

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

☒Applicable ☐Not Applicable

The Company proactively advances product iteration and upgrade and participates in the development of ecological environment. The Company took part in the formulation of energy consumption standard of household appliances organized by Beijing Institute of Standardization to promote the shift to energy-saving models in the household appliance field. We cooperated with relevant organizations in relevant refrigerant research and development projects to strive for the application of refrigerants with lower greenhouse gas emission. Meanwhile, the Company and Haier's suppliers, among others, cooperated in the research and development of low-carbon related technology, such as recyclable packaging materials, to facilitate environmental protection.

The Company proactively responds to the household appliance recycling policies of the NDRC by launching a household appliance recycling project and investing in the construction of Haier's household appliance recycling plants. With the recycling business as the starting point, we tapped into the disintegration process and implemented extended accountability for household appliance manufacturer to initiate the development of household appliance recycling plants. The measure will significantly boost the efficiency of resource utilization to achieve sustainable development.

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

☒Applicable ☐Not Applicable

As the leading enterprise in the industry, the Company proactively seeks ways to achieve carbon neutrality and carbon peak and optimize industrial structure and energy structure. Currently, the Company has designed and established Haier Zhong De Smart Park,

Haier's first "beacon base" in the world to achieve carbon neutrality, and intends to expand its coverage within the Company in the future, with a view to reaching carbon neutrality for Haier Smart Home's industrial parks in the PRC within a reasonable time, while giving due regards to comprehensive elements, such as costs. Haier Zhong De Industrial Park uses a smart general energy control platform to implement centralized dynamic monitoring and digitalized management in respect of the production, transmission, distribution and utilization of energy and power in the park, such as electricity, water, gas, heat, compressed air, photovoltaic, thereby improving and optimizing energy balance, controlling and adjusting the energy system in the park and enhancing overall efficiency.

2. Particulars on the efforts to consolidate and expand its achievements in poverty alleviation and rural area invigoration

☒Applicable ☐Not Applicable

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

For years, the Company has made genuine contributions to education to improve the basic cultural quality of people in poverty and skills of families in poverty, with an emphasis on shoring up the weak link of the education sector and stopping inter-generational poverty. As of now, the Company, Haier Group Companies (the effective controller of the Company) and its subordinate enterprises (hereafter, the "Haier Group") have constructed over 300 hope primary schools and hope secondary schools, covering 26 provinces, municipalities and autonomous regions in the PRC. It also offers continuous resource assistance to such schools every year to effectively boost the base education capacity in poverty regions and improve education quality. At the same time, the Company maintains its support to rural development in respect of poverty alleviation in agricultural development and poverty alleviation in farmers' health to promote beautiful rural development. During the Reporting Period, it offered, among other assistance, funds to Xian Feng Village, Tao Lin Town, Xi Shui County, Gui Zhou.

In the first half of 2021, the Company's capital expenditure in targeted poverty alleviation amounted to approximately RMB4.12 million, primarily attributable to education poverty alleviation, poverty alleviation in agricultural development and poverty alleviation in farmers' health, etc., to proactively respond to the government's call for social responsibility fulfillment.

Section VI SIGNIFICANT ISSUES

I. Fulfillment status of 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 suffer loss due to the unavailability of such land and property.	27 September 2006, long-term	Yes	Yes
	Address peer competitio	Haier Smart Home Co., Ltd.	Prior to the Transaction (hereinafter “the Transaction” refers to the transaction in relation to the privatisation of Haier Electronics by Haier Smart Home), Haier Electric was a	31 July 2020 long-term	Yes	Yes

	n		controlling subsidiary of the Company and did not have peer competition with the Company; after the completion of the Transaction, Haier Electric became a wholly-owned or controlling subsidiary of the Company and no new peer competition with the Company existed or will arise. There is no new peer competition or potential competition between the Company and other related parties controlled by the controlling shareholders or the de facto controllers of the Company.			
	Address connected transactions	Haier Group Corporation	1. The Transaction constitutes a connected transaction and the connected transaction procedures performed under the Transaction are in compliance with the relevant regulations. The pricing of the connected transaction is fair and there are no circumstances under which the interests of the listed company and the non-connected shareholders are prejudiced. 2. Upon completion of the Transaction, the Company and its affiliates will take lawful and effective measures to minimize and regulate the connected transactions with the listed company, take the initiative to safeguard the interests of the listed company and all shareholders, and refrain from taking advantages of connected transactions for improper benefits. 3. Provided that there is no conflict with laws and regulations, if connected transactions between the Company and its affiliates and the listed company occur or exist which cannot be avoided or for which there are reasonable reasons, the Company and its affiliates will legally enter into a transaction agreement with the listed company to ensure strict compliance with the procedures of connected transactions required by the laws, regulations, regulatory documents and the articles of association of the Company,	29 July 2020, long-term	Yes	Yes

			conduct transactions in accordance with the principles of marketability and fair prices to ensure the fairness and compliance of connected transactions, and refrain from taking advantages of such connected transactions to engage in any acts that are detrimental to the interests of the listed company or its minority shareholders, and at the same time, comply with the information disclosure obligations in accordance with relevant regulations.			
	Address peer competitio n	Haier Group Corporatio n	1. The Company and its controlling subsidiary, Haier COSMO Co., Ltd., were principally engaged in investment business during the reporting period, and the Company and its controlling subsidiary, Haier COSMO Co., Ltd. (including its subsidiaries and entities with more than 30% shareholding), have no real or potential pper competition with Haier Smart Home; 2. the domestic and overseas white goods businesses and assets held by the Company (including the Company's subsidiaries and entities with more than 30% shareholding) have been injected into Haier Smart Home through asset consolidation and equity transfer in accordance with the commitments made by the Company in January 2011 and the requirements for adjusting such commitments as considered and approved by Haier Smart Home at its 2014 annual general meeting; 3, Since the acquisition of 100% of Haier New Zealand Investment Holding Company Limited (which holds 100% of the shares in Fisher & Paykel Appliances Holdings Limited) by Haier Smart Home's offshore subsidiary, Haier Singapore Investment Holding Co., Ltd., following the completion in July 2018, the Company (including the Company's subsidiaries and entities with more than 30% shareholding) and Haier Smart Home do not have any peer competing relationship in any business areas both within	29 July 2020, long- term	Yes	Yes

			and outside the PRC. During the reporting period, the Company (including the Company's subsidiaries and entities with more than 30% shareholding) did not have any new peer competition with Haier Smart Home; 4. Upon completion of the Transaction, the Company (including the Company's subsidiaries and entities with more than 30% shareholding) and its affiliates do not have any new or potential peer competition with Haier Smart Home; 5. During the period when the Company is the controlling shareholder of Haier Smart Home and the shares of Haier Smart Home are listed on the Hong Kong Stock Exchange, the Company and its other subsidiaries and entities with more than 30% shareholding will not operate any business that competes with the business engaged by Haier Smart Home and will not engage in real or potential peer competition with Haier Smart Home.			
	Others	Haier Group Corporation	Upon completion of the Transaction, the Company will strictly comply with the Company Law, the Securities Law, the relevant regulations of the China Securities Regulatory Commission, the Shanghai Stock Exchange and the articles of association of Haier Smart Home, etc., fairly exercise shareholders' rights and fulfill shareholders' obligations, refrain from taking advantage of its shareholding position for improper benefits, ensure the listed company will continue to be completely separate from the Company and other enterprises on which the Company exercises control and exerts significant influence in terms of management, personnel, assets, finance, organization and business operations, and maintain the continued independence of the listed company in terms of management, personnel, assets, finance, organization and business operations. Upon	29 July 2020, long-term	Yes	Yes

			completion of the Transaction, the Company will comply with the provisions of the Notice on Several Issues concerning Regulating Fund Transactions between Listed Companies and Their Affiliates and the External Guarantee of Listed Companies and the Circular of China Securities Regulatory Commission and China Banking Regulatory Commission on Regulating the External Guaranties Provided by Listed Companies to regulate the external guarantees by listed companies and their subsidiaries, and will not misappropriate the funds of the listed company and their subsidiaries. The Company undertakes to strictly fulfill the above commitments. In the event that the interests of the listed company are damaged as a result of any breach of the above commitments by the Company and other enterprises on which the Company exercises control and exerts significant influence, the Company will legally bear the corresponding liability for damage.			
	Others	HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	1. The Company legally holds the Subject Shares, of which the Company has full ownership, and there are no restrictions on the rights of the Subject Shares or any circumstances that may affect the offer or settlement of the Transaction. 2. The Company has full rights to participate in the Transaction and has the right to accept the Offer in connection with the Transaction and to sign and perform all agreements and documents involved in the Transaction. 3. Unless the privatisation of Haier Electronics is completed or Haier Smart Home announces the termination of privatisation, except for the transactions with Haier Smart Home and its designated entities, the Company will not sell the Subject Shares, reach any disposal arrangements with any third party	29 July 2020, termination of privatisation / six months after H Share listing	Yes	Yes

			regarding the Subject Shares or their rights and interests, and set any rights restrictions such as pledge on the Subject Shares from the date of issuance of this confirmation letter. 5. Unless the privatisation of Haier Electronics is completed or Haier Smart Home announces the termination of privatization, except for participating in and promoting the Transaction, the Company will not increase its shareholding in Haier Electronics, reach any arrangements with other shareholders of Haier Electronics regarding the disposal of the Subject Shares or their rights and interests, or set any rights restrictions such as pledge on Haier Electronics shares held by other shareholders of Haier Electronics. 6. The Company will abide by the relevant restrictions on the sale of Haier Smart Home Shares in Rule 10.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which has been revised from time to time: within six months from the date of disclosure of our shareholding in Haier Smart Home H shares listed in the Transaction to the date of trading of Haier Smart Home H shares on the Hong Kong Stock Exchange, the Company will not sell Haier Smart Home H shares acquired by the Company through the Transaction, or enter into any agreement to sell such shares, or create any options, rights, interests or encumbrances in respect of such shares; In addition, the sale of the Haier Smart Home H Shares, the entering into of any agreement to sell such shares, or the exercise or enforcement of such options, rights, benefits or encumbrances in respect of such shares by the Company during the six months following the expiry of the aforesaid six-month period shall not result in Haier Group Companies			
--	--	--	---	--	--	--

			and parties acting in concert with it losing their status as controlling shareholders of Haier Smart Home.			
	Address connected transactions	HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	1. The Transaction constitutes a connected transaction and the connected transaction procedures performed under the Transaction are in compliance with the relevant regulations. The pricing of the connected transaction is fair and there are no circumstances under which the interests of the listed company and the non-connected shareholders are prejudiced. 2. Upon completion of the Transaction, the Company and other enterprises on which the Company exercises control will take lawful and effective measures to minimize and regulate the connected transactions with the listed company, take the initiative to safeguard the interests of the listed company and all shareholders, and refrain from taking advantages of connected transactions for improper benefits. 3. Provided that there is no conflict with laws and regulations, if connected transactions between the Company and other enterprises on which the Company exercise control and the listed company occur or exist which cannot be avoided or for which there are reasonable reasons, the Company and other enterprises on which the Company exercises control will legally enter into a transaction agreement with the listed company to ensure strict compliance with the procedures of connected transactions required by the laws, regulations, regulatory documents and the articles of association of the Company, conduct transactions in accordance with the principles of marketability and fair prices, and refrain from taking advantages of such connected transactions to engage in any acts that are detrimental to the interests of the listed company	29 July 2020, long-term	Yes	Yes

			or its minority shareholders, and at the same time, comply with the information disclosure obligations in accordance with relevant regulations. 4. Any covenants and arrangements between the Company and other enterprises on which the Company exercise control and the listed company in relation to connected transactions shall not prevent the other party from conducting business or dealing with any third party for its own benefit and on equal competitive terms in the market.			
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	24 December 2013, long-term	Yes	Yes

			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.			
	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. As at the end of 2018, the Company has resolved the property defects of itself and its eight major subsidiaries. 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. At present, the property defects of the five major subsidiaries have been properly resolved by applying for property ownership certificates, relocating the defective properties and categorizing them as reserve alongside the lands, divesting the defective properties with the equity of the subsidiaries and other means. The Company has fulfilled this undertaking.	24 December 2013, eight years	Yes	Yes
Other undertakings	Asset injection	Haier Group	Inject the assets of Haier Photoelectric to the Company or dispose such assets through other ways according to the requirements of	December 2015 to June	Yes	Yes

		Corporation	the 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.	2025		
	Profit forecast and compensation	Haier COSMO Co., Ltd.(formerly known as “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

II. Non-operating utilization of funds by controlling shareholders and other related parties during the reporting period.

☐Applicable ☒Not Applicable

III. Information on non-compliance guarantees

☐Applicable ☒Not Applicable

IV. Information on interim audit

☐Applicable ☒Not Applicable

V. Changes in matters covered by the non-standard audit opinion on the previous year's annual report and its handling

☐Applicable ☒Not Applicable

VI. Matters relating to bankruptcy and restructuring

☐Applicable ☒Not Applicable

VII. Material litigation and arbitration matters

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

VIII. Punishment and correction on the listed company and its directors, supervisors, senior management, controlling shareholders and ultimate controllers due to suspect of law violations and the issue of rectification

☐Applicable ☒Not applicable

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

☐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

Pursuant to the "Resolution on Proposal to the General Meeting to Authorize the Board of Directors and its Authorized Persons to Sign the Framework Agreement on Connected Transactions for 2020-2022" (《關於提請股東大會授權董事會及其授權人士簽署 2020-2022 年關聯交易框架協定的議案》) considered and approved at the 10th meeting of the 10th session of the Board of Directors and the Second Extraordinary General Meeting of 2020, the "Resolution on Signing the Framework Agreement on Connected Transactions" (《關於簽署關聯交易框架協定的議案》) considered and approved at the 14th meeting of the 10th session of the Board of Directors, and the "Resolution of Haier Smart Home Co., Ltd. on Renewing the Framework Agreement on Financial Services with Haier Group Corporation and Estimated Amount of Connected Transactions" (《海爾智家股份有限公司關於與海爾集團公司續簽<金融服務框架協定>暨預計關聯交易額度的議案》) considered and approved at the 18th meeting of the 10th session of the Board of Directors and the 2020 Annual General Meeting, the Company has made estimation on the connected transactions for the next three years, as detailed in the aforesaid announcements regarding the resolutions of the meetings.

For the actual performance of the Company's connected transactions in the first half of 2021, 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) Financial business between the Company and the finance company with which it has a related relationship, the company's controlling finance company and related parties

☒ Applicable ☐ Not applicable

1. Deposit business

√ Applicable □ Not applicable

Unit and Currency: RMB

Related party	Relationship	Maximum daily deposit limit	Range of deposit interest	Balance as at the beginning of the period	Number of occurrence of the period	Balance as at the end of the period
Haier Group Finance Co., Ltd. and others	Subsidiary of Haier Group	29 billion	0.385% - 3.85%	24,957,736,213.04	28,946,190,018.12	28,946,190,018.12
Total	/	/	/	24,957,736,213.04	28,946,190,018.12	28,946,190,018.12

2. Lending business

√ Applicable □ Not applicable

Unit and Currency: RMB

Related party	Relationship	Loan limit	Range of loan interest	Balance as at the beginning of the period	Number of occurrence of the period	Balance as at the end of the period
Haier Group Finance Co., Ltd.	Subsidiary of Haier Group	5 billion	1.59% ~ 2.47%	454,470,450.05	556,979,500.00	482,161,521.49
Total	/	/	/	454,470,450.05	556,979,500.00	482,161,521.49

3. Trustee business or other finance businesses

√ Applicable □ Not applicable

Unit and Currency: RMB

Related party	Relationship	Type of business	Total amount	Actual number of occurrence
Haier Group Finance Co., Ltd.	Subsidiary of Haier Group	Foreign exchange derivative product	5.5 billion	2,611,999,252.69
Haier Group Finance Co., Ltd.	Subsidiary of Haier Group	Service fee	0.08 billion	11,919,379.11

4. Others

□ Applicable √ Not applicable

(VI) Other material related transactions

☐ Applicable ☒ Not applicable

(VII) Others

☐ Applicable ☒ Not applicable

XI. Significant contracts and their execution

1 Trusteeship, contracting and leasing

☐ Applicable ☒ Not applicable

2 Significant guarantees performed and outstanding during the reporting period

√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)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Status of principal liabilities	Collateral (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether there is a counter-guarantee	Whether Related-party guarantee or not	Relationship
Total amount of guarantee occurred during the reporting period (excluding guarantees for subsidiaries)															0
Total balance of guarantee at the end of the reporting period (A) (excluding guarantees for subsidiaries)															0
Guarantees provided by the Company for subsidiaries															
Total amount of guarantees for subsidiaries occurred during the reporting period															2,967,533.18
Total balance of guarantees for subsidiaries at the end of the reporting period (B)															2,027,910.98
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)															
Total amount of guarantee (A + B)															2,027,910.98
Ratio of total amount of guarantees to net assets of the Company (%)															27.46
Including:															
Amount of guarantees for shareholders, ultimate controllers and their related parties															0

(C)			
Amount of debt guarantees provided directly or indirectly for the secured party with asset-liability ratio exceeding 70% (D)			590,146.50
The amount of total amount of guarantee in excess of 50% of net assets (E)			0
Total amount of the above three guarantees (C + D + E)			590,146.50
Explanation of possibly bearing related discharge duty for premature guarantees			None
Explanation of guarantee status			The above guarantees include guarantees made in previous years and carried forward to the reporting period, and guarantees newly made for the year, including the following guarantees: To satisfy general corporate requirements, Haier Singapore Investment Holding Pte. Ltd., a wholly owned subsidiary of the Company, applied to DBS Bank Ltd. for a loan of US\$280 million, to which the Company provided joint liability guarantee. The Company entered into a guarantee agreement with DBS Bank Ltd. to guarantee the above loan. The guarantee period commences from the due date of each payment obligation in relation to the guaranteed debt (with the meaning ascribed to it by the amended guarantee agreement) and ends on six months from the Initial Termination Date under the loan agreement, i.e. 30 January 2023.

			On 25 June 2021, the resolution on the Expected Provision of Guarantee for subsidiaries in 2021 was reviewed and passed on the 2020 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. Please refer to relevant description in this table for the accumulated amount of guarantee offered by the Company to subsidiaries and closing balance of reporting period. The guarantee to the wholly owned subsidiary, Haier Singapore Investment Holding Pte. Ltd., was within the guarantee range approved on the above general meeting.
--	--	--	--

3 Other major contracts

☐Applicable ☒Not Applicable

XII Statement on Other Significant Events

☒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 RMB2.273 billion, including two 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 RMB0.7 billion after approved by the Board of Directors. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB0.387 billion; ② Temporary-idle funds wealth management by certain subsidiaries of the Company: Under the premise of ensuring sufficient capital required by the principal operating activities and daily operations, some subsidiaries of the company purchased some short-term principal-guaranteed wealth management products and structured deposits from major commercial banks to improve the yield of temporarily-idle funds and the return for shareholders within the authority of the president's office meeting and under the condition of ensuring fund safety. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB1.886 billion.

(2) Progress of the A-share repurchase: On 5 March 2021, the Company convened the 16th meeting of the 10th session of the Board of Directors, which considered and approved the Resolution in Relation to the Repurchase Plan of a Portion of Public Shares of Haier Smart Home Co., Ltd. It approved the Company to use its own funds to repurchase a portion of A shares of the Company by way of centralised bidding. The repurchase price is no more than RMB46 per share and the proposed total repurchase amount is no more than RMB4.0 billion and no less than RMB2.0 billion, with no more than 86.96 million shares repurchased. The period of this repurchase is within 12 months from the date the Board considered and approved the resolution of repurchase of shares. As at the end of the reporting period, the Company had repurchased a total of 63,076,566 shares, representing 0.67% of the total share capital of the Company. The highest price purchased was RMB32.80 per share and the lowest price was RMB25.45 per share, and the total amount paid was RMB1,767,100,716.86. For details, please refer to the announcement on the progress of the repurchase disclosed by the Company on a monthly basis.

SECTION VII CHANGES IN SHARES AND INFORMATION ABOUT SHAREHOLDERS

I. Changes in share capital

(I) Table of Changes in shares

1. Table of Changes in shares

	Amount	Prior to changes		Increase/decrease in changes				After changes	
		Percentage (%)	Issue of new shares	Bonus shares	Contribution fund convertible shares	Others	Sub-total	Amount	Percentage (%)
I. Restricted shares									
1. State-owned shares									
2. Shares held by state-owned legal entities									
3. Other domestic shares									
Including: Shares held by domestic non-state-owned legal entities									
Shares held by domestic individuals									
4. Foreign Shares									
Including: shares held by offshore legal entities									
Shares held by									

offshore individuals									
II. Non-restricted shares	9,027,846,441	100.00	397,676,840			-32,352,800	365,324,040	9,393,170,481	100.00
1. Ordinary shares in RMB	6,308,552,654	69.88						6,308,552,654	67.16
2. Domestic listed foreign Shares									
3. Offshore listed foreign Shares	2,719,293,787	30.12	397,676,840			-32,352,800	365,324,040	3,084,617,827	32.84
4. Others									
III. Total shares	9,027,846,441	100.00	397,676,840			-32,352,800	365,324,040	9,393,170,481	100.00

2. Statement on the changes in shares

☒Applicable ☐Not Applicable

(1) H-share convertible bonds: On 27 October 2020, the China Securities Regulatory Commission issued the Reply to the Approval of Issuance of Overseas Listed Foreign Shares and Convertible Corporate Bonds by Haier Smart Home Co., Ltd. (《關於核准海爾智家股份有限公司發行境外上市外資股及可轉換公司債券的批復》) (Zheng Jian Xu Ke [2020] No. 2768), which approved that: (1) the Company issued no more than 2,856,526,138 overseas listed foreign shares (including additional shares issued by holders of convertible corporate bonds not exceeding HK\$8.0 billion or equivalent in foreign currencies upon the exercise of the convertible rights), with a par value of RMB1 each, all of which are ordinary shares. After the completion of this issuance, the Company can be listed on the main board of the Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Stock Exchange"); (2) the issuance of corporate bonds not exceeding HK\$8.0 billion or equivalent in foreign currencies that can be converted into the Company's overseas listed foreign shares by the overseas wholly-owned subsidiaries guaranteed by the Company. On 23 December 2020, 2,448,279,814 H shares of the Company, issued for the privatisation of Haier Electric Appliances (a Hong Kong listed company), were listed and traded on the Main Board of the Hong Kong Stock Exchange and the related convertible bonds under the H share convertible bonds scheme became valid and in effect immediately after the listing amounting to HK\$7,993 million. During the reporting period, HK\$7,491,000,000 of the convertible bonds were converted into a total of 397,676,840 H shares of the Company and the outstanding amount was HK\$502,000,000.

(2) Cancellation of H share repurchase: On March 5, 2021, the First Extraordinary General Meeting of 2021 and the First Class Meeting of 2021 for A shares/D shares/H shares of the Company considered and approved the "Resolution on the Introduction of General Mandate for Repurchase of H Shares upon Completion of Listing", in which the Company intends to repurchase H shares and cancel them within the agreed period. During the reporting period, the Company repurchased a total of 32,352,800 H shares and all such shares have been cancelled.

Based on the above, during the reporting period, the share capital of the Company was changed from 9,027,846,441 shares at the beginning of the reporting period to 9,393,170,481 shares.

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

For the interim period in 2021, the Company recorded a net profit attributable to shareholders of the parent company of RMB6,852,271,812.97 and equity attributable to owners of the parent company as at the end of the reporting period of RMB73,846,216,357.78, representing earnings per Share of RMB0.729 and net asset per Share of RMB7.862, based on the total share capital as at the end of the reporting period of 9,393,170,481 Shares; and earnings per Share of RMB0.729 and net asset per Share of RMB7.861, based on the total share capital as at the date of disclosure of the interim report of 9,393,860,615 Shares.

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	210,151
Total numbers of preferential shareholders with restoration of voting rights by the end of the reporting period	N/A

(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, marked or frozen		Nature of shareholder
					Status	Number	
HKSCC NOMINEES LIMITED (Note)		2,184,772,038	23.26		Unknown		Foreign legal entity
Haier Electric Appliances International Co., Ltd.		1,258,684,824	13.40		None		Domestic non- state-owned legal entity
Haier Group Corporation		1,072,610,764	11.42		None		Domestic non- state-owned legal entity
HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED		538,560,000	5.73		None		Foreign legal entity
Hong Kong Securities Clearing Co., Ltd.		512,561,183	5.46		None		Foreign legal entity
China Securities Finance Corporation Limited		182,592,654	1.94		None		Unknown
Qingdao Haier Venture & Investment Information Co., Ltd.		172,252,560	1.83		None		Domestic non- state-owned legal entity

(青島海爾創業投資諮詢有限公司)							
China Merchant Bank Co., Ltd. – Xingquan Herun mixed securities investment fund		103,290,923	1.10		None		Unknown
China Merchant Bank Co., Ltd. –Xingquan Heyi flexible deployment mixed securities investment fund (LOF)		87,672,150	0.93		None		Unknown
ALIBABA INVESTMENT LIMITED		83,823,993	0.89		Unknown		Unknown

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
HKSCC NOMINEES LIMITED (Note)	2,184,772,038	Overseas listed foreign shares	2,184,772,038
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
HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	538,560,000	Overseas listed foreign shares	538,560,000
Hong Kong Securities Clearing Co., Ltd.	512,561,183	RMB ordinary	512,561,183
China Securities Finance Corporation Limited	182,592,654	RMB ordinary	182,592,654
Qingdao Haier Venture & Investment Information Co., Ltd.	172,252,560	RMB ordinary	172,252,560
China Merchants Bank Co., Ltd. – Xingquan Herun mixed securities investment fund	103,290,923	RMB ordinary	103,290,923
China Merchants Bank Co., Ltd. – Xingquan Heyi flexible allocation mixed securities investment fund (LOF)	87,672,150	RMB ordinary	87,672,150
ALIBABA INVESTMENT LIMITED	83,823,993	Overseas listed foreign shares	83,823,993

Explanation on repurchase account of top ten shareholders	Nil
Explanation on delegated voting rights, entrusted voting rights, abstained voting rights of the above shareholders	Nil
Related parties or parties acting in concert among the aforesaid shareholders	(1) Haier Electric Appliances International Co., Ltd. (currently named as Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)) is a holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Qingdao Haier Venture & Investment Information Co., Ltd.(青島海爾創業投資諮詢有限公司) and HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED are parties acting in concert with Haier Group Corporation; (2) The Company is not aware of the existence of any connections of other shareholders.
Explanation of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable

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

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. Directors, supervisors, senior management

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

√Applicable □Not Applicable

Unit: Share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/decrease during the reporting period	Reason of increase/decrease
Liang Haishan	Director	14,923,047	15,570,174	647,127	Vesting pursuant to employee shareholding scheme
Tan Lixia (resigned)	Director	8,535,920	9,053,622	517,702	Vesting pursuant to employee shareholding scheme
Wang Peihua (resigned)	Supervisor	161,067	182,401	21,334	Vesting pursuant to employee shareholding scheme
Ming Guoqing (resigned)	Supervisor	105,511	119,449	13,938	Vesting pursuant to employee shareholding scheme
Gong Wei	Senior management	1,724,315	1,812,495	88,180	Vesting pursuant to employee shareholding scheme
Ming Guozhen	Senior management	1,275,295	1,326,497	51,202	Vesting pursuant to employee shareholding scheme

Note: (1) during the reporting period (or from the date of appointment to the end of the reporting period, there was not change in shareholdings of other directors; (2) the above involved shares are A Shares.

Other explanations

□Applicable √Not Applicable

(II) Incentive share option granted to directors, supervisors and senior

management during the reporting period

☐Applicable ☒Not Applicable

(III) Other explanations

☐Applicable ☒Not Applicable

IV. Changes in controlling shareholder and the ultimate controller

☐Applicable ☒Not Applicable

**SECTION VIII RELEVANT INFORMATION OF PREFERRED
SHARES**

☐ Applicable ☒ Not Applicable

SECTION IX RELEVANT INFORMATION OF CORPORATE BONDS

I. Enterprise bond, corporate bond, and non-financial corporate debt financing instruments

☒Applicable ☐Not Applicable

(1) Enterprise bond

☐Applicable ☒Not Applicable

(2) Corporate bond

☐Applicable ☒Not Applicable

(3) Non-financial corporate debt financing instruments in interbank bond market

☒Applicable ☐Not Applicable

1. General information on non-financial corporate debt financing instruments

Unit and Currency: RMB'00 million

Bond Name	Short Name	Code	Date of issue	Value date	Expiry date	Bond balance	Interest Rate (%)	Payment method of principal and interest	Trading venue	Arrangement of investor suitability (if any)	Trading mechanism	Whether risk of delisting exists
Haier Smart Home Co., Ltd. 2020 first tranche of ultra-short-term financing bond	20 Haier Smart Home SCP001	012002518	17 July 2020	17 July 2020	13 January 2021	30	1.45	One-off principal and interest payment upon maturity	Interbank bond market	None	/	No
Haier Smart Home Co., Ltd. 2020 second tranche of ultra-short-term financing bond	20 Haier Smart Home SCP002	012003094	28 August 2020	28 August 2020	24 February 2021	25	1.71			None	/	No

On the 2019 Annual General Meeting, the Company passed the “Resolution of Haier Smart Home Co., Ltd. on the Proposed Registration and Issuance of Debt Financing Instruments” to approve the Company’s proposed application to the National Association of Financial Market Institutional Investors for the registration of a debt financing instrument of not more than RMB15 billion (inclusive) in total. Accordingly, the Company issued two tranches of ultra-short-term financing bond of RMB3 billion and RMB2.5 billion on 17 July 2020 and 28 August 2020, respectively, with a maturity of 180 days. Please refer to the “Announcement of Haier Smart Home Co., Ltd. on the Results of the Issuance of the 2020 First Tranche of Super- short-term Bonds” and “Announcement of Haier Smart Home Co., Ltd. on the Results of the Issuance of the 2020 Second Tranche of Super-short-term Bonds” published by the Company on 21 July 2020 and 1 September 2020, respectively, for details.

During the reporting period, the principal and interests of the above two tranches of ultra-short-term financing bond were settled in full as agreed.

Response measure in respect of risk of delisting of bonds

☐Applicable ☒Not Applicable

Outstanding bonds past due

☐Applicable ☒Not Applicable

Explanation on debt past due

☐Applicable ☒Not Applicable

2. Trigger and implementation of issuer or investor option terms and investor protection terms

☒Applicable ☐Not Applicable

For the above two tranches of ultra-short-term financing bond, there were trigger mechanisms of investor protection emergency response in place in case of extraordinary events to protect the interests of the investors and minimise the adverse impact to the bond market. For details of the investor protection mechanism, please refer to relevant documents, such as the prospectus of ultra-short-term financing bonds, published by the Company on public document disclosure platforms for debt financing instruments, including Chinamoney.com.cn.

During the valid period of the above financing bonds, the Company did not experience any relevant event triggering the investor protection mechanism.

3. Adjustment to credibility assessment results

☐Applicable ☒Not Applicable

4. Guarantee, repayment schedule and implementation and change of other repayment guarantee measures during the reporting period and their impact

☒Applicable ☐Not Applicable

During the reporting period, the principal and interests of the above two tranches of ultra-short-term financing bond were settled in full as agreed.

The above two tranches of ultra-short-term financing bond were not guaranteed and the repayment was primarily funded by monetary assets of the Company. The Company devised prudent and detailed financial arrangements and plans and delegated the task of repayment of debt financing instruments to the financial department of the Company to obtain funding for timely repayment, ensure capital to be deployed as planned and confirm the timely and full settlement of principal and interests of the debt financing instruments, thereby properly safeguarding the interests of bondholders.

5. Explanation on other information on non-financial corporate debt financing instruments

☐Applicable ☒Not Applicable

(4) Losses exceeding 10% of net assets as at the end of previous year in the scope of combined statements during the reporting period

☐Applicable ☒Not Applicable

(5) Major accounting data and financial indicators

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Key indicators	End of the reporting period	End of last year	Yoy change (%)
Liquidity ratio	1.02	1.04	-1.92
Quick ratio	0.73	0.78	-6.41
Debt to assets ratio (%)	63.54	66.52	-4.48
	Reporting period (January - June)	Corresponding period last year	Yoy change (%)
Net profit after deduction of non-recurring profit or loss	6,269,906,406.72	2,569,440,497.59	144.02
Total liabilities ratio of EBITDA	0.19	0.11	75.30
Interest coverage ratio	24.29	6.94	249.97

Cash interest coverage ratio	23.19	-0.75	3,172.17
EBITDA interest coverage ratio	31.68	10.45	203.22

II. Convertible corporate bond

☒Applicable ☐Not Applicable

(1) Convertible bond issue

On 27 October 2020, the CSRC issued “reply to the approval for the issue of overseas listed foreign shares and convertible corporate bonds by Haier Smart Home Co., Ltd.” (《關於核准海爾智家股份有限公司發行境外上市外資股及可轉換公司債券的批復》) (Zheng Jian Xu Ke [2020] No. 2768) (hereafter, the “CSRC Reply”) to approve: (1) Haier Smart Home to issue not more than 2,856,526,138 overseas listed foreign Shares (including Shares to be issued pursuant to the exercise of conversion rights by the holders of convertible corporate bonds with an amount of not more than HK\$8 billion or equivalent in any foreign currency) with a par value of RMB1, all registered as ordinary shares. Upon the completion of the issue, Haier Smart Home may be listed on the main board of the Hong Kong Stock Exchange; (2) With the guarantee of Haier Smart Home, its wholly-owned foreign subsidiary issued overseas corporate bonds with an amount of not more than HK\$8 billion or equivalent in any foreign currency, convertible into overseas listed foreign shares of the issuer. Pursuant to this and approval from relevant parties, corporate bonds of HK\$8 billion (exchangeable bonds of HK\$8 billion issued in November 2017 were converted into convertible bonds, resulting in valid convertible bonds of HK\$7.993 billion) issued by Harvest International Company, a wholly-owned subsidiary of the Company, convertible into H Shares of the Company) were listed on 23 December 2020.

(2) Convertible bond holders and guarantors for the Reporting Period

Name of convertible corporate bond	Harvest International Company HK\$8,000,000,000 Zero Coupon Guaranteed Convertible Bonds due 2022 (hereafter, “H Share Convertible Bonds”)		
Number of convertible bond holders as at the end of the period	1		
Guarantor of the Company’s convertible bonds	Haier Smart Home Co., Ltd.		
Material change of the profitability, asset and credibility of the guarantor	N/A		
Top 10 holders of convertible bonds are as follows:			
Name of holder of corporate convertible bonds	Holdings as at the end of the period (\$)	Holding percentage (%)	
HSBC Nominees (Hong Kong) Limited	502,000,000	100	

Note: (1) the aforementioned bonds as at the end of the period are denominated in Hong Kong Dollar; (2) H Share Convertible Bonds of the Company are held on behalf by HSBC Nominees (Hong Kong) Limited as the sole legal holder, who is not the ultimate holder. Information on the ultimate holders of the bonds is only stored in the clearing system and,

without the authorization from the ultimate holder, the clearing system shall not directly provide the detailed list of ultimate bond holders to any cooperating party.

(3) Conversion of convertible bonds for the Reporting Period

Unit and Currency: HKD

Name of convertible corporate bond	Prior to the conversion	Increase/decrease for the conversion			After the conversion
		Conversion	Redemption	Resale	
H Share Convertible Bonds	7,993,000,000	7,491,000,000			502,000,000

(4) Cumulative conversion of convertible bond for the Reporting Period

Name of convertible corporate bond	H Share Convertible Bonds
Amount of conversion for the Reporting Period (\$)	7,491,000,000
Number of conversion for the Reporting Period (Share)	397,676,840
Cumulative number of conversion (Share)	397,676,840
Percentage of cumulative number of conversion to total issued Shares of the Company prior to the conversion (%)	4.41
Outstanding amount (\$)	502,000,000
Percentage of outstanding amount to total amount of convertible bonds issued (%)	6.28

(5) Historical adjustment of conversion price

Unit and Currency: HKD

Name of convertible corporate bond	H Share Convertible Bonds
Latest conversion price as at the end of the Reporting Period	18.8369

Note: during the Reporting Period, there was no adjustment to the conversion price of the H Share Convertible Bonds.

(6) Liabilities, change in credit and cash arrangements of repayment in the coming year of the Company

As at the end of the Reporting Period, liabilities of the Company amounted to RMB131,047,644,200, in which current liabilities amounted to RMB113,392,212,800 and non-current liabilities amounted to RMB17,655,431,400.

The Company remains stable in every operating condition with reasonable asset structure and good credibility and is capable of providing stable and sufficient capital for the interests of convertible corporate bonds and repayment of the principal and interests of the bonds in the coming year.

(7) Other information on convertible bonds

Nil

SECTION X RESPONSIBILITY STATEMENT

“As the board of Haier Smart Home Co., Ltd, we hereby confirm to the best of our knowledge, and in accordance with the applicable reporting principles, that the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and the management report includes a fair review of the development and performance of the business including the results and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.”

Qingdao, 30 Aug 2021

The Board of Haier Smart Home Co., Ltd

Liang Haishan _____

Li Huagang _____

Xie Juzhi _____

Wu Changqi _____

Martin Lin _____

David Yu _____

Eva Li _____

SECTION X FINANCIAL REPORT

I. Audit report

☐ Applicable ☒ Not Applicable

II. Financial statements

Consolidated Balance Sheet

30 June 2021

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	30 June 2021	31 December 2020
Current assets:			
Monetary funds	VII. 1	41,843,777,555.56	46,461,329,426.91
Provision of settlement fund			
Funds lent			
Financial assets held for trading	VII. 2	2,248,916,788.25	2,165,192,497.83
Derivative financial assets	VII. 3	121,975,627.78	77,839,006.63
Bills receivable	VII. 4	11,906,406,723.66	14,136,349,754.34
Accounts receivable	VII. 5	20,201,607,270.68	15,930,024,286.67
Financing receivables			
Prepayments	VII. 6	866,997,982.40	765,427,571.70
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VII. 7	2,265,821,208.28	1,717,152,945.65
Including: Interest receivable		284,404,268.03	322,473,254.91
Dividend receivable			4,915,409.42
Financial assets purchased under resale agreements			
Inventories	VII. 8	33,508,190,125.05	29,446,973,404.75
Contract assets	VII. 9	242,265,937.64	263,412,927.58
Assets held for sale			
Non-current assets due in one year			
Other current assets	VII. 10	2,925,075,253.35	3,283,888,900.58
Total current assets		116,131,034,472.65	114,247,590,722.64
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables		309,892,045.80	330,588,978.97
Long-term equity investments	VII. 11	22,587,007,137.19	21,567,658,450.89
Investments in other equity instruments	VII. 12	2,829,179,420.16	2,659,125,265.54
Other non-current financial assets			
Investment properties	VII. 13	27,254,438.10	28,387,002.81
Fixed assets	VII. 14	20,680,827,377.71	20,895,504,722.21
Construction in progress	VII. 15	5,020,055,626.42	3,596,902,447.07

Biological assets for production			
Oil and gas assets			
Right-of-use assets	VII. 16	2,793,454,708.24	2,839,858,259.27
Intangible assets	VII. 17	9,882,925,278.28	10,017,867,645.93
Development cost	VII. 18	168,477,189.37	167,746,724.13
Goodwill	VII. 19	22,216,549,512.47	22,518,460,337.64
Long-term prepaid expenses	VII. 20	470,212,444.74	455,742,504.13
Deferred income tax assets	VII. 21	1,685,498,098.65	2,208,301,258.25
Other non-current assets	VII. 22	1,445,052,880.82	1,925,761,560.17
Total non-current assets		90,116,386,157.95	89,211,905,157.01
Total assets		206,247,420,630.60	203,459,495,879.65
Current liabilities:			
Short-term borrowings	VII. 23	11,160,109,997.72	7,687,908,165.88
Borrowings from central bank			
Due to banks and other financial institutions			
Financial liabilities held for trading	VII. 24	3,423,774.60	26,952,508.66
Derivative financial liabilities	VII. 25	92,081,440.09	239,582,532.90
Bills payable	VII. 26	24,290,143,300.41	21,236,057,053.67
Accounts payable	VII. 27	39,008,002,641.86	36,302,971,944.48
Receipts in advance			
Contract liabilities	VII. 28	7,466,559,172.71	7,048,637,659.48
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. 29	3,178,004,997.26	3,760,099,978.82
Taxes payable	VII. 30	2,669,466,112.57	2,399,705,460.12
Other payables	VII. 31	20,050,241,387.28	17,056,156,167.28
Including: Interest receivable			
Dividend receivable		3,420,918,669.85	
Fees and commissions payable			
Reinsurance Accounts payables			
Liabilities held for sale			
Non-current liabilities due within one year	VII. 32	4,976,720,571.63	7,522,724,913.40
Other current liabilities	VII. 33	497,459,434.14	6,112,053,944.63
Total current liabilities		113,392,212,830.27	109,392,850,329.32
Non-current liabilities:			
Deposits for insurance contracts			
Long-term borrowings	VII. 34	9,590,298,914.57	11,821,416,259.81
Bonds payable	VII. 35	426,436,821.17	6,713,501,050.27
Including: Preference shares			

Perpetual bonds			
Lease liabilities	VII. 36	2,011,853,682.89	2,072,702,352.68
Long-term payables	VII. 37	94,010,166.66	98,203,261.27
Long-term payables for staff's remuneration	VII. 38	1,332,727,402.72	1,245,775,024.35
Estimated liabilities	VII. 39	1,585,475,425.32	1,442,844,036.73
Deferred income	VII. 40	617,897,583.09	633,761,669.48
Deferred income tax liabilities	VII. 21	1,963,219,325.33	1,900,401,265.97
Other non-current liabilities		33,512,053.44	27,033,458.13
Total non-current liabilities		17,655,431,375.19	25,955,638,378.69
Total liabilities		131,047,644,205.46	135,348,488,708.01
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII. 41	9,393,170,481.00	9,027,846,441.00
Other equity instruments	VII. 42	148,483,179.98	2,364,195,333.79
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII. 43	22,310,353,950.96	15,009,027,407.40
Less: treasury stock		1,796,154,587.01	28,896,550.65
Other comprehensive income	VII. 44	-1,302,353,671.61	-1,046,216,729.06
Special reserve			
Surplus reserve	VII. 45	3,045,334,539.60	3,045,334,539.60
General risk provisions			
Undistributed profits	VII. 46	42,047,382,464.86	38,445,132,172.47
Total equity attributable to owners (or shareholders) of the Parent Company		73,846,216,357.78	66,816,422,614.55
Minority shareholders' interests		1,353,560,067.36	1,294,584,557.09
Total owners' equity (or shareholders' equity)		75,199,776,425.14	68,111,007,171.64
Total liabilities and owners' equity (or shareholders' equity)		206,247,420,630.60	203,459,495,879.65

Person in charge of the Company: 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 2021

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	30 June 2021	31 December 2020
Current Assets:			
Monetary funds		1,783,378,537.78	8,286,549,909.64
Financial assets held for trading			
Derivative financial assets			
Bills receivable			
Accounts receivable	XVIII. 1	1,120,385,861.16	5,491,536,070.42
Financing receivables			
Prepayments		275,054,302.88	295,050,991.15
Other receivables	XVIII. 2	11,817,209,369.87	3,906,373,387.61

Including: Interest receivable		37,316,878.96	38,582,434.11
Dividend receivable			
Inventories		1,926,598.24	73,974,562.87
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		402,351,438.91	459,309,301.58
Total current assets		15,400,306,108.84	18,512,794,223.27
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVIII. 3	52,322,505,530.61	52,290,227,070.21
Investments in other equity instruments		804,334,894.58	804,334,894.58
Other non-current financial assets			
Investment properties			
Fixed assets		180,583,473.83	196,529,502.16
Construction in progress		24,996,214.91	8,319,418.36
Biological assets for production			
Oil and gas assets			
Right-of-use assets		1,646,781.72	2,076,376.95
Intangible assets		58,637,471.48	62,103,457.66
Development cost			
Goodwill			
Long-term prepaid expenses		3,410,447.98	4,208,602.97
Deferred income tax assets		154,335,216.49	154,335,216.49
Other non-current assets			26,894,836.99
Total non-current assets		53,550,450,031.60	53,549,029,376.37
Total assets		68,950,756,140.44	72,061,823,599.64
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable			
Accounts payables		76,953,150.80	248,172,640.78
Receipts in advance			
Contract liabilities		8,716,599.17	8,716,599.17
Payables for staff's remuneration		148,239,132.23	86,872,482.44
Taxes payable		6,554,122.71	55,756,358.98
Other payables		31,776,407,254.45	29,642,219,320.03
Including: Interest payable			
Dividends payable		3,420,918,669.85	
Liabilities held for sale			
Non-current liabilities due within one year		921,780.31	20,840,106.80
Other current liabilities		5,578,170.10	5,538,254,928.01

Total current liabilities		32,023,370,209.77	35,600,832,436.21
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		-	877,995.63
Long-term payable			
Long-term payables for staff's remuneration			
Estimated liabilities			
Deferred income		18,460,000.00	24,250,000.00
Deferred income tax liabilities		219,544,771.62	219,544,771.62
Other non-current liabilities			
Total non-current liabilities		238,004,771.62	244,672,767.25
Total liabilities		32,261,374,981.39	35,845,505,203.46
Owners' equity (or Shareholders' equity):			
Paid-in capital (or share capital)		9,393,170,481.00	9,027,846,441.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		25,494,323,977.23	20,408,352,380.95
Less: treasury stock		1,767,258,036.36	
Other comprehensive income		1,633,806.54	-10,030,704.15
Special reserve			
Surplus reserve		2,440,188,314.15	2,440,188,314.15
Undistributed profits		1,127,322,616.49	4,349,961,964.23
Total owners' equity (or shareholders' equity)		36,689,381,159.05	36,216,318,396.18
Total liabilities and owners' equity (or shareholders' equity)		68,950,756,140.44	72,061,823,599.64

Person in charge of the Company: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Profit Statement

January-June 2021

Unit and Currency: RMB

Items	Notes	2021 Interim	2020 Interim
I. Total operating revenue		111,618,822,064.73	95,728,097,106.65
Including: Operating revenue	VII. 47	111,618,822,064.73	95,728,097,106.65
Interest income			
Insurance premiums earned			
Fee and commission income			
II. Total cost of operations		104,209,419,477.98	91,986,258,214.68
Including: Operating cost	VII. 47	78,071,651,525.66	68,934,592,121.68
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. 48	338,882,675.38	275,190,778.54
Selling expenses	VII. 49	16,730,914,492.75	14,526,912,493.29
Administrative expenses	VII. 50	5,033,576,083.72	4,608,308,707.03
R&D expenses	VII. 51	3,738,734,614.40	2,939,733,549.14
Financial expenses	VII. 52	295,660,086.07	701,520,565.00
Including: Interest expenses		363,256,552.03	719,257,090.03
Interest income		264,334,107.38	219,622,316.65
Add: other income	VII. 53	377,180,441.63	525,289,255.43
investment income (losses are represented by “-”)	VII. 54	1,136,683,667.22	756,782,922.79
Including: Investment income of associates and joint ventures		943,069,721.83	679,043,527.00
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 value (losses are represented by “-”)	VII. 55	64,269,511.32	-30,987,103.15
Loss on credit impairment (losses are represented by “-”)	VII. 56	-44,031,423.21	-108,905,504.07
Loss on assets impairment (losses are represented by “-”)	VII. 57	-653,387,326.88	-609,748,132.69
Gain from disposal of assets (losses are represented by “-”)	VII. 58	142,414,954.25	-14,442,406.46
III. Operating profit (losses are represented by “-”)		8,432,532,411.08	4,259,827,923.82
Add: non-operating income	VII. 59	79,500,691.72	68,886,689.07
Less: non-operating expenses	VII. 60	51,064,696.04	55,470,756.55
IV. Total profit (total losses are represented by “-”)		8,460,968,406.76	4,273,243,856.34
Less: income tax expense	VII. 61	1,523,183,264.40	661,226,873.34
V. Net profit (net losses are represented by “-”)		6,937,785,142.36	3,612,016,983.00
(I) Classification by continuous operation			
1. Net profit from continuous operation (net losses are represented by “-”)		6,937,785,142.36	3,612,016,983.00
2. Net profit from discontinued operation (net losses are represented by “-”)			
(II) Classification by ownership of the equity			
1. Net profit attributable to shareholders of the Parent Company (net losses are represented by “-”)		6,852,271,812.97	2,780,800,712.72
2. Profit or loss attributable to		85,513,329.39	831,216,270.28

minority shareholders (net losses are represented by “-”)			
VI. Other comprehensive income, net of tax	VII. 62	-296,041,116.28	-261,463,495.41
(I) Other comprehensive income attributable to owners of the Parent Company, net of tax		-293,997,754.26	-220,001,490.33
1. Other comprehensive income that cannot be reclassified into the profit or loss		38,290,357.71	-56,383,682.14
(1) Changes arising from re-measurement of defined benefit plans		-595,263.81	12,218.39
(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		38,885,621.52	-56,395,900.53
(4) Changes in fair value of credit risks of the enterprise			
2. Other comprehensive income to be reclassified into the profit or loss		-332,288,111.97	-163,617,808.19
(1) Other comprehensive income that can be transferred into profit or loss under equity method		55,956,231.90	29,046,113.28
(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		112,586,182.47	-85,267,888.94
(6) Exchange differences on translation of financial statements denominated in foreign currencies		-500,830,526.34	-107,396,032.53
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax		-2,043,362.02	-41,462,005.08
VII. Total comprehensive income		6,641,744,026.08	3,350,553,487.59
(I) Total comprehensive income attributable to the owners of Parent Company		6,558,274,058.71	2,560,799,222.39
(II) Total comprehensive income attributable to the minority shareholders		83,469,967.37	789,754,265.20
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XIX. 1	0.741	0.423
(II) Diluted earnings per share (RMB/share)	XiX. 1	0.730	0.419

Person in charge of the Company: 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 2021

Unit and Currency: RMB

Items	Notes	2021 Interim	2020 Interim
I. Operating income	XVIII. 4	196,151,588.84	5,042,717,099.68
Less: operating cost	XVIII. 4	170,532,414.76	4,398,410,781.55
Taxes and surcharges		1,174,776.60	11,343,686.85
Selling expenses		1,542,784.65	217,962,272.62
Administration expenses		143,500,790.38	132,288,406.83
R&D expenses		17,296,703.96	142,656,643.01
Financial expenses		-32,789,762.71	28,978,469.77
Including: Interest expenses		7,372,782.23	46,159,222.22
Interest income		35,812,614.94	16,084,909.36
Add: other income		39,709,407.90	33,262,133.10
investment income (losses are represented by "-")	XVIII. 5	113,153,980.76	245,974,740.37
Including: Investment income of associates and joint ventures		89,661,570.77	63,292,928.01
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 "-")		-7,122,909.94	284,032.12
Loss on assets impairment (losses are represented by "-")			-1,306,612.25
Gain from disposal of assets (losses are represented by "-")		142,444,000.00	
II. Operating profit (losses are represented by "-")		183,078,359.92	389,291,132.39
Add: non-operating income		60,749.06	36,554.33
Less: non-operating expenses		50,687.25	319,495.89
III. Total profit (total losses are represented by "-")		183,088,421.73	389,008,190.83
Less: income tax expenses		-15,190,900.38	-1,456,008.32
IV. Net profit (net losses are represented by "-")		198,279,322.11	390,464,199.15
(I) Net profit from continuous operations (net losses are represented by "-")		198,279,322.11	390,464,199.15
(II) Net profit from discontinued operations (net losses are represented by "-")			
V. Other comprehensive income, net of tax		11,664,510.69	-7,116,127.00
(I) Other comprehensive income that cannot be reclassified into the			-178,713.89

profit or loss			
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
4. Changes in fair value of credit risks of the enterprise			
(II) Other comprehensive income to be reclassified into the profit or loss		11,664,510.69	-6,937,413.11
1. Other comprehensive income that can be transferred into profit or loss under equity method		11,664,510.69	-6,937,413.11
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		209,943,832.80	383,348,072.15
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Person in charge of the Company: Liang Haishan
Person in charge of accounting function: Gong Wei
Person in charge of accounting department: Ying Ke

Consolidated Cash Flow Statement

January-June 2021

Unit and Currency: RMB

Items	Notes	2021 Interim	2020 Interim
I. Cash flow from operating activities:			
Cash received from the sale of goods and rendering services		117,815,574,983.23	89,745,966,042.83
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		964,437,549.48	469,784,953.90
Cash received from other related operating activities	VII. 63	735,776,487.28	727,414,944.47
Sub-total of cash inflows from operating activities		119,515,789,019.99	90,943,165,941.20
Cash paid on purchase of goods and services		80,228,131,855.35	68,204,573,941.90
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		12,748,147,254.98	11,031,460,042.03
Cash paid for all types of taxes		5,071,928,519.13	3,466,925,924.16
Cash paid to other operation related activities	VII. 64	13,043,757,663.64	8,783,125,290.51
Sub-total of cash outflows from operating activities		111,091,965,293.10	91,486,085,198.60
Net cash flow from operating activities	VII. 67	8,423,823,726.89	-542,919,257.40
II. Cash flow from investing activities:			
Cash received from recovery of investments		2,869,349,936.62	1,912,295,416.73
Cash received from return on investments		313,949,022.75	223,367,236.11
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		19,269,652.96	49,585,896.20
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from investment activities			

Sub-total of cash inflows from investing activities		3,202,568,612.33	2,185,248,549.04
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		3,153,590,910.44	3,105,838,460.63
Cash paid for investments		3,283,612,983.20	799,380,076.93
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities			338,445,082.28
Other cash paid on investment activities	VII. 65	250,000.00	3,368,312.62
Sub-total of cash outflows from investing activities		6,437,453,893.64	4,247,031,932.46
Net cash flow from investing activities		-3,234,885,281.31	-2,061,783,383.42
III. Cash flow from financing activities:			
Cash received from capital contributions		8,600,000.00	1,116,431,069.68
Including: Cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		4,920,230,964.76	15,878,143,451.50
Other cash received from financing activities			
Sub-total of cash inflows from financing activities		4,928,830,964.76	16,994,574,521.18
Cash paid on repayment of loans		11,117,743,195.81	5,448,817,686.75
Cash paid on distribution of dividends, profits or repayment of interest expenses		327,295,977.88	568,142,953.79
Including: Dividend and profit paid to minority shareholders by subsidiaries			
Other cash paid to financing activities	VII. 66	3,090,810,896.53	398,074,951.29
Sub-total of cash outflows from financing activities		14,535,850,070.22	6,415,035,591.83
Net cash flow from financing activities		-9,607,019,105.46	10,579,538,929.35
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		-107,597,142.14	84,027,232.22
V. Net increase in cash and cash equivalents		-4,525,677,802.02	8,058,863,520.75
Add: balance of cash and cash equivalents at the beginning of the period	VII. 68	45,635,132,638.48	34,962,947,399.85
VI. Balance of cash and cash equivalents at the end of the period	VII. 68	41,109,454,836.46	43,021,810,920.60

Person in charge of the Company: 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 2021

Unit and Currency: RMB

Items	Notes	2021 Interim	2020 Interim
I. Cash flow from operating activities:			
Cash received from the sale of goods and rendering of services		4,574,156,292.06	1,201,820,635.00
Refunds of taxes		15,641,231.71	7,969,641.49
Other cash received from operating activities		60,444,554.93	44,874,440.51
Sub-total of cash inflows from operating activities		4,650,242,078.70	1,254,664,717.00
Cash paid on purchase of goods and services		81,405,473.91	9,839,119,707.06
Cash paid to and on behalf of employees		138,942,956.91	299,326,532.30
Cash paid for all types of taxes		33,242,176.88	139,592,241.79
Other cash paid to operation activities		9,853,987.61	114,847,819.51
Sub-total of cash outflows from operating activities		263,444,595.31	10,392,886,300.66
Net cash flow from operating activities		4,386,797,483.39	-9,138,221,583.66
II. Cash flow from investing activities:			
Cash received from recovery of investments		273,250,000.00	312,000,000.00
Cash received from return on investments		92,194,698.15	3,840,802,526.75
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			
Sub-total of cash inflows from investing activities		365,444,698.15	4,152,802,526.75
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		31,022,950.45	68,733,039.41
Cash paid for investments		231,500,000.00	1,159,400,000.00
Net cash paid on acquisition of subsidiaries and other operating entities			
Other cash paid on investment activities		75,886,144.59	79,000,000.00
Sub-total of cash outflows from investing activities		338,409,095.04	1,307,133,039.41
Net cash flow from		27,035,603.11	2,845,669,487.34

investing activities			
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		5,520,000,000.00	
Cash paid on distribution of dividends, profits or repayment of interest expenses		43,159,752.53	39,865,388.89
Other cash paid on financing activities		5,359,441,498.61	978,120.00
Sub-total of cash outflows from financing activities		10,922,601,251.14	40,843,508.89
Net cash flow from financing activities		-10,922,601,251.14	5,277,343,812.28
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		5,596,792.78	92,170.17
V. Net increase in cash and cash equivalents		-6,503,171,371.86	-1,015,116,113.87
Add: balance of cash and cash equivalents at the beginning of the period		8,286,549,909.64	5,624,406,816.79
VI. Balance of cash and cash equivalents at the end of the period		1,783,378,537.78	4,609,290,702.92

Person in charge of the Company: 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 2021

Unit and Currency: RMB

Items	2021 Interim														Minority equity	Total owners' equity
	Equity attributable to owners of the Parent Company															
	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	9,027,846,441.00			2,364,195,333.79	15,009,027,407.40	28,896,550.65	-1,046,216,729.06		3,045,334,539.60		38,445,132,172.47		66,816,422,614.55	1,294,584,557.09	68,111,007,171.64	
Add: changes in accounting policies											183,214,768.11		183,214,768.11	289,732.70	183,504,500.81	
Error correction for prior period																
Business combination under common control																
Others																
II. Opening balance for the current year	9,027,846,441.00			2,364,195,333.79	15,009,027,407.40	28,896,550.65	-1,046,216,729.06		3,045,334,539.60		38,628,346,940.58		66,999,637,381.26	1,294,874,289.79	68,294,511,672.45	
III. Increase/decrease for the current period (decrease is represented by “-”)	365,324,040.00			2,215,712,153.81	-7,301,326,543.56	1,767,258,036.36	-256,136,942.55				3,419,035,524.28		6,846,578,975.12	58,685,777.57	6,905,264,752.69	
(I) Total comprehensive income							-293,997,754.26				6,852,271,812.97		6,558,274,058.71	83,469,967.37	6,641,744,026.08	
(II) Capital injection and reduction by owners	365,324,040.00			2,215,712,153.81	-7,301,398,691.86	1,767,258,036.36							3,683,752,541.69	16,167,229.15	3,699,919,770.84	
1. Ordinary shares invested by owners																
2. Capital contribution by holders of other equity instruments	397,676,840.00			-2,215,712,153.81	8,095,619,066.22								6,277,583,752.41		6,277,583,752.41	

2021 Interim Report
Haier Smart Home Co., Ltd

3. Share-based payment included in owners' equity															
4. Others	- 32,352,80 0.00				- 794,220,37 4.36	1,767, 258,0 36.36						- 2,593,831, 210.72	16,167,229. 15	- 2,577,663,9 81.57	
(III) Profit distribution										- 3,420,918,6 69.85		- 3,420,918,669 .85	- 40,951,418. 95	- 3,461,870,0 88.80	
1. Withdrawal of surplus reserves															
2. Withdrawal of provisions for general risks									-						
3. Distribution to owners (or shareholders)										- 3,420,918,6 69.85		- 3,420,918,669 .85	- 40,951,418. 95	- 3,461,870,0 88.80	
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															

2021 Interim Report
Haier Smart Home Co., Ltd

(VI) Others					-72,148.30		37,860,811.71				-12,317,618.84		25,471,044.57		25,471,044.57
IV. Closing balance for the period	9,393,170,481.00			148,483,179.98	22,310,353,950.96	1,796,154,587.01	1,302,353,671.61		3,045,334,539.60		42,047,382,464.86		73,846,216,357.78	1,353,560,067.36	75,199,776,425.14

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 the current 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
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															

2021 Interim Report
Haier Smart Home Co., Ltd

period														
(VI) Others					-7,991,529.86		7,991,529.86				-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

Person in charge of the Company: 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 2021

Unit and Currency: RMB

Items	2021 Interim										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
I. Closing balance for the previous year	9,027,846,441.00				20,408,352,380.95		-10,030,704.15		2,440,188,314.15	4,349,961,964.23	36,216,318,396.18
Add: changes in accounting policies											
Error correction for prior period											
Others											
II. Opening balance for the current year	9,027,846,441.00				20,408,352,380.95		-10,030,704.15		2,440,188,314.15	4,349,961,964.23	36,216,318,396.18
III. Increase/decrease for the current period (decrease is represented by “-”)	365,324,040.00				5,085,971,596.28	1,767,258,036.36	11,664,510.69			-3,222,639,347.74	473,062,762.87
(I) Total comprehensive income							11,664,510.69			198,279,322.11	209,943,832.80
(II) Capital injection and reduction by owners	365,324,040.00				5,085,971,596.28	1,767,258,036.36	-				3,684,037,599.92
1. Ordinary shares invested by owners	-32,352,800.00				-793,935,316.13						-826,288,116.13

2021 Interim Report
Haier Smart Home Co., Ltd

2. Capital contribution by holders of other equity instruments	397,676,840.00				5,879,906,912.41						6,277,583,752.41
3. Share-based payment included in owners' equity											
4. Others						1,767,258,036.36					-1,767,258,036.36
(III) Profit distribution										-3,420,918,669.85	-3,420,918,669.85
1. Withdrawal of surplus reserves											
2 · Distribution to owners (or shareholders)										-3,420,918,669.85	-3,420,918,669.85
3 · Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4. Changes in defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											

2021 Interim Report
Haier Smart Home Co., Ltd

1 · Withdrawal for the period											
2. Utilization for the period											
(VI) Others											
IV. Closing balance for the period	9,393,170,481.00				25,494,323,977.23	1,767,258,036.36	1,633,806.54		2,440,188,314.15	1,127,322,616.49	36,689,381,159.05

Items	2020 Interim										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
I. Closing balance for the previous year	6,579,566,627.00				7,036,531,178.83		11,077,477.45		2,050,181,180.01	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	6,579,566,627.00				7,036,531,178.83		11,077,477.45		2,050,181,180.01	3,307,235,242.11	18,984,591,705.40
III. Increase/decrease for the current period (decrease is represented by "-")							-7,116,127.00			-2,076,873,285.98	-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											

2021 Interim Report
Haier Smart Home Co., Ltd

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 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	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

2021 Interim Report
Haier Smart Home Co., Ltd

balance for the period											
---------------------------	--	--	--	--	--	--	--	--	--	--	--

Person in charge of the Company: 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. In October 2018, D-shares in issue of the Company were listed on the China Europe International Exchange AG. In December 2020, H-shares in issue of the Company were listed on the Stock Exchange of Hong Kong Limited by way of introduction.

The Company's registered office is located at the Haier 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 30 August 2021.

2. Scope of consolidated financial 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, the operating results, changes in shareholders' equity and cash flow 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 financial 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 lost from this transaction attributable to other parties of joint operations before these assets are sold to a third party. In case of an impairment loss incurred on these assets which meets the requirements as set out in “*Accounting Standards for Business Enterprises No. 8 – Asset Impairment*”, the Company shall full recognize the amount of this loss in relation to its investment in or sale of assets to joint operations or recognize the loss according to the Company's share of commitment in relation to 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.

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

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

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

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 other equity instrument investments.

(1) Recognition of initial cost of investment

① For 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;

② For 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

① Cost 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.

② Equity 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 or measured at fair value: For loss of control in the invested company due to reasons such as partial disposal of equity investment, in the preparation of separate financial statements, the residual equity which can apply common control or impose significant influence to the invested company after disposal shall be accounted for under equity method. Such residual equity shall be treated as accounting for under equity method since the equity is obtained and adjusted. For residual equity which cannot apply common control or impose significant influence after disposal, it shall be accounted for in accordance with relevant requirements of “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument”, and the difference between the fair value and the carrying value of residual equity on the date loss of control shall be included in the profit or loss for such period. In the preparation of combined financial statements, it shall be accounted for in accordance with relevant requirements of “Accounting Standards for Business Enterprises No. 33 – Combined Financial Statements”.

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

① Joint 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.

② Significant 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

☒ 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

☒ 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 (year)	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). Disposal of fixed assets

When fixed assets are disposed of or are expected to fail to generate economic benefits after the use or disposal, the fixed assets shall be derecognized. The difference of the income from sales, transfer, retirement or damage of fixed assets deducting the book value and related taxes should be included in the current profit and loss.

15. Construction in progress

☒ Applicable ☐ Not Applicable

(1) Measurement of construction in progress

Costs of construction in progress are recognised based on actual construction expense, including various necessary construction expenses incurred during construction, borrowing costs to be capitalised before reaching estimated usable status and other relevant fees.

(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:

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

②The 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;

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

④The 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: ①Intangible assets with finite useful lives are amortized on a straight-line basis; their useful lives and amortization methods are reviewed at the end of each year, and adjusted accordingly if there is any variance with the previous estimates; ②Intangible assets with indefinite useful lives are not amortized and their useful lives are reviewed at the end of each year. If there is an objective evidence that the useful life of an intangible asset is finite, an estimation should be made on the useful life and the intangible asset should be amortized using the straight-line method.

(2). Criterion of determining indefinite useful life

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

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

At the end of each year, the 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). Basis for research and development phases for internal research and development project and basis for capitalization of expenditure incurred in development stage

☒ 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: ①the technical feasibility of completing the intangible assets so that they will be available for use or for sale; ②the intention to complete the intangible assets for use or for sale; ③ how the intangible assets will generate economic benefits, including there is evidence that the products produced by the intangible assets has a market or the intangible assets themselves have a market; if the intangible assets are for internal use, there is evidence that there exists usage for the intangible assets; ④ the availability of adequate technical, financial and other resources to complete the development and gain the ability to use or sell the intangible assets; ⑤ the capability to reliably measure the expenditures attributable to the development stage of the intangible assets.

Specific standards for distinguishing research stage and development stage of an internal research and development project: 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

(1). Accounting treatment of short-term remuneration

√ Applicable ☐ Not Applicable

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.

(2). Accounting treatment of post-employment benefits

√ Applicable ☐ Not Applicable

Post-employment benefits mainly include the basic pension insurance, enterprise annuity, etc., In accordance with the risks and obligations undertaken by the Company, the post-employment benefits are classified as defined contribution plans and defined benefit plans. Defined contribution plans: the Company shall recognize the sinking funds paid on the balance sheet date to individual entities in exchange for services from employees in the accounting period as liabilities, and shall credit such funds into the profit or loss or the cost of relevant assets in accordance with the benefit objects. Defined benefit plans: the 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.

(3). Accounting treatment of termination benefits

√ Applicable ☐ Not Applicable

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.

(4). Accounting treatment of other long-term employee benefits

☐ Applicable ☒ Not Applicable

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 are 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

☒ Applicable ☐ Not Applicable

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

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

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

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

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

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

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

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

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

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

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

(1) Sale of goods

Generally, contracts for sale of goods between the Company and its clients only include performance obligation of transferring the whole machine of home appliance. Generally, on

the basis of taking into account the following factors comprehensively, the Company recognizes the revenue at the time point of transfer of control right of goods: the right of instant collection for obtaining goods, transfer of major risks and rewards on ownership of goods, transfer of statutory ownership of goods, transfer of assets of material objects of goods, the client's acceptance of such goods.

(2) Construction contract income

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

(3) Warranty obligations

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

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: ①those used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in current profit or loss when such expenses are recognized; ②those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in current profit or loss.

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

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

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

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

①Government 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;

②Government 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/ 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.

④ Fair 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.

⑤ Impairment 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.

⑥ Provision 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.

⑧Deferred 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.

⑨Income 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.

⑩Provisions 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	6%, 9%, 13%

	goods or rendering services	
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
Qingdao Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
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 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	15%	entitled to the preferential taxation policies

Co., Ltd.		as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	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 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 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
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 Wei Xi Intelligent Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Smart Kitchen Appliance 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
Beijing Lingli Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hairuijiejing Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shanghai Haier Medical Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Yunshang Yuyi IOT Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier (Shenzhen) R&D Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Ririshun Lejia IOT Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Smart Electrical Equipment Limited	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Technology Co., Ltd.	10%	entitled to half deduction the preferential taxation policies as a key software enterprise
Wuhan Haier Energy and Power Co., Ltd.	10%	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
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
Guangdong Heilong Intelligent Technology Co. Ltd	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haichuangyuan Appliances Sales Co.,Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
Dalian Haier Precision Products 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 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 2021. The opening balance refers to the amount as of 31 December 2020. The amount for the current period refers to the amount in the period from 1 January to 30 June 2021. The amount of the previous period refers to the amount of the period from 1 January to 30 June 2020.

1. Monetary funds

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	6,532,547.04	2,257,666.98
Deposit in bank	40,349,002,059.65	45,306,078,417.59
Other monetary funds	1,488,242,948.87	1,152,993,342.34
Total	41,843,777,555.56	46,461,329,426.91
Including: Total amount deposit overseas	8,084,129,776.52	10,409,047,820.91

Other explanations:

The cash in the monetary funds deposited in Haier Finance Co., Ltd. was RMB28,628,590,018.12 at the end of the period, the balance of which included time deposit of RMB13,293,000,000.00, while monetary capital as at the end of the period included the cash deposited in Haier Consumer Finance Co., Ltd. of RMB317,600,000.00, which was all fixed-term deposits. The investment fund in the closing balance of other monetary funds was RMB597,660,074.72, deposit on third party payment platforms was RMB156,260,155.05 and the security deposit was RMB722,668,603.91, the frozen fund was RMB7,835,198.72, and the restricted fund was RMB3,818,916.47.

2. Financial assets held for trading

Items	Closing balance	Opening balance
Forward foreign exchange contracts	128,322,958.47	105,446,693.00
Short-term wealth management products	1,892,664,884.11	1,862,036,322.21
Investment fund	144,100,920.94	113,759,845.57
Investment in other equity instruments	83,828,024.73	83,949,637.05
Total	2,248,916,788.25	2,165,192,497.83

3. Derivative financial assets

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange trading contracts	97,152,699.86	52,194,232.55
Forward commodity contracts	24,822,927.92	25,644,774.08
Total	121,975,627.78	77,839,006.63

4. Bills receivable

(1) Details of bills receivable

Items	Closing balance	Opening balance
Bank acceptance notes	11,337,058,569.30	3,091,631,183.91
Commercially acceptance notes	580,548,154.36	11,056,075,267.03
Balance of bills receivable	11,917,606,723.66	14,147,706,450.94
Allowance for bad debts	11,200,000.00	11,356,696.60
Bills receivable, net	11,906,406,723.66	14,136,349,754.34

(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	11,356,696.60			156,696.60		11,200,000.00
Total	11,356,696.60			156,696.60		11,200,000.00

The bills receivable pledged by the Company at the end of the period was RMB10,604,557,468.20.

5. Accounts receivable

1 Accounts receivable are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	20,145,187,600.50	15,866,291,515.38
1-2 years	337,924,237.89	229,618,450.58
2-3 years	87,350,762.57	91,669,887.74
Over 3 years	87,446,223.64	184,125,877.54
Accounts receivable, balance	20,657,908,824.60	16,371,705,731.24
Allowance for bad debts	456,301,553.92	441,681,444.57

Accounts receivable, net	20,201,607,270.68	15,930,024,286.67
--------------------------	-------------------	-------------------

- 2 The total amount of the top 5 accounts receivable at the end of the period is RMB7,580,475,842.29, accounting for 36.70% 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	441,681,444.57	65,025,925.57		31,902,930.37	18,502,885.85	456,301,553.92

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

The amount of accounts receivable actually written off in the current period is RMB10,143,124.34, and there is no important bad debt write-off of accounts receivable.

- 5 Accounts receivable that were terminated due to the transfer of financial assets in the current period.

☒ Applicable ☐ Not Applicable

In the current period, the amount of accounts receivable that the company terminated due to the transfer of financial assets was RMB3,513,147,393.74, and the transfer method was selling-type factoring/asset securitization.

- 6 Current limited accounts receivable

The amount of limited accounts receivable at the end of the period is RMB1,768,183,567.99.

6. Prepayments

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

Aging	Closing balance	Opening balance
Within one year	759,749,397.45	697,975,595.05
1-2 years	68,479,410.00	30,590,250.54
2-3 years	5,570,050.82	4,580,733.23
Over 3 years	33,199,124.13	32,280,992.88
Total	866,997,982.40	765,427,571.70

(2). Top five prepayments with closing balances by prepaid targets

☒ Applicable ☐ Not Applicable

The amount of the top 5 in the prepayments at the end of the period totals RMB213,229,609.97, which accounts for 24.59% of the prepayment balance.

7. Other receivables

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	284,404,268.03	322,473,254.91
Dividend receivable		4,915,409.42
Other receivables	1,981,416,940.25	1,389,764,281.32
Total	2,265,821,208.28	1,717,152,945.65

Other explanations:

☐ Applicable ☒ Not Applicable

Interest receivable

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Aging	Closing balance	Opening balance
Within one year	117,728,640.37	230,234,039.92
1-2 years	155,916,288.92	82,575,210.18
2-3 years	10,759,338.74	8,925,141.80
Over 3 years		738,863.01
Total	284,404,268.03	322,473,254.91

Dividend receivable

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Aging	Closing balance	Opening balance
Within one year		4,915,409.42

1-2 years		
2-3 years		
Over 3 years		
Total		4,915,409.42

Other receivables

1 Other receivables are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	1,527,145,718.43	931,454,573.77
1-2 years	395,365,575.42	417,514,929.49
2-3 years	51,140,489.59	61,251,809.96
Over 3 years	110,567,512.77	75,201,513.32
Other receivables balance	2,084,219,296.21	1,485,422,826.54
Allowance for bad debts	102,802,355.96	95,658,545.22
Other receivables, net	1,981,416,940.25	1,389,764,281.32

2 The total amount of the top 5 other receivables at the end of the period is RMB805,868,283.53, which accounts for 38.67% of the book balance of other receivables.

3 Changes in bad debt provision for other receivables 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	95,658,545.22	18,177,127.87	372,297.18	7,112,003.26	4,293,611.05	102,802,355.96

4 Other receivables written off during the period

The amount of other receivables actually written off in the current period is RMB4,293,611.05, and no significant other receivables are written off for bad debts.

⑤ 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

2021 Interim Report
Haier Smart Home Co., Ltd

Raw material	3,576,352,139.27	132,707,777.25	2,785,611,125.08	115,958,355.70
Work in progress	506,624,364.38		336,866,878.61	
Finished goods	30,418,238,442.94	860,317,044.29	27,613,569,305.90	1,173,115,549.14
Total	34,501,214,946.59	993,024,821.54	30,736,047,309.59	1,289,073,904.84

(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	115,958,355.70	27,865,439.05		101,787.20	11,014,230.30	132,707,777.25
Work in progress						
Finished goods	1,173,115,549.14	443,011,285.81		68,008,501.34	687,801,289.32	860,317,044.29
Total	1,289,073,904.84	470,876,724.86		68,110,288.54	698,815,519.62	993,024,821.54

9. Contract assets

(1) Details

Items	Closing balance		Opening balance	
	Book value balance	Impairment Provision	Book value balance	Impairment Provision
Relating to construction service contract	242,265,937.64		263,412,927.58	
Total	242,265,937.64		263,412,927.58	

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	408,970,053.06		554,131,037.76	
Taxes to be deducted	2,096,871,492.75	2,826,836.58	2,438,982,829.14	2,907,303.98
Return cost receivable	431,529,485.61	228,948,507.82	418,107,603.27	242,502,616.01
Others	219,479,566.33		118,077,350.40	
Total	3,156,850,597.75	231,775,344.40	3,529,298,820.57	245,409,919.99

(2) Impairment provision

2021 Interim Report
Haier Smart Home Co., Ltd

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other Increases	Reversal	Write-off / other movement	
Deductible input tax	2,907,303.98			78,683.50	1,783.90	2,826,836.58
Return cost receivables	242,502,616.01	228,948,507.82			242,502,616.01	228,948,507.82
Total	245,409,919.99	228,948,507.82		78,683.50	242,504,399.91	231,775,344.40

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.	6,526,237,270.67		332,052,043.26	31,058,064.07		-126,000,000.00
Bank of Qingdao Co., Ltd.	2,463,096,567.92		146,198,194.52	29,444,672.12		-66,019,246.02
Wolong Electric (Jinan) Motor Co., Ltd.	143,847,870.70		13,441,218.96			
Qingdao Hegang New Material Technology Co., Ltd.	297,154,935.85		10,980,513.03			
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	385,797,036.73		11,710,187.89			-17,819,777.76
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	654,581,961.84		39,355,157.03			
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	415,298,165.93		6,163,986.57			-25,074,310.40
Qingdao Haier multimedia Co., Ltd.	328,987,205.07		-50,160,853.64			
Qingdao Haier Moulds Co., Ltd.	259,696,084.44		7,878,022.92			
Hefei Feier Smart Technology Co., Ltd.	1,491,024.72		1,659,252.99			
Anhui Kunhe Intelligent Technology Co., Ltd.*		3,000,000.00				
Zhejiang Futeng Fluid Technology Co., Ltd.*		70,000,000.00				
Beijing Mr. Hi Network Technology Company Limited	7,507,759.75					
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82					
Beijing ASU Tech Co., Ltd.	32,365,969.45		-10,478,677.95			
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	6,914,487.73					
Qingdao Haimu Investment Management Co., Ltd.	2,349,240.51					
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	47,870,696.66		-239,104.82			
Guangzhou Heying Investment Partnership (Limited Partnership)	288,209,197.58					

2021 Interim Report
Haier Smart Home Co., Ltd

Qingdao Home Wow Cloud Network Technology Co., Ltd.	2,629,009.63		87,644.95			
Qingdao Ririshun Service Co., Ltd.	33,010,000.00		403,328.00			
Bingji (Shanghai) Corporate Management Co., Ltd.	928,444,178.47		20,033,292.85			
Youjin (Shanghai) Corporate Management Co., Ltd.	1,687,262,142.67		36,424,168.82			
RRS (Shanghai) Investment Co., Ltd.	3,066,931,168.49		66,225,761.48			
Haier Best Water Technology Co., Ltd.	33,455,159.59		-2,535,284.12			
uizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)	120,000,000.00					
Qingdao Ririshun Huizhi Investment Co., Ltd.	2,100,000.00					
Meiling Candy Washing Machine Co., Ltd.	22,558,307.10		279,586.44			
Konan Electronic Co., Ltd.	77,561,552.87		1,310,907.78	-5,918,521.84		-270,900.00
HNR Company (Private) Limited	92,141,887.27		41,118,626.54	-370,616.01		
HPZ LIMITED	66,827,745.66		5,581,022.71	-4,161,242.29		
HaierRayaElectricS.A.E	10,741,234.10	1,257,900.00	-575,240.89			
CONTROLADORAMA BES.A.deC.V.	3,667,310,241.31		266,155,966.51	6,027,923.74		-40,168,145.36
MiddleEastAirconditioning Company, Limited	19,002,595.66					
Total	21,694,068,040.19	74,257,900.00	943,069,721.83	56,080,279.79		-275,352,379.54

(Continued)

Investees	Increase/decrease for the period		Closing balance	Impairment provision Closing balance
	Other movement	Disposal of the investment		
Associate:				
Haier Finance Co., Ltd.	221,293,164.22		6,984,640,542.22	
Bank of Qingdao Co., Ltd.			2,572,720,188.54	
Wolong Electric (Jinan) Motor Co., Ltd.			157,289,089.66	
Qingdao Hegang New Material Technology Co., Ltd.			308,135,448.88	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)			379,687,446.86	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			693,937,118.87	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			396,387,842.10	21,000,000.00
Qingdao Haier Multimedia Co., Ltd			278,826,351.43	88,300,000.00
Qingdao Haier Moulds Co., Ltd			267,574,107.36	
Hefei Feier Smart Technology Co., Ltd.			3,150,277.71	
Anhui Kunhe Intelligent Technology Co., Ltd.*			3,000,000.00	
Zhejiang Futeng Fluid Technology Co., Ltd.*			70,000,000	
Beijing Mr. Hi Network Technology Company Limited			7,507,759.75	7,507,759.75
Beijing Xiaobei Technology Co., Ltd.			2,687,341.82	2,687,341.82

2021 Interim Report
Haier Smart Home Co., Ltd

Beijing ASU Tech Co., Ltd.			21,887,291.50	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.			6,914,487.73	6,914,487.73
Qingdao Haimu Investment Management Co., Ltd.			2,349,240.51	
Qingdao Haimu Zhijia Investment Partnership (Limited Partnership)			47,631,591.84	
Guangzhou Heying Investment Partnership (Limited Partnership)			288,209,197.58	
Qingdao Home Wow Cloud Network Technology Co., Ltd.			2,716,654.58	
Qingdao Ririshun Service Co., Ltd.			33,413,328.00	
Bingji (Shanghai) Corporate Management Co., Ltd.			948,477,471.32	
Youjin (Shanghai) Corporate Management Co., Ltd.			1,723,686,311.49	
RRS (Shanghai) Investment Co., Ltd.			3,133,156,929.97	
Haier Best Water Technology Co., Ltd.			30,919,875.47	
Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)			120,000,000.00	
Qingdao Ririshun Huizhi Investment Co., Ltd.			2,100,000.00	
Meiling Candy Washing Machine Co., Ltd.			22,837,893.54	
Konan Electronic Co., Ltd.			72,683,038.81	
HNR Company (Private) Limited			132,889,897.80	
HPZ LIMITED			68,247,526.08	
HaierRayaElectricS.A.E			11,423,893.21	
CONTROLADORAMABES.A.deC.V.			3,899,325,986.20	
MiddleEastAirconditioningCompany,Limited			19,002,595.66	
Total	221,293,164.22		22,713,416,726.49	126,409,589.30

12. Investment in other equity instruments

(1). Details of investment in other equity instruments

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
SINOPEC Fuel Oil Sales Corporation Limited	1,141,941,000.00	1,117,637,000.00
Haier COSMO IOT Ecosystem Technology Co., Ltd.	1,396,555,521.94	1,396,555,521.94
Others	290,682,898.22	144,932,743.60
Total	2,829,179,420.16	2,659,125,265.54

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

Items	Amount for the current period
-------	-------------------------------

Others	440,255.20
Total	440,255.20

13. 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	46,978,578.83	2,128,550.51	49,107,129.34
2. Increase for the period			
(1) Outsourced			
(2) Inventories\fixed assets\construction in progress transferred in			
(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	-272,200.40		-272,200.40
5. Closing balance	46,706,378.43	2,128,550.51	48,834,928.94
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	20,129,742.37	590,384.16	20,720,126.53
2. Increase for the period			
(1) Provision or amortization	900,247.38	20,118.11	920,365.49
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Converted difference in foreign currency statements	-60,001.18		-60,001.18
5. Closing balance	20,969,988.57	610,502.27	21,580,490.84
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	25,736,389.86	1,518,048.24	27,254,438.10
2. Opening book value	26,848,836.46	1,538,166.35	28,387,002.81

(2) The depreciation and amortization amount charge for the period is RMB920,365.49.

(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.

14. Fixed assets

Presented as

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Fixed assets	20,667,862,688.61	20,878,516,949.39
Disposals of fixed assets	12,964,689.10	16,987,772.82
Total	20,680,827,377.71	20,895,504,722.21

Fixed assets

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value			
1. Opening balance	10,162,375,605.27	24,419,389,978.14	169,128,209.23
2. Increase for the period			
(1) Acquisition	37,295,772.82	434,896,087.17	4,852,083.89
(2) Construction in progress transferred in	227,282,171.84	1,043,182,153.23	6,389,524.30
(3) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or Write-off	36,274,739.05	467,867,291.79	9,635,049.05
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-158,927,087.11	-296,599,393.65	-3,678,180.94

2021 Interim Report
Haier Smart Home Co., Ltd

5.Closing balance	10,231,751,723.77	25,133,001,533.10	167,056,587.43
II. Accumulated depreciation			
1.Opening balance	3,513,815,327.47	11,613,034,474.07	99,044,833.13
2.Increase for the period			
(1) Provision	257,257,030.77	1,319,687,083.26	9,630,994.50
(2) Increase in business combinations			
3.Decrease for the period			
(1) Disposal or write-off	14,194,613.99	333,305,672.97	7,454,504.51
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-51,985,785.86	-171,680,414.83	-1,414,647.71
5.Closing balance	3,704,891,958.39	12,427,735,469.53	99,806,675.41
III. Impairment provision			
1.Opening balance	33,638,997.63	39,684,984.39	185,490.35
2.Increase for the period			
(1) Provision		21,593,523.50	
(2) Increase in business combinations			
3.Decrease for the period			
(1) Disposal or Write-off		1,761,365.78	
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-2,538,419.21	347,003.53	-7,992.37
5.Closing balance	31,100,578.42	59,864,145.64	177,497.98
IV. Book value			
1.Closing book value	6,495,759,186.96	12,645,401,917.93	67,072,414.04
2.Opening book value	6,614,921,280.17	12,766,670,519.68	69,897,885.75

(Continued)

Items	Office furniture	Others	Total
I. Original book value			
1.Opening balance	951,374,986.48	2,268,702,315.82	37,970,971,094.94
2.Increase for the period			
(1) Acquisition	21,816,710.13	21,204,038.41	520,064,692.42
(2) Construction in progress transferred in	108,042,400.74	99,892,334.04	1,484,788,584.15
(3) Increase in business			

2021 Interim Report
Haier Smart Home Co., Ltd

combinations			
3.Decrease for the period			
(1) Disposal or Write-off	31,595,474.77	52,729,382.19	598,101,936.85
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-79,529,057.44	13,477,874.80	-525,255,844.34
5.Closing balance	970,109,565.14	2,350,547,180.88	38,852,466,590.32
II. Accumulated depreciation			
1.Opening balance	482,846,976.88	1,304,418,481.44	17,013,160,092.99
2.Increase for the period			
(1) Provision	72,467,718.81	111,988,219.42	1,771,031,046.76
(2) Increase in business combinations			
3.Decrease for the period			
(1) Disposal or Write-off	28,878,212.22	50,501,712.28	434,334,715.97
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-6,777,472.47	-30,227,871.88	-262,086,192.75
5.Closing balance	519,659,011.00	1,335,677,116.70	18,087,770,231.03
III. Impairment provision			
1.Opening balance	367,009.63	5,417,570.56	79,294,052.56
2.Increase for the period			
(1) Provision		157,542.74	21,751,066.24
(2) Increase in business combinations			
3.Decrease for the period			
(1) Disposal or Write-off	42,689.77		1,804,055.55
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-9,546.53	-198,437.99	-2,407,392.57
5.Closing balance	314,773.33	5,376,675.31	96,833,670.68
IV. Book Value			
1.Closing book value	450,135,780.81	1,009,493,388.87	20,667,862,688.61
2.Opening book value	468,160,999.97	958,866,263.82	20,878,516,949.39

(2) In the current period, the balance of the construction in progress transferred to the original value of the fixed assets is total RMB1,484,788,584.15.

(3) There was no mortgage secured by the fixed assets mortgage at the end of the period.

(4) Disposals of fixed assets

Items	Closing balance	Opening balance	Reason for transferring to disposal
Relocation of Qingdao Industrial Park	12,964,689.10	12,964,689.10	Demolition
Other		4,023,083.72	Scrap cleanup
Total	12,964,689.10	16,987,772.82	

15. Construction in progress

Presented as

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Construction in progress	5,020,055,626.42	3,596,902,447.07
Construction materials		
Total	5,020,055,626.42	3,596,902,447.07

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
Haier India Project	756,300,118.70		756,300,118.70	400,955,285.59		400,955,285.59
Europe CANDY Project	585,831,480.18		585,831,480.18	611,529,115.13		611,529,115.13
America GEA Project	569,477,992.54		569,477,992.54	518,260,493.01		518,260,493.01
Smart home appliance technology project	438,904,361.14		438,904,361.14	291,584,097.58		291,584,097.58
Foshan freezer Project	303,342,506.46		303,342,506.46	89,437,456.94		89,437,456.94
Hefei Refrigerator Project	279,298,017.69		279,298,017.69	87,566,220.44		87,566,220.44
Haier Russian Project	202,161,316.32		202,161,316.32	76,966,572.40		76,966,572.40

2021 Interim Report
Haier Smart Home Co., Ltd

Qingdao Haier Washing Machine Project	156,757,876.08		156,757,876.08	107,072,469.09		107,072,469.09
Haier Strauss Project	152,700,514.93		152,700,514.93	105,851,790.40		105,851,790.40
Haier Special Refrigerator Project	129,054,284.32		129,054,284.32	26,181,149.22		26,181,149.22
New Zealand FPA Project	125,335,851.64		125,335,851.64	96,050,392.73		96,050,392.73
Haier Air Conditioning Electronics Project	97,574,762.03		97,574,762.03	56,560,330.52		56,560,330.52
Zhengzhou New Energy Project	92,592,962.03		92,592,962.03	134,884,592.49		134,884,592.49
Haier (Jiaozhou) Air-conditioning Project	78,456,538.07		78,456,538.07	16,503,076.95		16,503,076.95
Hefei Haier Air Conditioning Project	71,185,462.69		71,185,462.69	12,948,252.61		12,948,252.61
Haier Special Refrigerator Project	63,899,120.09		63,899,120.09	28,379,142.82		28,379,142.82
Wuhan Haier Freezer Project	61,541,218.34		61,541,218.34	29,444,043.15		29,444,043.15
Jiaonan Washing Machine Project	52,487,557.82		52,487,557.82	48,681,689.86		48,681,689.86
Qingdao Haier Dishwasher Project	51,335,506.63		51,335,506.63	25,231,410.35		25,231,410.35
Others	752,655,914.57	837,735.85	751,818,178.72	833,652,601.64	837,735.85	832,814,865.79
Total	5,020,893,362.27	837,735.85	5,020,055,626.42	3,597,740,182.92	837,735.85	3,596,902,447.07

(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
Haier India Project	400,955,285.59	391,430,778.47	20,794,018.86		-15,291,926.50	756,300,118.70	Self-funding/fund raising
Europe CANDY Project	611,529,115.13	298,634,127.92	273,476,893.14	1,410,722.01	-49,444,147.72	585,831,480.18	Self-funding
America GEA Project	518,260,493.01	324,339,049.28	267,833,262.87		-5,288,286.88	569,477,992.54	Self-funding
Smart home appliance technology project	291,584,097.58	147,320,263.56				438,904,361.14	Self-funding
Foshan freezer Project	89,437,456.94	221,713,588.50	7,808,538.98			303,342,506.46	Self-funding
Hefei Refrigerator Project	87,566,220.44	209,132,986.99	17,401,189.74			279,298,017.69	Self-funding
Haier Russian Project	76,966,572.40	126,454,395.15	1,259,651.23			202,161,316.32	Self-funding
Qingdao Haier Washing Machine Project	107,072,469.09	51,315,774.62	1,630,367.63			156,757,876.08	Self-funding
Haier Strauss Project	105,851,790.40	46,848,724.53				152,700,514.93	Self-funding
Haier Special Refrigerator Project	26,181,149.22	115,425,370.68	12,552,235.58			129,054,284.32	Self-funding
New Zealand FPA Project	96,050,392.73	82,110,980.12	47,998,229.79		-4,827,291.42	125,335,851.64	Self-funding
Haier Air Conditioning	56,560,330.52	57,245,084.17	14,614,409.48	1,616,243.18		97,574,762.03	Self-funding

2021 Interim Report
Haier Smart Home Co., Ltd

Electronics Project							
Zhengzhou New Energy Project	134,884,592.49	27,893,541.47	70,185,171.93			92,592,962.03	Self-funding
Haier (Jiaozhou) Air-conditioning Project	16,503,076.95	67,387,876.07	5,434,414.95			78,456,538.07	Self-funding/ fund raising
Hefei Haier Air Conditioning Project	12,948,252.61	70,286,969.34	12,049,759.26			71,185,462.69	Self-funding/ fund raising
Haier Special Refrigerator Project	28,379,142.82	50,149,268.69	14,629,291.42			63,899,120.09	Self-funding
Wuhan Haier Freezer Project	29,444,043.15	34,242,750.38	2,145,575.19			61,541,218.34	Self-funding
Jiaonan Washing Machine Project	48,681,689.86	27,766,593.93	23,960,725.97			52,487,557.82	Self-funding
Qingdao Haier Dishwasher Project	25,231,410.35	44,948,309.41	18,844,213.13			51,335,506.63	Self-funding
Others	833,652,601.64	611,259,685.76	672,170,635.00	9,891,898.84	-10,193,838.99	752,655,914.57	Self-funding/ fund raising
Total	3,597,740,182.92	3,005,906,119.04	1,484,788,584.15	12,918,864.03	-85,045,491.51	5,020,893,362.27	

(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
Lejia IOT Project	837,735.85					837,735.85
Total	837,735.85					837,735.85

16. Right-of-use assets

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value:			
1. Opening balance	3,363,666,439.28	39,645,820.91	194,507,833.03
2. Increase for the current period			
(1) Increase	333,998,904.49	3,638,881.01	24,650,760.62
3. Decrease for the current period			
(1) Disposal	157,794,759.00	226,268.14	14,249,314.53
(2) Disposal of subsidiary			
4. Converted difference in foreign currency statements	-71,173,390.01	44,789.54	-9,566,424.20
5. Closing balance	3,468,697,194.76	43,103,223.32	195,342,854.92
II. Accumulated amortization			
1. Opening balance	885,680,688.93	12,842,957.01	89,243,999.98
2. Increase for the current period			
(1) Provision	259,451,681.67	4,703,927.50	30,984,183.89
3. Decrease for the current period			
(1) Disposal	98,572,893.69	216,262.02	13,963,041.76
(2) Disposal of subsidiary			
4. Converted difference in	-27,990,907.59	-2,716,151.10	-6,333,363.23

2021 Interim Report
Haier Smart Home Co., Ltd

foreign currency statements			
5. Closing balance	1,018,568,569.32	14,614,471.39	99,931,778.88
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	2,450,128,625.44	28,488,751.93	95,411,076.04
2. Opening book value	2,477,985,750.35	26,802,863.90	105,263,833.05

(Continued)

Items	Office furniture	Other	Total
I. Original book value:			
1. Opening balance	48,709,675.83	355,706,633.95	4,002,236,403.00
2. Increase for the current period			
(1) Increase	3,326,409.23	35,476,806.56	401,091,761.91
3. Decrease for the current period			
(1) Disposal	2,352,555.28		174,622,896.95
(2) Disposal of subsidiary			
4. Converted difference in foreign currency statements	-3,866,874.07	-35,589,345.08	-120,151,243.82
5. Closing balance	45,816,655.71	355,594,095.43	4,108,554,024.14
II. Accumulated amortization			
1. Opening balance	14,096,013.92	160,514,483.89	1,162,378,143.73
2. Increase for the current period			
(1) Provision	4,770,709.67	37,408,576.80	337,319,079.53
3. Decrease for the current period			
(1) Disposal	2,352,555.28		115,104,752.75
(2) Disposal of subsidiary			
4. Converted difference in foreign currency statements	1,048,058.99	-33,500,791.68	-69,493,154.61
5. Closing balance	17,562,227.30	164,422,269.01	1,315,099,315.90
III. Impairment provision			

2021 Interim Report
Haier Smart Home Co., Ltd

1.Opening balance			
2.Increase for the current period			
Provision			
3.Decrease for the current period			
Disposal			
Disposal of subsidiary			
4. Converted difference in foreign currency statements			
5.Closing balance			
IV. Book Value			
1.Closing book value	28,254,428.41	191,171,826.42	2,793,454,708.24
2.Opening book value	34,613,661.91	195,192,150.06	2,839,858,259.27

17. Intangible assets

(1). Details of intangible assets

√ Applicable □ Not Applicable

Items	Proprietary technology	Licenses and franchises	Land use rights
I. Original book value			
1. Opening balance	1,842,005,662.53	4,010,777,802.58	1,200,138,465.93
2. Increase for the current period			
(1) Purchase	1,631,271.28	152,603,821.97	49,248,805.00
(2) Internal research and development	66,178,730.58	-	-
(3) 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	-51,816,827.32	-43,190,410.67	-6,014,986.90
5. Closing balance	1,857,998,837.07	4,120,191,213.88	1,243,372,284.03
II. Accumulated amortization			
1. Opening balance	871,204,292.17	564,045,820.06	139,165,642.83
2. Increase for the current period			
(1) Provision	84,147,005.39	63,863,023.74	15,615,290.78
(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	-25,059,769.85	-7,762,750.39	-847,270.19
5. Closing balance	930,291,527.71	620,146,093.41	153,933,663.42
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			

2021 Interim Report
Haier Smart Home Co., Ltd

(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	927,707,309.36	3,500,045,120.47	1,089,438,620.61
2. Opening book value	970,801,370.36	3,446,731,982.52	1,060,972,823.10

(Continued)

Items	Trademark rights	Application management software and others	Total
I. Original book value			
1. Opening balance	2,713,444,699.59	3,828,069,125.45	13,594,435,756.08
2. Increase in the current period			
(1) Purchase		117,722,303.65	321,206,201.90
(2) Internal research and development		132,595,018.45	198,773,749.03
(3) Increase in business combination			
3. Decrease for the current period			
(1) Disposal		3,735,225.66	3,735,225.66
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-91,039,231.65	-65,906,930.06	-257,968,386.60
5. Closing balance	2,622,405,467.94	4,008,744,291.83	13,852,712,094.75
II. Accumulated amortization			
1. Opening balance		1,946,112,106.66	3,520,527,861.72
2. Increase in the current period			
(1) Provision		301,756,688.95	465,382,008.86
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal		2,913,333.26	2,913,333.26
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements		-35,470,463.65	-69,140,254.08
5. Closing balance		2,209,484,998.70	3,913,856,283.24
III. Impairment provision			
1. Opening balance		56,040,248.43	56,040,248.43

2021 Interim Report
Haier Smart Home Co., Ltd

2.Increase in the current period			
(1) Provision			
(2) Increase in business combination			
3.Decrease for the current period			
(1) Disposal		104,507.20	104,507.20
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements		-5,208.00	-5,208.00
5.Closing balance		55,930,533.23	55,930,533.23
IV. Book value			
1.Closing book value	2,622,405,467.94	1,743,328,759.90	9,882,925,278.28
2.Opening book value	2,713,444,699.59	1,825,916,770.36	10,017,867,645.93

At the end of the period, the intangible assets developed through the Company accounted for the 18.64% of the original value.

18. 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	Disposal of subsidiaries		
91ABD.ERP IT Program	97,893,800.99	33,095,733.87	107,941,368.58			-785,314.94	22,262,851.34
Others	69,852,923.14	253,749,069.91	90,832,380.45	81,509,730.11		-5,045,544.46	146,214,338.03
Total	167,746,724.13	286,844,803.78	198,773,749.03	81,509,730.11		-5,830,859.40	168,477,189.37

19. Goodwill

Items	Opening balance	Increase for the period	Decrease for the period	Impact of fluctuation in exchange rate for the period	Closing balance
GEA	19,382,602,366.26			-193,295,603.31	19,189,306,762.95
Candy	2,086,499,983.95			-88,087,999.32	1,998,411,984.63
Others	1,049,357,987.43			-20,527,222.54	1,028,830,764.89
Total	22,518,460,337.64			-301,910,825.17	22,216,549,512.47

20. Long-term prepaid expenses

Items	Opening balance	Increase for the current period	Amortization for the current period	Other decrease	Converted difference in foreign currency statements	Closing balance
Renovation	169,271,684.57	116,612,921.15	84,322,153.77		-16,669.62	201,545,782.33

Improvement on leased property	170,582,753.74	3,024,499.46	12,054,593.70		-833,359.30	160,719,300.20
Others	115,888,065.82	7,063,267.43	14,128,738.52		-875,232.52	107,947,362.21
Total	455,742,504.13	126,700,688.04	110,505,485.99		-1,725,261.44	470,212,444.74

21. 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	341,873,801.45	374,373,978.37
Liabilities	1,424,735,374.39	1,745,260,196.51
Internal unrealized earnings eliminated due to combination	440,515,864.30	668,981,845.53
Government grants	128,600,941.36	124,822,115.15
Uncovered losses	848,685,152.59	806,710,012.75
Others	217,030,300.04	237,331,301.90
Total	3,401,441,434.13	3,957,479,450.21

(2) Deferred income tax liabilities before elimination

Item	Closing balance	Opening balance
Asset amortisation	2,430,285,259.05	2,371,032,689.77
Remeasurement of fair value of the remaining equity interest on the date of loss of control	878,623,804.46	878,623,804.46
Withholding income tax of overseas enterprises	93,629,113.00	93,629,113.00
Others	276,624,484.30	306,293,850.70
Total	3,679,162,660.81	3,649,579,457.93

(3) The deferred income tax assets and the deferred income tax liabilities eliminated at the end of this period was RMB1,715,943,335.48.

22. Other non-current assets

Items	Closing balance	Opening balance
Prepayments for equipment and land	1,075,431,381.98	1,403,997,069.15
Others	369,621,498.84	521,764,491.02
Total	1,445,052,880.82	1,925,761,560.17

23. Short-term borrowings

(1). Classification of short-term borrowings

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings - secured by pledge	493,649,581.08	472,098,030.36
Borrowings – unsecured	10,659,639,064.09	7,200,328,217.00
Interest payable for short-term borrowings	6,821,352.55	15,481,918.52
Total	11,160,109,997.72	7,687,908,165.88

24. Financial liabilities held for trading

Items	Closing balance	Opening balance
Forward foreign exchange trading contracts	3,423,774.60	26,952,508.66
Total	3,423,774.60	26,952,508.66

25. Derivative financial liabilities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange trading contracts	55,091,160.59	188,695,788.30
Interest rate swap agreement	36,990,279.50	50,886,744.60
Total	92,081,440.09	239,582,532.90

26. Bills payable

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Commercially acceptance notes	3,034,346,907.38	2,710,903,499.32
Bank acceptance notes	21,255,796,393.03	18,525,153,554.35
Total	24,290,143,300.41	21,236,057,053.67

27. Accounts payable

(1). Accounts payable presented as

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Accounts payable	39,008,002,641.86	36,302,971,944.48
Total	39,008,002,641.86	36,302,971,944.48

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

28. Contract liabilities

(1). Details of contract liabilities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Contract liabilities	7,466,559,172.71	7,048,637,659.48
Total	7,466,559,172.71	7,048,637,659.48

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

29. 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	3,623,128,868.83	11,323,047,227.52	11,914,000,313.19	3,032,175,783.16
II. Post-employment benefits-defined contribution plan	21,035,358.61	602,859,838.49	580,581,433.10	43,313,764.00
III. Termination benefits	9,818,188.41	680,845.07	680,845.07	9,818,188.41
IV. Other benefits due within one year	106,117,562.97	35,720,781.58	49,141,082.86	92,697,261.69
Total	3,760,099,978.82	11,962,308,692.66	12,544,403,674.22	3,178,004,997.26

(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	2,523,158,164.63	8,510,633,954.92	8,899,437,989.65	2,134,354,129.90
II. Employee welfare	320,271,605.18	415,341,467.29	437,547,682.94	298,065,389.53
III. Social benefit	183,892,203.86	834,299,655.80	844,257,779.02	173,934,080.64
IV. Housing fund	5,028,762.45	162,498,666.38	161,542,446.04	5,984,982.79
V. Labor union fee and education fee	1,323,116.90	58,272,982.44	58,345,188.59	1,250,910.75
VI. Short-term compensated absences	276,729,127.32	166,957,660.71	165,359,691.66	278,327,096.37
VII. Others	312,725,888.49	1,175,042,839.98	1,347,509,535.29	140,259,193.18
Total	3,623,128,868.83	11,323,047,227.52	11,914,000,313.19	3,032,175,783.16

(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	20,356,245.73	567,773,896.99	545,481,730.97	42,648,411.75
II. Unemployment insurance	170,304.70	12,452,157.91	12,437,305.38	185,157.23
III. Enterprise annuity payment	508,808.18	22,633,783.59	22,662,396.75	480,195.02
Total	21,035,358.61	602,859,838.49	580,581,433.10	43,313,764.00

(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

30. Taxes payable

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Value-added tax	978,360,164.88	645,144,199.35
Enterprise income tax	1,293,070,998.27	1,371,458,516.07
City maintenance and construction tax	25,179,827.41	13,992,816.15

Individual income tax	82,921,478.32	144,333,033.24
Education surcharge	11,182,584.38	5,960,935.92
The electrical and electronic products waste treatment fund	84,791,906.00	88,989,555.00
Other taxes	193,959,153.31	129,826,404.39
Total	2,669,466,112.57	2,399,705,460.12

31. Other payables

Presented as

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Dividends payable	3,420,918,669.85	
Other payables	16,629,322,717.43	17,056,156,167.28
Total	20,050,241,387.28	17,056,156,167.28

Dividends payable:

Name of company	Closing balance	Opening balance
Haier COSMO Co., Ltd.	460,678,645.58	
Haier Group Corporation	392,575,539.62	
Others	2,567,664,484.65	
Total	3,420,918,669.85	

Other payables

(1). Other payables by nature of payment

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Other payables	16,629,322,717.43	17,056,156,167.28
Total	16,629,322,717.43	17,056,156,167.28

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

32. 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	2,412,067,581.09	4,950,555,670.08
Long-term payables due within one year		20,000,000.00
Lease liabilities due within one year	677,452,058.59	670,863,763.75
Estimated liabilities due within one year	1,887,200,931.95	1,881,305,479.57
Total	4,976,720,571.63	7,522,724,913.40

33. Other current liabilities

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Payable refund	472,368,601.91	540,552,003.81
Super-short-term bonds		5,535,262,500.00
Tax amount to be written off	14,630,402.75	20,186,405.07
Others	10,460,429.48	16,053,035.75
Total	497,459,434.14	6,112,053,944.63

34. Long-term borrowings

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings - unsecured	9,590,298,914.57	11,821,416,259.81
Total	9,590,298,914.57	11,821,416,259.81

Other explanations, including interest rate bands:

☒Applicable ☐Not Applicable

Interest rates of long-term loans of the Company ranged from 0.85% to 7.5%.

35. Bonds payable

In 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%. In September 2020, the Company approved the plan to convert the exchangeable bonds into convertible bonds, pursuant to which, target shares of the original exchangeable bonds were changed from shares of Haier Electrics to newly

issued H Shares of Haier Smart Home (the “EB-to-CB Proposal”). On 23 December 2020, H Shares of Haier Smart Home was listed, and the EB-to-CB Proposal became effective. The outstanding principal of the original exchangeable bonds amounted to HK\$7.993 billion and the maturity, coupon rate and rate on investment remained unchanged. The convertible bonds were divided into liabilities and equities on initial recognition:

Items	Exchangeable corporate bonds issued on 23 December 2020
Initial recognition:	9,105,660,619.93
Including:	
Equity portion of the exchangeable bond	2,364,195,333.79
Liability portion of the exchangeable bond	6,741,465,286.14

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
Convertible corporate bonds (“CB”)	6,713,501,050.27		44,340,674.19			6,277,583,752.41	-53,821,150.88	426,436,821.17
Total	6,713,501,050.27		44,340,674.19			6,277,583,752.41	-53,821,150.88	426,436,821.17

36. Lease liabilities

Items	Closing balance	Opening balance
Lease liabilities	2,689,305,741.48	2,743,566,116.43
Less: lease liabilities due within one year	677,452,058.59	670,863,763.75
Total	2,011,853,682.89	2,072,702,352.68

37. Long-term payables

Items	Closing balance	Opening balance
Investment from CDB development fund	36,500,000.00	56,500,000.00
Others	57,510,166.66	61,703,261.27
Less: long-term payables due within one year		20,000,000.00
Total	94,010,166.66	98,203,261.27

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. As at 30 June 2021, subsidiaries of the Company repurchased RMB56.50 million. From 2021 to 2027, the Company and its subsidiaries will repurchase the remaining investments made by China Development Fund Co. Ltd. to the subsidiaries of the Company.

38. 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	559,042,580.03	602,802,957.77
Termination benefits	571,873,456.36	429,651,733.32
Provision for work-related injury compensation	201,811,366.33	213,320,333.26
Other long-term benefits		
Total	1,332,727,402.72	1,245,775,024.35

(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., a subsidiary of the Company.

Actuarial assumption used in the defined benefit plan

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

Present value of defined benefit obligations

Items	Amount
I. Opening balance	324,375,540.91
II. Defined benefit cost recognized in current profit or loss	1,285,743.31
1. Current service cost	1,285,743.31

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	-24,700,954.02
1. The consideration paid at the time of settlement	
2. Benefits paid	
3. Exchange differences	-24,700,954.02
V. Closing balance	300,960,330.20

Fair value of plan assets

Items	Amount
I. Opening balance	371,501,327.98
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	-31,466,887.09
1. Employer contributions	776,933.35
2. Benefits paid	2,541,347.98
3. Exchange differences	-34,785,168.42
V. Closing balance	340,034,440.89

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	-47,125,787.07
II. Defined benefit cost recognized in current profit or loss	1,285,743.31
III. Defined benefit cost recognized in other comprehensive income	
IV. Other changes	6,765,933.07
V. Closing balance	-39,074,110.69

The average term for the defined benefit obligation is 11.79 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	2.47%

Present value of defined benefit obligations

Item	Amount
I. Opening balance	151,567,760.38
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	16,380,076.18
1. Current period service cost	12,973,557.63
2. Past service cost	
3. Settlement gains ((loss indicated in “—”))	
4. Interest expenses	3,406,518.55
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss (gain indicated in “—”)	
V. Other changes	-18,361,895.29
1. The consideration paid at the time of settlement	
2. Benefits paid	-8,671,118.10
3. Exchange differences	-9,690,777.19
VI. Closing balance	149,585,941.27

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	151,567,760.38
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	16,380,076.18
IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	-18,361,895.29
VI. Closing balance	149,585,941.27

The average term for the defined benefit obligation is 10.05 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	2.09%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	293,063,281.71
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	8,539,507.32
1. Current period service cost	3,077,601.69
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	
4. Interest expenses	5,461,905.63
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss (gain indicated in “—”)	
V. Other changes	-46,224,577.13
1. The consideration paid at the time of settlement	
2. Benefits paid	-27,571,752.34
3. Exchange differences	-18,652,824.79
VI. Closing balance	255,378,211.90

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	293,063,281.71
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	8,539,507.32
IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	-46,224,577.13
VI. Closing balance	255,378,211.90

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	2.08%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	224,286,521.09
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	13,744,667.66
1. Current service cost	9,768,677.65
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	
4. Interest expenses	3,975,990.01
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss (gain indicated in “—”)	
V. Other changes	-53,143,430.37
1. The consideration paid at the time of settlement	
2. Benefits paid	-38,894,521.32
3. Exchange differences	-14,248,909.05
VI. Closing balance	184,887,758.38

Fair value of plan assets

Items	Amount
I. Opening balance	160,409,027.51
II. Defined benefit cost recognized in current profit or loss	5,985,091.18
1. Interest income	5,985,091.18
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	-34,428,739.85
1. Employer contributions	14,655,891.94
2. Benefits paid	-38,894,521.32
3. Exchange differences	-10,190,110.47
V. Closing balance	131,965,378.84

Net liability (net asset) of defined benefit plan

Items	Amount
-------	--------

I. Opening balance	63,877,493.58
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	7,759,576.48
IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	-18,714,690.52
VI. Closing balance	52,922,379.54

(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	213,320,333.26
II. Business combination not under common control	
III. Compensation recognized in current profit and loss	41,190,223.38
IV. Actual compensation paid in the current period	-35,354,986.64
V. Other changes	-17,344,203.67
VI. Closing balance	201,811,366.33

Classification of the balance of defined benefit plan

Items	Closing balance	Opening balance
Short-term salary	22,013,055.61	38,202,187.93
Long-term salary	559,042,580.03	602,802,957.77
Total	581,042,547.19	641,005,145.70

39. Estimated liabilities

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance
Pending litigation	21,550,139.03	19,124,300.01
Others	238,570,708.44	224,305,566.95
Projection of three guarantees and installation fees	1,182,723,189.26	1,342,045,558.36
Total	1,442,844,036.73	1,585,475,425.32

Other explanations, including significant assumption and estimation relating to projected significant liabilities:

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.

40. 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	633,761,669.48	52,012,510.90	67,876,597.29	617,897,583.09
Total	633,761,669.48	52,012,510.90	67,876,597.29	617,897,583.09

41. 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	9,027,846,441	397,676,840	32,352,800	9,393,170,481
1. Ordinary shares in RMB	6,308,552,654			6,308,552,654
2. Domestic listed foreign Shares				
3. Offshore listed foreign Shares	2,719,293,787	397,676,840	32,352,800	3,084,617,827
4. Others				
III. Total shares	9,027,846,441	397,676,840	32,352,800	9,393,170,481

42. Other equity instruments

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Equity portion of convertible bonds	2,364,195,333.79		2,215,712,153.81	148,483,179.98
Total	2,364,195,333.79		2,215,712,153.81	148,483,179.98

43. Capital reserve

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Capital premium (share capital premium)	14,195,347,140.17	8,095,619,066.22	794,292,522.66	21,496,673,683.73
Other capital reserve	813,680,267.23			813,680,267.23
Total	15,009,027,407.40	8,095,619,066.22	794,292,522.66	22,310,353,950.96

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

The conversion of convertible bonds (CB) resulted in the increase in capital premium of RMB8,095,619,066.22; the cancellation of treasury stock resulted in the decrease in capital premium of RMB793,935,316.13.

44. 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	-292,647,416.24	56,080,279.79		55,956,231.90	124,047.89	37,860,811.71	-198,830,372.63
b	-101,239,895.27	170,835,525.87	58,249,343.40	112,586,182.47			11,346,287.20
c	-530,525,234.75	-502,890,286.66		-500,830,526.34	-2,059,760.32		-1,031,355,761.09
d	-159,428,469.24	42,582,461.40	-3,807,134.54	38,885,621.52	-110,294.66		-120,542,847.72
e	37,624,286.44	-759,575.21	166,956.47	-595,263.81	2,645.07		37,029,022.63
Total	-1,046,216,729.06	-234,151,594.81	61,889,521.47	-293,997,754.26	-2,043,362.02	37,860,811.71	-1,302,353,671.61

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.

45. 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	2,997,677,738.01			2,997,677,738.01
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
Total	3,045,334,539.60			3,045,334,539.60

Explanation of surplus reserve, including the statement and reason of the changes for the current period:

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.

46. Undistributed profits

√ Applicable ☐ Not Applicable

Items	Amounts
Undistributed profits at the end of previous year	38,445,132,172.47
Changes in accounting policies ^①	183,214,768.11
Undistributed profits at the beginning of the year	38,628,346,940.58
Add: net profit attributable to owners of the parent company	6,852,271,812.97
Other transfer in	-12,317,618.84
Adjustment due to implementation of enterprise accounting standard	
Profit available for appropriation for the year	45,468,301,134.71
Less: appropriation of statutory surplus reserve	
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	3,420,918,669.85
Undistributed profits at the end of period	42,047,382,464.86

- 1 The amount is the result of the adjustment to the opening amount for the implementation of the new financial instruments standard for financial enterprises accounted for by the equity method of the Company.

47. Operating income and operating cost

(1) Operating income

2021 Interim Report
Haier Smart Home Co., Ltd

Items	Amount for the current period	Amount for the previous period
Primary business	110,963,580,135.76	95,222,506,535.21
Other business	655,241,928.97	505,590,571.44
Total	111,618,822,064.73	95,728,097,106.65

(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	21,626,942,343.55	15,570,568,221.85	16,994,714,538.19	12,325,759,112.18
Refrigerator	33,637,015,872.13	23,400,300,288.46	26,737,917,721.21	18,296,498,256.27
Kitchen appliance	16,918,040,488.85	11,715,172,134.94	14,065,148,916.99	9,863,397,560.12
Water appliance	5,778,983,645.59	3,336,143,841.42	4,455,955,349.13	2,567,869,114.74
Washing machine	24,988,233,426.16	16,920,815,831.58	19,706,304,066.77	13,498,929,586.30
Equipment product and integrated channel services	8,014,364,359.48	6,984,822,958.10	13,262,465,942.92	12,143,658,318.29
Total	110,963,580,135.76	77,927,823,276.35	95,222,506,535.21	68,696,111,947.90

48. 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	116,957,051.34	88,690,704.32
Education surcharge	84,945,850.69	63,314,967.69
Property tax	25,464,790.86	22,487,302.01
Land use tax	7,635,139.14	5,207,509.93
Stamp duty	84,852,090.78	72,199,239.68
Others	19,027,752.57	23,291,054.91
Total	338,882,675.38	275,190,778.54

49. Selling expenses

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Selling expenses	16,730,914,492.75	14,526,912,493.29
Total	16,730,914,492.75	14,526,912,493.29

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

50. Administrative expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Administrative expenses	5,033,576,083.72	4,608,308,707.03
Total	5,033,576,083.72	4,608,308,707.03

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

51. R&D expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Item	Amount for the current period	Amount for the previous period
R&D expenses	3,738,734,614.40	2,939,733,549.14
Total	3,738,734,614.40	2,939,733,549.14

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

52. Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expenses	363,256,552.03	719,257,090.03
Less: Interest income	264,334,107.38	219,622,316.65
Less: Cash discount	82,709,178.40	65,843,464.11
Exchange gains and losses	211,612,640.23	216,765,382.01
Others	67,834,179.59	50,963,873.72
Total	295,660,086.07	701,520,565.00

Interest expenditure in lease liabilities in the current period is RMB50,932,009.35.

53. Other income

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Government grants related to revenue	337,502,418.14	497,272,167.38
Government grants related to assets	39,678,023.49	28,017,088.05
Total	377,180,441.63	525,289,255.43

54. Investment income

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investment calculated by equity method	943,069,721.83	679,043,527.00
Investment income from disposal of long-term equity investment		-199,825.65
Investment income from disposal of other equity instrument investments	440,255.20	14,526,208.93
Income from wealth management products	28,216,179.52	48,451,938.85
Investment income from disposal of financial assets at fair value through profit or loss	164,957,510.67	14,961,073.66
Total	1,136,683,667.22	756,782,922.79

55. Gains on changes in fair value

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Sources of gains from changes in fair value	Amount for the current period	Amount for the previous period
Changes in fair value of forward foreign exchange trading contracts	46,929,961.72	-35,571,335.94
Changes in fair value of wealth management products	1,881,780.81	2,809,431.16
Changes in fair value of investment funds	15,457,768.79	
Others		1,774,801.63
Total	64,269,511.32	-30,987,103.15

56. Credit impairment loss

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
-------	-------------------------------	--------------------------------

Bad debts losses on bills receivable	156,696.60	1,000,000.00
Bad debts losses on accounts receivable	-44,188,119.81	-109,905,504.07
Total	-44,031,423.21	-108,905,504.07

57. Impairment loss on assets

Items	Amount for the current period	Amount for the previous period
Impairment losses on inventory	-402,766,436.32	-412,325,166.32
Impairment losses on other current assets	-228,869,824.32	-197,422,966.37
Impairment losses on fixed assets	-21,751,066.24	
Impairment losses on intangible assets		
Impairment losses on construction in progress		
Impairment losses on long-term equity investment		
Total	-653,387,326.88	-609,748,132.69

58. 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	157,808,087.44	14,120,787.44
Less: losses on disposal of non-current assets	-15,393,133.19	-28,563,193.90
Total	142,414,954.25	-14,442,406.46

Other explanations:

☐ Applicable ☒ Not Applicable

59. Non-operating income

√ Applicable ☐ Not Applicable

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	924,615.55	12,240,620.38
Quality claims and fines	19,066,129.21	17,811,610.75
Others	59,509,946.96	38,834,457.94
Total	79,500,691.72	68,886,689.07

60. Non-operating expenses

Items	Amount for the current period	Amount for the previous period
Losses on disposal of non-current assets	7,928,197.15	9,175,290.01
Others	43,136,498.89	46,295,466.54
Total	51,064,696.04	55,470,756.55

61. 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	982,716,122.78	432,844,606.93
Deferred income tax expenses	540,467,141.62	228,382,266.41
Total	1,523,183,264.40	661,226,873.34

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

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Total profit	8,460,968,406.76
Income tax expenses calculated pursuant to statutory/applicable tax rate(s)	2,115,242,101.76
Impact from different tax rates applicable to subsidiaries	-387,639,911.45
Impact from adjustment to income tax in prior periods	-152,101,320.21
Impact from non-taxable income	-251,234,711.04
Impact from non-deductible cost, expense and loss	48,767,934.40
Impact from deductible provisional differences or deductible losses of unrecognized deferred income tax assets for the current period	150,149,170.94
Income tax expense	1,523,183,264.40

Other explanations:

☐ Applicable ☒ Not Applicable

62. Other comprehensive income

√Applicable □ Not Applicable

Please refer to Note VII. 44 for details.

63. Other cash received from operating activities

Items	Amount
Deposits and securities	86,924,607.81
Government grants	282,417,200.52
Non-operating income excluding government grants	23,698,258.91
Interest income	272,381,326.84
Others	70,355,093.20
Total	735,776,487.28

64. Other cash paid to operating activities

Items	Amount
Cash paid on selling expenses	9,715,516,651.76
Cash paid on administrative and R&D expenses	3,145,406,556.73
Cash paid on financial expenses	57,104,763.74
Non-operating expenses	991,470.21
Others	124,738,221.20
Total	13,043,757,663.64

65. Other cash paid to investing activities

Items	Amount
Others	250,000.00
Total	250,000.00

66. Other cash paid to financing activities

Items	Amount
Cash paid to lease	313,614,596.21
Repurchase of shares	2,593,546,152.49
Expenses from issuance of H-shares	183,263,247.83

Others	386,900.00
Total	3,090,810,896.53

67. Supplementary information of cash flow statement

√Applicable □ Not Applicable

Supplementary information	Amount for the current period	Amount for the previous period
1. Net profit adjusted to cash flow of operating activities:		
Net profit	6,937,785,142.36	3,612,016,983.00
Add: impairment provision for assets	697,418,750.09	718,653,636.76
Losses on credit impairment		
Depreciation of fixed assets	2,109,270,491.78	1,963,015,056.31
Depreciation of fixed assets, oil and gas assets and production materials		
Amortization of ROU assets	465,382,008.86	478,210,242.71
Amortization of long-term prepaid expenses	110,505,485.99	81,963,800.63
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are represented by "-")	-135,411,372.65	11,377,076.09
Losses on retirement of fixed assets (gains are represented by "-")		
Losses on change of fair value (gains are represented by "-")	-64,269,511.32	30,987,103.15
Financial expenses (gains are represented by "-")	574,869,192.26	936,022,472.04
Loss on investments (gains are represented by "-")	-1,136,683,667.22	-756,782,922.79
Decrease in deferred tax assets (increase is represented by "-")	549,883,365.96	143,796,985.57
Increase of deferred tax liabilities (decrease is represented by "-")	-9,416,224.31	84,585,280.84
Decrease in inventories (increase is represented by "-")	-3,765,167,637.00	2,543,296,922.45
Decrease of operational account receivables (increase is represented by "-")	-2,215,770,602.60	-5,862,948,537.55
Increase of operational account payables (decrease is represented by "-")	4,321,292,391.08	-4,757,655,587.32
Others	-15,864,086.39	230,542,230.71
Net cash flow generated from operational activities	8,423,823,726.89	-542,919,257.40
2. Significant investment and financing activities not involving cash inflows and outflows:		
Capital transferred from debts	6,277,583,752.41	
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	41,109,454,836.46	43,021,810,920.60
Less: cash balance at the beginning of the period	45,635,132,638.48	34,962,947,399.85
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	-4,525,677,802.02	8,058,863,520.75

68. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	41,109,454,836.46	45,635,132,638.48
Including: cash on hand	6,532,547.04	2,257,666.98
Bank deposits always available for payment	40,349,002,059.65	45,306,078,417.59
Other monetary funds always available for payment	753,920,229.77	326,796,553.91
II. Cash equivalents		
Including: Bond investments due within three months		
III. Closing balance of cash and cash equivalents	41,109,454,836.46	45,635,132,638.48

69. Monetary items in foreign currency

(1). Monetary items in foreign currency

√ Applicable □ Not Applicable

Unit: \$

Items	Closing Balance	Exchange rate	Closing converted RMB balance
Monetary funds	-	-	9,286,167,138.39
Including: USD	723,005,674.30	6.4601	4,670,688,956.52
EUR	102,772,303.43	7.6862	789,928,478.64
JPY	12,371,839,384.77	0.058428	722,861,831.57
HKD	411,408,354.34	0.8321	342,332,891.65
			2,760,354,980.01
Accounts receivable	-	-	15,391,577,197.35
Including: USD	1,079,521,428.82	6.4601	6,973,816,382.31
EUR	445,419,850.63	7.6862	3,423,586,055.91
JPY	4,144,687,700.19	0.058428	242,165,812.95
			4,752,008,946.18
Long-term borrowings	-	-	9,590,298,914.57
Including: USD	1,052,645,878.53	6.4601	6,800,197,639.89
EUR	122,247,325.97	7.6862	939,617,396.90
	329,906,360.02	0.088800	29,295,684.77
	319,963,612.98	4.5153	1,444,731,701.69
JPY	6,280,974,522.34	0.058428	366,984,779.39
			9,471,711.93
Short-term borrowings	-	-	10,906,147,093.94
Including: USD	657,928,527.55	6.4601	4,250,284,080.84

EUR	532,452,854.50	7.6862	4,092,539,130.29
JPY	1,296,927,986.56	0.058428	75,776,908.40
HKD	2,600,173,375.64	0.8321	2,163,604,265.87
			323,942,708.54
Accounts payable	-	-	21,514,977,908.02
Including: USD	2,059,968,218.84	6.4601	13,307,600,690.50
EUR	504,937,074.31	7.6862	3,881,047,340.58
JPY	6,132,558,699.30	0.058428	358,313,139.68
	213,699,394.60	4.5153	964,916,876.44
			3,003,099,860.82
on-current liabilities due within one year	-	-	3,788,780,803.40
Including: USD	95,843,007.76	6.4601	619,155,414.43
EUR	361,382,453.68	7.6862	2,777,657,815.47
JPY	402,268,650.00	0.058428	23,503,752.68
	232,975,804.26	0.088800	20,688,251.42
			347,775,569.40

(2). Explanation of foreign operating entities, including, for significant foreign operating entities, disclosure of their foreign principal place of business, the recording currency and the basis of selection, and the reasons for any change in the recording currency

☐ Applicable ☒ Not Applicable

VIII. Changes of consolidation scope

1. Business combination not under common control

☐ Applicable ☒ Not Applicable

2. Business consolidation under common control

☐ Applicable ☒ Not Applicable

3. Disposal of subsidiary

☐ Applicable ☒ Not Applicable

4. Changes of consolidation scope due to other reasons

Explanation of the changes of consolidation scope due to other reasons (e.g., new subsidiaries, liquidation of subsidiaries, etc.) and the related circumstances:

☒ Applicable ☐ Not Applicable

(1) Qingdao Haier Technology Investment Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Tianjin Yilian Ecological Technology Co., Ltd. for the current period.

(2) Shanghai Haier Medical Technology Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Jiangxi Haier Medical Technology Co., Ltd. for the current period.

(3) Qingdao Haier Intelligent Home Appliance Technology Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Haizhi Shenlan Technology Co., Ltd. for the current period.

(4) Qingdao Haier Air-Conditioner Electronics Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Haishengze Technology Co., Ltd. for the current period.

(5) Qingdao Haizhi Investment Management Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Hailvyuan Recycling Technology Co., Ltd. for the current period.

IX. Interests in other entities

1. Interests in subsidiaries

(1). Composition of the Group

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		Proportion of the voting rights	Acquiring method
				Direct	Indirect		
Flourishing Reach Limited	Mainland of China and Hong Kong	Bermuda	Group company, which mainly engages in investment holding, and production, sale and distribution of washing machines and water heaters	100.00%		100.00%	Establishment
Haier U.S. Appliance Solutions, Inc.	The US	The US	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

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	99.54%		99.54%	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 Meier Plastic Powder Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of plastic powder, plastic sheet and high-performance coatings	40.00%	60.00%	100.00%	Business combination under common control
Chongqing Haier Precision Plastic Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Plastic products, sheet metal work, electronics and hardware	90.00%	10.00%	100.00%	Business combination under common control
Qingdao Haier Refrigerator Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture 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 Special Refrigerator Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00%		100.00%	Establishment
Qingdao Haier Dishwasher Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of dish washing machine and gas stove	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	Qingdao High-tech Zone	Qingdao High-tech	Development, purchase and sale of electrical products and components	98.00%	2.00%	100.00%	Establishment

Co., Ltd.		Zone					
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, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sales of air conditioners	76.92%	23.08%	100.00%	Establishment
Qingdao Haier Precision Products Co., Ltd.	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
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	Wuhan Haier	Energy service		75.00%	75.00%	Establishment

	Park	Industrial Park					
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., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of household appliances and electronics		51.00%	51.00%	Establishment
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air-conditioners		100.00%	100.00%	Establishment
Qingdao Haier Component Co., Ltd.	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sales of plastic and precise sheet metal products		100.00%	100.00%	Establishment
Haier Shareholdings (Hong Kong) Limited	Hong Kong	Hong Kong	Investment	100.00%		100.00%	Establishment
Harvest International Company	Cayman Islands	Cayman Islands	Investment		100.00%	100.00%	Establishment
Shenyang Haier Refrigerator Co., Ltd.	Shenbei New Area, Shenyang City	Shenbei New Area, Shenyang City	Manufacture and sales of refrigerator	100.00%		100.00%	Establishment
Foshan Haier Freezer Co., Ltd.	Sanshui District, Foshan City	Sanshui District, Foshan City	Manufacture and sales of freezer	100.00%		100.00%	Establishment
Zhengzhou Haier Air-conditioning Co., Ltd.	Zhengzhou Economic and Technological Development Zone	Zhengzhou Economic and Technological Development Zone	Manufacture and sales of air conditioner	100.00%		100.00%	Establishment
Qingdao Haidayuan Procurement Service Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Development, purchase and sale of electrical products and components	100.00%		100.00%	Establishment
Qingdao Haier Intelligent Technology	Qingdao High-tech Zone	Qingdao High-tech	R&D of household appliance products	100.00%		100.00%	Establishment

Development Co., Ltd.		Zone					
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 combination under common control
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Industrial design and prototype production		75.00%	75.00%	Business combination under common control
Beijing Haier Guangke Digital Technology Co., Ltd.	Beijing	Beijing	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		80.93%	80.93%	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

2021 Interim Report
Haier Smart Home Co., Ltd

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 and transfer		95.77%	95.77%	Establishment
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Hefei	Hefei	Sales of household appliances		100.00%	100.00%	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
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
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of kitchen smart household appliances		100.00%	100.00%	Establishment
JiYI 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
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	Laiyang	Laiyang	Production and sales of household		100.00%	100.00%	Establishment

Kitchen Appliance Co., Ltd.			appliances				
Hefei Haier Air Conditioning Electronics Co., Ltd.	Hefei	Hefei	Production and sales of household appliances		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
Qingdao Yunshang Yuyi IOT Technology Co., Ltd.	Qingdao	Qingdao	IoT technology R&D		70.00%	70.00%	Establishment
Haiyu (Shanghai) Intelligent Technology Co., Ltd.	Shanghai	Shanghai	Rental of apartments, intelligent equipment, etc.		70.00%	70.00%	Establishment
Qingdao Haizhi Investment Management Co., Ltd.	Qingdao	Qingdao	Asset management, equity investment		100.00%	100.00%	Establishment
Qingdao Jijia Cloud Intelligent Technology Co., Ltd.	Qingdao	Qingdao	R&D and sales of lighting appliances		80.00%	80.00%	Establishment
Qingdao Haimeihui Management Consulting Co., Ltd.	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	Qingdao	Qingdao	Scientific research and technical service		37.75%	37.75%	Establishment

Appliance Research Institute Co., Ltd.							
Hangzhou Gandao Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou	Technology development, service		52.58%	52.58%	Establishment
Qingdao Haidacheng Procurement Services CO., LTD.	Qingdao	Qingdao	Development, purchase and sales of electrical products and components	100.00%		100.00%	Establishment
Guangdong Heilong Intelligent Technology CO., LTD.	Guangzhou	Guangzhou	Scientific research and technical service		76.72%	76.72%	Business combination not under common control
Beijing Haixianghui Technology CO., LTD.	Beijing	Beijing	Scientific research and technical service		100.00%	100.00%	Establishment
Qingdao Hairuijiejing Electronics Co., Ltd.	Beijing	Beijing	Electronic equipment technology research, development, transfer, consulting and services		51.00%	51.00%	Business combination not under common control
Haier Smart Home Experience Cloud Ecological Technology Co., Ltd.	Qingdao	Qingdao	Technology development of smart home products, whole furniture customization, etc.	100.00%		100.00%	Establishment
Haier Smart Home (Qingdao) Network	Qingdao	Qingdao	Technical services, development, consulting, transfer, etc.		100.00%	100.00%	Establishment

2021 Interim Report
Haier Smart Home Co., Ltd

Co., Ltd.							
Haier Smart Home (Qingdao) Network Operation Co., Ltd.	Qingdao	Qingdao	Residential interior decoration, professional construction operation, special equipment installation, upgrading and repair, etc.		100.00%	100.00%	Establishment
Qingdao Internet of Wine Technology Co., Ltd.	Qingdao	Qingdao	Urban distribution and transportation services, import and export of goods, technology import and export and food business, etc.		100.00%	100.00%	Establishment
Qingdao Linghai Air Conditioning Equipment Co., Ltd.	Qingdao	Qingdao	Manufacture and production of air conditioner and refrigeration equipment		100.00%	100.00%	Establishment
Chongqing Yunshang Yilian Technology Co., Ltd.	Qingdao	Qingdao	Food business, commodity import and export, technology import and export, Internet information services, etc.		100.00%	100.00%	Establishment
Shenzhen Yunshang Yilian Technology Co., Ltd.	Chongqing	Chongqing	Import and export business, Internet, Internet of things, big data, AI, AR and technical services		100.00%	100.00%	Establishment
Qingdao Haixiangxue Human Resources Co., Ltd.	Shenzhen	Shenzhen	Employment agency activities	100.00%		100.00%	Establishment
Jiangxi Haier Medical Technology Co., Ltd.	Qingdao	Qingdao	Wholesale and retail of medical equipment		100.00%	100.00%	Establishment

Qingdao Haizhi Shenlan Technology Co., Ltd.	Jiangxi	Jiangxi	Technical service development		100.00%	100.00%	Establishment
Qingdao Haishengze Technology Co., Ltd.	Qingdao	Qingdao	Air conditioning equipment technical services		100.00%	100.00%	Establishment
Qingdao Hailvyuan Recycling Technology Co., Ltd.	Qingdao	Qingdao	Electrical and electronic products waste treatment		100.00%	100.00%	Establishment
Tianjin Internet of clothes Ecological Technology Co., Ltd.	Tianjin	Tianjin	IoT technology development		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 microenterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd, which were included into the scope of consolidated financial statements.

(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
Guizhou Haier Electronics Co., Ltd.	41.00	6,485,719.90	12,300,000.00	100,825,739.81
Wuhan Haier Electronics Co., Ltd.	40.00	3,870,409.79		254,793,415.63

Explanation of the difference between the ratio of shareholding and the ratio of voting rights of minority

shareholders of subsidiaries:

□ Applicable √ Not Applicable

Other explanations:

□ 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
Guizhou Haier Electronics Co., Ltd.	401,766,784.21	97,384,786.88	499,151,571.09	245,840,432.97	7,394,699.61	253,235,132.58
Wuhan Haier Electronics Co., Ltd.	911,350,916.05	163,569,066.14	1,074,919,982.19	437,936,443.12		437,936,443.12

(Continued)

Name of Subsidiary	Opening balance					
	Current assets	Non-current Assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guizhou Haier Electronics Co., Ltd.	598,503,571.44	99,869,513.40	698,373,084.84	432,050,892.47	6,224,582.87	438,275,475.34
Wuhan Haier Electronics Co., Ltd.	857,372,778.47	162,182,594.22	1,019,555,372.69	392,247,858.10		392,247,858.10

Name of subsidiary	Amount for the current period			
	Operating revenue	Net profit	Total comprehensive	Cash flow from operating activities

2021 Interim Report
Haier Smart Home Co., Ltd

			income	
Guizhou Haier Electronics Co., Ltd.	662,890,916.60	15,818,829.01	15,818,829.01	-96,960,642.56
Wuhan Haier Electronics Co., Ltd.	1,116,565,155.40	9,676,024.48	9,676,024.48	146,467,762.05

(Continued)

Name of subsidiary	Amount for the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
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

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

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	Others
Total consideration for acquisition/disposal	2,550,000.00
Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed	2,264,941.77
Difference	
Including: capital reserve adjustment	-285,058.23

3. Interests in joint ventures or associates

√ Applicable ☐ Not Applicable

(1). Joint ventures or associates

Name of joint ventures or 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	8.13%	Equity method

2021 Interim Report
Haier Smart Home Co., Ltd

Wolong Electric (Jinan) Motor Co., Ltd.	Jinan	Jinan	Motor Manufacturing	30.00%	Equity method
Qingdao Hegang New Material Technology Co., Ltd.	Qingdao	Qingdao	Steel plate Manufacturing	23.94%	Equity method
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	Qingdao	Qingdao	Venture Capital	63.13%	Equity method
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Qingdao	Qingdao	Manufacturing of 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 Moulds Co., Ltd.	Qingdao	Qingdao	Mold processing and manufacturing	25.00%	Equity method
Hefei Feier Smart Technology Co., Ltd.	Hefei	Hefei	Technology development	40.00%	Equity method
Anhui Kunhe Intelligent Technology Co., Ltd.	Hefei	Hefei	Electrical equipment R&D	30.00%	Equity method
Zhejiang Futeng Fluid Technology Co., Ltd.	Huzhou	Huzhou	Gas compression machinery development and manufacturing	48.00%	Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technology development	36.29%	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	36.45%	Equity method
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	Shenzhen	Shenzhen	Technical advisory services	16.89%	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	49.00%	Equity method
Qingdao Java Cloud Network Technology Co., Ltd.	Qingdao	Qingdao	Home online service	24.93%	Equity method
Qingdao RRS Service Co., Ltd.	Qingdao	Qingdao	Water equipment technical service	40.00%	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
Huizhi Xiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)	Qingdao	Qingdao	Investment management	30.00%	Equity method
Qingdao RRS Huizhi Investment Co., Ltd.	Qingdao	Qingdao	Investment management	50.00%	Equity method
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
Haier Raya Electric S.A.E	Egypt	Egypt	Manufacturing of home appliances	15.00%	Equity method
Controladora Mabe S.A.deC.V.	Mexico	Mexico	Manufacturing of household	48.41%	Equity method

			appliances		
Middle East Air conditioning Company, Limited	Saudi Arabia	Saudi Arabia	Sales of household appliances	49.00%	Equity method

(2). Major financial information of significant joint ventures

☐ Applicable ☒ Not Applicable

(3). Major financial information of significant associates

☒ Applicable ☐ Not Applicable

① Basic information of significant associates:

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.

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	59,018,215,668.78	62,750,087,810.02
Non-current assets	9,759,970,621.31	12,907,238,025.07
Total assets	68,778,186,290.09	75,657,325,835.09
Current liabilities	51,712,613,664.94	59,895,340,204.39
Non-current liabilities	435,476,096.24	223,325,462.63
Total liabilities	52,148,089,761.18	60,118,665,667.02
Minority equity interests		
Equity interest attributable to shareholders of the Parent Company	16,630,096,528.91	15,538,660,168.07
Including: share of net assets calculated based on shareholding percentage	6,984,640,542.15	6,526,237,270.60
Operating income	1,071,931,150.97	1,116,349,935.66
Net profit	790,600,102.99	839,643,218.29
Other comprehensive income	73,947,771.60	3,721,035.88

2021 Interim Report
Haier Smart Home Co., Ltd

Total comprehensive income	864,547,874.59	843,364,254.17
Dividend received from associates for the year	126,000,000.00	126,000,000.00

(4). Summarized financial information of insignificant joint ventures or associates

Investment in Associates	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Bank of Qingdao Co., Ltd.	2,572,720,188.54	2,463,096,567.92
Wolong Electric (Jinan) Motor Co., Ltd.	157,289,089.66	143,847,870.70
Qingdao Hegang New Material Technology Co., Ltd.	308,135,448.88	297,154,935.85
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	379,687,446.86	385,797,036.73
Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd.	693,937,118.87	654,581,961.84
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	396,387,842.10	415,298,165.93
Qingdao Haier Multimedia Co., Ltd.	278,826,351.43	328,987,205.07
Qingdao Haier Moulds Co., Ltd.	267,574,107.36	259,696,084.44
Hefei Feier Smart Technology Co., Ltd.	3,150,277.71	1,491,024.72
Anhui Kunhe Intelligent Technology Co., Ltd.	3,000,000.00	
Zhejiang Futeng Fluid Technology Co., Ltd.	70,000,000.00	
Beijing Mr. Hi Network Technology Company Limited	7,507,759.75	7,507,759.75
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82	2,687,341.82
Beijing ASU Tech Co., Ltd.	21,887,291.50	32,365,969.45
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	6,914,487.73	6,914,487.73
Qingdao Haimu Investment Management Co., Ltd.	2,349,240.51	2,349,240.51
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	47,631,591.84	47,870,696.66
Guangzhou Heying Investment Partnership (Limited Partnership)	288,209,197.58	288,209,197.58
Qingdao Java Cloud Network Technology Co., Ltd.	2,716,654.58	2,629,009.63
Qingdao RRS Service Co., Ltd.	33,413,328.00	33,010,000.00
Bingji (Shanghai) Corporate Management Co., Ltd.	948,477,471.32	928,444,178.47
Youjin (Shanghai) Corporate Management Co., Ltd.	1,723,686,311.49	1,687,262,142.67
RRS (Shanghai) Investment Co., Ltd.	3,133,156,929.97	3,066,931,168.49
Haier Best Water Technology Co., Ltd.	30,919,875.47	33,455,159.59
Huizhi Xiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)	120,000,000.00	120,000,000.00
Qingdao RRS Huizhi Investment Co., Ltd.	2,100,000.00	2,100,000.00
Meiling Candy Washing Machine Co., Ltd.	22,837,893.54	22,558,307.10

2021 Interim Report
Haier Smart Home Co., Ltd

Konan Electronic Co., Ltd.	72,683,038.81	77,561,552.87
HNR Company (Private) Limited	132,889,897.80	92,141,887.27
HPZ LIMITED	68,247,526.08	66,827,745.66
Haier Raya Electric S.A.E	11,423,893.21	10,741,234.10
Controladora Mabe S.A.deC.V.	3,899,325,986.21	3,667,310,241.31
MiddleEastAirconditioningCompany,Limited	19,002,595.66	19,002,595.66
Total book value of investment	15,728,776,184.28	15,167,830,769.52
Total amount of the following financial data of associates calculated based on shareholding percentage		
--Net profit	611,017,678.57	326,393,375.32
--Other comprehensive income	25,022,215.72	19,872,824.20
--Total comprehensive income	636,039,894.29	346,266,199.52

X. Segment Information

(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 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, 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 current 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	19,188,607,407.17	1,784,628,763.28	17,645,069,189.02	12,958,083,453.07	5,884,989,693.13
Including: external revenue	16,898,259,985.27	1,495,140,647.14	15,095,177,397.57	10,900,998,372.57	5,806,336,225.56
Inter-segment revenue	2,290,347,421.90	289,488,116.14	2,549,891,791.45	2,057,085,080.50	78,653,467.57
Total segment operating cost	17,158,967,925.84	1,746,319,577.28	17,416,889,248.90	12,111,188,820.80	5,157,901,538.45
Segment operating profit	2,029,639,481.33	38,309,186.00	228,179,940.12	846,894,632.27	727,088,154.68
Total segment assets	14,263,264,997.70	2,213,752,410.82	17,291,242,044.73	10,803,883,492.16	3,686,416,228.16
Total segment liabilities	33,912,192,044.73	1,731,117,566.27	11,269,291,519.54	5,305,936,025.88	2,626,857,575.69

(Continued)

Segment information	Overseas home appliance and smart home business	Other businesses	Inter-segment offsetting	Total
Segment revenue	56,916,219,464.44	43,176,981,421.17	-45,935,757,326.55	111,618,822,064.73
Including: external revenue	56,669,104,381.43	4,753,805,055.19	-	111,618,822,064.73
Inter-segment revenue	247,115,083.01	38,423,176,365.98	-45,935,757,326.55	-
Total segment operating cost	53,698,944,763.59	43,260,088,724.43	-46,032,767,760.39	104,517,532,838.90
Segment operating profit	3,217,274,700.85	-83,107,303.26	97,010,433.84	7,101,289,225.83
Total segment assets	58,821,449,057.39	48,650,650,065.17	-46,251,109,104.74	109,479,549,191.39
Total segment liabilities	35,163,611,251.89	55,278,993,290.89	-46,105,899,926.52	99,182,099,348.37

Segment information for the corresponding period of last year

Segment information	China smart home business
---------------------	---------------------------

2021 Interim Report
Haier Smart Home Co., Ltd

	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 revenue	1,442,575,913.09	130,232,582.93	2,573,910,643.87	1,455,192,886.04	75,557,572.61
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	11,689,348,816.41	2,532,594,848.74	20,925,304,799.58	10,136,244,423.99	4,136,849,021.24
Total segment liabilities	29,205,929,335.98	1,538,646,245.07	13,440,305,435.84	8,218,924,225.44	5,108,347,965.67

(Continued)

Segment information	Overseas home appliance and smart home business	Other business	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	50,763,259,766.21	56,983,696,562.09	-54,985,101,891.27	102,182,196,346.99
Total segment liabilities	31,137,719,930.78	60,169,129,987.26	-54,845,121,209.94	93,973,881,916.10

(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
Mainland China	53,591,106,982.67	48,729,778,108.08
Other countries/regions	58,027,715,082.06	46,998,318,998.57
Including:		
America	35,324,883,693.09	29,493,797,283.55
Australia	3,458,819,500.44	2,495,026,782.34
South Asia	3,925,925,777.81	2,710,264,399.09
Europe	9,093,752,866.83	6,742,180,009.93
Southeast Asia	2,610,757,476.24	2,108,114,856.79
Central East and Africa	909,684,097.45	725,859,940.76
Japan	1,778,184,357.59	1,797,904,898.35

Others	925,707,312.61	925,170,827.76
Total	111,618,822,064.73	95,728,097,106.65

Total non-current assets

Items	Closing balance	Opening balance
Mainland China	15,381,426,171.41	14,715,132,308.86
Other countries/regions	25,106,833,772.27	25,212,638,556.86
Total	40,488,259,943.68	39,927,770,865.72

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

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	144,100,920.94	2,020,987,842.58	83,828,024.73	2,248,916,788.25
Including: Bank wealth management products		1,892,664,884.11		1,892,664,884.11
Forward foreign exchange contract		128,322,958.47		128,322,958.47
Investment funds	144,100,920.94			144,100,920.94
Equity instruments investment			83,828,024.73	83,828,024.73
Derivative financial assets		121,975,627.78		121,975,627.78
Including: Forward foreign exchange contract		97,152,699.86		97,152,699.86
Forward commodity contract		24,822,927.92		24,822,927.92
Other equity instruments	19,802,461.70		2,809,376,958.46	2,829,179,420.16

2021 Interim Report
Haier Smart Home Co., Ltd

Including: Equity instruments measured at fair value through other comprehensive income	19,802,461.70		2,809,376,958.46	2,829,179,420.16
Other non-current assets		46,832,494.61		46,832,494.61
Including: Other non-current financial assets		46,832,494.61		46,832,494.61
Financial liabilities held for trading		3,423,774.60		3,423,774.60
Including: Forward foreign exchange contract		3,423,774.60		3,423,774.60
Derivative financial liabilities		92,081,440.09		92,081,440.09
Including: Forward foreign exchange contract		55,091,160.59		55,091,160.59
Interest rate swap agreement		36,990,279.50		36,990,279.50

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	113,759,845.57	1,967,483,015.21	83,949,637.05	2,165,192,497.83
Including: Bank wealth management products		1,862,036,322.21		1,862,036,322.21
Forward foreign exchange contract		105,446,693.00		105,446,693.00
Investment funds	113,759,845.57			113,759,845.57
Investment in equity instruments			83,949,637.05	83,949,637.05
Derivative financial assets		77,839,006.63		77,839,006.63
Including: Forward foreign exchange contract		52,194,232.55		52,194,232.55
Forward commodity contract		25,644,774.08		25,644,774.08
Other equity instruments	19,802,461.70		2,639,322,803.84	2,659,125,265.54
Including: Equity instruments measured at fair value and changes of which included in other comprehensive income	19,802,461.70		2,639,322,803.84	2,659,125,265.54
Other non-current assets		46,832,494.61		46,832,494.61
Including: Other non-current financial assets		46,832,494.61		46,832,494.61
Financial liabilities held for trading		26,952,508.66		26,952,508.66
Including: Forward foreign exchange contract		26,952,508.66		26,952,508.66
Derivative financial liabilities		239,582,532.90		239,582,532.90
Including: Forward foreign exchange contract		188,695,788.30		188,695,788.30
Interest rate swap agreement		50,886,744.60		50,886,744.60

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. Basis for determining the fair value of the continual Level 2 fair value measurement items

Items	Closing fair value	Valuation techniques
Financial assets held for trading		
Including: Bank wealth management products	1,892,664,884.11	Discounted cash flow
Forward exchange contract	128,322,958.47	Bank quote for similar products
Derivative financial assets		
Including: Forward exchange contract	97,152,699.86	Bank quote for similar products
Forward commodity contract	24,822,927.92	Futures exchange quote for similar products
Other non-current assets		
Including: Other non-current financial assets	46,832,494.61	Recent transaction method
Financial liabilities held for trading		
Including: Forward exchange contract	3,423,774.60	Bank quote for similar products
Derivative financial liabilities		
Including: Forward exchange contract	55,091,160.59	Bank quote for similar products
Interest rate swap agreement	36,990,279.50	Bank quote for similar products

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

Items	Fair value at the end of the period	Valuation technique	Significant unobservable input	Range	Sensitivity of the input to fair value
Other equity Instruments					
Including: 1. SINOPEC Fuel Oil Sales Corporation Limited	1,141,941,000.00	Market approach	1. Average P/E multiple of peers 2. Discount for lack of marketability	1. 22.8 - 23.26 2. 24% - 26%	1. 1% increase (decrease) in average P/E multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB11,420,000.00. 2. 1% increase

					(decrease) in the lack of marketability would result in decrease (increase) in fair value by RMB15,226,000.00.
2. Haier COSMO IOT Ecological Technology Co., Ltd.	1,396,555,52 1.94	Market approach	1. Average P/B multiple of peers 2. Discount for lack of marketability	1. 2.93 - 2.99 2. 36% - 38%	1. 1% increase (decrease) in average P/B multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB13,313,000.00. 2. 1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by RMB21,188,000.00.

4. Financial instruments not measured at fair value

Items	Closing book value	Closing fair value
Bonds payable (convertible corporate bonds)	426,436,821.17	422,826,629.00

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 of enterprise	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	11.42%	11.42%
Haier COSMO Co., Ltd.	Joint-stock company	Qingdao High-tech Zone Haier Park	631,930,635	Zhang Ruimin	Subsidiary of Parent Company	13.40%	13.40%
HCH (HK) Investment Management Co., Limited	Private company with limited liability	Hong Kong	10,000 (Hong Kong Dollars)	/	Parties acting in concert of Parent Company	5.73%	5.73%
Qingdao Haier Venture & Investment Information Co., Ltd.	Company with limited liability	Qingdao Free Trade Zone	923,000,000	Zhou Yunjie	Parties acting in concert of Parent Company	1.83%	1.83%
Qingdao Haichuan gzhi Management Consulting	Limited partnership	Qingdao High-tech Zone Haier Park	1,053,306,000	Zhang Ruimin	Parties acting in concert of Parent Company	0.85%	0.85%

Enterprise (Limited Partnership)					ny		
Haier International Co., Limited	Company with limited liability	Hong Kong	10,000 (Hong Kong Dollars)	/	Parties acting in concert of Parent Company	0.62%	0.62%

2. Subsidiaries of the Company

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

☐ Applicable ☒ Not Applicable

3. Joint ventures and associates of the Company

The details of significant associates of the Company are detailed in Note VII. 11 and Note IX. 3

☐ Applicable ☒ Not Applicable

Other joint ventures or associates 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
Chongqing Zhonglian Energy Technology Co., Ltd.	Holding subsidiary of the parent group
Chongqing Haier Intelligent Electronics Co., Ltd.	Holding subsidiary of the parent group
Chongqing Haier Property Management Co., Ltd.	Holding subsidiary of the parent group
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Holding subsidiary of the parent group
Hong Kong Goodaymart Supply Chains Co., Ltd.	Holding subsidiary of the parent group
Shanghai Zhiyu Technology Co., Ltd.	Holding subsidiary of the parent group

Shanghai Cotai Supply Chain Management Co., Ltd.	Holding subsidiary of the parent group
Gooday Supply Chain Technologies Co., Ltd.	Holding subsidiary of the parent group
Qingdao Goodaymart Supply Chains Co., Ltd.	Holding subsidiary of the parent group
Qingdao Oasis Technology Co., Ltd.	Holding subsidiary of the parent group
Qingdao Blue Whale Technology Co., Ltd.	Holding subsidiary of the parent group
Qingdao Haina Cloud Intelligent System Co., Ltd.	Holding subsidiary of the parent group
Qingdao Hailizhuju Technology Co., Ltd.	Holding subsidiary of the parent group
Qingdao Haier Special Plastic Development Co.,Ltd.	Holding subsidiary of the parent group
Qingdao Haier Moulds Co., Ltd.	Holding subsidiary of the parent group
Qingdao Haier Parts Procurement Co., Ltd.	Holding subsidiary of the parent group
Qingdao Haier Robot Co., Ltd.	Holding subsidiary of the parent group
Qingdao Haier International Trading Co., Ltd.	Holding subsidiary of the parent group
Qingdao Haier International Travel Agency Co., Ltd.	Holding subsidiary of the parent group
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	Holding subsidiary of the parent group
Qingdao Haier Industry and City Innovation Co., Ltd.	Holding subsidiary of the parent group
Qingdao Ding Xin Electronics Technology Co., Ltd.	Holding subsidiary of the parent group
Laiyang Haier Electrical Co. Ltd.	Holding subsidiary of the parent group
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	Holding subsidiary of the parent group
Hefei Haier Logistics Co., Limited	Holding subsidiary of the parent group
Haier Consumer Finance Co., Ltd.	Holding subsidiary of the parent group
Haier Digital Technology (Qingdao) Co., Ltd.	Holding subsidiary of the parent group
Haier Digital Technology (Nanjing) Co., Ltd.	Holding subsidiary of the parent group
Haier Group Finance Co., Ltd.	Holding subsidiary of the parent group
Foshan Shunde Haier Intelligent Electronic Co.,Ltd.	Holding subsidiary of the parent group

Dalian Haier International Trade Co., Ltd.	Holding subsidiary of the parent group
Qingdao Haier International Motors	Holding subsidiary of the parent group
Haier International Co., Ltd.	Holding subsidiary of the parent group
Qingdao Haier New Materials R & D Co., Ltd.	Associate of subsidiary of Haier Group
Controladora Mabe S.A.deC.V.	Associate
Wolong Electric (Jinan) Motor Co., Ltd.	Associate
Qingdao Hegang New Material Technology Co., Ltd.	Associate
HPZ Limited	Associate
HNR COMPANY (PRIVATE) LIMITED	Associate
Qingdao Haier Multimedia Co., Ltd.	Associate
Qingdao HBIS Composite New Material Technology Co., Ltd.	Subsidiary of associate
Hefei Hegang New Material Technology Co., Ltd.	Subsidiary of associate

(III) Related transactions

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

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Related parties	Amount for the current period	Amount for the previous period
Controladora Mabe S.A.deC.V.	5,919,857,050.59	4,864,433,223.10
Gooday Supply Chain Technologies Co., Ltd.	1,795,280,208.51	949,267,175.72
HNR COMPANY (PRIVATE) LIMITED	1,753,260,194.66	1,142,507,687.58
Chongqing Haier Electrical Appliances Sales Co., Ltd.	1,735,448,645.80	1,361,963,444.17
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	1,007,738,751.14	
Shanghai Cotai Supply Chain Management Co., Ltd.	837,090,677.39	535,089,057.35
Wolong Electric (Jinan) Motor Co., Ltd.	494,269,324.67	345,676,591.78
Chongqing Haier Intelligent Electronics Co., Ltd.	493,639,084.84	
Hefei Hegang New Material Technology Co., Ltd.	474,928,583.73	413,914,100.88

Qingdao Ding Xin Electronics Technology Co., Ltd.	429,570,435.77	
Qingdao Goodaymart Supply Chains Co., Ltd.	394,485,275.37	173,942,768.33
Qingdao HBIS Composite New Material Technology Co., Ltd.	392,032,148.49	355,481,832.09
Other related parties	2,934,307,252.33	5,956,838,057.87
Total	18,661,907,633.29	16,099,113,938.87

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

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Related parties	Amount for the current period	Amount for the previous period
Qingdao Haier Special Plastic Development Co., Ltd.	324,988,575.86	277,812,831.60
Qingdao Haier International Trading Co., Ltd.	312,030,850.93	284,072,456.94
Controladora Mabe S.A.deC.V.	254,597,948.57	144,426,966.26
Qingdao Haier International Travel Agency Co., Ltd.	105,505,398.38	55,926,947.01
Chongqing Haier Electrical Appliances Sales Co., Ltd.	91,292,269.02	53,083,645.42
Shanghai Zhiyu Technology Co., Ltd.	30,636,966.12	15,635,577.11
Qingdao Haier International Motors	28,717,751.77	
Qingdao Haina Cloud Intelligent System Co., Ltd.	26,354,742.25	
Qingdao Haier Multimedia Co., Ltd.	25,743,020.75	12,082,014.01
Chongqing Zhonglian Energy Technology Co., Ltd.	24,614,336.31	
Chongqing Haier Property Management Co., Ltd.	21,684,041.90	18,268,883.79
Qingdao HBIS Composite New Material Technology Co., Ltd.		81,567,030.58
Wolong Electric (Jinan) Motor Co., Ltd.		145,337,819.93
Qingdao Haier New Materials R & D Co., Ltd.		148,412,255.35
Other related parties	179,839,945.56	192,681,286.16
Total	1,426,005,847.42	1,429,307,714.16

Explanations of related transactions for the purchase and sale of goods, provision and receipt of services

☐ Applicable ☒ Not Applicable

3. Amount for outstanding items of related parties

Items and name of vendors	Closing Balance	Opening Balance
Bills receivable:		
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	116,678,930.60	
Chongqing Haier Intelligent Electronics Co., Ltd.	88,727,462.00	
Foshan Shunde Haier Intelligent Electronic Co., Ltd.	46,795,014.00	
Qingdao Ding Xin Electronics Technology Co., Ltd.	25,111,549.00	
Qingdao Hegang New Material Technology Co., Ltd.	21,200,000.00	
Other related parties	6,706,487.72	1,106,165.28
Accounts receivable:		
HNR Company (Private) Limited	322,006,754.02	388,679,073.55
Controladora Mabe S.A.deC.V.	134,167,050.85	81,498,939.68
Qingdao Haier International Travel Agency Co., Ltd.	110,915,196.14	113,933,378.64
HPZ Limited	73,772,087.58	47,762,837.62
Qingdao Haier International Trading Co., Ltd.	44,607,925.95	72,248,862.19
Chongqing Zhonglian Energy Technology Co., Ltd.	35,050,619.22	24,860,829.14
Haier International Co., Ltd.	33,845,223.64	3,815,282.89
Haier Digital Technology (Qingdao) Co., Ltd.	31,696,490.12	80,254,328.37
Qingdao Blue Whale Technology Co., Ltd.	30,585,617.46	29,531,545.86
Qingdao Hailizhuju Technology Co., Ltd.	29,719,317.78	9,549,687.48
Qingdao Haier Special Plastic Development Co., Ltd.	27,228,142.89	187,101,398.95
Chongqing Haier Electrical Appliances Sales Co., Ltd.	4,647,727.71	144,072,335.03
Other related parties	201,475,388.23	378,179,556.68
Prepayments:		
Qingdao Haier International Trading Co., Ltd.	101,813,048.93	80,759,659.73
Qingdao Haier Moulds Co., Ltd.	33,967,929.22	32,695,754.10
Qingdao Oasis Technology Co., Ltd.	28,986,324.64	
Qingdao Haier International Travel Agency Co., Ltd.	26,673,633.47	26,860,737.70

HNR COMPANY (PRIVATE) LIMITED	21,788,673.71	78,420,575.44
Other related parties	35,973,956.32	61,908,776.76
Interest receivable:		
Haier Group Finance Co., Ltd.	164,958,085.19	120,777,203.01
Haier Consumer Finance Co., Ltd.	2,317,700.00	
Other receivables:		
Hong Kong Goodaymart Supply Chains Co., Ltd.	53,200,000.00	53,200,000.00
Qingdao Haier Moulds Co., Ltd.	27,964,393.18	14,500,982.35
Qingdao Blue Whale Technology Co., Ltd.	12,392,334.21	12,392,334.21
Dalian Haier International Trade Co., Ltd.	11,945,428.01	7,708,641.11
Haier Digital Technology (Nanjing) Co., Ltd.	11,848,500.00	
Controladora Mabe S.A.deC.V.	11,839,807.90	15,777,379.54
Qingdao Haier Industry and City Innovation Co., Ltd.		88,640,000.00
Other related parties	36,525,614.70	82,727,655.55

Items and name of vendors	Closing Balance	Opening Balance
Bills payable:		
Laiyang Haier Electrical Co. Ltd.	48,906,578.86	49,720,701.09
Other related parties	102,756,773.42	56,956,689.86
Accounts payable:		
Qingdao Haier Parts Procurement Co., Ltd.	2,169,295,503.15	1,647,724,215.65
Controladora Mabe S.A.deC.V.	369,232,073.76	316,079,431.43
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	298,172,923.36	671,426,347.70
Qingdao Ding Xin Electronics Technology Co., Ltd.	253,327,910.73	249,323,037.13
Hefei Haier Logistics Co., Limited	239,522,578.56	242,590,693.06
Chongqing Haier Intelligent Electronics Co., Ltd.	151,594,384.27	93,236,600.86
Qingdao Haier Special Plastic Development Co., Ltd.	124,643,179.86	295,609,746.74
Qingdao Haier International Trading Co., Ltd.	120,954,475.24	117,064,526.97
Dalian Haier International Trade Co., Ltd.	107,142,641.28	197,461,939.55

Qingdao HBIS Composite New Material Technology Co., Ltd.	88,864,687.31	104,132,210.10
Other related parties	776,890,437.25	1,523,116,608.02
Contract liabilities:		
Chongqing Zhonglian Energy Technology Co., Ltd.	17,511,894.92	17,210,554.92
Wolong Electric (Jinan) Motor Co., Ltd.	15,324,496.66	520,294.42
Qingdao Haier New Materials R & D Co., Ltd.	5,801,081.14	2,823,650.93
HPZ Limited	3,071,563.35	3,071,563.35
Qingdao HBIS Composite New Material Technology Co., Ltd.	550,303.52	2,705,659.12
Other related parties	7,340,215.00	11,059,096.13
Other payables:		
Gooday Supply Chain Technologies Co., Ltd.	661,795,689.81	790,674,332.08
Controladora Mabe S.A.deC.V.	143,948,806.20	43,590,845.08
Shanghai Cotai Supply Chain Management Co., Ltd.	181,198,883.06	183,123,979.68
Qingdao Haier Robot Co., Ltd.	51,535,075.50	49,076,364.39
Qingdao Goodaymart Supply Chains Co., Ltd.	51,109,774.76	77,995,078.37
Qingdao Haier Moulds Co., Ltd.	33,845,804.94	73,679,757.76
Chongqing Zhonglian Energy Technology Co., Ltd.	32,835,814.56	59,926,366.50
Dalian Haier International Trade Co., Ltd.	21,800,000.00	21,800,000.00
Qingdao Haier International Travel Agency Co., Ltd.	16,256,802.64	15,508,707.39
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	15,283,578.94	25,622,538.88
Other related parties	57,354,356.14	203,481,753.03
Interest payable:		
Haier Finance Co., Ltd.	4,849,297.70	2,808,989.55
Dividends payable:		
Haier COSMO Co., Ltd.	460,678,645.58	
Haier Group Corporation	392,575,539.62	
HCH (HK) Investment Management Co., Limited	197,112,960.00	
Other related parties	113,233,045.95	

4. Other related party transactions

(1) The Company and its subsidiaries entered into loan contracts with Haier Finance Co., Ltd. The loan balance as of 30 June 2021 was RMB482 million and the aggregate interest expense payable by the Company and its subsidiaries to Haier Finance Co., Ltd. for the current period was RMB6.3961 million.

(2) The interest income of deposits received by the Company and subsidiaries from Haier Finance Co., Ltd. for the current period was RMB131 million. The interest income of deposits received by the Company and subsidiaries from Haier Consumer Finance Co., Ltd. for the current period was RMB2.32 million.

(3) The lease expense of the Company and its subsidiaries for production and operation leased from related parties for the current period was RMB60.00 million.

(IV) Pricing policy

1. Related party sales

Some related parties purchase components through the independent procurement platform of the Company, purchase electrical appliances for sales from the Company, and receive after-sales services, R&D service, housing rental and other business provided by the company due to their business needs. In November 2020, according to the implementation of connected transactions in the early stage and the relevant listing requirements in Hong Kong, the Company and Haier Group Corporation revised and signed the Product and Materials Sales Framework Agreement, the Service Provision Framework Agreement and the Property Leasing Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included that both parties should agree on the price which is not less favourable than those provided by the Company to the Independent Third Parties on arm's length to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement ends on 31 December 2022, which can be renewed for another three years upon expire.

2. Related parties Procurement

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements of part of raw materials. Moreover, the Company entrusted Haier Group Corporation and its subsidiaries to provide the Company with logistics and distribution, energy and power, basic research and testing, equipment leasing, house leasing and maintenance, greening and cleaning, gift procurement, design, consulting, various ticket booking and other services. In November 2020, according to the

implementation of connected transactions in the early stage and the relevant listing requirements in Hong Kong, the Company and Haier Group Corporation revised and signed the Product and Materials Sales Framework Agreement, the Service Provision Framework Agreement and the Property Leasing Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included that both parties should agree on the price which is not less favourable than those provided by the Company to the Independent Third Parties on arm's length to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement ends on 31 December 2022, which can be renewed for another three years upon expire.

3. Financial aspect

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation, its subsidiaries and other companies. According to the Financial Service Agreement entered among the Company, Haier Group Corporation and other parties, the price of financial services is determined by the principle of not less favourable than market value fair. The Company is entitled to decide whether to keep cooperation relationship with them with the knowledge of the price prevailing in the market and in combination with its own interests. While performing the agreement, the Company could also require other financial service institutions to provide related financial services basing on actual situation. In order to meet the Company's demands such as the avoidance of foreign exchange fluctuation risk, the Company may choose Haier Group Finance Co., Ltd. to provide some foreign exchange derivative business after comparing with comparable companies. The Company will uphold the safe and sound, appropriate and reasonable principle, under which all foreign exchange capital business shall have a normal and reasonable business background to eliminate speculative operation. At the same time, the Company has specified the examination and permission rights, management positions and responsibilities at all levels for its foreign exchange capital business to eradicate the risks of operation by persons and improved its response speed to risks on the premise that the risks are effectively controlled. In June 2021, the Company and Haier Group Corporation signed the Financial Services Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included the deposit interest rate not lower than the maximum interest rate of major banks listed and the loan interest rate not less favourable than the market price to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement expires at 31 December 2023, which can be renewed for another three years upon expire.

4. Others

The Company signed the Intellectual Property Licensing Framework Agreement with Haier Group Corporation in November 2020. According to the agreement, Haier Group has agreed to grant or procure its subsidiaries and contact persons to grant the license to the Company at nil consideration to use all its intellectual property rights, including but not limited to trademarks, patents, copyrights and logos for the products, packaging, services and business introduction documents of the Company. The date of the Intellectual Property Licensing Framework Agreement shall be permanently effective from the H Share listing date. When such specific intellectual property rights expire and are not renewed by Haier Group, our

right to use certain intellectual property rights under the Intellectual Property Licensing Framework Agreement will terminate.

XIII. Share-based payments

☐ Applicable ☒ Not Applicable

XIV. Commitments and contingencies

1. Significant commitments

☐ Applicable ☒ Not Applicable

2. Contingencies

☒ Applicable ☐ Not Applicable

As of 30 June 2021, the Company has no significant contingencies that need to be disclosed.

XV. Events subsequent to the balance sheet date

☒ Applicable ☐ Not Applicable

1. On the 16th meeting of the 10th board of directors of the Company, the “Resolution of Haier Smart Home Co., Ltd. on the Plan of Partial Repurchase of Public Shares” was considered and approved for the Company to repurchase 8,762,400 A Shares through call auction transaction, with a paid amount of RMB227 million.

2. The Company held the 2020 Annual General Meeting on 25 June 2021 where it adopted A Share Employee Stock Ownership Scheme (2021-2025), H Share Employee Stock Ownership Scheme (2021-2025) and H Share Restricted Share Unit Scheme (2021-2025).

Pursuant to the arrangement under the A Share Employee Stock Ownership Scheme (2021-2025), The 25,440,807 shares (amounting to approximately RMB707 million (excluding related fees and taxes)) in the “Haier Smart Home Co., Ltd. Designated Securities Account for Repurchase” were transferred to the “Haier Smart Home Co., Ltd. - A Share Employee Stock Ownership Scheme (2021-2025)” on 22 July 2021 on a non-transactional basis.

Pursuant to the arrangement under the H Share Employee Stock Ownership Scheme (2021-2025), the Company has entrusted an asset management company to purchase a total of 3,757,000 H Shares of the Company in the secondary market through Hong Kong Stock Connect after the Reporting Period, with a transaction amount of approximately HK\$106 million.

Pursuant to the arrangement under the H Share Restricted Share Unit Scheme (2021-2025), the Company has entrusted an independent trust to buy a total of 4,538,400 H Shares of the Company in the secondary market after the Reporting Period, with a transaction amount of approximately HK\$124 million.

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		41,843,777,555.56		41,843,777,555.56
Financial assets held for trading	2,248,916,788.25			2,248,916,788.25
Derivative financial assets			121,975,627.78	121,975,627.78
Bills receivable		11,906,406,723.66		11,906,406,723.66
Accounts receivable		20,201,607,270.68		20,201,607,270.68
Other receivables		2,265,821,208.28		2,265,821,208.28
Other current assets		408,970,053.06		408,970,053.06
Long-term receivables		309,892,045.80		309,892,045.80
Other equity instruments			2,829,179,420.16	2,829,179,420.16
Other non-current assets	46,832,494.61			46,832,494.61

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		46,461,329,426.91		46,461,329,426.91
Financial assets held for trading	2,165,192,497.83			2,165,192,497.83
Derivative financial assets			77,839,006.63	77,839,006.63
Bills receivable		14,136,349,754.34		14,136,349,754.34
Accounts receivable		15,930,024,286.67		15,930,024,286.67
Other receivables		1,717,152,945.65		1,717,152,945.65
Other current assets		554,131,037.76		554,131,037.76
Long-term receivables		330,588,978.97		330,588,978.97
Other equity instruments			2,659,125,265.54	2,659,125,265.54
Other non-current assets	46,832,494.61			46,832,494.61

Financial liabilities

Items	Closing balance		
	Financial liabilities measured at fair value	Financial liabilities measured at amortized cost	Total
Short-term borrowings		11,160,109,997.72	11,160,109,997.72
Financial liabilities held for trading	3,423,774.60		3,423,774.60
Derivative financial liabilities	92,081,440.09		92,081,440.09
Bills payable		24,290,143,300.41	24,290,143,300.41
Accounts payable		39,008,002,641.86	39,008,002,641.86

Other payables		20,050,241,387.28	20,050,241,387.28
Non-current liabilities due within one year		2,412,067,581.09	2,412,067,581.09
Long-term borrowings		9,590,298,914.57	9,590,298,914.57
Bonds payable		426,436,821.17	426,436,821.17
Long-term payables		94,010,166.66	94,010,166.66

Financial liabilities (Continued)

Items	Opening balance		
	Financial liabilities measured at fair value	Financial liabilities measured at amortized cost	Total
Short-term borrowings		7,687,908,165.88	7,687,908,165.88
Financial liabilities held for trading	26,952,508.66		26,952,508.66
Derivative financial liabilities	239,582,532.90		239,582,532.90
Bills payable		21,236,057,053.67	21,236,057,053.67
Accounts payable		36,302,971,944.48	36,302,971,944.48
Other payables		17,056,156,167.28	17,056,156,167.28
Non-current liabilities due within one year		4,950,555,670.08	4,950,555,670.08
Other current liabilities		5,535,262,500.00	5,535,262,500.00
Long-term borrowings		11,821,416,259.81	11,821,416,259.81
Bonds payable		6,713,501,050.27	6,713,501,050.27
Long-term payables		98,203,261.27	98,203,261.27

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	1,120,694,194.49	5,491,427,973.11
1-2 years		416,430.64
2-3 years		
Over 3 years		
Accounts receivable, balance	1,120,694,194.49	5,491,844,403.75
Allowance for bad debts	308,333.33	308,333.33
Accounts receivable, net	1,120,385,861.16	5,491,536,070.42

The total amount of the top 5 accounts receivable at the end of the period was RMB1,117,973,238.22, accounting for 99.76% of book balance of the accounts receivable.

Allowance for bad debts

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Categories	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Transfer or write-off	Other movement	
Bad debts	308,333.33					308,333.33
Total	308,333.33					308,333.33

2. Other receivables

Presented as

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance

Interest receivable	37,316,878.96	38,582,434.11
Dividend receivable		
Other receivables	11,779,892,490.91	3,867,790,953.50
Total	11,817,209,369.87	3,906,373,387.61

Other explanations:

☐ Applicable ☒ Not Applicable

Interest receivable

(1). Classification of interest receivable

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Within 1 year	37,316,878.96	38,582,434.11
Over 1 year		
Total	37,316,878.96	38,582,434.11

Dividend receivable

(1). Dividend receivable

☐ Applicable ☒ Not Applicable

Other receivable

1 Other receivables are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	11,244,115,045.37	3,501,616,045.85
Over 1 year	542,904,131.40	366,178,683.57
Other receivables, balance	11,787,019,176.77	3,867,794,729.42
Allowance for bad debts	7,126,685.86	3,775.92
Other receivables, net	11,779,892,490.91	3,867,790,953.50

The total amount of the top 5 other receivables at the end of the period is RMB9,453,653,528.61, accounting for 80.20% of book balance of other receivables.

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

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision for the current period	Other increase	Reversal	Write-off and other movement	
Allowance for bad debts	3,775.92	7,122,909.94				7,126,685.86

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	49,231,447,092.82	7,100,000.00	49,231,447,092.82	7,100,000.00
Long-term equity investments in associates	3,207,458,437.79	109,300,000.00	3,175,179,977.39	109,300,000.00
Total	52,438,905,530.61	116,400,000.00	52,406,627,070.21	116,400,000.00

(2) Long-term equity investments in subsidiaries

Name of investee	Opening balance	Increase /Decrease for the current 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	
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	

2021 Interim Report
Haier Smart Home Co., Ltd

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 Appliance Co., Ltd.	91,750,000.00		91,750,000.00	
Shanghai Haier Zhongzhi Fang Chuang Ke Space Management Co., Ltd.	2,000,000.00		2,000,000.00	
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	100,000,000.00		100,000,000.00	
Haier Shareholdings (Hong Kong) Limited	26,022,782,526.24		26,022,782,526.24	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air Conditioner Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.00		130,000,000.00	
Qingdao Haier Technology Investment Co., Ltd.	367,505,635.00		367,505,635.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.	10,000,000.00		10,000,000.00	
Haier Overseas Electric Appliance Co., Ltd.	500,000,000.00		500,000,000.00	
Haier (Shanghai) Electronics Co., Ltd.	12,500,000.00		12,500,000.00	
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	143,000,000.00		143,000,000.00	
Haier Electronics Group Co., Ltd.	16,730,707,938.63		16,730,707,938.63	7,100,000.00
Qingdao Haidarui Procurement Service Co., Ltd.	107,800,000.00		107,800,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	326,400,000.00		326,400,000.00	
Qingdao Haidacheng Procurement Service Co., Ltd.	100,000,000.00		100,000,000.00	
Haier Smart Home Experience Cloud Ecological Technology Co., Ltd.	100,000,000.00		100,000,000.00	
Total	49,231,447,092.82		49,231,447,092.82	7,100,000.00

(3) Long-term equity investments in associates

2021 Interim Report
Haier Smart Home Co., Ltd

Name of investee	Opening balance	Increase/decrease for the current period			Closing balance	Impairment provisions at the end of the period
		Increase/decrease for the current period	Recognized investment income under equity method	Others		
Wolong Electric (Jinan) Motor Co., Ltd.	136,709,910.73		13,696,146.11		150,406,056.84	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	385,797,036.73		11,710,187.89	-17,819,777.76	379,687,446.86	
Bank of Qingdao Co., Ltd.	975,756,025.82		57,916,433.78	-14,489,022.21	1,019,183,437.39	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	654,581,961.84		39,355,157.03		693,937,118.87	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	415,298,165.93		6,163,986.57	-25,074,310.40	396,387,842.10	21,000.00
Qingdao Haier Multimedia Co., Ltd.	328,987,205.06		-50,160,853.64		278,826,351.42	88,300.00
Qingdao HBIS New Material Technology Co., Ltd.	278,049,671.28		10,980,513.03		289,030,184.31	
Total	3,175,179,977.39	-	89,661,570.77	-57,383,110.37	3,207,458,437.79	109,300.00

4. Operating revenue and operating cost

(1). Details of operating revenue and operating cost

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	100,011,103.11	93,685,159.99	4,971,571,357.13	4,334,933,560.26
Other business	96,140,485.73	76,847,254.77	71,145,742.55	63,477,221.29
Total	196,151,588.84	170,532,414.76	5,042,717,099.68	4,398,410,781.55

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	17,700,000.00	173,411,284.52
Investment income from long-term equity investment accounted for using equity method	89,661,570.77	63,292,928.01
Income from wealth management products	5,792,409.99	9,270,527.84
Investment income from investment in other equity instrument during the holding period		
Total	113,153,980.76	245,974,740.37

XIX. Supplementary Information

1. Basic earnings per share and diluted earnings per share

Items	Amount for the current period			Amount for the previous period		
	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	9.29%	0.741	0.730	5.68%	0.423	0.419
Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss	8.50%	0.678	0.669	5.25%	0.391	0.386

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	6,852,271,812.97	2,780,800,712.72
Less: non-recurring profit or loss	582,365,406.25	211,360,215.13
Net profit attributable to ordinary shareholders of the Parent Company after	6,269,906,406.72	2,569,440,497.59

deduction of non-recurring profit or loss		
---	--	--

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

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount
Profit or loss from disposal of non-current assets	135,411,372.65
Government grants included in current profit or loss, except that closely related to the company business, in accordance with the national standard policies to be granted with the amount and quantity determined under certain standards	283,535,138.53
Profit or loss from fair value changes of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as investment gains arising from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, except the effective hedging related to the normal operations of the Company	229,227,021.99
Other non-operating income and expenses except the aforementioned items	35,439,577.28
Impact on income tax	-93,278,591.01
Impact on minority interest	-7,969,113.19
Total	582,365,406.25

For the Company's designation of extraordinary gain or loss items as defined in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses, and extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses as recurring gain or loss items, reasons shall be specified.

☐ Applicable ☒ Not Applicable

3. Difference on figures by domestic and foreign accounting standards

☒ Applicable ☐ Not Applicable

(1). Details on difference of net profit and net assets in the financial report disclosed in accordance with both international accounting standards and PRC accounting standards

☐ Applicable ☒ Not Applicable

There is no difference between the net profit and net assets attributable to shareholders of the listed company as presented in the consolidated financial statements disclosed in accordance

with International Accounting Standards and in accordance with PRC accounting standards.

(2). Details on difference of net profit and net assets in the financial report disclosed in accordance with both foreign accounting standards and PRC accounting standards

☐ Applicable ☒ Not Applicable

The Company has no financial reports prepared in accordance with foreign accounting standards other than those prepared in accordance with International Accounting Standards.

4. Others

☐ Applicable ☒ Not Applicable

Chairman of the Board: Liang Haishan

Date of approval for publication by the Board: 30 August 2021

Information of amendment

☐ Applicable ☒ Not Applicable