

Stock Code: 600690 (SH) 、 690D (FSE)

Short Name: Haier Smart Home

Haier Smart Home Co., Ltd.

2019 Annual Report



海尔智家
Haier smart home

April 29th 2020

Important Notice

I. The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of Haier Smart Home Co., Ltd. (‘the Company’) hereby assure that the content set out in the annual report is true, accurate and complete, and free from any false record, misleading representation or material omission, and are individually and collectively responsible for the content set out therein.

II. Information of Directors absent from the Board Meeting.

| Position of director absent from the meeting | Name of director absent from the meeting | Reason for the absence of director from the meeting | Name of proxy |
|--|--|---|---------------|
| Chairman | Liang Haishan | On a business trip | Tan Lixia |

III. Hexin Certified Public Accountants LLP has issued a standard and unqualified audit report for the Company.

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 annual report is true, accurate and complete.

V. Proposal of profit distribution and proposal of capitalizing capital reserves for the reporting period examined and reviewed by the Board

Proposal of profit distribution for the reporting period examined and reviewed by the Board: to declare a cash dividend of RMB 3.75 per 10 shares (tax inclusive) to all shareholders based on the total number of shares as at the registration date in respect of future proposal for profit distribution.

VI. Disclaimer in respect of forward-looking statements

☒Application ☐Not applicable

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

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

No

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

No

IX. Important Risk Warnings

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

X. Others

☐Application ☒Not application

Chairman: Liang Haishan

Haier Smart Home Co., Ltd

28 April 2020

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SECTION I DEFINITIONS

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 | China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily |
| Haier Electrics, 1169 | Haier Electronics Group Co., Ltd. (a company listed in Hong Kong, stock code: 01169.HK), a subsidiary as accounted for in the consolidated statement of the Company as to a total of 45.87% of its equity as of 31 December 2019. |
| GEA | GE Appliances, namely home appliances assets and business of General Electric Group, which belongs to 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, embedded freezer, washing machine, clothes dryer and etc. Its business covers over 50 countries/area across the world. In July 2018, the Company completed the acquisition of 100% equity interest in Haier New Zealand Investment Holding Company Limited, thus FPA became a wholly-owned subsidiary of the company. |
| Candy | Candy Group (Candy S.p.A), is an international professional appliances manufacturer from Italy. Since its establishment in 1945, it has been committed to enabling the global users to enjoy a higher quality of life through innovative technologies and quality services. Candy Group has been prestigious in the global market with users all over the world via its ten self-owned professional home appliance brands. In January 2019, Candy officially became a wholly-owned subsidiary of the Company. |
| CMM | China Market Monitor Co., Ltd., as a nationally recognized market research institute in appliance area, was established in 1994 and has been focusing on research of retail sales in China consumption market ever since. |
| Euromonitor | Euromonitor, established in 1972, is the leading strategic market information supplier and owns over 40-years of experience in respect of publishing market report, commercial reference data and on-line database. They create data and analysis on thousands of products and services around the world. |
| All View Cloud | All View Cloud (AVC) is a big data integrated solution provider perpendicular to the smart home field, providing enterprises with big data |

| | |
|--|---|
| | information services, regular data information services and special data services. |
| IEC | The International Electrotechnical Commission. Founded in 1906, it is the world's first organization for the preparation and publication of international electrotechnical standardization and is responsible for international standardization for electrical engineering and electronic engineering. The goals of the commission include: to effectively meet the needs of the global market; to ensure that the standards and conformity assessment programs are applied globally in a prioritized manner and to the greatest extent; to assess and improve the quality of products and services involved in its standards; to create conditions for the common use of complicated systems; to improve the effectiveness of the industrialization process; to improve human health and safety, and to protect the environment. |
| IEEE | The Institute of Electrical and Electronics Engineers, an international association of electronic technology and information science engineers, is currently the largest non-profit professional technology society in the world. It is committed to the development and research of electrical, electronic, computer engineering and science-related fields, and has now developed into an international academic organization with great influence in terms of the fields of space, computer, telecommunications, biomedicine, power and consumer electronics. |
| 15 smart factories | Shenyang Refrigerator Smart Factory, Foshan Front-Loading Washing Machine Smart Factory, Zhengzhou Air-conditioner Smart Factory, Qingdao Mold Smart Factory, Qingdao Water Heater Smart Factory, Qingdao FPA Electrical Machine Smart Factory, Jiaozhou Air-Conditioner Smart Factory, Huangdao Central Air-Conditioner Smart Factory, Huangdao Smart Kitchen Appliance Range Hood Smart Factory, Huangdao Smart Kitchen Appliance Stove Smart Factory, Qingdao Front-Loading Washing Machine Smart Factory, Qingdao Refrigerator Smart Factory, Laiyang Smart Kitchen Appliance Smart Factory, Haier Russia Washing Machine Smart Factory, Tianjin Haier Washing Machine Smart Factory. |
| '5+7+N' smart full-scene customized full set program | '5' refers to five physical spaces where Haier keeps upgrading, including smart living room, smart kitchen, smart bathroom, smart bedroom and smart balcony. '7' represents seven whole-house solutions, namely whole-house air, whole-house water, whole-house cleansing and maintenance, whole-house security, whole-house interaction, whole-house health and whole-house internet, while N refers to variables, i.e. users may customize their own smart living scene freely based on their living habit, realizing unlimited possibilities. |
| Model of RenDanHeYi | 'Ren' is an employee who has the spirit of two creations (entrepreneurship, innovation); 'Dan' is the value of users. Each employee creates value for the user in a different self-employed business, thereby realizing his own value, and the corporate value and shareholder value are naturally reflected. |
| Distributors/Distributor | Agency or dealer in the Company's distribution network. |
| Users/User | Customers who purchased the Company's products & services and are currently using them. |

SECTION II GENERAL INFORMATION OF THE COMPANY AND KEY FINANCIAL INDICATORS

I. Information of the Company

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

II. Contact person and contact Information

| | Secretary to the Board | Representative of securities affairs | IR | Others |
|---------|---|---|--|---------------------------------|
| Name | Ming Guozhen | Liu Tao | Yao Sun (Sophie) | 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 | |
| Tel | 0532-88931670 | 0532-88931670 | +49 160 9469 3601 (Germany) | 4006 999 999 |
| Fax | 0532-88931689 | 0532-88931689 | / | / |
| Email | finance@haier.com | finance@haier.com | Y.sun@haier.de | / |

III. Summary of the General Information

| | |
|---------------------------------------|---|
| Registered address | Haier Industrial Park, Laoshan District, Qingdao City |
| Postal code of the registered address | 266101 |
| Business address | Haier Information Industrial Park, Laoshan District, Qingdao City |
| Postal code of the business address | 266101 |
| Website | http://www.haier.net/cn/ |
| Email | 9999@haier.com |

IV. Place for Information Disclosure and Deposit

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

V. Summarized information of shares of the Company

Summarized information of shares of the Company

| Type of Shares | Stock Exchange of Shares Listed | Stock Short Name | Stock Code | Stock Short Name Before Variation |
|----------------|---------------------------------|------------------|------------|-----------------------------------|
| A share | Shanghai Stock Exchange | Haier Smart Home | 600690 | Qingdao Haier |
| D share | Frankfurt Stock Exchange | Haier Smart Home | 690D | Qingdao Haier |

VI. Other Related Information

| | | |
|--|----------------------------------|---|
| Accounting firm engaged by the Company (domestic) | Name | Hexin Certified Public Accountants LLP |
| | Business address | 26th – 27th Floor, Century Building, No.39 Donghai Road West, Qingdao City |
| | Name of signing accountant | Zhao Bo (赵波), Wang Lin (王琳) |
| Sponsor responsible for continuing supervision during the reporting period | Name | China International Capital Corporation Limited |
| | Business address | 27th & 28th Floor, China World Tower 2, No. 1 Jianguomenwai Avenue, Beijing |
| | Name of signing sponsors | Sun Lei (孙雷), Li Yang (李扬) |
| | Period of continuing supervision | 18 January 2019 to 31 December 2020 |

Note:

Sponsor is responsible for continuing supervision: During the reporting period, the Company had a Convertible bonds issued, and the ‘Haier Convertible Bonds’ were listed on 18 January 2019. China International Capital Corporation Limited, as the sponsor of such issue, is responsible for continuing supervision for the remaining time of the year of listing and the following whole fiscal year.

VII. Key accounting data and financial indicators for the last three years

(I) Key accounting data

Unit and Currency: RMB

| Key accounting data | 2019 | 2018 | | Yoy change (%) | 2017 |
|---|--------------------|--------------------|--------------------|----------------|--------------------|
| | | After adjustment | Before adjustment | | |
| Operating revenue | 200,761,983,256.57 | 184,108,481,959.27 | 183,316,560,236.03 | 9.05 | 163,428,825,488.56 |
| Net profit attributable to shareholders of the listed company | 8,206,247,105.96 | 7,483,659,016.04 | 7,440,228,855.90 | 9.66 | 6,907,629,188.39 |
| Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed company | 5,765,164,700.75 | 6,601,505,599.79 | 6,601,505,599.79 | -12.67 | 5,624,061,708.46 |
| Net cash flows from operating activities | 15,082,630,942.73 | 19,142,782,481.20 | 18,934,252,899.16 | -21.21 | 16,703,785,279.98 |
| | At the end of 2019 | At the end of 2018 | | Yoy change (%) | At the end of 2017 |
| | | After adjustment | Before adjustment | | |
| Net assets attributable to shareholders of the | 47,888,319,765.92 | 39,742,745,893.42 | 39,402,350,791.68 | 20.50 | 39,402,350,791.68 |

| | | | | | |
|----------------|--------------------|--------------------|--------------------|-------|--------------------|
| listed company | | | | | |
| Total assets | 187,454,236,283.17 | 168,091,571,652.14 | 166,699,544,243.79 | 11.52 | 166,699,544,243.79 |

(II) Key financial indicators

| Key financial indicators | 2019 | 2018 | | Yoy change (%) | 2017 |
|--|-------|------------------|-------------------|--------------------------|-------|
| | | After adjustment | Before adjustment | | |
| Basic earnings per share (RMB per share) | 1.286 | 1.217 | 1.210 | 5.67 | 1.133 |
| Diluted earnings per share (RMB per share) | 1.212 | 1.189 | 1.182 | 1.93 | 1.085 |
| Basic earnings per share after deducting non-recurring profit or loss (RMB per share) | 0.903 | 1.074 | 1.074 | -15.92 | 0.922 |
| Weighted average return on net assets (%) | 19.12 | 20.88 | 21.00 | Decreased by 1.76 pct pt | 22.89 |
| Weighted average return on net assets after deducting non-recurring profit or loss (%) | 13.43 | 18.63 | 18.63 | Decreased by 5.20 pct pt | 19.15 |

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

☐Applicable ☒Not applicable

VIII. Differences in accounting data under domestic and overseas accounting standards**(I) Differences in net profit and net asset attributable to shareholders of listed company in financial report disclosed simultaneously according to international accounting standards and according to China Accounting Standards (CAS)**

☐Applicable ☒Not applicable

(II) Differences in net profit and net asset attributable to shareholders of listed company in financial report disclosed simultaneously according to overseas accounting standards and according to China Accounting Standards (CAS)

☐Applicable ☒Not applicable

(III) Reasons for the difference between the domestic and overseas accounting standards:

☐Applicable ☒Not applicable

IX. Key financial data of 2019 by quarters

Unit and Currency: RMB

| | Q1 (January-March) | Q2 (April-June) | Q3 (July-September) | Q4 (October-December) |
|---|-----------------------|--------------------|------------------------|--------------------------|
| Operating revenue | 48,043,265,870.34 | 50,936,527,250.82 | 49,916,316,735.30 | 51,865,873,400.11 |
| Net profit attributable to shareholders of listed | 2,136,268,479.08 | 3,014,601,078.94 | 2,621,991,344.79 | 433,386,203.15 |

| | | | | |
|---|------------------|------------------|------------------|------------------|
| company | | | | |
| Net profit after deduction of non-recurring profit or loss attributable to shareholders of listed company | 1,887,324,275.73 | 2,815,856,539.27 | 1,131,217,490.26 | -69,233,604.51 |
| Net cash flow from operating activities | 1,323,519,988.31 | 2,310,313,509.43 | 5,373,079,070.71 | 6,075,718,374.28 |

Reasons for difference between quarterly data and disclosed regular reporting data

☐Applicable ☒Not Applicable

X. Non-recurring Profit or Loss Items and Amount

☒Applicable ☐Not Applicable

Unit and Currency: CNY

| Non-recurring profit or loss items | Amount in 2019 |
|--|-------------------|
| Profit or loss from disposal of non-current assets | 396,961,251.42 |
| Government grants included in current profit or loss, except that closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards | 990,736,933.23 |
| Gains from the costs of investment in the acquisition of subsidiaries, associated companies and joint ventures being lower than the share of the fair value of the investee's identifiable net assets | 3,190,702,632.96 |
| Profit or loss from fair value changes of financial assets held for trading, financial liabilities held for trading as well as investment gains arising from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except the effective hedging related to the normal operations of the Company | 113,442,943.70 |
| Other operating income and expenses except the aforementioned items | 269,931,284.51 |
| Profit from disposal of long-term equity investments | 635,595,988.34 |
| Impact on profit from business combination under common control | 37,459,163.29 |
| Impact on minority interest | -2,689,843,840.65 |
| Impact on income tax | -503,903,951.59 |
| Total | 2,441,082,405.21 |

XI. Items Measured by Fair Value

☒Applicable ☐Not Applicable

Unit and Currency: RMB

| Item | Opening balance | Closing balance | Changes in the current period | Impact on the profit for the current period |
|--|------------------|-----------------|-------------------------------|---|
| Forward foreign currency contract | -14,961,299.13 | -26,180,454.72 | -11,219,155.59 | 72,176,324.08 |
| Short-term wealth management products | 1,895,007,733.57 | 493,161,725.80 | -1,401,846,007.77 | 153,967,730.24 |
| Investment in trading equity instruments | 19,322,411.35 | 24,586,332.05 | 5,263,920.70 | -2,352,817.04 |
| Interest rate swap agreement | 57,228,769.39 | -13,991,425.83 | -71,220,195.22 | |

| | | | | |
|---|------------------|------------------|-------------------|----------------|
| Contingent consideration | -5,705,307.28 | | 5,705,307.28 | 5,679,041.87 |
| Investment in other equity instruments | 1,400,316,460.34 | 1,395,959,878.92 | -4,356,581.42 | 39,133,293.28 |
| Bulk effective hedging | -11,219,272.35 | 1,916,299.35 | 13,135,571.70 | |
| Other derivative financial instruments | 95,518,757.96 | 77,057,328.58 | -18,461,429.39 | -18,461,429.39 |
| Obligation of repurchasing the minority equity rights | 1,792,322,337.19 | 54,598,203.27 | -1,737,724,133.92 | |
| Total | 5,227,830,591.04 | 2,007,107,887.42 | -3,220,722,703.63 | 250,142,143.04 |

XII. Others

☐Applicable ☒Not Applicable

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

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

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

Since its establishment, the Company has been upholding the operation philosophy of 'taking users as right and seeing ourselves as wrong' and adhering to the corporation value of 'from zero to one with people first (人是目的、有生于无)', while keeping the spirit of entrepreneurship and innovation, to firmly keep up with developments of each era. In overseas markets, the Company has always adhered to proprietary brand management and through its persistent efforts as well as industry integration, it has successively acquired Sanyo in Japan of its white goods business, the home appliances sector of GE, Fisher & Paykel company in New Zealand, Candy company in Italy, and holds 48.41% equity interest of MABE in Mexico, to construct local market competitiveness by intensifying the three in one 'R&D, manufacturing and marketing'. Through continuous optimization of resource integration and platform sharing as well as global strategic synergies, the Company achieves global operation of seven world-class brands, including Haier, Casarte, Leader, GE Appliances, Fisher & Paykel, AQUA and Candy. In 2019, revenue from overseas operation represented 47% of the total revenue while near 100% of it was generated from self-managed brands. Oversea business covers five continents, namely Asia, Europe, America, Australia and Africa, providing comprehensive home appliance products and home scenario solutions for hundreds of millions of users worldwide.

In the new era of IoT, the Company actively promotes the transformation, upgrade and implementation of the '5+7+N' smart home scenario solution across the world, and devotes itself to providing users with a full-process solution of 'designing a home, building a home and servicing a home'. (1) Based on advanced and efficient R&D system and manufacturing capacity, the Company's original technologies and high-end offerings lead the development of the industry and the upgrade of consumption. Casarte brand has a share of 40% in the market of high-end refrigerators priced above RMB 10,000, and its share in the market of high-end washing machines priced above RMB 10,000 is as high as 75.5%. (2) On the channel side, the Company pursues the integration of four networks and the business mode of unified distribution by a single central warehouse, to facilitate the building of an efficient operation platform. In 2019, the distribution capacity of the Company in township areas increased by 11% year on year; meanwhile, the Company also increased presence in upstream home furnishing markets, and implemented packaged designs, sales and services, so as to truly provide users with 'one-stop, full-scenario and customized' solutions. (3) As to the experience of end users, the

Company works to create the Smart Home APP under Smart Home scenario, 001 Experience Center and Internet of Clothes Experience Center, to build a real like sample of a smart scenario solution through embedded new AR, VR technologies, to promote the replacement of single product sale with scenario-based sale and the final implementation of the retail terminal of Smart Home scenario. In 2019, the Company's income from domestic packaged offerings accounted for 27.48% in its total income, up 5.43 percentage points year on year; the monthly active users of its Smart Home APP increased by 350% and the monthly active users of its scenario increased by 142%; the income of its IoT ecosystem reached RMB 4.8 billion, up 68%.

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

2019 Industry Summary

In 2019, global economic growth continue to slow down caused by various factors including increasing political uncertainty and tensions in global trade, pressure upon the international trade & cross-border investment, continued weakness of the global manufacturing industry and insufficient global aggregate consumption. In terms of domestic economy, in 2019, the total retail sales of consumer goods increased by 8%, it was a new low since 2000; GDP growth declined throughout the year with an increasing pressure of economic downturn. Meanwhile, consumer demand continued to upgrade, with increasing proportion of services, and the position of consumption was further consolidated as the driving force of economic growth.

(I) Domestic home appliances market

In 2019, the industry growth was weak amid falling real estate market, and demand for white good was primarily driven by replacement and upgrade. Influenced by many factors such as high inventory of air-conditioning industry and penetration of E-commerce channels, price wars were more frequently seen and competition was further intensified. According to the report of China Market Monitor in 2019, the total retail revenue of China's home appliances market (excluding 3C) was RMB 898.2 billion, decreasing by 3% compared to same period last year, it was the lowest growth rate since 2012. Among them, retail sales of refrigerators, washing machines, household air conditioners, water heaters and kitchen appliances increased by 1.0%, -0.6%, -3.6%, -3.5% and -3% compared to the same period last year. According to ChinaIOL, driven by multi-split air conditioner, the revenue of central air conditioners in 2019 reached RMB 88.587 billion, representing an increase of 2.85%.

At the same time, Chinese consumers continued to pursue a higher standard of living, and the consumer demand of different groups was more diversified and differentiated. Driven by the demand for replacement and technology iteration, products continued to upgrade in a direction of health, energy saving, large capacity and intelligence. Sales of complete product sets were accelerated by the integration of home furnishing & appliances. Benefiting from the continuous emergence of new items, products with low penetration, such as tumble dryers, dishwashers and wall-mounted boiler, grew rapidly. Product experience was improved by the application of smart, IoT, voice control and other technologies, and competition expanded from a single hardware to full range products combining hardware and software, interconnected platform and integrated ecosystem. **Enterprises must accelerate the transformation from selling single item to providing comprehensive smart homes solutions.**

In terms of channel reformation: ① The online market continued to grow, but with a slower rate than that in 2018. The major e-commerce platforms penetrated low-end market by the construction of marketing and product, thus impacting the existing ecosystem and competition; ② The emergence of short video and live broadcast and other new tools give rise to user-centered content as a new marketing trend, further improving the conversion rate; ③ The offline channels promoted high-end transformation, and optimized the efficiency by focusing on scene experience, increasing the proportion of middle and high-end products and refining the operation. **The industry transformation from ‘mass manufacturing and distribution’ to ‘brand manufacturing and retail’ is imperative for manufacturers.**

In terms of competition structure: (1) The share of leading players continued to rise in refrigerator, washing machine, air conditioner and water heater while continuous entry of new brands caused the competition to intensify and brand concentration to decline in kitchen appliance; (2) According to CMM, the online and offline average prices of refrigerator and washing machine industry were polarized, with the online average price going down and the offline average price going up; while air conditioner, water heater and kitchen appliance all experienced downturn in both online/offline average price. ① Affected by the aggravation of E-commerce price war, the online average prices of refrigerator and washing machine industries dropped by 7.1% to RMB 1,923 and 8.8% to RMB 1,354 respectively; benefiting from the high-end transformation of offline channels and the continuous innovation and structural upgrade, the offline average prices of refrigerator and washing machine increased by 3.3% to RMB 4,456 and 5.3% to RMB 3,128 respectively; ② The air-conditioning industry fell into the mire of price war, and both the offline and online average prices declined significantly. The average online price in air-conditioning industry was RMB 2,687, representing a decrease of 9.2%; the average offline price was RMB 3,661, representing a decrease of 5.5%; ③ The average prices of both kitchen appliances and water heaters showed a continuous decrease. The average online and offline prices of water heaters fell by 8.9% and 4.7% respectively, and both average online and offline prices of range hoods fell by 2.7%.

(II) Overseas home appliances market

The performance of overseas market varied due to different level of economic development and appliances penetration. On the whole, the developed countries driven by stable replacement demand, and developing countries with low penetration maintained a rapid growth:

(1) The US appliances industry declined by 1.5% in 2019 with growth rates of refrigerators, freezers, kitchen appliances and dishwashers at - 3.6%, - 14.9%, - 3.6% and - 0.3% respectively, and washing machine industry increased by 1.7%. (2) The European market was affected by the slowdown in GDP growth, and the performance was flat year-on-year. The overall performance was flat year-on-year. (3) ① Indian market was affected by slow economic growth, currency devaluation and rising domestic unemployment rate, and the growth rate in home appliance market fell to 5%. ② Pakistani market was affected by continuous depreciation of rupee and tax reform, and the industry decreased by 5%. (4) Southeast Asia market grew steadily and Japanese and Korean brands intensified the local price competition. (5) The Japanese market's annual sales volume increased by 2% and the product preference changed to large capacity and high end with higher price. (6) Australian market was affected by slowdown of economic growth, falling consumer spending and house prices and it had a negative growth of 6.6% in home appliances market, and the profitability was affected by currency fluctuation and aggravation of competition.

2020 Industry Outlook:

(I) Domestic home appliances industry

In 2020, completion area of the domestic real estate market is expected to turn positive, boosting new demand; the accelerated iteration of product technology will speed up replacement; 5G technology promotes the development of smart appliances, consumption upgrades, and demand for series-based and scenario-based products. Although the outbreak of the novel coronavirus at the beginning of the year has suppressed the demand for home appliances in the short term, its impact in the medium and long term will be limited. After the downturn, the industry is expected to gradually show sign of recovery during the year. At the same time, the outbreak of the virus will further stimulate the demand for healthy and smart home appliances.

Continuous penetration of ecommerce into low-tier market unlocks the demand for low-end products, intensifies price competition, and weakens short-term average price growth momentum. According to AVC, refrigerators, washing machines, air conditioners, water heaters, kitchen appliances will face downward pressure to varying degrees in 2020. Price competition will continue to increase the concentration of the industry, impacting small and medium-sized brands that rely on low-price. Leveraging on their advantages in branding, supply chain, distribution channel, R&D and manufacturing, capability leading players will continue to gain market share.

(II) Overseas home appliances market

The easing of the trade war in 2020 is beneficial to the global economy, but the deterioration caused by the outbreak has a negative impact on global economy and the demand for home appliances.

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

☐Applicable ☒Not Applicable

III. Analysis on core competitiveness during the reporting period

☒Applicable ☐Not Applicable

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

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

Based on the all-round deployment of brand, research and development, intellectual manufacturing, channel, service, ecosystem and smart home platform, Haier has built one of the world's leading white goods, kitchen and bathroom production portfolio, offering refrigerators and freezers, washing machines, air conditioners, water heaters, water purifier and kitchen appliances, and it provides consumers with 'Full set, Customized, Iterative' '5+7+N' smart full set solutions. 'Full set' is a one-stop solution to solve users' demands of whole-house appliances through a full set service that integrates smart home product solutions. 'Customized' enables users to freely customize smart home scenario based solution. 'Iterative' refers to upgrade and iterate smart home technology, performance and experience by user's habits and scene requirements, and constantly adapt to user's need by collecting and analyzing product use data with smart home cloud brain.

According to Euromonitor, Haier has been ranked global No. 1 large home appliances brands for 11 consecutive years. In category of refrigerators, washing machines, wine cellars, and freezers, the Company continues to be No. 1 in the world. Facing the rapid changes of the times and the continuous iteration of user needs, the Company has achieved full coverage of user groups around the world, broken down the global technical and data-sharing barriers as well as promoted the healthy development of the industry through the global strategic synergy among seven brands, namely Haier, Casarte, Leader, GE Appliances, Fisher & Paykel, AQUA and Candy.

Excellent outstanding brand, R & D and innovation, continuous satisfaction and leading in appliance trend consumption are important to continuous development, and thus directly facilitate its leadership in high-end market. In 2019, Casarte's market share of home refrigerator and washing machine's price above RMB 10,000 reached 40% and 75.5% respectively, and the market share of air

conditioner's price above RMB 15,000 reached 40%; the market share of Fisher & Paykel, the world's top home appliance brand, is No. 1 in New Zealand.

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

1. Global R&D network: Relying on 10 R&D centers across the world (eight are overseas) and multiple (N) innovation centers that focus on changing users' demand, Haier has built a '10+N' open innovation system to form a global network of partners and users, and attracted world-class resources to participate in its 'cooperation, win-win and sharing' mechanism. Haier therefore plays a leading role in the development of products and technologies in the industry, and realizes the goal that 'R&D goes wherever users demand and innovation resources are' to provide excellent experience for its users.

2. Leadership in the development of international standards: By the end of 2019, Haier has participated in preparation and revision of 67 international standards, and 550 national / industrial standards revisions cumulatively, ranking No. 1 in the Chinese home appliance industry, covering seven fields including smart home, mass customization, smart manufacturing, smart factory, smart production, industrial big data and industrial Internet. The Company has comprehensively led the development of international standards for smart home in four international standard organizations (ISO, IEC, IEEE, OCF), and achieved the global leadership of cloud based smart home ecosystem. The Company is the only Chinese home appliance enterprise with a seat in the International Electrotechnical Commission's Market Strategy Bureau (IEC/MSB), and it is also the only home appliance enterprise in China with the membership in International Standards Technical Subcommittee. Haier took the lead in setting up the IEC TC59/SC59M WG4 Refrigeration International Standard Working Group and led the development of new international standards for refrigeration. Haier also led the development and release of the world's first AI standard white paper. In addition, the development of IEEE's Smart Home, Internet of Clothing, Internet of Food and other international standard were also led by Haier.

3. Leadership in technical patents and industrial design: Up to now, the Company has applied for more than 53,000 patents globally, and of which invention patents are more than 33,000 accounting for more than 60% of the total, ranking first in Chinese home appliance industry. With more than 11,000 overseas invention patents in 28 different countries, Haier is the home appliance enterprise with the largest number of overseas patents (11,000). Haier was awarded China Patent Gold Award 9 times, ranking first in the industry. Haier has won 15 'State Prizes for Progress in Science and Technology', the highest honour in China's science and technology sector, becoming the home appliance enterprise with the most State Prizes for Progress in Science and Technology, accounting for over half of the prizes awarded within the industry. Haier has won 3 'China Gold Awards on Excellent Industrial Design (中国优秀工业设计金奖)' issued by Ministry of Industry and Information Technology (MIIT), making it the only enterprise winning 'China Gold Awards on Industrial Design (国家工业设计金奖)' for three consecutive years; It has received 3 international gold awards on industrial design and 194 Design Awards (including the above three gold awards).

4. Innovative R&D through HOPE platform: In parallel to in-house innovation, Haier opened up its global resources, built HOPE (Haier open innovation platform) to incorporate users, enterprises and resources into the same interactive ecosystem. In addition, Haier continued to make cross-border and revolutionary innovation through effective collaboration and zero-distance interaction of different stakeholders within the community.

(III) Competitiveness of industrial smart manufacturing that leads to change

The core competitiveness of Haier's smart manufacturing lies in its commitment to long-term value for users and the transition from large-scale manufacturing to large-scale customization. Haier has established 15 global-leading smart factories as examples for the industry and 2 'lighthouse factories (灯塔工厂)' of the fourth industrial revolution, and continued to upgrade the capacity of inter-connectivity, digital insight and intelligent optimization of the entire ecosystem and with production capabilities in refrigerators, washing machines, air-conditioners, water heaters, kitchen appliances, to fulfil users' demand for enhanced experiences which contributed to non-warehousing rate of products increasing to 75%, the orders from mass customization with full user involvement accounting for 24%, and the orders from mass customization with full distributor involvement reaching 51%.

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

1. Through an Omni-channel distribution system, the Company has established full coverage of first, second, third and fourth-tier domestic markets and provided convenient shopping experience. The Company also maintained strong strategic cooperation with offline distributors including Gome and Suning, as well as e-commerce platforms including Tmall and JD.com. There are more than 8,000 county-level stores and more than 27,000 town-level stores in Haier's distribution network where the Company maintains close relationship with major regional distributors. In addition, the Company has accelerated the expansion of network coverage in home improvement channels, with the number of contacts exceeding 2,500 by the end of 2019. Relying on the advantage of multi-brand and complete-sets product, the Company will build smart and full-scene experience stores to provide comprehensive displays, design, sales and services in the end-market.

2. The Company has constructed. 'Jushanghui' (巨商汇) platform to provide the order management for distributors to digitized procurement, sales and settlement and reduce the management cost. 'Yilihuo' (易理货) platform covers purchase, sale, inventory and membership management of township distributors. The Company provides direct logistics to the town through cloud based warehouse system, while comprehensively integrating the network of logistics, information, service and sales to improve overall efficiency.

3. In 2019, the Company promoted the implementation of Smart Home APP, 001 Experience Center and Internet of Clothes Experience Center and, through online terminals and offline experience stores, displayed Haier Smart Home scenario solutions to distributors, users and commercial partners, so as to improve the conversion rate.

(V) Excellent global operational capability

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

In 2019, the Company deepened the 3-in-1 global implementation by focusing on creating brand and accelerating high-end transformation, and continued to strengthen leadership in smart home solution in the IoT era overseas. In 2019, revenue from overseas operation amounted to RMB 94.1 billion, representing 47% of the total revenue while near 100% of the revenue was generated from self-managed brands. The Company has successfully transformed from a single-brand operation to a multi-brand and cross-regional global business. The Company targets a leap from ‘going out, going in’ to ‘going up’ through integration of global resources, and gradually entering the mainstream market. The Company’s market shares in Pakistan, the US and India ranked No. 1, No. 2 and No. 4; and it is No. 5 in Europe and No. 2 in Australia.

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

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

SECTION IV DISCUSSION AND ANALYSIS ON OPERATIONS

I. Discussion and analysis on operations

The Company followed the strategy of smart home leadership, and promoted the transformation from selling single products to providing complete sets of smart home appliance solutions and from distribution to retail through the ecosystem microenterprise community (EMC) self-driven mechanism under *RenDanHeYi* model. Through product and scenario solution leadership, high-end brand leadership, retail transformation, global operations, and ecological capacity building, the Company managed to achieve business growth amid economic downturn. In 2019, revenue amounted to RMB 200.762 billion, representing a year-on-year increase of 9.1%; and net profit attributable to owners of the Parent Company amounted to RMB 8.206 billion, representing a year-on-year increase of 9.7%. During the reporting period, a total of RMB 270 million was invested in building smart home platform and industrial internet platform, in order to cultivate the ecological brand and accelerate the transformation of ‘Replacing Products with Scenarios and Incorporating All Industries into the Ecosystem’.

(I) Rising domestic market share, strengthening of high-end leadership.

① According to China Market Monitor Co., Ltd (CMM), the Company's offline and online retail sales market share of refrigerators, washing machines, household air conditioners, water heaters and kitchen appliances continued to grow upward trend, and the offline market share of refrigerators and washing machines is 3.1 and 2.1 times that of No.2 player while the online market share is 2.2 and 2.2 times that of No.2 player. According to ChinaIOL, the Company's market share of central air conditioners in 2019 was 9.6%, representing a year-on-year increase of 0.3 percentage points. ② Casarte recorded income of RMB 7.4 billion, representing a year-on-year increase of 30%, and its position in the high-end market was further consolidated.

| Domestic Industry | Domestic Online Market | | Domestic Offline Market | |
|--------------------|------------------------|----------|-------------------------|----------|
| Refrigerators | 34.5% | ↑ 2.3PCT | 36.7% | ↑ 1.4PCT |
| Washing machines | 36.3% | ↑ 2.0PCT | 36.3% | ↑ 2.8PCT |
| Air conditioners | 8.8% | ↑ 0.1PCT | 12.2% | ↑ 0.8PCT |
| Water heaters | 23.6% | ↑ 1.8PCT | 20.5% | ↑ 2.4PCT |
| Kitchen appliances | 6.2% | ↑ 0.3PCT | 5.5% | ↑ 0.7PCT |
| Water purifiers | 23.3% | ↑ 0.4PCT | 21.3% | ↑ 7.2PCT |

(II) Enhancement of competitiveness overseas.

Based on more than two decades of proprietary independent brand management creation, and combined with effective industry integration, especially following the acquisition of GEA in 2016, the overseas operating system and capabilities of the Company continued to be optimized through the construction of global collaborative platforms and the implementation of mid-to-high-end transformation strategies. In 2019, the Company promoted mid-to-high-end leadership and channel retail transformation in various markets around the world, with significant improvements in operating performance. The overseas revenue for the year was RMB 94.1 billion, representing a year-on-year increase of 22%, and the overseas revenue of the Company accounted for 47% of total revenue, 5 pct pt greater than 2018.

(III) Implementation of smart home scenarios and development in ecosystem capabilities.

Relying on complete-set home appliance products, the Company provided comprehensive smart home solutions leveraging on AI+IoT platform to iterate from ‘connected intelligence → interactive intelligence → decision intelligence’ and continuously optimize the 5+7+N smart home scenario experience; based on the real-time connection of data, equipment, scenarios, and introduction of ecosystem resources, the Company provided users with personalized and value adding; continued to expansion distribution channels, with scenario interactive experience centers like Haier Smart Home 001 Experience Centre, Internet of Clothes, the Company created full scenario immersive experience and increased the share of complete set of products in the form of live experience and live scenario streaming on Smart Home APP and third platform.

(IV) Honours of the Company.

On 11 June 2019, ‘BrandZ™ Top 100 Most Valuable Chinese Brands in 2019’ added IoT eco-brand class, and Haier became the first and only entry of the Top 100 IoT Eco-brand in BrandZ history; on 22 July, the Company was re-listed in Fortune 500 with ranking ascended by 51.

On 9 January 2020, Euromonitor published 2019 global retail sales of large home appliance brands survey, naming Haier No.1 for the eleventh time; on 21 January 2019 (US Eastern Time), Times released the lists of ‘World’s Most Admired Companies 2020’, and Haier Smart Home was listed, making it the only one from home appliance industry outside US.

Main achievements in 2019:**(I) Focusing on innovative technology, and leading industry development.**

The Company continuously promoted the collaboration between global R&D centres, maintained global leadership level in modularization, technology, products and R&D. With a focus on creating best-selling products, the Company enhanced efficiency of operations through modular design and streamlining the number of SKUs.

1. Refrigerator/freezer business

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

(1) Healthy and preservation technology upgrade. Casarte MSA oxygen-controlling and fresh-keeping technology doubled the preservation time by reducing the oxygen concentration in a specific room, and the nutrient loss rate was less than 1/10 of that in an ordinary refrigerator. The breeze technology reduced temperature fluctuation from 2°C to 0.2°C; and refrigeration time shortened from 270 seconds to 0.1 second.

(2) Investment increase in smart products & solutions. In terms of intelligent experience, the Company released products with TFT smart screen, sliding electric door opening and 270° curved surface light source, in order to achieve intelligent experience such as human-computer interaction, smart storage, and lighting without blind corners, which can endow users with an all-around smart experience; as to home integration, the Company with persistent pursuit of details can provide users with embedded products featured by great sense of style, design and aesthetic appearance. The aforesaid details include, for example, the unification of classic or fashionable colours of home & household appliances, the match of refrigerators to home environment and overall home decoration style and the refrigerator's integration with cabinet, realization of right-angle wide open and possession of great autonomous heat dissipation capacity.

(3) Industry leading technologies and products further enhance leading position of the Company, implementing solutions for smart kitchen. ①Based on the parents' consumption idea and demand for infant care who bore in 1980s and 1990s, the Company iterated the Free Embedded 'YingAi (婴爱)' Series build-in kitchen appliance, which can provide infrared constant temperature storage and double sterilization solution as well as exclusive 'YingAi' storage space solutions. ②Focusing on the smart lifestyle of high-end family, the Company iteratively developed a smart dual-screen series products with master craftsmanship and embedded family health management system, which achieved health data monitoring, meal management plans and active service of British butler. In 2019, Casarte refrigerator revenue increased by 27%.

2. Washing machine business

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

(1) New technologies including IoTs, Smart and Artificial Intelligence were launched and applied to introduce solutions, such as smart and exclusive laundry which can automatically calculate and match the best washing procedures based on the information of clothing type, material, stain type and water quality and deliver washing procedure precisely. (2) Newly launched Haier ‘XianHe (纤合)’ washing machines were equipped with direct-drive motor and ultrasonic materialized air washing function with a large cylinder diameter to accurately care high-end fabrics, and drive the market share of front-loading washing machines priced at or above RMB 6,000 to ascend 5.3 percentage points, reaching 41.7%. In terms of top-loading washing machines, the Company has innovatively proposed the single-cylinder washing solution for problems that the inner and outer cylinders were subject to stain accumulation, water consumption and space occupation. With research and breakthroughs to solve technical problems such as single-cylinder noise reduction and accurate detection, the Company has made the first outer cylinder free single-cylinder washing machine in the industry. The technology for such project has obtained 2 international invention patents, achieving material, water and energy saving of a single machine, ushering a new era in the impeller type washing machine industry, and realized the market share of the top loading washing machines at or above RMB 5,000 ascended to 3.2 percentage points, reaching 75.6%. (3) Advanced technologies and products assist the Company in implementing the smart solution for clothing washing and care. Casarte washing machines have always led the industry standard. Casarte introduced a luxury series of integrated gentle washing machines, equipped with upper and lower cylinders and super steam spraying washing, intelligent sensor door, ultraviolet sterilization, precision delivery and other functions. Casarte washing machines provided smart clothes care solutions that integrated washing, drying and care, bringing the customers the ultimate experience. The Company’s market share of products above RMB 10,000 reached 75.5%, representing absolutely leading superiority. In 2019, Casarte washing machines recorded a revenue increase of 14%. In the first half of the year, the supply and demand affected by factors including the upward capacity of the new factory was improved in the second half of the year, during which the revenue of Casarte washing machines increased by 30% with the recovery of capacity.

3. Household air conditioner business

Focusing on demand upgrades and technology replacement, and under the leadership of quality, function and intelligence, the Company provided healthy air solutions that met the ultimate experience of users, and created user awareness of ‘Healthy Air Conditioners Goes to Haier’. ①The pioneering fresh air conditioners adopted the dual-power air purification technology, and solved the endangering human health problem caused by indoor CO₂ concentration exceeding the standard in case of staying indoor.

Casarte Yunding (云鼎) air conditioners could detect the air pollution in the room and immediately give an alarm. The LIEP light ion purification technology could remove PM0.3 from the air and bring fresher air. Casarte Tianjing (天净) and Tianyue (天悦) air conditioners were provided with antibacterial solutions: UVC deep ultraviolet rays could kill more than 90% of *Staphylococcus albus* and *Staphylococcus aureus*, more than 93% of H3N2 influenza viruses and over 96% of *E. coli* at one stop. Assistance from the moisturizing and anti-bacteria technology ensured clean air for a long time. ②The Company innovatively developed a full-scale, full-space, and full-scenario intelligent adjustment solution for healthy air to self-detect air parameters such as indoor temperature, humidity, cleanliness and oxygen level and analyse user habits through Haier smart air big data, and achieve active service with self-adjusting and self-processing by air equipment.

In 2019, Casarte Air Conditioner focused on the goal of being No.1 for high-end brands, continuing to enrich its product lineup. The revenue increased by 130%, and its high-end market share continued to increase: in terms of the share of high-end market at or above RMB 10,000, the Company's market share increased from 13.3% at the beginning of the year to 16.2%. The share of RMB1,5000 and above cabinets continued to rank the first place, reaching 40%.

In selection of the 15th CHEARI Annual Technical Innovation Award, 'Haier Constant Temperature Purification Dual Power Air New Integrated Technology' and 'Casarte Conductor Air Conditioner CAP725WBA(A1)U1' were respectively awarded the Technology Innovation Achievement Award and Design Innovation Achievement Award.

4. Central air conditioner business

During the reporting period, the Company accelerated product innovation and core technology development, and launched a series of smart IoT, energy-saving and healthy products to enhance market share: (1)The Company continued to maintain the leading position in technologies including NB-IOT of central air-conditioning, IoT identification and air suspension. Among them, five projects including 'Research and Application of Adaptive Renewal Technology for Multi-split Heat Pump Units' are appraised as internationally leading. (2)The Company launched energy-saving and environmentally friendly green products such as MX8 high heat multi-split air conditioners, Casarte constant temperature and humidity ultra-thin air duct machine, and introduced the hidden type breeze panels, kitchen air conditioners and other innovative products. (3) The Company managed to develop smart products such as multi-split cloud service management platform, household central air-conditioning NB-IOT module, and Casarte new controllers to enrich the smart IoT ecosystem and improve users' experience. (4) The Company launched the first IoT central air conditioner in the world, and led the establishment of 'IoT 5G Application Joint Laboratory' and released the NB-IOT IoT duct type air conditioners to meet users' personalized needs for scenario based experiences.

5. Water heater and water purifier business

Water heater: Focusing on whole-house water and heating solutions, the company managed to become No. 1 online and offline in terms of sales volume. (1) Electric water heater: The Company developed technologies in water purification, 3D gradual heating, and storage-in-combination to create features including full-scale descaling, anti-bacteria and instant heating on products with capacity that is 8 times the existing models. In 2019, products with water purification functions accounted for more than 70% of Haier water heaters. Casarte Tianmu (天沐) series has achieved twelve times the capacity of super large water volume, with the thinnest size and rapid heating in the industry. (2) Gas water heater: In order to improve product safety, reliability and comfort, Haier developed patented technology in eliminating carbon monoxide and waterfall washing with no water. Casarte's waterfall washing with no cold water technology received annual technical innovation award by China Household Electric Appliance Research Institute, and it also received German iF Design Award. Haier promptly introduced gas water heaters with five-fold anti-bacteria technology, copper water pipe anti-bacteria, copper water tank anti-bacteria, sterilization by silver ion, and high temperature sterilization at 60°C. (3) The Company introduced space energy water heater products based on solar energy and heat pump technology, to provide users with round-the-clock, efficient and energy-saving heating solutions. During the period, space energy series grew by 107%, and won the National Prize for Progress in Science and Technology and the AWE Design Award, which effectively established the leading position of Haier in the solar thermal. In 2019, the revenue from Casarte water heaters grew by more than 30%.

Water purifier: Haier currently provides household water terminal purification, whole-house purification and commercial purification solutions. In 2019, in association with China Association Haier published General Technical Guidance for Smart Whole-House Water Purification System, where it led the standardization requirements for general technology of smart whole-house water purification systems based on consumption upgrade and new user demands in the IoT era for the first time. Casarte's high-end whole-house water purification series was equipped with FEV2.0 technology to provide smart experience of automation + luxury large screen + purification effect visible throughout the process. This series innovatively integrated IoT, cloud platform and big data analysis to provide users with one-stop butler services such as water quality monitoring, filter replacement reminder and regular maintenance.

6. Kitchen appliance

The Company integrated global leading platforms of FPA, GEA and Candy to accelerate the development of products and provide users with high-end smart kitchen solutions; and the Company strengthened the competitiveness of Casarte kitchen appliances. Revenue from Casarte brand grew by more than 30%.

Range hoods: The Company focuses on the entire product life cycle from R&D and manufacturing to user's scenario experience to improve their satisfaction. (1) The Company integrated FPA frequency conversion control technology and jointly developed more powerful air ducting system; (2) The Company iterated Haier's cleaning-free series. With patented oil-proof screen technology, the products efficiently split macromolecular particles such as grease and water particles in order to reduce pollution

inside impeller and motors and achieve efficient purification; (3) The Company launched online sound quality detection application, upgrading from traditional detection of noise decibel value to dynamic detection of sound quality index, accurately tracking users' experience and continuously improving experience in range hoods' wind and noise.

Gas stoves: The Company returned to the essence of kitchen cooking. Focusing on the requirements of 'easier cooking, healthier catering, safer use, smarter products, and more coordinated & aesthetic house', the Company introduced new generation of Casarte smart triple-head stove with accurate fire control, automatic cooking and real-time temperature monitoring. Aiming at food nutrition specialty and research on global cooking, the product could provide healthy and nutritious cooking, such as bird nest cooking in an automatic way, set up procedures in advance, and based on automatic temperature monitor and heating power adjustment to achieve real-time adjustment of cooking heating power -first achieve rapid warming with high heat, so that the edible bird's nest can absorb water and heat, then alternate between high and mild heat to separate nutritional organic matters, and finally keep the food warm with gentle heat to extract the essence.

Disinfection cabinets: In response to the needs of specialized users, the Company upgraded light wave pasteurization to medical-grade standards, and Casarte Commander (指挥家) series has become the only disinfection cabinet for food utensils in the industry that reaches the medical-grade disinfection level. The unique patented smart tracking technology monitored the sanitary environment in the cabinet in real time, and started disinfection process automatically.

Ovens: The Company developed directional heating technology based on expertise from GEA and FPA, aiming at accurate heating of different food quickly and conveniently. Casarte Commander series was the first with features including automatic door and wireless probe; ②the leading 7.26'TFT large screen with metal touch buttons improved user experience; ③provided navigation multi-recipes in three scenarios including 'Enjoy life, Fast Life, Roast/Steam at Your Will', and customized private menus through OTA (Over the Air) online upgrade technology; ④together with FPA, Haier established an oven production line to develop dual temperature & humidity control technology and dual steam dynamic balance technology to improve the taste of ingredients.

Integrated cookers: The Company consolidated global R&D resources, green physical patented light wave pasteurization disinfection, NTC smart anti-dry burning technology, anti-spill safety technology and steam dynamic accurate heating conduction system into its cookers series, so as to achieve steaming with freshness maintained without tainting, deep V smoke collection chamber with absorption ratio of 99.9%, to enhance users' safe and healthy scenario experience in the kitchen.

(II) Chinese distribution network: focusing on efficient retail and continuous reformation

In respond to the diversified customer needs and channel formats, the Company initiated the integration of four networks including marketing, logistics, after-sales and information management to provide unified warehousing and distribution for better overall efficiency. Based on the advantages of comprehensive product portfolio in multiple categories, the Company increased presence in home

improvement channels packaged solutions in interior design to delivery and installation of appliances. As a result, user loyalty was enhanced with greater willingness towards multiple unit purchase. Moreover, the Company deepened multi-brand operation, leading to multi-dimensional and in-depth coverage of users group. The Company strengthened its leading position and raised brand's profile by accelerating marketing transformation, thus realize nearly double digit growth in a declining industry in 4Q19.

1. Integrating marketing, logistics, after-sales and information network, unifying warehousing and distribution, combining online and offline sales to improve channel efficiency. ① the company promoted the interconnection amongst products, distributors, users and employees to improve service quality through providing integrated inventory management and logistic services so as to improve efficiency in products, process, personnel and logistics. ②the company provided marketing management at town level, rapid handling of defective products and visualization of orders, thereby enhancing operation and retail competitiveness which promotes distributors to focus on covering village and town markets. In addition, the Company can build reputation through standardized delivery & installation services in towns and villages. ③ By the end of December 2019, the unified warehousing and distribution covered 13,415 villages and towns across the country, achieving a year-on-year increase of 11%, a year-on-year decrease of 97% in defective products caused by logistics and a 99.4% on time delivery.

2. The Company continuously promoted network expansion in channels including home improvement market and introducing new distributors with design and installation capabilities in order to tap into one stop comprehensive and customized solution business. Haier Smart Home 001 Experience Centre in Shanghai pioneered a new model of 'replacing single product sales with complete-set and scenario based solutions', and average price of smart scenario package reached RMB 250,000. In 2019, the Company's multiple-unit revenue accounted for 27.48%, representing a year-on-year growth of 5.43 percentage points; and sales from home improvement channels amounted to RMB 8.1billion, representing a growth of 37%.

3. The Company accelerated the expansion of e-commerce platform into lower tier markets while promoting high-end products. In 2019, complete-set sales accounted for 25% online. In 2019, the online and total revenue online reached RMB 35 billion, representing an increase of 25% with an online retail market share of 16.4% up 1.2 pct. pts.

4. The company launched alliance with construction business and strengthen property related business. During the reporting period, 42 strategic partners were developed and 38 smart pilot projects were initiated. The Company received market recognition for providing industry-wide complete-set smart product solutions, rewards including 'Preferred Smart Home Service Provider of Top 500 Chinese Real Estate Developers in 2019' and 'Preferred Smart Decoration Brand of China's Real Estate Industry in 2019'.

5. Multi-brand operation achieving notable results. (1) Net revenue of **Casarte brand** reached RMB 7.4 billion in 2019, representing a year-on-year increase of 30%. The Company continued to expand the

high-end market advantage. In terms of refrigerators and washing machines over RMB 10,000, the Company generated a respective market share of 40% and 75.5%; in terms of household air conditioner over RMB 15,000, the Company generated a market share of 40%. ① The Company led the industry through introducing original technology and complete-set products, launched Commander series, Dibo (帝博) series and Free Embedded series products and realized unified design, complete-set introduction and complete-set display in sets, with proportion of the complete-set users reaching 38%. ② The Company continued to expand the distribution of contact networks at and above the county level and currently the coverage of markets at and above the county level up to 80%. ③ The Company focused on community economy, experience economy and sharing economy, and achieved precise interaction and preparing for users' future experience fermentation through community based marketing. Casarte, together with Louvre, France, released its art promotion plan, integrating the art IP resources of Leonardo da Vinci, and successfully drove the market by covering the whole process of users, distributors and retail terminals and separated the competition through online release, offline art exhibition of high-end immersive experience and retail-terminal display. (2) **Leader** strengthened the brand image of 'simplicity, fashion and intelligence' and created the preferred brand for young people in the pursuit of smart life. The sales from online channels for young people increased by 52%, and market share ranked No.9, six places higher than that in 2018. The offline channel promotes the expansion of network from the third- and fourth-tier markets to the first- and second-tier markets. The Company launched joint products in cross-border cooperation with MUJI and enhanced experience contacts for young users, leading to increase in brand awareness and user loyalty.

6. Marketing transformation. The Company built the brand moat, enhanced the brand's volume, and strengthened the brand's leading position. ① By participating in the comprehensive exhibition of high-standard large-scale home appliances in the industry such as AWE, IFA and CES, and launching the leading intelligent scenario schemes, the Company strengthened its brand recognition and set up brand barrier. ② The Company realized the continuous conversion and ignition of its products by establishing innovative marketing methods in new media such as word of mouth marketing, Micro-blog and WeChat marketing, TikTok marketing and Xiaohongshu marketing through share of voice in authoritative media, intellectual property and product placement.

(III) Overseas segment: Entering a new stage of development by continuously consolidating global operation capacity with overall growth of high-end brand building

In 2019, The Company recorded RMB 94.1 billion in its overseas revenue, representing a year-on-year growth of 22%. The total profit margin before tax in overseas market increased by 0.3 pct pts. Looking at various regional markets, the Company achieved revenue growth rate higher than the local home appliance industry with an increasing market share in major overseas markets.

In recent years, the overseas business has maintained a good growth trend, which stems from the Company's persistent adherence to self-owned brand creation, high-end product leadership and channel network upgrades to create a zero-distance marketing experience, continue to optimize the 'R&D, manufacturing and marketing' three-in-one localized layout, and build a localized and efficient operating system. During the reporting period, the Company continued to intensify investment and collaboration in product research and development, brand marketing, and production capacity layout in overseas markets, in order to fully leverage on the advantages of global layout, and actively promote the transformation of single products to smart scenarios to provide guarantee for future profitable growth.

1 High-end products leadership. Relying on a world-leading product platform, the Company created high-end products and strengthened a high-end brand image, deepened the strategic layout of smart scenarios, and embraced the rapid growth of smart connected appliance and products. For example, refrigerators put the focus on 'freshness and health', and washing machines had their focus on quiet water and electricity saving through DD DC frequency conversion and free-cleaning, and 'AC and air purifier integration frequency conversion' leading technology was first introduced. In 2019, the revenue of high-end products from Haier brand increased by more than 40%, and its proportion increased by 5 pct pts.

2 Channel upgrade. Based on their own market characteristics, each region has comprehensively optimized channel structure and increased network coverage through measures such as expanding mainstream channels, building its own network, developing e-commerce channels, and strengthening front-end channel distribution.

3 Zero-distance marketing experience. ① Social media marketing was transformed and upgraded by sponsoring sports events (Russian KHL and Thailand marathon race) and participating in global exhibitions (IFA and CES) and other activities. ② Through the standardization of retail terminal display, the establishment of smart model experience stores and with consumer consultants as the touch point, the interactive experience with local consumers was strengthened, the transformation and upgrade of retail terminal marketing was achieved, and retail terminal retailing capacity was enhanced. ③ Through the use of short video platforms, online delivery and emotional marketing were strengthened, new online interaction models overseas were expanded, and the digital marketing platforms were upgraded for operation. The number of overseas Facebook followers exceeded 9 million, and the number of interactions increased by 52%.

4 Optimizing the operating system and improving the three-in-one layout. ① The global synergy advantages were leveraged. Advancement was made in global platform complementarity. Product lineups were improved. Costs were further optimized. A total of 432 collaborative procurement projects have been implemented and completed. A global R & D platform facilitated the launch of full-size French-type multi-door refrigerators and large front-loading products in the United States. ② Continuous efforts were made to optimize the global production capacity layout. On 29 March 2019, the Company started building its second industrial park (Haier Northern India Industrial Park) in India. It is

expected to fully cover the huge markets in northern and eastern India at the time of operation; In July and August, 2019, AQUA Vietnam Front-loading Washing Machine Factory, Haier Russia Washing Machine Smart Factory have been put into operation successively, with an addition of 700,000 units production capacity. In June and October 2019, GEA invested to expand the production of kitchen appliances and water heater factories in the United States. ③The introduction of overseas global GTM (Go To Market) projects and overseas market ERP promoted the digital transformation of business, and enabled the operation and upgrade of the entire value chain.

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

(1) In the North America market: In 2019, the sales revenue was RMB 57.9 billion, representing a year-on-year increase of 9.7%, and an increase of 5.6% in US dollars; the share of GEA core home appliances increased by 1.6% and the shares of all core home appliances experienced growth.

① In terms of brand, GEA adhered to the high-end transformation strategy, and continued the investment in high-end brand construction and awareness enhancement: its high-end brand Café maintained rapid growth; ② In terms of the supply chain end, GEA intensified the investment in the construction of smart factories and smart storage systems to optimize manufacturing and warehousing efficiency, thus enhancing the degree of automation; ③ In terms of marketing, GEA and Haier brand participated in the CES Show in Las Vegas, USA, to showcase the transformational achievements of the IoT era, and was well received by the industry. In June 2019, GEA was selected as ‘the company with the most patents in Kentucky’; The international authoritative market research organization IoT Breakthrough awarded GE Appliances the ‘Internet of Things Breakthrough Annual Award’ for two consecutive years: 2019 and 2020 Smart Household Appliance Companies.

Since the acquisition in June 2016, through effective integration and synergy, GEA has maintained a good growth trend and its market share has continued to increase. In 2019, the Company’s North American region recorded revenue of RMB 57.9 billion, representing an increase of RMB 10.8 billion from RMB 4.71 billion in 2017; representing an increase of 23%.

(2) In the European market: the revenue amounted to RMB 15.2 billion, representing an increase of 267%, of which the revenue of Haier brand achieved an increase of 12%. In terms of market share: ① Haier multi-door refrigerators gained a market share of over 30% in many Western European countries. ② During 2019, the market share of Haier and Candy dual-brand washing machine sales volume in the European market has reached 13.5%, ranking No.2 in the industry; the market share of dual-brand tumble dryer in the European market reached 12.1%, ranking TOP 5.

① Efforts were continuously made to launch products with leading technology to the market, such as intelligent products like Rapido smart washing machines, smart refrigerators, Super Drum large front-loading washing machines, etc., and efforts would be made to gradually expand to the ecosystem of washing scenarios. ② Adherence to the high-end brand creation strategy was observed. During the reporting period, Haier brand had 350 high-end brand stores in Europe. The average product price

continued to rise. The average price index of Haier refrigerators in 2019 was 121, representing an increase of 15% over 2018; the average price index of Haier washing machines was 100, representing an increase of 13.6% over 2018. ③The business integration with Candy was smoothly carried out, with an aim to achieve the synergy effects that one plus one would be greater than the mere sum. For instance, Haier UK and Hoover as a high-end brand under Candy improved service efficiency for engineers through service integration. The on-site timeliness would be increased by 50% year-on-year and the costs would be decreased by 60%. All those were to guarantee the implementation of the high-end brand strategy of Haier UK.

(3) In the South Asia market: the revenue amounted to RMB 6.3 billion, representing an increase of 6%.

In Indian market: revenue growth rate exceeded 20% and the market share reached 8.2% in 2019, ranking top four in the industry, and its gap with TOP3 was continuously narrowed. ① Washing machines with BM ‘no-need-to bow (不弯腰)’ glass door, partition washing functions and variable-frequency direct-drive technology, smart air conditioner with air purification function strengthened the market leading position ahead; ② Smart scenario leadership: The number of smart campus laundry network was over 120; efforts were made to promote the application of APP control and voice interaction on the product end to enhance the experience of smart scenarios.

In Pakistan market: In terms of local currency, the revenue increased by more than 20% as RMB revenue performance was affected by the substantial depreciation of local exchange rate. The market share of refrigerators, household freezers, air conditioners and washing machines ranked No.1. ①Efforts were gradually made to improve the high-/middle-/low-end lineups to better meet the needs of different consumer groups. The industrial leading products such as the air purification-integrated conditioners and one-button automatic washing machines were launched. ②The number of sales outlets increased by more than 20%, achieving full coverage in first-/second-tier cities, and the proportion of Haier franchised stores continued to increase; in October 2019, the first smart home appliance experience store was built in Pakistan, which promoted the transformation of smart scenarios at retail terminal.

(4) In the Southeast Asia market: the revenue amounted to RMB 3.7 billion, representing an increase of 16%. ① T-door and side-by-side refrigerators, smart self-cleaning air-conditioners, twin drum washing machine, and 525 big inner tube washing machine were introduced to optimize the structure. ②The implementation of smart model home showroom promoted the standardization of smart home experience display and the transformation to mid-to-high end brands.

(5) In the Australia and New Zealand markets: the revenue amounted to RMB 5.4 billion, representing an increase of 5.8% against the trend. Under the setting of the overall decline of the Australian and New Zealand home appliance industry, the Company accelerated the implementation of FPA+Haier dual-brand strategy: high-end FPA 7-9 series products grew by more than 30%, and Haier’s branded 500-600 high-end products increased by more than 50%. The Company promoted the

construction of scenario brand display area and created high-end retailing experience to achieve high-end display and sales of complete sets.

(6) In the Japanese market: the revenue amounted to RMB 3.2 billion, representing an increase of 10%. The year 2019 was the year of breakthrough for brand creation in Japan. Efforts would be continued to differentiate high-end transformation, achieve breakthroughs in new categories, and enhance brand competitiveness: refrigerators would be launched as the ultra-thin ultra-big refrigerators in a differentiated and innovative way, which achieved doubling of share for the ultra-large products; GTW washing and drying machine series has achieved a three-fold growth; the share of horizontal refrigerator iterations and upgrades ranked No.1; the community washing ecology continued to lead the market, and the business model made a breakthrough.

(7) In other regions: ① In the Middle East and Africa markets: the Company launched the retail terminal transformation from the direct export trade to local brand creation and outlets establishment. The revenue from those markets increased by 15%, of which in the Egyptian market, construction of a supply chain that integrated production and sales and radiated the surrounding market has been promoted to improve the profitability of the entire process. ② In the Latin American market: Through the entire process of coordinated gambling, competitiveness of products and services was improved and stable growth was achieved by coordinated gambling throughout the process.

(IV) Full implementation of smart home eco brand strategy

Focusing on AI+IoT capacity building, creating the smart home ‘eco-cloud’, launching Haier Smart Home APP, releasing complete-sets smart home products, building up and operating the first smart scenario interactive experience center and fully enabling the online and offline implementation of the smart scenario solutions to enhance the development of smart home ecological brand strategy and to accelerate the transformation of ‘Replacing Products with Scenarios and Incorporating All Industries into the Ecosystem’.

The year of 2019 was a key year for the full implementation of the Company’s smart home strategy: In March, the Company released a full set of seven brands of smart home products; in June, the Company completed the relevant industrial and commercial procedures of renaming into ‘Haier Smart Home’, and the brand positioning was further clear; In September, the first smart scenario interactive experience center in the industry - Haier Smart Home No.001 Experience Center - was put into operation in Shanghai to create a real model of the best solutions for smart home fields in China; in December, the Haier Smart Home APP was released, with the integrate of design, construction and service full-process solutions and in an effort to build a smart home platform for hundreds of millions of families. In 2019, a total investment of RMB 510 million was made to the Company’s smart home platform. Furthermore, the activated volume of smart home appliances of the Company increased by 63%, the monthly active users of Smart Home APP increased by 350% and the monthly active users of its scenario increased by

142%; the sales of complete sets accounted for 27.48%, representing a year-on-year increase of 5.43 pct pts; IoT revenue amounted to RMB 4.8 billion, representing a year-on-year increase of 68% .

1. Intensifying ‘AI + IoT’ investment to upgrade the Smart Home cloud technology platform and integrate and launch Smart Home APP. Through the massive data generated by the connected appliance end and the user image formed by the analysis of cloud brain big data, the Company could customize the differentiated scenarios based on user needs and behavior habits, and thought what was on users’ mind to take a turn from passive control to active response. ①Having AI in place to control the whole house appliances. The Company has introduced high-quality technology and content resources in the industry and used Haier smart speakers, voice-based refrigerators, voice-based washing machines, voice-based air conditioners to build a smart home voice portal based on ‘Xiaoyou (小优)’ voice assistant to control the smart appliances in the house; through the interconnection among the appliances, the Company achieved the customization of differentiated scenarios from passive response to active response. ②The Company has upgraded the big data cloud brain platform to promote active service of home appliances and enhance user experience. Through the analysis of data from networked appliances, the Company could accurately understand needs from users, and released more than 70 personalized and active services, and enabled the upgrade and iteration of the scenario experience, in order to improve user stickiness and the activity of networked appliances and the APP. ③Launching Haier Smart Home APP and improving link interactive trading platform experience. It aggregated the functional modules originally scattered on multiple platforms such as U+, Shunguang (顺逛), Haier Services, and Haier.com to create a value interaction platform covering scenario experience, interaction, and iteration. Integrating ‘design, production, sales, interaction, and after-sales’ into one, the APP included intelligent control, complete scenario experiences (VR experience, video preview, real case introduction), online mall, free customized design, one-button after-sales and other functions, which provided users with the full-process solution and full-process care for ‘designing a home, building a home, serving a home’. On the release day of the APP, the APP had 18 million downloads with a sale volume of RMB 116 million on the entire online platform and over 30,000 units scenario sales.

2. Fully promoting the implementation of the ‘5+7+N’ smart complete solutions in the channel system. ①Layout has been made for new smart home channels. The Company brought in new distributors with design and installation capabilities in home furnishings, HVAC water, and smart furnishings, in an effort to strengthen capacity building in front-end channels. ②A smart scenario experience center was set up to vividly present complete solutions. Shanghai Smart Home No.001 Store opened on 6 September, and it has realized the transaction unit price and the maximum unit price value leading the industry. The average transaction price of the smart home scenario solution was RMB 250,000. ③Live broadcasting of new ecology for the smart home scenario: Through the live broadcasting and the spreading on the Smart Home APP and other social media, the designers visited and interacted with users, and displayed solutions for new community construction and old community reconstruction on site, which was well received among the users.

3. Continuing the building of eco brand with initiatives such as the Internet of Clothing and the Internet of Food. (1) Focusing on a full life cycle solution of ‘washing, caring, storing, setting up, purchasing, and recycling’ for user clothing, Haier Internet of Clothing conducted cross-boundary cooperation with different brands in 13 industries including apparel, home textile, laundry detergent, fur, etc. to set up the industrial IoT Ecological Alliance. It has been widely recognized by the industry, with a cumulative introduction of more than 5,300 eco resources. As of the end of 2019, Internet of Clothes has published GB national standards for clothing product codes and RFID tags, initiated the development of 4 international standards, and participated in the development of 10 national & international standards. (2) The Internet of Food was committed to building a safe food service solution platform. Based on the eating habits data generated by the smart kitchen scenarios, it provided value-added services such as physical examination and health monitoring, smart cooking, purchase of safe ingredients, and formulation of nutrition plans. In 2019, the Internet of Food has integrated recipe resources and established a visual recipe platform to achieve refined, labeled, one-button cooking, and voice-based interactive recipe recommendation management. It has also launched the services such as the refrigerator-based dietary recommendations for 24 solar terms to meet the needs of multi-scenario recipe requirements. The Internet of Food currently has linked more than 300 resource providers of various brands, and has taken the lead in establishing the Internet of Food Ecological Alliance to formulate the world’s first international standard for the Internet of Food.

(V) Smart manufacturing: Integrating advanced manufacturing with a new generation of artificial intelligence technology to help enterprises manufacturing transform and upgrade

During the reporting period, the Company worked to transform from mass manufacturing to mass customization in a use-oriented way and, through building the smart factory and ‘lighthouse factory’, achieve the interconnection and intelligent optimization of its ecosystem.

(1) As of December 2019, 15 smart factories have been built, 2 ‘Lighthouse factories’ for the fourth industrial revolution, with large-scale customization system centered on users in the IoT era, and forming the world’s leading benchmark of high-end manufacturing. (2) During the reporting period, the world’s first intelligent +5G smart factory was built by Haier in conjunction with, among others, China Mobile and Huawei. Through data-based simulation modeling verification, efficient production collaboration and precise quality control, more scenario-based and intelligent IoT products, intelligent combination solutions and AI technology applications have been explored and practiced to optimize the productivity in production efficiency, manufacturing cost and non-warehousing rate and to achieve the self-perception of full-process information, self-decision of full-factor events and self-iteration of full-cycle scenarios, and strengthen the competitiveness of smart manufacturing. (3) Focusing on the goal of ‘the best overall cost, the best quality and the most perfect delivery (最优整机成本、最优质量、最完美交付)’, the production efficiency and comprehensive cost efficiency of factories were improved through such measures as model concentration, order concentration, module concentration and layout optimization of

product and capacity, which provided the support of the best cost and quality for the single model's market competitiveness of mega-hit products. In addition, in April 2019, Shenyang Refrigerator Super Smart Factory became one of the first batch of enterprises obtaining the Smart Manufacturing Capability Maturity Level 4 (国家智能制造能力成熟度四级); in October, Sino-German Refrigerator Super Smart Factory won the national smart manufacturing benchmark enterprise, becoming one of the first batch of eight benchmark enterprises. (4) Promoting the construction of COSMOPlat industrial Internet platform, building '1(main platform) + 7(module) + N(industry)' framework system, and achieving its cross-industry & cross-domain application. In 2019, the Company's investment into the platform was RMB 250 million. For the time being, the underlying platform is able to provide enterprises with a comprehensive solution of hardware and software in 60 subdivisions of 15 major industries including architecture, ceramics, RV and agriculture.

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

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

II. Principle operating conditions during the reporting period

Please refer to the related statement in 'I. Discussion and analysis on operations' of this section.

(I) Analysis of principal business

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

Unit and Currency: RMB

| Items | Current period | Corresponding period of last year | Change (%) |
|-------------------|--------------------|-----------------------------------|------------|
| Operating revenue | 200,761,983,256.57 | 184,108,481,959.27 | 9.05 |

| | | | |
|--|--------------------|--------------------|--------|
| Operating cost | 140,868,398,722.26 | 130,455,086,874.95 | 7.98 |
| Selling expenses | 33,682,126,291.31 | 28,923,144,934.04 | 16.45 |
| Administrative expenses | 10,113,263,329.25 | 8,405,151,809.85 | 20.32 |
| R&D expenses | 6,266,936,518.17 | 5,104,647,278.53 | 22.77 |
| Financial expenses | 893,017,558.86 | 931,591,642.48 | -4.14 |
| Net cash flow generating from operating activities | 15,082,630,942.73 | 19,142,782,481.20 | -21.21 |
| Net cash flow generating from investing activities | -10,961,583,141.21 | -7,649,618,833.83 | -43.30 |
| Net cash flow generating from financing activities | -6,012,963,226.41 | -10,501,977,971.46 | 42.74 |
| Other income | 1,282,213,029.53 | 932,261,059.52 | 37.54 |
| Investment income | 5,479,539,484.34 | 1,924,571,212.54 | 184.71 |
| Gains from change in fair value | 76,716,967.53 | -145,191,723.49 | 152.84 |
| Loss on credit impairment | -150,370,315.60 | -99,632,377.38 | -50.93 |
| Gains from disposal of assets | 485,727,628.01 | 267,752,434.20 | 81.41 |

Reasons analysis of changes in indicators that change significantly:

- 1) Other income increased by 37.54% compared to the corresponding period, which mainly resulted from increase of government grants in the current period;
- 2) Investment income increased by 184.71% compared to the corresponding period, which mainly resulted from change in equity of Haier Electric's subsidiaries;
- 3) Gains and losses from change in fair value increased by 152.84% compared to the corresponding period, which mainly resulted from changes in fair value of the forward foreign exchange trading contracts in the current period;
- 4) Loss on credit impairment increased by 50.93% compared to the corresponding period, which mainly resulted from acquisition of Candy;
- 5) Gains from disposal of assets increased by 81.41% compared to the corresponding period, which mainly resulted from the growth of gains on disposal assets by subsidiaries.

2. Analysis of income and cost

□Applicable √Not Applicable

(1). Principle operating activities by sectors, products and regions

Unit and Currency: RMB 0'000

| Principle operating activities by products | | | | | | |
|--|-------------------|----------------|-------------------------|---|--|---|
| By products | Operating revenue | Operating cost | Gross profit margin (%) | Operating revenue increased/decreased yoy (%) | Operating cost increased/decreased yoy (%) | Gross profit margin increased/decreased yoy (%) |
| Air-conditioners | 2,912,836 | 2,003,477 | 31.22 | -8.32 | -7.65 | Decrease by 0.50 pct pt |
| Refrigerators | 5,843,755 | 3,957,685 | 32.27 | 7.54 | 4.59 | Increase by 1.91 pct pt |
| Kitchen appliance | 2,950,893 | 2,032,313 | 31.13 | 18.27 | 18.00 | Increase by 0.16 pct pt |

| | | | | | | |
|---|-------------------|----------------|-------------------------|---|--|---|
| Water home appliances | 962,400 | 521,176 | 45.85 | 5.77 | 5.60 | Increase by 0.09 pct pt |
| Washing machines | 4,471,430 | 3,008,254 | 32.72 | 23.29 | 25.51 | Decrease by 1.19 pct pt |
| Equipment components and channel integrated service | 2,805,757 | 2,518,049 | 10.25 | 4.47 | 2.30 | Increase by 1.91 pct pt |
| Principle operating activities by regions | | | | | | |
| By regions | Operating revenue | Operating cost | Gross profit margin (%) | Operating revenue increased/decreased yoy (%) | Operating cost increased/decreased yoy (%) | Gross profit margin increased/decreased yoy (%) |
| Domestic regions | 10,615,126 | 7,198,462 | 32.19 | -0.43 | -1.04 | Increase by 0.35 pct pt |
| Foreign regions | 9,331,943 | 6,842,491 | 26.68 | 21.71 | 18.92 | Increase by 1.72 pct pt |

Note: The total profit margin before tax in overseas in 2019 was 2.8%, representing an increase of 0.3 pct pts.

(2). Table of production and sales analysis

√ Applicable □ Not Applicable

| Main products | Unit | Production | Sales volume | Inventory | Production increased/decreased yoy (%) | Sales volume increased/decreased yoy (%) | Inventory increased/decreased yoy (%) |
|-----------------|--------------------|------------|--------------|-----------|--|--|---------------------------------------|
| Home appliances | 10,000 units / set | 7,677 | 9,242 | 1,639 | 9.2 | 1.0 | 27.6 |

(3). Table of cost analysis

Unit: RMB 0'000

| By sectors | Cost component | Amount for the current period | Percentage of the amount for the current period in total costs (%) | Amount for the corresponding period of last year | Percentage of the amount for the corresponding period of last year in total costs (%) | Percentage of change of the amount for the current period compared to the corresponding period of last year (%) |
|--------------------------|-------------------------|-------------------------------|--|--|---|---|
| Home appliances industry | Principal business cost | 11,522,904 | 100.00 | 10,566,171 | 100 | 9.05 |
| | Raw material | 9,591,818 | 83.24 | 8,869,679 | 83.94 | 8.14 |
| | Labor | 698,271 | 6.06 | 591,570 | 5.60 | 18.04 |
| | Depreciation | 208,163 | 1.81 | 175,843 | 1.66 | 18.38 |
| | Energy | 62,414 | 0.54 | 61,142 | 0.58 | 2.08 |
| | Others | 962,238 | 8.35 | 867,938 | 8.21 | 10.86 |

(4). Major distributors and major suppliers√Applicable ☐Not Applicable

Revenue from the top five distributors was RMB 40,264.39 million, representing 20.06% of the total sales for the year; among the revenue from the top five distributors, the revenue from related parties was RMB 0 million, representing 0 % of the total sales for the year.

The purchase amount from the top five suppliers amounted to RMB 35,672.55 million, representing 19.32% of the total purchase amount for the year; among the purchase amount from the top five suppliers, the purchase amount from related parties was RMB 20,120.0869 million, representing 10.90% of the total purchase amount for the year.

3. Expenses☐Applicable ☒Not Applicable**4. R&D expenditure****(1). Table of R&D expenditure**√Applicable ☐Not Applicable

| | Unit: RMB |
|--|---------------|
| Expensed R&D expenditure for the current period | 6,266,936,518 |
| Capitalized R&D expenditure for the current period | 444,081,451 |
| Total R&D expenditure | 6,711,017,969 |
| Total R&D expenditure as a percentage in operating revenue (%) | 3.34 |
| Number of R&D personnel | 16,679 |
| Number of R&D personnel as a percentage in total employees (%) | 16.72 |
| Proportion of capitalization of R&D expenditure (%) | 6.62 |

(2). Explanation of R&D expenditure☐Applicable ☒Not Applicable**5. Cash flow**√Applicable ☐Not Applicable

1) Net cash flow generated from investment activities increased by 43.29% compared to the corresponding period, which mainly resulted from the expenses on acquisition of Candy.

2) Net cash flow generated from financing activities decreased by 42.74% compared to the corresponding period, which mainly resulted from the payment of liabilities with interest and the acquisition of FPA in the corresponding period.

(II) 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: RMB

| Items | Amount as at the end of the period | Percentage of amount as at the end of the period over total assets (%) | Amount as at the end of previous period | Percentage of amount as at the end of the previous period over total assets (%) | Percentage of change in amount from the end of previous period to current period (%) | Explanations |
|-----------------------------------|------------------------------------|--|---|---|--|--|
| Financial assets held for trading | 308,135,007.05 | 0.16 | 1,775,648,387.76 | 1.06 | -82.65 | Mainly due to the decrease in short-term wealth management products in the current period |
| Derivative financial assets | 19,158,132.45 | 0.01 | 96,723,164.37 | 0.06 | -80.19 | Mainly due to the expiration of the forward foreign exchange trading contracts in the current period |
| Prepayments | 1,272,921,546.72 | 0.68 | 594,462,998.04 | 0.35 | 114.13 | Mainly due to the increase in prepayment to bulk materials |
| Other receivables | 2,163,517,802.50 | 1.15 | 1,656,056,557.69 | 0.99 | 30.64 | Mainly due to Candy acquired in the current period |
| Assets held for sale | | | 144,091,213.39 | 0.09 | -100.00 | Mainly due to the completion of disposal of Shengfeng Logistics, a subsidiary |

| | | | | | | |
|---|-------------------|-------|-------------------|------|--------|---|
| | | | | | | of Haier Electrics |
| Other current assets | 6,985,966,115.46 | 3.73 | 5,079,674,706.45 | 3.02 | 37.53 | Mainly due to Candy acquired and the increase in the wealth management products |
| Long-term equity investment | 20,460,763,915.68 | 10.92 | 13,993,750,238.52 | 8.33 | 46.21 | Mainly due to the changes in equity of Haier Electrics's subsidiaries |
| Construction in progress | 2,391,364,659.97 | 1.28 | 3,873,648,086.10 | 2.30 | -38.27 | Mainly due to transfer of construction in progress to fixed assets |
| Right-of-use assets | 2,755,066,601.59 | 1.47 | | | 100.00 | Mainly due to the right-of-use assets recognized under the new lease standards |
| Development cost | 193,285,777.10 | 0.10 | 538,382,288.33 | 0.32 | -64.10 | Mainly due to the transfer into intangible assets in the current period |
| Long-term prepaid expenses | 437,586,912.58 | 0.23 | 231,512,313.15 | 0.14 | 89.01 | Mainly due to the increase of expenditures that the benefit period more than one year |
| Short-term borrowings | 8,585,049,237.18 | 4.58 | 6,298,504,892.57 | 3.75 | 36.30 | Mainly due to the expenditures of acquisition Candy |
| Financial liabilities held for sale | 42,799,173.35 | 0.02 | 218,748,280.33 | 0.13 | -80.43 | Mainly due to the termination of forward foreign |

| | | | | | | |
|---|------------------|------|------------------|------|---------|---|
| | | | | | | exchange |
| Derivative financial liabilities | 99,548,853.97 | 0.05 | 35,603,754.54 | 0.02 | 179.60 | Mainly due to Candy acquired |
| Receipts in advance | | | 14,681,466.58 | 0.01 | -100.00 | Mainly due to the completion of the contracts in the previous period |
| Liabilities held for sale | | | 32,362,267.88 | 0.02 | -100.00 | Mainly due to the completion of disposal of Shengfeng Logistics, a subsidiary of Haier Electrics |
| Non-current liabilities due within one year | 7,317,138,918.02 | 3.90 | 4,655,206,739.98 | 2.77 | 57.18 | Mainly due to the some long-term borrowings will due with one year and Candy acquired in the current period |
| Lease liabilities | 1,980,271,767.35 | 1.06 | | | 100.00 | Mainly due to the lease liabilities recognized under the new lease standards |
| Long-term payables | 142,342,718.45 | 0.08 | 106,763,243.99 | 0.06 | 33.33 | Mainly due to the increase in Long-term payable of subsidiaries |
| Deferred income tax liabilities | 1,154,413,295.72 | 0.62 | 405,343,787.76 | 0.24 | 184.80 | Mainly due to Candy acquired in current period and the changes in equity of Haier Electrics's subsidiaries |
| Other non-current | 70,071,490.03 | 0.04 | 1,823,866,693.93 | 1.09 | -96.16 | Mainly due to the |

| | | | | | | |
|----------------------------|------------------|------|------------------|------|--------|---|
| liabilities | | | | | | disposal of long-term equity investment of Shengfeng Logistics, a subsidiary of Haier Electrics |
| Other equity instruments | 431,424,524.07 | 0.23 | 904,485,788.71 | 0.54 | -52.30 | Mainly due to the conversion of Company's convertible bond |
| Capital reserve | 4,435,890,845.47 | 2.37 | 2,451,667,057.65 | 1.46 | 80.93 | Mainly due to the conversion of Company's convertible bond |
| Other comprehensive income | 1,317,988,619.66 | 0.70 | 772,632,347.35 | 0.46 | 70.58 | Mainly due to Candy acquired in the current period |

Other explanations:

Nil.

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

☐Applicable ☒Not Applicable

3. Other explanations

☐Applicable ☒Not Applicable

(IV) Analysis of industry operating information

☐Applicable ☒Not Applicable

(V) Analysis of investment

1. Overall analysis on external equity investment

☒Applicable ☐Not Applicable

During the reporting period, investments in external significant equities of the Company amounted to RMB 4.879 billion.

| Name of investees | Major operating activities | Percentage of the equity interest of investees (%) | Remark | Amount invested (RMB 100 million) |
|--------------------|--|--|---|-----------------------------------|
| Candy S.p.A (Note) | Production and sale of home appliances | 100 | For details, please refer to the <i>Announcement on the Completion of Acquiring 100% Shares of Italian Company Candy</i> by | 38.05 |

| | | | | |
|--|--|----|---|-------|
| | | | <i>Qingdao Haier Co., Ltd.</i> disclosed on 29 September 2018 as well as relevant announcement of the Board. | |
| Qingdao HSW Water Appliance Co., Ltd. (青岛海施水设备有限公司) | Production and sales of water purification equipment | 51 | For details, please refer to the <i>Announcement on Connected Transaction of Planning to Conduct Equity Replacement by Holding Subsidiary and Haier Electronics International Co., Ltd. of Qingdao Haier Co., Ltd.</i> disclosed on 31 August 2018 as well as relevant announcement of the Board. | 10.74 |

Notes:

- (1) The payment amount of the transaction is in Euros, and the estimated exchange rate for the investment amount is calculated based on the average middle RMB exchange rate in the inter-bank foreign exchange market on 28 September 2018 as announced by the People's Bank of China, which is EUR 1 for RMB 8.0111 when the aforementioned announcement was disclosed.
- (2) The completion time of the asset delivery of the aforementioned transactions was within the reporting period.

(1) Significant equity investment

√ Applicable ☐ Not Applicable

Please refer to the content in '1. Overall analysis on external equity investment' as set out above.

(2) Significant non-equity investment

☐ Applicable √ Not Applicable

(3) Financial assets measured at fair value

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Financial assets measured at fair value | Initial investment cost | Source of funds | Current purchase / sale during the reporting period | Investment income during the reporting period | Changes in fair value during the reporting period |
|---|-------------------------|-----------------|---|---|---|
| Bank of Communications (601328) | 1,803,769.50 | Self-owned | | 408,675.60 | -217,960.32 |
| BAILIAN (600827) | 154,770.00 | Self-owned | | | 20,875.64 |
| Eastsoft (300183) | 18,713,562.84 | Self-owned | | | 2,243,438.82 |
| Wealth management products | 459,979,959.34 | Self-owned | -1,426,330,128.03 | 134,291,882.24 | 19,675,848.00 |
| Interest rate swap agreement | | Self-owned | | | -71,220,195.22 |
| Forward commodity | | Self-owned | | | 13,135,571.70 |

| | | | | | |
|--|------------------|------------|-------------------|----------------|----------------|
| contract | | | | | |
| Forward foreign Exchange contract | | Self-owned | | 36,725,976.17 | -11,219,155.59 |
| Other derivative financial instruments | 89,250,000.00 | Self-owned | | | -18,461,429.39 |
| Others | 1,469,953,570.07 | Self-owned | 27,514,470.73 | 38,724,617.68 | -20,126,508.02 |
| Total | 2,039,855,631.75 | | -1,398,815,657.30 | 210,151,151.69 | -86,169,514.38 |

Note: As of 31 December 2019, the aggregate balance of foreign exchange derivative transaction amounted to approximately US\$ 2.1 billion

(VI) Sale of material assets and equity

√ Applicable □ Not Applicable

(1) Capital increase by COSMOPlat: Haier COSMOPlat IOT Ecosystem Technology Co., Ltd. (海尔卡奥斯物联生态科技有限公司) (hereinafter referred to as 'COSMOPlat'), the subsidiary of the Company proposed to acquire the smart power & energy segment held by Haier Group Corporation (hereinafter referred to as 'Haier Group') at a consideration of RMB 375,540,417 by way of private placement of registered capital of RMB 74,434,124 to Haier Group, including the 95% equity interests in Qingdao Haier Energy & Power Co., Ltd., the 97.57% equity interests in Qingdao Economy and Technology Development Zone Haier Energy & Power Co., Ltd., the 95.57% equity interests in Hefei Haier Energy & Power Co., Ltd., and the 80% equity interests in Dalian Haier Energy & Power Co., Ltd. (collectively, the 'Target Energy & Power Equity'); in order to enhance its financial strength and facilitate the promotion of industrial internet ecological platform; COSMOPlat accepts that the Private Equity Fund intended to be established by Qingdao HaizhiHuiying Equity Investment Management Co., Ltd. subscribes for the newly-increased registered capital of RMB 67,827,236 of COSMOPlat through capital contribution of RMB 342,206,865 in cash (collectively, the 'Transaction'). The total amount of the Transaction is RMB 717,747,282. The pricing of the Transaction is based on the valuation report issued by Chung RuiWorldunion Assets Appraisal (Beijing) Co., Ltd. (中瑞世联资产评估(北京)有限公司), which is qualified for carrying out businesses related to securities and futures, and is deemed fair as negotiated among the relevant parties. Upon completion of the Transaction, COSMOPlat will be owned by Haier Group as to 6.40% and the Private Equity Fund will held 5.83% equity in COSMOPlat.

For details of above-mentioned matters, please refer to the *Announcement on Acquisition of Assets with Newly-increased Registered Capital and Introduction of Investors by Controlled Subsidiary and Related-Party Transaction of Haier Smart Home Co., Ltd.* published by the Company on 3 July 2019 and other relevant contents disclosed on the same day.

(2) **Asset swap between logistics and water home appliances:** In order to further clarify the positioning of the 'water home appliance + health home platform' of the Company's holding subsidiary Haier Electronic Appliances' listing platform, optimize asset portfolio of Haier Smart Home and enhance the Company's long-term development potential, the Company strives to achieve strategic synergy through the integration of the acquired water purifier business and water heater business, etc. and to

realize optimization and efficient use of resources by disposing logistics business, thereby improving overall operating efficiency. On 30 August 2018, Guanmei Company, a subsidiary of Haier Electronics, entered into *Asset Swap Agreement* with Haier Electric Appliances International Co., Ltd., pursuant to which, Guanmei Company intended to replace 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. held by Haier Electric Appliances International Co., Ltd.. The price of the aforesaid transaction was based on the appraisal results of the appraisal agency and the assets acquired and disposed were in equal amounts without involving any shortfall that needs to be supplemented. The asset replacement was completed on 26 July 2019.

For details of above-mentioned matters, please refer to the *Announcement on Connected Transaction of Planning to Conduct Equity Replacement by Holding Subsidiary and Haier Electronics International Co., Ltd. of Qingdao Haier Co., Ltd.* disclosed by the Company on 31 August 2018 as well as other relevant information disclosed on the same date, the Company's 2019 interim report and other information disclosed on 31 August 2019.

(VII) Analysis on major subsidiaries and Investees

☒ Applicable ☐ Not Applicable

Unit and currency: RMB 0'000

| Name of the company | Scope of business | Total assets | Net assets | Net profit |
|-----------------------------------|--|--------------|------------|------------|
| Haier Electronics Group Co., Ltd. | Production and sale of home appliances | 4,977,935 | 2,940,535 | 739,358 |
| Haier US APPLIANCE SOLUTIONS, INC | Investment holding | 4,702,215 | 2,270,394 | 210,251 |

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

(VIII) Structured entities controlled by the Company

☐ Applicable ☒ Not Applicable

III. Discussion and analysis on the Company's future development

(I) Setup and trend of the industry

☒ Applicable ☐ Not Applicable

For details, please refer to the relevant contents of 'SECTION III SUMMARY OF THE COMPANY'S BUSINESS' in this report.

(II) Development strategies

☒ Applicable ☐ Not Applicable

After more than 30 years of development and five strategic development stages of famous brand strategy, diversification strategy, internationalization strategy, globalization strategy and networking

strategy, the Company has become the world's leading home appliance company. With the deepening of the global synergy system construction and continuous optimization of efficiency, the market share and operating efficiency are expected to further increase. With entering into the sixth strategic stage, which was a new stage of strategic development of ecological brand, the Company will focus on leading smart home scenario solutions, committing to building a win-win ecological platform through co-creation with users and customizing the best experience for a better life.

(III) Business plan

√ Applicable □ Not Applicable

The new novel coronavirus epidemic in 2020 will impact domestic and foreign market demand and increase uncontrollable factors in business operations. Facing a highly complex external environment, the Company will leverage its advantages in product leadership, multi-brand layout, efficient retail and combination of global and local operations and strive to turn the risks and challenges into business development opportunities, continue to increase its global market share and expand its industry-leading superiority. The Company will focus on providing smart home scenario solutions to users, and build a smart home ecosystem centered on scenarios and user interaction and iteration to promote the Company's IoT smart home platform ecosystem transformation.

1. **Domestic market.** Efforts will be made to promote business retail transformation and continue to build an efficient platform. (1) The entry point will be with the nationwide implementation of uniform warehousing and distribution and the model copy of the uniform distribution model to promote the transformation and implementation of the retail system; (2) A transparent, data-based and unified high-efficiency distributor service platform will be established to enhance user experience and distributor experience; (3) The transformation of products, marketing, services, engineering and other strategies will be advanced to accelerate online channel construction, and to continuously increase the market share through online and offline sales; and (4) Efforts will be made to accelerate the front-end channel layout and capacity building, promote the implementation of the '5+7+N' smart home solutions and create business growth.

2. **Overseas market.** The Company will firmly advance toward the strategic direction of brand-leading, high-end transformation, and focus on profitability development with scale advantages, continue to upgrade the 'smart, healthy, energy-saving, and user-friendly' global high-end leading products, promote retail terminal transformation and upgrading, and achieve sustainable development of overseas businesses through the globalized information sharing platforms, digital precise marketing and the efficient operating system.

3. **Smart Home Platform.** With the Smart Home APP as the core entry and the Smart Home cloud brain as the brain for data analysis, and through full-scenario interconnection of 'big networked appliances + small networked appliance + ecological hardware' and the 'distributed interactive experience where Smart Home APP, voice systems and smart multi-screen functions are everywhere'

and the real-time decision making capability of the back end system to achieve ‘connected intelligence, interactive intelligence and decision intelligence’. User scenarios experience will be iterated from three directions of ‘multi-dimensional perception, personalized customization, and active service’ to enable the ‘5+7+N’ smart home scenario experience and build a digital home based on ‘clothing, food, housing, transportation, entertainment, health and safety’ and care for each family member from the details.

4. Smart manufacturing. To continuously satisfy the best user experience by deepening the integration and implementation of AI+5G technology& mode in production line and continuously upgrading the capacity of interconnectivity, digital insight and intelligent optimization of the entire ecosystem with factories as the core. A scheduling and decision-making system has been established for production resource with cost linkage of the whole process to improve the operation efficiency of the whole process, and improve the operation performance of various categories.

(IV) Potential risks of the Company

☒ Applicable ☐ Not Applicable

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

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

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

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

labor cost and foreign exchange transaction cost, as well as the uncertainty of the Company's overseas operations.

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

6. Risk of policy changes. The industry of home appliances is closely related to the consumer goods market and real estate market. The changes in macroeconomic policy, consumption investment policy, real estate policy and other relevant laws and regulations will influence distributor demands of products, and may influence sales of the Company's products.

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

(V) Other

☒ Applicable ☐ Not Applicable

Future capital expenditure plan: Focuses on investments in global supply chain layout and the construction of smart factories, the construction of the smart home living platform, alternation to the parks and other areas. The Company will actively seize opportunities for external development and promote the Company's leapfrog development in related industries and regions. Investment funds will be financed through the Company's own funds and equity financing, etc.

IV. Explanation of circumstances and reasons for non-disclosure by the Company in consideration of inapplicable regulations, state secrets and commercial secrets

☐ Applicable ☒ Not Applicable

SECTION V SIGNIFICANT EVENTS

I. Proposal for profit distribution of ordinary shares or capital reserve conversion into the increase in share capital

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

☒ Applicable ☐ Not Applicable

The Company's 2018 profit distribution plan was passed on its 2018 Annual General Meeting held on 18 June 2019: based on the Company's total existing shares of 6,368,474,532 (including 6,097,460,559 A shares and 271,013,973 D shares), it was proposed that the Company would distribute cash dividends of RMB 3.51 (tax inclusive) per 10 shares to all shareholders, with a total expected amount before tax of RMB 2,235,334,560.73. The plan was implemented and completed in August 2019. Details were set out in the *Announcement on Implementation of Rights and Interests Distribution of A shares for 2018 of Qingdao Haier Co., Ltd.* (No: L2019-058) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 2 August 2018 and relevant announcements in respect of dividend distribution of D shares published on the Company's website and further publication platforms.

The Company has always applied a stable and sustainable profit distribution policy. During the reporting period, the Company strictly followed the requirements set out in the Articles of Association and in the *Shareholder Return Plan for the Next Three Years (2018-2020)* of the Company. During the formulation of the profit distribution plan, the Company took full account of return for investors, the long-term interests of the Company, overall interests of all shareholders and sustainable development of the Company, and continued to implement the stable dividend distribution policy to provide investors an opportunity to share the growth of value, so that investors could form the expectation of a stable return. The procedures and mechanisms for system decision-making such as Articles of Association and planning of return of shareholders implemented by the Company were complete in compliance with laws and regulations. The process was open and transparent while the standard and ratio of dividends was clear. Responsibilities of independent directors were clear during the policy-making process, and independent directors were given the opportunities to play their roles. Minority shareholders were also given the opportunity to fully express their views and demands, and the legitimate interests of minority shareholders were adequately protected.

The dividend distribution plan of 2019 of the Company: based on the total shares as at the date of profit distribution, it is proposed that the Company will distribute cash dividend of RMB 3.75 per 10 shares (tax inclusive) with expected cash dividend not less than RMB 2,467,337,485.13. The remaining reserved profits will be mainly used for project construction, foreign investment, R&D investment and daily operations related to the Company's principal business and therefore to maintain sustainable and stable development and to bring more benefits for investors. The proportion of this distribution is not less than 30% of the net profit attributable to parent company of the Company in 2019. 100% dividend of the scheme is paid in cash.

(II) Plans or Proposals for Dividends Distribution of Ordinary Shares and for Capital Reserve Conversion into Share Capital of the Company in Recent Three Years (Including the Reporting Period)

Unit and Currency: RMB

| Year of distribution | Number of bonus share for per 10 shares (share) | Cash dividend per 10 shares (RMB) (tax inclusive) | Number of shares converted per 10 shares (share) | Amount of cash dividend (tax inclusive) | Net profit attributable to the ordinary shareholders of the listed companies in the consolidated financial statement during the year of distribution | Percentage of the net profit attributable to the ordinary shareholders of the listed companies in the consolidated financial statement (%) |
|----------------------|---|--|--|---|--|--|
| 2019 | 0 | 3.75 | 0 | 2,467,337,485.13 | 8,206,247,105.96 | 30.07 |
| 2018 | 0 | 3.51 | 0 | 2,235,314,261.70 | 7,440,228,855.90 | 30.04 |
| 2017 | 0 | 3.42 | 0 | 2,085,311,732.63 | 6,925,792,321.27 | 30.11 |

(III) Share repurchased by cash and included in cash dividend

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

II. Performance 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 and property etc. | Haier Group Corporation | <p>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).</p> <p>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</p> | 27 September 2006, long-term | Yes | Yes |

| | | | | | | |
|------------------------------------|---|-------------------------|---|-----------------------------|-----|-----|
| | | | 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. | | | |
| 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 | 24 December 2013, long-term | Yes | Yes |

| | | | | | | |
|--|--|-----------------------------------|---|--------------------------------------|------------|------------|
| | | | <p>impact, or will support Haier Smart Home or its affected subsidiary to obtain alternative property as soon as possible, if Haier Group Corporation anticipates it is unable to cope with or eliminate the external obstruction and impact with its reasonable effort. For details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L2014-005)</i> published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.</p> | | | |
| | <p>Eliminate the right defects in land property etc.</p> | <p>Haier Smart Home Co., Ltd.</p> | <p>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 (L2014-005)</i> published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014. During the aforesaid period, the Company has formulated relevant performance guarantee measures, including the re-application by the Company and its main subsidiaries to the competent government</p> | <p>24 December 2013, eight years</p> | <p>Yes</p> | <p>Yes</p> |

| | | | | | | |
|--------------------|-----------------|-------------------------|--|----------------------------|-----|-----|
| | | | <p>department for the property ownership certificate and to procure Haier Group Corporation to make guarantee undertakings in respect of the defective property owned by it and its subsidiaries. As of the expiration date, the Company has resolved the property defects of itself and its eight major subsidiaries, while that of the other remaining five major subsidiaries is in process. The Company will make reasonable business efforts to resolve the property defects of these five major subsidiaries. Because of historical issues and other reasons, the approval procedure involved in solving some defective property problems is complicated, including that of multiple government departments, and it takes a long time to handle and coordinate related matters. Due to the above external factors, the Company was unable to complete the above undertakings within the original undertaking period. Therefore, after the approval of the board meeting held by the Company on 5 November 2018 and the general meeting held on 21 December 2018, the term of the above undertakings was extended for three years based on the original deadline.</p> | | | |
| Other undertakings | Asset injection | Haier Group Corporation | <p>Inject the assets of Haier Photoelectric to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2020. For more details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment of Haier Group Corporation</i> (L2015-063) published on the four major securities newspapers and the website of Shanghai Stock</p> | December 2015 to June 2020 | Yes | Yes |

| | | | | | | |
|--------------------|----------------------------------|---|--|---------------------|-----|-----|
| | | | Exchange on 23 December 2015. | | | |
| Other undertakings | Profit forecast and compensation | Haier Electric Appliances International Co., Ltd. | <p>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 Connected Transaction of Planning to Conduct Equity Replacement by Holding Subsidiary and Haier Electronics International Co., Ltd. of Qingdao Haier 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.</p> | As of 30 April 2021 | Yes | Yes |

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

☐ Reached ☐ Not Reached ☒ Not Applicable

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 (i.e. 2018 to 2020) 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 *Assets Replacement Agreement*. Details are set out in the *Announcement on Connected Transaction of Planning to Conduct Equity Replacement by Holding Subsidiary and Haier Electronics International Co., Ltd. of Qingdao Haier Co., Ltd.* (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 the date of this report, the profit compensation measurement period (2018 to 2020) agreed in the aforementioned agreement of the asset replacement project has not expired, so the Company will make corresponding disclosures as required after the completion of such period.

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

☐ Applicable ☒ Not Applicable

III. Misappropriation and repayment plan of funds during the reporting period

☐ Applicable ☒ Not Applicable

IV. Explanation of the Company on the 'non-standard audit report' issued by the accounting firm

☐ Applicable ☒ Not Applicable

V. Explanation of the Company's analysis on reasons and effects of changes in accounting policies and accounting estimates or correction of significant accounting errors

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

☒ Applicable ☐ Not Applicable

Ministry of Finance promulgated *Accounting Standard for Business Enterprises No. 21 —Leases* in December 2018, and promulgated the *Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019* (《财政部关于修订印发2019年度一般企业财务报表格式的通知》) (Cai Kuai (2019) No.6) in May 2019. The Company and its subsidiaries have started to implement the above amendments to the Accounting Standards for Business Enterprises and the Notice, and adjusted the relevant contents of accounting policies and financial statements accordingly since 1 January 2019.

The Company and its subsidiaries prepared the 2019 financial statements in accordance with the financial statements format specified in Cai Kuai (2019) No. 6, and changed the presentation of relevant financial statements using the retrospective adjustment method.

Please refer to the relevant contents in SECTION XI ‘financial report’ of this report for the above adjustments in accounting policies.

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

☐Applicable ☒Not Applicable

(III) Communication with former accounting firm

☐Applicable ☒Not Applicable

(IV) Other explanations

☐Applicable ☒Not Applicable

VI. Appointment and dismissal of accounting firm

Unit and Currency: RMB 0’000

| | Current appointment |
|--|--|
| Name of domestic accounting firm | Hexin Certified Public Accountants LLP |
| Remuneration of domestic accounting firm | 715 |
| Audit period of domestic accounting firm | 7 |

| | Name | Remuneration |
|--|---|--------------|
| Internal control audit accounting firm | Hexin Certified Public Accountants LLP | 245 |
| Sponsor | China International Capital Corporation Limited | 0 |

Explanation of appointment and dismissal of accounting firm

☐Applicable ☒Not Applicable

Explanation of change of accounting firm during the auditing period

☐Applicable ☒Not Applicable

VII. Possibility of listing suspension**(I) Reasons of listing suspension**

☐Applicable ☒Not Applicable

(II) Response measures to be taken by the Company

☐Applicable ☒Not Applicable

VIII. Circumstances and reasons for listing termination

☐Applicable ☒Not Applicable

IX. Matters relating to bankruptcy and restructuring

☐Applicable ☒Not Applicable

X. Material litigation and arbitration matters

☐Material litigation and arbitration matters during the year ☒No material litigation and arbitration matters in the reporting year

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

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

XIII. The Company's share option incentive scheme, employee shareholding plan or other employee incentive measures and its influence**(I) Matters disclosed in temporary announcements and without any subsequent progress or change**

☐Applicable ☒Not Applicable

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

Share Option Incentive

☐Applicable ☒Not Applicable

Other explanations

☐Applicable ☒Not Applicable

Employees Shareholding Plan

√Applicable □Not Applicable

(1) The Phase IV Employees Stock Ownership Scheme launched and completion of building position:

On 29 April 2019, the Company considered and approved relevant resolutions such as the *Phase IV Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (Draft) and it's Summary* (《青岛海尔股份有限公司核心员工持股计划之第四期持股计划(草案)及摘要》) at the 27th meeting of the 9th session of the Board of Directors. The 635 staffs who participated into the Stock Ownership Scheme are the directors (excluding independent directors), supervisors, senior management of the Company and regular employees who serve at the Company and its subsidiaries and sign employment contracts with the Company or its subsidiaries and receive remuneration from them, together holding RMB 273 million in the fund. On 17 July 2019, the Company disclosed the *Announcement on Completion of Shares Purchase in Phase IV Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Haier Smart Home Co., Ltd.* (《海尔智家股份有限公司核心员工持股计划之第四期持股计划完成股票购买公告》), and the Employees Stock Ownership Scheme has been entrusted to Industrial Securities Assets Management Co., Ltd. (兴证证券资产管理有限公司), who will establish a single asset management plan for the Phase IV Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. ('Assets Management Plan') for the management. As of 16 July 2019, the Assets Management Plan has purchased an aggregate of 16,656,778 shares of the Company, representing 0.26% of the total share capitals of the Company through the secondary market at an average trading price of RMB 16.23 per share with a trading volume of RMB 270,269,262.55. Shares Purchase in Employees Stock Ownership Scheme has completed and the above purchased shares will be locked in accordance with regulations. The lock-up period is 12 months from the date of this announcement, i.e. from 17 July 2019 to 16 July 2020.

(2) Partially vesting of the employee stock ownership plan (ESOP):

During the reporting period, the second vesting of the Company's *Phase II ESOPs (Draft) and Summary under Key Employee Stock Ownership Plan of Qingdao Haier Co., Ltd.* (《青岛海尔股份有限公司核心员工持股计划之第二期持股计划(草案)及摘要》) (referred to as 'Phase II ESOPs') has been completed, and the conditions of the first vesting of the Company's *Phase III ESOPs (Draft) and Summary under Key Employee Stock Ownership Plan of Qingdao Haier Co., Ltd.* (《青岛海尔股份有限公司核心员工持股计划之第三期持股计划(草案)及摘要》) (referred to as 'Phase III ESOPs') has been completed. According to the *Audit Report of Qingdao Haier Co., Ltd.* (《青岛海尔股份有限公司审计报告》) (He Xin Shen Zi. (2019) No.000266) issued by Shandong Hexin Certified Public Accountant LLP, the annual net profits vested in parent company shareholders with allowance for non-recurring gains and losses in 2018 increased by 17.38% compared to 2017.

On 23 May 2019, the ESOPs Management Committee of the Company convened a meeting, determining: (1) 544 holders of Phase II ESOPs to be allocated with 12,248,613 shares according to

performances for the year 2018 and the results of personal assessment, the shares of the remaining holders with unsatisfactory assessment or who resigned were suspended for allocation or adjusted for their shares; (2) 616 holders of Phase III ESOPs to be allocated with 5,869,169 shares according to performances for the year 2018 and the results of personal assessment, the shares of the remaining holders with unsatisfactory assessment or who resigned were suspended for allocation or adjusted for their shares; (3) 177,812 shares that were vested suspend before Phase I Core Employees Stock Ownership Scheme shall also be vested this time (for details on the progress of Stock Ownership Scheme, please refer to the *Announcement in Relation to Second Quota Distribution and Equity Allocation in Phase I Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd.* announced by the Company on 15 December 2018). A total of 3,538,840 shares can be allocated to the directors, the supervisors and the senior managements of the Company this time. Any change of the shares they hold must be subject to provisions of the Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Managements of Listed Companies and Changes thereof. In summary, according to the aforementioned resolutions, the Company has completed the transfer of relevant stocks at China Securities Depository and Clearing Corporation Shanghai Branch on 29 May 2019, with a total of 18,295,594 shares.

Other incentives

☐Applicable ☒Not Applicable

XIV. Significant related party transactions

(I) Related party transactions from routine operation

1. Matter disclosed in temporary announcements and with no subsequent progress or change

☐Applicable ☒Not Applicable

2. Matter disclosed in temporary announcements and with subsequent progress or change

☒Applicable ☐Not Applicable

The Company made a forecast on the related-party transaction matters of the Company for the year of 2019 at the 27th meeting of the 9th session of Board Meeting held on 29 April 2019. For details, please refer to the *Announcement of Qingdao Haier Co., Ltd. regarding the Anticipation on the Daily Related-party Transactions for 2019* and relevant announcement on the resolutions of the Board disclosed on 30 April 2019.

For the actual implementation of the Related-party transaction of 2019, please refer to ‘XII. Related parties and related-party transactions’ under section X - Financial and Accounting Report set out in this regular report.

3. Matter not disclosed in temporary announcements

☐Applicable ☒Not Applicable

(II) Related-party transactions regarding acquisition or disposal of assets/equity**1. Matter disclosed in temporary announcements and with no subsequent progress or change**√Applicable ☐Not Applicable

| Summary | Index for details |
|--|--|
| Related-party transactions of Acquisition of Assets with Newly-increased Registered Capital and Introduction of Investors by COSMOPLat: for details, please refer to ‘(VI) Sale of material assets and equity’ of ‘Section IV Discussion and Analysis on Operations’ in this report. | For details, please refer to the <i>Announcement on Acquisition of Assets with Newly-increased Registered Capital and Introduction of Investors by Controlled Subsidiary and Related-Party Transaction of Haier Smart Home Co., Ltd.</i> (L2019-049) and relevant announcements disclosed by the Company on 2 July 2019. |
| Related-party transactions of assets swap between logistics and water home appliances: for details, please refer to ‘(VI) Sale of material assets and equity’ of ‘Section IV Discussion and Analysis on Operations’ in this report. | For details, please refer to the <i>Announcement on Connected Transaction of Planning to Conduct Equity Replacement by Holding Subsidiary and Haier Electronics International Co., Ltd. of Qingdao Haier Co., Ltd.</i> disclosed by the Company on 31 August 2018 as well as other relevant information disclosed on the same date, the Company’s 2019 interim report and other information disclosed on 31 August 2019. |

2. Matters that have been disclosed in temporary announcements and with subsequent progress or change☐Applicable √Not applicable**3. Matters not disclosed in temporary announcements**☐Applicable √Not applicable**4. If performance agreement is involved, the performance achieved during the reporting period shall be disclosed**☐Applicable √Not applicable**(III) Significant related-party transactions of joint external investment****1. Matters that have been disclosed in temporary announcements and with no subsequent progress or change**☐Applicable √Not applicable**2. Matters that have been disclosed in temporary announcements and with subsequent progress or change**☐Applicable √Not applicable**3. Matters not disclosed in temporary announcements**☐Applicable √Not applicable**(IV) Amounts due to or from related parties****1. Matters that have been disclosed in temporary announcements and with no subsequent progress or change**☐Applicable √Not applicable

2. Matters that have been disclosed in temporary announcement and with subsequent progress or change

☐ Applicable ☒ Not applicable

3. Matters that haven't been disclosed in temporary announcements

☐ Applicable ☒ Not applicable

(V) Others

☐ Applicable ☒ Not applicable

XV. Significant contracts and their execution

(I) Trusteeship, contracting and leasing

1. Trusteeship

☐ Applicable ☒ Not applicable

During the reporting period, there was no material trusteeship. To date, the following trusteeships have been considered and approved on the general meeting of the Company and still within the validity period:

According to the Haier Group's commitment in 2011 to further support the development of Qingdao Haier and resolve intra-industry competition to reduce related-party transactions, and given the fact that Qingdao Haier Photoelectric Co., Ltd. and its subsidiaries, who purchase of the color TV business from Haier Group, are still under transformation and consolidation period and their financial performance fails to reach the expectation of the Company. Therefore, Haier Group is unable to complete the transfer before the aforementioned commitment period. Haier Group intends to entrust the Company with the operation and management of assets under custody and will pay RMB 1 million custodian fee to the Company each year during the period of custody.

2. Contracting

☐ Applicable ☒ Not applicable

3. Leasing

☐ Applicable ☒ Not applicable

(II) Guarantee

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB 0'000

| External guarantees provided by the Company (excluding guarantees for subsidiaries) | | | | | | | | | | | | | |
|---|--|---------------|---------------------|----------------------------------|---------------------------|------------------------------|-------------------|---------------------------|--------------------------|------------------------------|--------------------------------------|---------------------------------|--------------|
| Guarantor | Relationship between the guarantor and | Secured party | Amount of guarantee | Date of occurrence of the guaran | Comment date of guarantee | Expiration date of guarantee | Type of guarantee | Whether the guarantee has | Whether the guarantee is | Over due amount of the guara | Whether there is a counter-guarantee | Whether related party guarantee | Relationship |

| | the listed compa- ny | | | tee (date of agree- ment) | | | | been fulfill- ed | overd- ue | nnee | | nnee or not | |
|--|-------------------------------|--|--|---------------------------------------|--|--|--|------------------------|--------------|------|--|----------------|---|
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| Total amount of guarantee occurred during the reporting period (excluding guarantees for subsidiaries) | | | | | | | | | | | | | |
| Total balance of guarantee at the end of the reporting period (A) (excluding guarantees for subsidiaries) | | | | | | | | | | | | | |
| Guarantees provided by the Company and its subsidiaries for subsidiaries | | | | | | | | | | | | | |
| Total amount of guarantees for subsidiaries occurred during the reporting period | | | | | | | | | | | | 3,879,733.48 | |
| Total balance of guarantees for subsidiaries at the end of the reporting period (B) | | | | | | | | | | | | 3,079,472.72 | |
| Total amount of guarantees provided by the Company (including guarantees for subsidiaries) | | | | | | | | | | | | | |
| Total guarantee (A + B) | | | | | | | | | | | | 3,079,472.72 | |
| Ratio of total amount of guarantees to net assets of the Company (%) | | | | | | | | | | | | | |
| Among which: | | | | | | | | | | | | | |
| Amount of guarantees for shareholders, ultimate controllers and their related parties (C) | | | | | | | | | | | | 0 | |
| Amount of debt guarantees provided directly or indirectly for the secured party with asset-liability ratio exceeding 70% (D) | | | | | | | | | | | | 1,445,200.19 | |
| The amount of total amount of guarantee in excess of 50% of net assets (E) | | | | | | | | | | | | 685,056.74 | |
| Total amount of the above three guarantees (C + D + E) | | | | | | | | | | | | 2,130,256.93 | |
| Explanation of possibly bearing related discharge duty for premature guarantees | | | | | | | | | | | | | |
| Explanation of guarantee status | | | | | | | | | | | | | The total amount of the aforementioned guarantees consists of two parts: |
| | | | | | | | | | | | | | <p>1. In 2016, the Company acquired the assets of GEA at a total consideration of USD 5.61 billion, which was sourced from self-owned funds and loan for merger, of which, the loan for merger in the amount of USD 3.3 billion was applied for by Haier US Appliance Solutions, Inc., a wholly-owned subsidiary of the Company, to China Development Bank Co., Ltd. The loan was fully secured by the Company and Haier Group Corporation. The balance of the guarantee amounted to approximately RMB 6.339 billion as at the end of the reporting period. The provision of guarantee had been considered and approved by the Board and the general meeting of shareholders of the Company;</p> <p>2. In June 2019, the resolution on the Expected Provision of Guarantee for subsidiaries in 2019 was passed on the 2018 Annual General Meeting of the Company, according</p> |

to which, the Company had provided guarantee in respect of the application for comprehensive facility made by certain subsidiaries to financial institutions. During the reporting period, the accumulated amount of guarantee offered by the Company to subsidiaries was approximately RMB 29.475 billion. As of the end of the reporting period, the balance guaranteed was RMB 24.456 billion.

(III) Entrusted others to manage cash assets

1. Entrusted wealth management

(1) Overall of entrusted wealth management

√Applicable □Not Applicable

Unit and Currency: RMB

| Type | Sources of funds | Amount | Premature balance | Past due uncollected amount |
|--|-----------------------------------|---------------|-------------------|-----------------------------|
| Principal-guaranteed wealth management products and structured deposit | Self-owned funds and raised funds | 3,563,418,078 | 3,563,418,078 | 0 |
| Overseas US dollar bills and bonds | Self-owned funds | 330,860,412 | 330,860,412 | 0 |
| Swap deposit | Self-owned funds | 258,275,652 | 258,275,652 | 0 |

Others

√Applicable □Not Applicable

By the end of the reporting period, the balance of the Company's entrusted wealth management amounted to RMB 4.153 billion, including three parts: ① **temporarily-idle fundraising wealth management**: at the end of December 2018, the Company's proceeds for the issuance of convertible corporate bonds were fully landed. In order to improve the yield of temporarily-idle funds, the Company intended to carry out cash management with the amounts not exceed RMB 1.5 billion after approved by the Board of Directors. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB 639 million; ② **wealth management of the Company's Hong Kong listed subsidiary**: Haier Electronics Group Co., Ltd. (hereinafter referred to as 'Haier Electronics', stock code: 01169.HK), the holding subsidiary of the Company, has purchased some short-term principal-protected wealth management and structural deposits from the large commercial banks as an independently operating Hong Kong listed company in order to increase the efficiency of the use of idle funds within the authorities of the management and on the premise of safeguarding funds security. In the purchase process, all the necessary board reports were subject to the procedures such as filling and management's review according to the regulations requirements for Hong Kong listed company, so as to ensure sufficient funds for the day-to-day operations of the main business and improve the shareholders' returns. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB 3.509 billion. ③ **Temporary-idle funds wealth management by certain subsidiaries of the**

Company: In order to improve the yield of temporarily-idle funds, some subsidiaries of the company use temporarily-idle funds for cash management within the authority of the general manager's office meeting. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB 5 million.

(2) Individual entrusted wealth management

√Applicable □Not Applicable

Unit and Currency: RMB

| Trustee | Type of entrusted wealth management product | Amount of entrusted wealth management | Commence ment date of entrusted wealth management | Expiration date of entrusted wealth management | Sour ces of fund s | Inve stme nt | Dete rmin ation of retur n | Annualiz ed yield | Expect ed return (if any) | Actu al gains or losse s | Coll ectio n | Whe ther approved by due proc ess | Any futur e plan for entru sted weal th man age ment | Amou nt of provisi on for impair ment (if any) |
|--|--|---------------------------------------|---|--|--|--------------|----------------------------|-------------------|---------------------------|--------------------------|--------------|-----------------------------------|--|--|
| Qingdao Haier Road sub-branch of China Construction Bank Co., Ltd. | Qianyuan-Zhou Zhouli Open-end Principal Guaranteed Wealth Management Product (乾元-周周利开放式保本理财产品) | 321,600,000 | 2019/8/14 | On-deman d | Rais ed fund s from conv ertibl e bond s | | | 3.00% | | | Not expir ed | YES | YES | |
| Qingdao branch of Bank of China Co., Ltd. | Principal guaranteed wealth management-linked structured deposit of Bank of China | 120,000,000 | 2019/12/17 | 2020/5/18 | | | | 3.50% | | | Not expir ed | YES | YES | |
| Qingdao branch of Bank of China Co., Ltd. | Principal guaranteed wealth management-linked structured deposit of Bank of China | 120,000,000 | 2019/12/17 | 2020/5/18 | | | | 3.50% | | | Not expir ed | YES | YES | |
| Qingdao branch of Bank of China Co., Ltd. | Principal guaranteed wealth management-CNYAQ KF wealth management | 40,000,000 | 2019/11/15 | 2020/5/20 | | | | 3.10% | | | Not expir ed | YES | YES | |

| | | | | | | | | | | | | | | |
|---|--------------------------|------------|-----------|------------|------------------|--|--|-------|--|--|-------------|-----|-----|--|
| | product of Bank of China | | | | | | | | | | | | | |
| Qingdao branch of Bank of China Co., Ltd. | Certificate of deposit | 37,418,078 | 2019/1/29 | On-demand | | | | 3.00% | | | Not expired | YES | YES | |
| DBS Bank Ltd., Hong Kong Branch | Bond | 41,752,557 | 2018/7/12 | 2020/7/29 | Self-owned funds | | | 5.12% | | | Not expired | YES | YES | |
| DBS Bank Ltd., Hong Kong Branch | Bond | 10,059,855 | 2018/7/12 | 2020/12/16 | Self-owned funds | | | 4.88% | | | Not expired | YES | YES | |
| DBS Bank Ltd., Hong Kong Branch | Bill | 69,762,000 | 2018/6/12 | 2021/6/14 | Self-owned funds | | | 3.00% | | | Not expired | YES | YES | |
| DBS Bank Ltd., Hong Kong Branch | Bill | 69,762,000 | 2018/6/13 | 2021/6/15 | Self-owned funds | | | 3.00% | | | Not expired | YES | YES | |
| DBS Bank Ltd., Hong Kong Branch | Bill | 69,762,000 | 2018/6/29 | 2021/6/25 | Self-owned funds | | | 3.00% | | | Not expired | YES | YES | |
| DBS Bank Ltd., Hong Kong Branch | Bill | 69,762,000 | 2018/8/14 | 2021/8/6 | Self-owned funds | | | 3.00% | | | Not expired | YES | YES | |

| | | | | | | | | | | | | | | |
|---|-------------------|----------------|------------|-----------|------------------|--|--|-------|--|--|-------------|-----|-----|--|
| Mizuho Bank, Ltd., Hong Kong Branch | Swap deposit | 258,275,652 | 2019/12/16 | 2020/3/16 | Self-owned funds | | | 3.43% | | | Not expired | YES | YES | |
| Haier Road sub-branch of Construction Bank | Wealth management | 225,000,000.00 | 2019/12/26 | 2020/6/23 | Self-owned funds | | | 3.25% | | | Not expired | YES | YES | |
| Qingdao branch of Bank of China | Wealth management | 441,000,000.00 | 2019/12/24 | 2020/6/22 | Self-owned funds | | | 3.60% | | | Not expired | YES | YES | |
| Qingdao branch of Bank of Communications | Wealth management | 296,000,000.00 | 2019/12/23 | 2020/6/29 | Self-owned funds | | | 3.70% | | | Not expired | YES | YES | |
| Qingdao branch of Bank of Communications | Wealth management | 192,200,000.00 | 2019/4/26 | 2020/1/23 | Self-owned funds | | | 3.80% | | | Not expired | YES | YES | |
| Qingdao branch of China Minsheng Bank | Wealth management | 100,000,000.00 | 2019/11/15 | 2020/5/15 | Self-owned funds | | | 3.70% | | | Not expired | YES | YES | |
| Qingdao branch of China Minsheng Bank | Wealth management | 109,700,000.00 | 2019/11/21 | 2020/5/21 | Self-owned funds | | | 3.70% | | | Not expired | YES | YES | |

| | | | | | | | | | | | | | | |
|--|-------------------|----------------|------------|---------------------------|------------------|--|--|-----------|--|--|-------------|-----|-----|--|
| Qingdao branch of Bank of China | Wealth management | 104,000,000.00 | 2019/12/27 | 2020/6/24 | Self-owned funds | | | 3.60% | | | Not expired | YES | YES | |
| Haier Road sub-branch of Construction Bank | Wealth management | 15,000,000.00 | 2019/3/13 | Available every Wednesday | Self-owned funds | | | 2.1%~3.4% | | | Not expired | YES | YES | |
| Haier Road sub-branch of Construction Bank | Wealth management | 70,000,000.00 | 2019/3/20 | Available every Wednesday | Self-owned funds | | | 2.1%~3.4% | | | Not expired | YES | YES | |
| Haier Road sub-branch of Construction Bank | Wealth management | 17,000,000.00 | 2019/4/17 | Available every Wednesday | Self-owned funds | | | 2.1%~3.4% | | | Not expired | YES | YES | |
| Haier Road sub-branch of Construction Bank | Wealth management | 10,000,000.00 | 2019/6/26 | Available every Wednesday | Self-owned funds | | | 2.1%~3.4% | | | Not expired | YES | YES | |
| Haier Road sub-branch of Construction Bank | Wealth management | 30,000,000.00 | 2019/7/31 | Available every Wednesday | Self-owned funds | | | 2.1%~3.4% | | | Not expired | YES | YES | |
| Qingdao branch of China Zheshang Bank | Wealth management | 210,000,000.00 | 2019/9/20 | 2020/9/20 | Self-owned funds | | | 4.30% | | | Not expired | YES | YES | |

| | | | | | | | | | | | | | | |
|---------------------------------------|---|----------------|------------|-----------|------------------|--|--|--------------------------|--|--|-------------|-----|-----|--|
| Qingdao branch of China Zheshang Bank | Wealth management | 100,000,000.00 | 2019/9/25 | 2020/9/25 | Self-owned funds | | | 4.30% | | | Not expired | YES | YES | |
| Qingdao branch of China Zheshang Bank | Wealth management | 350,000,000.00 | 2019/10/25 | 2020/4/25 | Self-owned funds | | | 4.00% | | | Not expired | YES | YES | |
| Qingdao branch of China Zheshang Bank | Wealth management | 250,000,000.00 | 2019/10/29 | 2020/4/29 | Self-owned funds | | | 4.00% | | | Not expired | YES | YES | |
| Qingdao branch of China Minsheng Bank | Wealth management | 400,000,000.00 | 2019/10/25 | 2020/4/24 | Self-owned funds | | | 3.70% | | | Not expired | YES | YES | |
| Construction Bank | Principal-unguaranteed and floating proceeds wealth management products | 4,500,000.0 | 2019/7/3 | On-demand | Self-owned funds | | | Based on investment days | | | Not expired | YES | YES | |

Others

☐Applicable ☒Not Applicable

(3) Provisions for impairment of entrusted wealth management

☐Applicable ☒Not Applicable

2. Entrusted loans

(1) Overall entrusted loans

☐Applicable ☒Not Applicable

Others

□Applicable √Not Applicable

(2) Individual entrusted loans

□Applicable √Not Applicable

Others

☐Applicable ☒Not Applicable

(3) Provisions for impairment of entrusted loans

☐Applicable ☒Not Applicable

3. Others

√Applicable □Not Applicable

Unit and Currency: RMB 0'000

[illegible]

(IV) Other Major Contracts

□Applicable √Not Applicable

XVI. Other major events

√Applicable □Not Applicable

During the Reporting Period, the Company disclosed the following information and all the information will be disclosed on SSE (www.sse.com.cn):

| Subject matter | Name of Newspaper and Page | Date of publication |
|--|--|---------------------|
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Signing Agreements on Supervision over Saving of Special Account for Raised Funds among Three Parties (L2019-001) | China Securities Journal (B005) Shanghai Securities News (49) Securities Times (B24) Security Daily (D25) | 3 January 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Delivery Completion of Purchasing 100% Equity of Italy Candy S.p.A (L2019-002) | China Securities Journal (B005) Shanghai Securities News (73) Securities Times (B16) Security Daily (B4) | 8 January 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Electing Employee Supervisor (L2019-003) | China Securities Journal (B008) Shanghai Securities News (116) Securities Times (B17) Security Daily (D68) | 9 January 2019 |
| Announcement on the Listing of the Convertible Corporate Bonds of Qingdao Haier Co., Ltd. (L2019-004) | China Securities Journal A36) Shanghai Securities News (38) Securities Times (B006) Security Daily (B4) | 16 January 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Notice of Lessening Holding of Convertible Corporate Bonds by Actual Controller and Concerted Actor (L2019-005) | China Securities Journal (B005) Shanghai Securities News (32) Securities Times (B20) Security Daily (D26) | 23 January 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Resolutions of 26th Session of 9th Directorate Meeting (L2019-006) | China Securities Journal (B013) Shanghai Securities News (44) Securities Times (B025) Security Daily (D34) | 25 January 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Resolutions of 22nd Session of 9th Board of Supervisors Meeting (L2019-007) | China Securities Journal (B013) Shanghai Securities News (44) Securities Times (B025) Security Daily (D34) | 25 January 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Replacing Self-raised Funds Invested in Advance in Investment Projects Financed by Raised Funds with Raised Funds (L2019-008) | China Securities Journal (B013) Shanghai Securities News (44) Securities Times (B025) Security Daily (D25) | 25 January 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Using Idle Raised Funds to Conduct Cash Management (L2019-009) | China Securities Journal (B013) Shanghai Securities News (44) Securities Times (B025) Security Daily (D34) | 25 January 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Notice of Lessening Holding of Convertible Corporate Bonds by Controlling Shareholder (L2019-010) | China Securities Journal (B009) Shanghai Securities News (25) Securities Times (B21) Security Daily (D19) | 13 February 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Progress in Using Idle Raised Funds for Entrusted Wealth Management (L2019-011) | China Securities Journal (B016) Shanghai Securities News (37) Securities Times (B024) Security Daily (D36) | 14 February 2019 |

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| 'Qingdao Haier Co., Ltd.' (the Company) -- Notice of Lessening Holding of Convertible Corporate Bonds by Controlling Shareholder (L2019-012) | China Securities Journal (B017) Shanghai Securities News (24) Securities Times (B29) Security Daily (C20) | 23 February 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Notice of Publishing Annual Performance of 2018 by Holding Subsidiary Haier Electronics Group Co., Ltd. (L2019-013) | China Securities Journal (B012) Shanghai Securities News (28) Securities Times (B4) Security Daily (D19) | 28 March 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Resolutions of 27th Session of 9th Directorate Meeting (L2019-014) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Resolutions of 23rd Session of 9th Board of Supervisors Meeting (L2019-015) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Renewing Engagement of Accounting Firm (L2019-016) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Prediction on Daily Connected Transactions in 2019 (L2019-017) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Prediction on Providing Guarantees for Subsidiaries in 2019 (L2019-018) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Conducting Foreign Exchange Funds Derivatives Business (L2019-019) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Conducting Hedging Business of Bulk Raw Materials (L2019-020) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Amending 'Articles of Association' (L2019-021) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Term Change of Directorate (L2019-022) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Term Change of Board of Supervisors (L2019-023) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Term Change Election of Employee Supervisors (L2019-024) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Changing Some Investment Projects Financed by Funds Raised in Issuance of Convertible Corporate Bonds (L2019-025) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Replacing Self-raised Funds Invested in Advance in Investment Projects Financed by Raised Funds with Raised Funds (L2019-026) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Appointing General Manager | China Securities Journal (B338-340) Shanghai Securities News (281-284) | 30 April 2019 |

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| (L2019-027) | Securities Times (B449-452) Security Daily (D522-528) | |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Notice of Convening Annual General Meeting of 2018 (L2019-028) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Notice of Convening 1st Meeting of Holders of Corporate Bonds of 2019 (L2019-029) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| Phase IV Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (Draft) | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Summary of 2018 Annual Report | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- First Quarterly Report of 2019 | China Securities Journal (B338-340) Shanghai Securities News (281-284) Securities Times (B449-452) Security Daily (D522-528) | 30 April 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Implementation Result of Shareholding Increase by Concerted Actor of Actual Controller (L2019-030) | China Securities Journal (B025) Shanghai Securities News (28) Securities Times (B49) Security Daily (C86) | 11 May 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Resolutions of 1st Meeting for Holders in Phase IV Shareholding Plan of Core Staff Shareholding Plan (L2019-031) | China Securities Journal (B016) Shanghai Securities News (68) Securities Times (B44) Security Daily (D29) | 15 May 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Resolutions of 1st Meeting of Bonds Holders in 2019 (L2019-032) | China Securities Journal (B008) Shanghai Securities News (72) Securities Times (B106) Security Daily (D80) | 30 May 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Line Distribution and Rights Belongingness of Core Staff Shareholding Plan (L2019-033) | China Securities Journal (B008) Shanghai Securities News (72) Securities Times (B106) Security Daily (D80) | 30 May 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Progress in Implementation of 4th Shareholding Plan of Core Staff Shareholding Plan (L2019-034) | China Securities Journal (B013) Shanghai Securities News (40) Securities Times (B89) Security Daily (D13) | 4 June 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Resolutions of 28th Session of 9th Directorate Meeting (L2019-035) | China Securities Journal (B024) Shanghai Securities News (92) Securities Times (B117) Security Daily (D84) | 6 June 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Planning to Change the Company’s Full Name and Ticker Symbol (L2019-036) | China Securities Journal (B024) Shanghai Securities News (92) Securities Times (B117) Security Daily (D84) | 6 June 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Amending ‘Articles of Association’ (L2019-037) | China Securities Journal (B024) Shanghai Securities News (92) Securities Times (B117) Security Daily (D84) | 6 June 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Adding Special Proposals to Annual General Meeting of 2018 (L2019-038) | China Securities Journal (B024) Shanghai Securities News (92) Securities Times (B117) Security Daily (D84) | 6 June 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Beginning of Conversion of ‘Haier Convertible Bonds’ (L2019-039) | China Securities Journal (B024/B028) Shanghai Securities News (27) Securities Times (B112) Security Daily (B3) | 19 June 2019 |
| ‘Qingdao Haier Co., Ltd.’ (the Company) -- Announcement on Resolutions of Annual General | China Securities Journal (B024/B028) Shanghai Securities News (27) | 19 June 2019 |

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| Meeting of 2018 (L2019-040) | Securities Times (B112) Security Daily (D5) | |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Resolutions of 1st Session of 10 th Directorate Meeting (L2019-041) | China Securities Journal (B024/B028) Shanghai Securities News (27) Securities Times (B112) Security Daily (D5) | 19 June 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Resolutions of 1st Session of 10th Board of Supervisors Meeting (L2019-042) | China Securities Journal (B024/B028) Shanghai Securities News (27) Securities Times (B112) Security Daily (D5) | 19 June 2019 |
| 'Qingdao Haier Co., Ltd.' (the Company) -- Announcement on Completing Registration for Changing Name at Industrial and Commercial Administration Authorities (L2019-043) | China Securities Journal (B020) Shanghai Securities News (32) Securities Times (B31) Security Daily (C10) | 22 June 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Notice of Selling Back of 'Haier Convertible Bonds' (L2019-044) | China Securities Journal (B013) Shanghai Securities News (125) Securities Times (B84) Security Daily (D38) | 26 June 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Changing Ticker Symbol (L2019-045) | China Securities Journal (B013) Shanghai Securities News (125) Securities Times (B84) Security Daily (D38) | 26 June 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- 1st Notice of Selling Back 'Haier Convertible Bonds' (L2019-046) | China Securities Journal (B001) Shanghai Securities News (48) Securities Times (B53) Security Daily (C4) | 27 June 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- 2nd Notice of Selling Back 'Haier Convertible Bonds' (L2019-047) | China Securities Journal (B009) Shanghai Securities News (44) Securities Times (B78) Security Daily (D22) | 28 June 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Result of Follow-up Rating to Convertible Corporate Bonds of 2019 (L2019-048) | China Securities Journal (B013) Shanghai Securities News (60) Securities Times (B97) Security Daily (C27) | 29 June 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Connected Transaction of Holding Subsidiary Newly Increasing Registered Capital to Purchase Assets and Introduce Investors (L2019-049) | China Securities Journal (B033) Shanghai Securities News (52) Securities Times (B112) Security Daily (D94) | 2 July 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Resolutions of 2nd Session of 10th Board of Supervisors Meeting (L2019-050) | China Securities Journal (B033) Shanghai Securities News (52) Securities Times (B112) Security Daily (D94-95) | 2 July 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Conversion Result of Convertible Bonds and Change in Shares (L2019-051) | China Securities Journal (B033) Shanghai Securities News (52) Securities Times (B112) Security Daily (D94-95) | 2 July 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Progress in Implementation of Phase IV Shareholding Plan of Core Staff Shareholding Plan (L2019-052) | China Securities Journal (B033) Shanghai Securities News (52) Securities Times (B112) Security Daily (D94-95) | 2 July 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- 3rd Notice of Selling Back 'Haier Convertible Bonds' (L2019-053) | China Securities Journal (B033) Shanghai Securities News (40) Securities Times (B87) Security Daily (B3) | 3 July 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Notice of Selling Back Result of 'Haier Convertible Bonds' (L2019-054) | China Securities Journal (B008) Shanghai Securities News (108) Securities Times (B79) Security Daily (D75) | 12 July 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Signing Agreements on Supervision over Saving of Special Account for Raised Funds among Four Parties (L2019-055) | China Securities Journal (B055) Shanghai Securities News (20) Securities Times (B99) Security Daily (C28) | 13 July 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Completion of Shares Purchase | China Securities Journal (B003) Shanghai Securities News (33) | 17 July 2019 |

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| in Phase IV Shareholding Plan of Core Staff (L2019-056) | Securities Times (B80) Security Daily (D33) | |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Notice of Continuous Trading Suspension of Convertible Bonds When Implementing Rights and Interests Distribution (L2019-057) | China Securities Journal (B034) Shanghai Securities News (68) Securities Times (B70) Security Daily (C46) | 27 July 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Implementation of Rights and Interests Distribution of A Shares for 2018 (L2019-058) | China Securities Journal (B008) Shanghai Securities News (33) Securities Times (B64) Security Daily (D45) | 2 August 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Adjusting Conversion Price of Convertible Bonds (L2019-059) | China Securities Journal (B008) Shanghai Securities News (33) Securities Times (B64) Security Daily (D21) | 2 August 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Conversion Result of Convertible Bonds and Change in Shares (L2019-060) | China Securities Journal (B032) Shanghai Securities News (132) Securities Times (B43) Security Daily (D240) | 29 August 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Notice of Publishing Semi-annual Performance of 2019 by Holding Subsidiary Haier Electronics Group Co., Ltd.' (L2019-061) | China Securities Journal (B032) Shanghai Securities News (132) Securities Times (B43) Security Daily (D240) | 29 August 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Resolutions of 3rd Session of 10th Directorate Meeting (L2019-062) | China Securities Journal (B131) Shanghai Securities News (169) Securities Times (B177) Security Daily (D53-54) | 30 August 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Resolutions of 3rd Session of 10th Board of Supervisors Meeting (L2019-063) | China Securities Journal (B131) Shanghai Securities News (169) Securities Times (B177) Security Daily (D53-54) | 30 August 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Using Some Idle Raised Funds to Temporarily Supplement Current Capital (L2019-064) | China Securities Journal (B131) Shanghai Securities News (169) Securities Times (B177) Security Daily (D53-54) | 30 August 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Summary of 2019 Half-year Report | China Securities Journal (B131) Shanghai Securities News (169) Securities Times (B177) Security Daily (D53-54) | 30 August 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Conversion Result of Convertible Bonds and Change in Shares (L2019-065) | China Securities Journal (B009) Shanghai Securities News (60) Securities Times (B3) Security Daily (D30) | 3 September 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Signing Agreements on Supervision over Saving of Special Account for Raised Funds among Four Parties (L2019-066) | China Securities Journal (B021) Shanghai Securities News (92) Securities Times (B85) Security Daily (C3) | 12 September 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Participating in Collective Reception Day for Investors (L2019-067) | China Securities Journal (B009) Shanghai Securities News (100) Securities Times (B21) Security Daily (D39) | 18 September 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Shareholding Increase of Overseas Shares by Actual Controller's Concerted Actor (L2019-068) | China Securities Journal (B013) Shanghai Securities News (60) Securities Times (B60) Security Daily (D37) | 27 September 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Conversion Result of Convertible Bonds and Change in Shares (L2019-069) | China Securities Journal (B008) Shanghai Securities News (65) Securities Times (B62) Security Daily (C3) | 8 October 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Resolutions of 4th Session of 10th Directorate Meeting (L2019-070) | China Securities Journal (B200) Shanghai Securities News (220) Securities Times (B289) Security Daily (D281) | 31 October 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Resolutions of 4th Session of | China Securities Journal (B200) Shanghai Securities News (220) | 31 October 2019 |

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| 10th Board of Supervisors Meeting (L2019-071) | Securities Times (B289) Security Daily (D281) | |
| Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Replacing Self-raised Funds Invested in Advance in Investment Projects Financed by Raised Funds with Raised Funds (L2019-072) | China Securities Journal (B200) Shanghai Securities News (220) Securities Times (B289) Security Daily (D281) | 31 October 2019 |
| Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Name Change of Auditor (L2019-073) | China Securities Journal (B200) Shanghai Securities News (220) Securities Times (B289) Security Daily (D281) | 31 October 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Third Quarterly Report of 2019 | China Securities Journal (B200) Shanghai Securities News (220) Securities Times (B289) Security Daily (D281) | 31 October 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Conversion Result of Convertible Bonds and Change in Shares (L2019-074) | China Securities Journal (B012) Shanghai Securities News (52) Securities Times (B33) Security Daily (B4) | 5 November 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Resolutions of 5th Session of 10th Directorate Meeting (L2019-075) | China Securities Journal (B021) Shanghai Securities News (89/91) Securities Times (B54/B55) Security Daily (D39-40) | 22 November 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Resolutions of 5th Session of 10th Board of Supervisors Meeting (L2019-076) | China Securities Journal (B021) Shanghai Securities News (89/91) Securities Times (B54/B55) Security Daily (D39-40) | 22 November 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Notice of Redemption of 'Haier Convertible Bond' in Advance (L2019-077) | China Securities Journal (B021) Shanghai Securities News (89/91) Securities Times (B54/B55) Security Daily (D39-40) | 22 November 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Connected Transaction of Haier Group Co., Ltd. Increasing Capital in Subsidiary (L2019-078) | China Securities Journal (B021) Shanghai Securities News (89/91) Securities Times (B54/B55) Security Daily (D39-40) | 22 November 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Amending 'Articles of Association' (L2019-079) | China Securities Journal (B021) Shanghai Securities News (89/91) Securities Times (B54/B55) Security Daily (D39-40) | 22 November 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Redemption in Full Amount and Delisting of 'Haier Convertible Bonds' (L2019-080) | China Securities Journal (B044) Shanghai Securities News (56) Securities Times (A12) Security Daily (D28) | 29 November 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- 1st Notice of Redemption of 'Haier Convertible Bonds' (L2019-081) | China Securities Journal (B016) Shanghai Securities News (20) Securities Times (B31) Security Daily (C8) | 30 November 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Conversion Result of Convertible Bonds and Change in Shares (L2019-082) | China Securities Journal (B016) Shanghai Securities News (65) Securities Times (B75) Security Daily (D67) | 3 December 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- 2nd Notice of Redemption of 'Haier Convertible Bonds' (L2019-083) | China Securities Journal (B016) Shanghai Securities News (65) Securities Times (B75) Security Daily (D67) | 3 December 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- 3rd Notice of Redemption of 'Haier Convertible Bonds' (L2019-084) | China Securities Journal (B013) Shanghai Securities News (68) Securities Times (B61) Security Daily (C3) | 4 December 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- 4th Notice of Redemption of 'Haier Convertible Bonds' (L2019-085) | China Securities Journal (B013) Shanghai Securities News (68) Securities Times (B45) Security Daily (C3) | 5 December 2019 |
| Haier Smart Home Co., Ltd.' (the Company) -- 5th Notice of Redemption of 'Haier Convertible | China Securities Journal (B021) Shanghai Securities News (57) | 6 December 2019 |

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| Bonds' (L2019-086) | Securities Times (B46) Security Daily (D70) | |
| 'Haier Smart Home Co., Ltd.' (the Company) -- 6th Notice of Redemption of 'Haier Convertible Bonds' (L2019-087) | China Securities Journal (B021) Shanghai Securities News (52) Securities Times (B15) Security Daily (C13) | 7 December 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Notice of Redemption of Corporate Bonds of 'Haier Convertible Bonds' (L2019-088) | China Securities Journal (B016) Shanghai Securities News (64) Securities Times (B33) Security Daily (D58) | 10 December 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Notice of Redemption of Corporate Bonds of 'Haier Convertible Bonds' (L2019-089) | China Securities Journal (B009) Shanghai Securities News (80) Securities Times (B12) Security Daily (D39) | 11 December 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Notice of Redemption of Corporate Bonds of 'Haier Convertible Bonds' (L2019-090) | China Securities Journal (B009) Shanghai Securities News (84) Securities Times (B29) Security Daily (D24) | 12 December 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Notice of Redemption of Corporate Bonds of 'Haier Convertible Bonds' (L2019-091) | China Securities Journal (A08) Shanghai Securities News (94) Securities Times (B63) Security Daily (D59) | 13 December 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Clarification of Media Report (L2019-092) | China Securities Journal (A08) Shanghai Securities News (94) Securities Times (B95) Security Daily (D40) | 13 December 2019 |
| 'Haier Smart Home Co., Ltd.' (the Company) -- Announcement on Redemption Result of 'Haier Convertible Bonds' and Shares Change (L2019-093) | China Securities Journal (B008) Shanghai Securities News (25) Securities Times (B6) Security Daily (D22) | 18 December 2019 |

XVII. Proactive performance of social responsibilities

(I) Information on poverty alleviation of the listed companies

☒Applicable ☐Not Applicable

1. Targeted measures in poverty alleviation plan

☒Applicable ☐Not Applicable

In accordance with the national plan for targeted measures in poverty alleviation and the requirements set out in relevant documents, the Company places great emphasis on poverty alleviation, and carries out initiatives of targeted measures in poverty alleviation within the scope as authorized by the general meetings on related matters (such as donation). Over the years, the Company has been devoted to education undertakings and making significant contributions, with a view to targeting the weakest area of education and to blocking the transmission of poverty between generations through focused efforts in raising the basic cultural quality in poverty and the skill levels of labor force from poor families. Up to now, the Company and the Haier Group Corporation (its ultimate controller) and its subsidiaries (referred to as the 'Haier Group') has built over 300 hope primary schools and hope middle school, covering 26 provinces, municipalities directly under the central government and autonomous regions in China, and continuously provide the above-mentioned schools support in materials and other respects in each year including the reporting period. These initiatives have effectively enhanced the basic educational capabilities in poverty-stricken areas and improved the quality of education.

2. Summary of targeted measures in poverty alleviation during the year

√Applicable □Not Applicable

In 2019, the Company's expenditures on targeted measures in poverty alleviation was approximately RMB 17.82 million, which was mainly utilized in the education improvement, physical and mental health development of adolescents and children and social welfare. At the same time, as part of its initiatives in response to the government and the performance of its social responsibilities, Haier Group has also made investments in many aspects, such as poverty alleviation through agricultural development, poverty alleviation through improvement of the health of farmers and cultivation of innovative talents. Some examples are as follows:

Since 2017, Haier exclusive shops have launched a welfare activity named 'To Embrace Father', which has been assuming the role of a station of family love. They not only continue to provide material support for families in need but also directly bring left-behind children to their parents working outside, achieving the reunion of left-behind families. The activity has extended to families over 100 cities, spanning 170 thousand kilometers geographically. In 2019, 'To Embrace Father' was developed from a single welfare activity to a sustainable welfare event, from focusing on left-behind children in rural areas to left-behind children in the first and second tier cities and held welfare exhibitions in Shanghai and Shenzhen which has attracted a number of brands to cooperate and arisen highly social concern.

The Company and universities jointly developed applied education courses under Widespread Entrepreneurship and Innovation. Also, Haier has integrated its cases, experiences and resources of Widespread Entrepreneurship and Innovation systematically with relevant education in colleges and universities. By actively sharing entrepreneurial experience and work experience, the Company will act as an exemplary leader to attract more youths with a spirit of entrepreneurship to engage in entrepreneurial practice. By providing instructive advices and suggestions for youths with an intention to entrepreneurship, the Company will serve as a guide to help them forge ahead in a prospective way. The Company and the Group have open entrepreneurial platforms in place to absorb talented innovators, cultivate students' innovative consciousness and enhance their innovation ability. Such platforms can facilitate them to realize innovation and entrepreneurship and promote the 'new drivers of growth' in the future.

3. Results of targeted measures in poverty alleviation

√Applicable □Not Applicable

Unit and Currency: RMB 0'000

| Indicator | Amount and the status |
|---|-----------------------|
| I. General information | |
| Including: 1. Funds | 1,782 |
| II. Breakdown of the use of funds | |
| I. Poverty alleviation through education | |
| Including: 1.1 Amount invested in helping poor students | 786 |
| 2. Poverty alleviation through health enhancement | |
| Including: 2.1 Amount invested in medical and health resources in poverty areas | 100 |
| 3. Basic guarantees | |

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| Including: 3.1 Amount invested in helping ‘Rural left-behind children, elderly people and women’ | 40 |
| 4. Poverty alleviation in the society | |
| Including: 4.1 Contributed amount in targeted poverty alleviation works | 130 |
| 4.2 Charity funds for poverty alleviation | 726 |

4. Subsequent targeted measures in poverty alleviation plans

√Applicable ☐Not Applicable

The Company will make concerted efforts with Haier Group and continue to implement the proposition of the documents issued by the central government in respect of poverty alleviation, dedicate to improve the education in poverty-stricken areas, promote the revitalization of rural talents, pay attention to children’s physical and mental health and other initiatives, and will perform our social responsibilities in a proactive manner. At the same time, the Company will continue to integrate global resources and pay close attention to the recent epidemic development. The Company committed to make great efforts with all sectors of society to overcome the epidemic through continuously supporting materials and services required by the epidemic areas.

(II) Performance of social responsibilities

√Applicable ☐Not Applicable

For details, please refer to the *2019 Social Responsibility Report of Haier Smart Home Co., Ltd.* disclosed on the date of this periodic report.

(III) Environmental information

1. Explanation of the environmental protection status of companies and their important subsidiaries that are key emission units announced by the environmental protection department

√Applicable ☐Not Applicable

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

(1) Pollution discharge information

√Applicable ☐Not Applicable

The Company’s indirect holding subsidiary Qingdao Economy and Technology Development Zone Haier Energy & Power Co., Ltd. (hereinafter referred to as ‘Development Zone Energy’) is key emission units announced by the environmental protection department.

Development Zone Energy is a non-production unit, which is mainly responsible for the unified treatment of sewage from all production units in the development zone. The main sewage information is announced as follows:

① Major pollutants:

Wastewater. Pollutant permit has applied and implemented in accordance with the *Technical specification for application and issuance of pollutant permit-wastewater treatment (on trial)* (HJ 978-2018). A total of 17 kinds of pollutants (including particular pollutant) are subject to testing, which are 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, flow, temperature.

② Discharge method: indirect discharge

③ Number and distribution of discharge outlets: 1, in the southeast side of the sewage station by pipeline discharges

④ Discharge concentration and total amount, total approved discharges:

According to the pollutant permit, the total concentration and total amount of pollutants that need to be verified are as follows:

| No. | Pollutant | Discharge concentration | Total discharges | Approved total discharges | Whether the discharge exceeds the standard |
|-----|------------------|-------------------------|------------------|---------------------------|--|
| 1 | COD | 36.58 mg/L | 9.62 tons | 159.83 tons | No |
| 2 | Ammonia nitrogen | 5.34 mg/L | 1.37 tons | 14.38 tons | No |
| 3 | Total phosphorus | 0.18mg/L | 0.04 tons | 2.55 tons | No |
| 4 | Total nitrogen | 7.98 mg/L | 1.99 tons | 22.37 tons | No |

⑤Pollutant discharge standards implemented: *Wastewater quality standards for discharge to municipal sewers* (GBT 31962-2015)

(2) Construction and operation of pollution control facility

√Applicable □Not Applicable

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

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

√Applicable □Not Applicable

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

(4) Emergency plan for environmental emergencies

☒Applicable ☐Not Applicable

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

(5) Environmental self-monitoring plan

☒Applicable ☐Not Applicable

All pollutant discharges of the Company comply with national and local environmental standards. The sewage is discharged after being collected and treated, and is monitored in real time through the automatic online sewage monitoring system. The data is connected to the Haier Smart Energy System. In March 2017, the Company received and passed the certification of version change of ISO14001 environmental management system. In March 2019, the professional certification body conducted the second time supervision and audit of the operation of 2019 ISO14001 system after version change. The operation was approved and functioned smoothly.

(6) Other environmental information to be disclosed

☐ Applicable ☒Not Applicable

2. Statement on environmental protection of companies other than key pollution discharge units

☒Applicable ☐Not Applicable

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

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

3. Statement on reasons for non-disclosure of environmental information by companies other than key pollution discharge units

☐ Applicable ☒ Not Applicable

4. Statement on subsequent development or changes of environmental information contents disclosed in the reporting period

☒ Applicable ☐ Not Applicable

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

(IV) Other explanations

☐ Applicable ☒ Not Applicable

XVIII. Convertible corporation bonds

☒ Applicable ☐ Not Applicable

(I) Information on the issuance of convertible bonds

☒ Applicable ☐ Not Applicable

On 23 November 2017, the *Proposal of the Plan of Public Offering of Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* was passed at the 2017 First Extraordinary General Meeting of the Company. In accordance with the resolutions passed at this general meeting and the documents approved by China Securities Regulatory Commission, the Company has completed the issuance of convertible corporate bonds in December 2018, which issued convertible corporate bonds of RMB 3.00749 billion in total. Such bonds have been listed on 18 January 2019, with the listed name 'Haier Convertible Bonds' and the Bonds Code is 110049. For the details, please refer to relevant documents, such as the Company's *Prospectus on the Public Issuance of the A Share Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* disclosed on 14 December 2018 and *Announcement on the Listing of the Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* disclosed on 16 January 2019. Because the convertible bonds reached the redemption conditions during the reporting period and the Board of the Company decided to exercise the redemption right after review and approval. Therefore, the Company fully redeemed the balance of convertible bonds registered on the redemption registration date. After redemption, the Company's convertible bonds have been delisted on 17 December 2019.

(II) Information on holders and guarantors of convertible bonds during the reporting period

☐ Applicable ☒ Not Applicable

(III) Information on the change in convertible bonds during the reporting period

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Name of | Prior to the | Increase and decrease of the change | After the |
|---------|--------------|-------------------------------------|-----------|
|---------|--------------|-------------------------------------|-----------|

| convertible corporate bonds | change | Conversion | Redemption | Back-sell | change |
|---|---------------|---------------|------------|-----------|--------|
| 2018 Qingdao Haier Co., Ltd. convertible corporate bonds | 3,007,490,000 | 2,998,366,000 | 9,119,000 | 5,000 | 0 |

Information on the accumulated number of convertible bonds being converted into shares during the reporting period

☒Applicable ☐Not Applicable

| | |
|--|---------------|
| Amount of conversion during the reporting period (RMB) | 2,998,366,000 |
| Converted shares during the reporting period (share) | 211,149,927 |
| Accumulated converted shares (share) | 211,149,927 |
| Proportion of accumulated converted shares to total issued shares of the Company before conversion (%) | 3.32 |
| Amount of remaining convertible bonds not converted (RMB) | 0 |
| Proportion of amount of remaining convertible bonds to total issued convertible bonds (%) | 0 |

(IV) Information on the past adjustment of prices for conversion into shares

☒Applicable ☐Not Applicable

Unit and Currency: RMB

| Conversion price adjustment day | Adjusted conversion price | Disclosure time | Disclosure media | Explanation of conversion price adjustment |
|---|---------------------------|-----------------|---|--|
| 8 August 2019 | 14.20 | 2 August 2019 | China Securities Journal, Shanghai Securities News, Security Daily, Securities Times and website of Shanghai Stock Exchange | The conversion price is required to adjust due to the cash dividend of RMB 0.351 per share of the Company's 2018 equity distribution |
| The latest conversion price as of the end of the reporting period | | 14.20 | | |

(V) Information on the indebtedness, changes in creditability of the Company and the cash arrangement for repayment of debts in the coming years

☐Applicable ☒Not Applicable

At the end of the reporting period, the Company's liabilities amounted to RMB 122,464.3760 million in total, including current liabilities of RMB 95,609.7374 million and non-current liabilities of RMB 26,854.6386 million.

Through the renewal evaluation of the credit status of the Company and the public issuance of convertible corporate bonds, United Credit Ratings Co., Ltd. determined the long-term credit rating of the Company is AAA, the rating outlook is ‘stable’ and the bond credit rating is AAA.

As of the end of the reporting period, the Company has fully redeemed the balance of convertible bonds registered on the redemption registration date.

(VI) Explanation on other information regarding convertible bonds

☐Applicable ☒Not Applicable

SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS

I. Changes in ordinary share capital

(I) Table of Changes in ordinary shares

1. Table of Changes in ordinary shares

Unit: share

[illegible]

| | | | | | | | | | |
|----------------------------|---------------|--------|--|--|--|-------------|-------------|---------------|--------|
| III. Total ordinary shares | 6,368,416,700 | 100.00 | | | | 211,149,927 | 211,149,927 | 6,579,566,627 | 100.00 |
|----------------------------|---------------|--------|--|--|--|-------------|-------------|---------------|--------|

2. Statement on the changes in ordinary shares

☒Applicable ☐Not Applicable

As approved by the *Reply on Approving the Public Issuance of Convertible Corporate Bonds by Qingdao Haier Co., Ltd.* (Zheng Jian Xu Ke [2018] No. 1912) issued by the China Securities Regulatory Commission (hereinafter referred to as the ‘CSRC’), on 18 December 2018, the Company publicly issued 30,074,900 convertible corporate bonds at a par value of RMB 100 each, and the total amount issued of RMB 3,007,490,000 for a term of 6 years. With the approval from the Shanghai Stock Exchange Self-regulation Decision [2019] No. 14, the convertible corporate bonds of RMB 3,007,490,000 issued by the Company will be listed and traded on Shanghai Stock Exchange on 18 January 2019. The bonds are referred to as ‘Haier Convertible Bonds’ and the bond code is ‘110049’.

According to the relevant requirements of *Prospectus of Qingdao Haier Co., Ltd. on Public Issuance of A-share Convertible Corporate Bonds* by the Company, the issuance of Haier Convertible Bonds can be converted into A-share of the Company since 25 June 2019, the conversion period commenced from 25 June 2019 to 17 December 2024. At the same time, the Company had fully redeemed the outstanding convertible bonds that had not been converted into shares on the redemption registration date at the end of the reporting period due to the directors of the Board of the Company decided to exercise the redemption right during the reporting period. During the reporting period, a total of 211,149,927 shares were converted and the share capital of the Company changed from 6,368,416,700 shares to 6,579,566,627 shares. For details, please refer to the *Announcement on Redemption Result of ‘Haier Convertible Bonds’ and Shares Change of Haier Smart Home Co., Ltd.* (No.: L2019-093) disclosed on 18 December 2019.

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

☒Applicable ☐Not Applicable

In 2019, the Company achieved net profit attributable to shareholders of the Parent Company of RMB 8,206,247,105.96, equity attributable to owners of the Parent Company of RMB 47,888,319,765.92, in terms of total share capital of 6,368,416,700 shares before the conversion of the convertible bonds of the Company at the end of the reporting period, profit was RMB 1.289 per share and net asset was RMB 7.520 per share accordingly; in terms of total share capital of 6,579,566,627 after the conversion of the convertible bonds, profit per share was RMB 1.247 and net asset was RMB 7.278 per share accordingly.

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

☐Applicable ☒Not Applicable

(II) Changes in shares with selling restrictions

□Applicable √Not Applicable

II. Issuance and listing of securities**(I) Issuance of securities as of the reporting period**

√Applicable □Not Applicable

Unit: 0'000 shares Currency: RMB

| Type of shares and its derivative securities | Date of issue | Price (or interests rate) | Number of issuance | Date of listing | Number of shares under listing approval | Date of termination |
|--|------------------|--|--------------------|-----------------|---|---------------------|
| Convertible corporation bonds, convertible bonds with warrants and corporate bonds | | | | | | |
| Convertible corporation bonds of Qingdao Haier Co., Ltd. | 18 December 2018 | Interest rates for the first year to sixth year are 0.2%, 0.5%, 1.0%, 1.5%, 1.8%, 2.0%, respectively | RMB 3,007,490,000 | 18 January 2019 | RMB 3,007,490,000 | 17 December 2019 |

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

√Applicable □Not Applicable

In September 2017, after considering and approving at the 8th meeting of the 9th session of the Board of the Company, the Company intended to issue convertible corporate bonds up to RMB 5,640,000,000 (subject to the adjustment of the Board with up to RMB 3,007,490,000). After obtaining relevant approval and examination, the Company issued convertible corporate bonds of RMB 3,007,490,000 on 18 December 2018, which listed for trading on 18 January 2019. For details, please refer to relevant announcements, such as *Announcement on Public Issuance of Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* (L2018-079) and *Announcement on the Listing of the Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* (L2019-004) disclosed by the Company on 13 December 2018 and 16 January 2019, respectively.

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

√Applicable □Not Applicable

For the total number of ordinary shares of the Company and changes in shareholder structure, please refer to the relevant expressions in 'I. Changes in ordinary share capital' and 'III. Information on

shareholder and ultimate controllers' in this chapter. For the impact of the aforesaid changes on 'Paid-in capital (or share capital)' in the Company's balance sheet and other items, please refer to the relevant content in 'SECTION XI FINANCIAL REPORT' of this report.

(III) Information on existing shares held by the staff

☐Applicable ☒Not Applicable

III. Information on shareholder and ultimate controllers

(I) Total number of shareholders

| | |
|--|---------|
| Total number of ordinary shareholders up to the end of the reporting period | 142,465 |
| Total number of ordinary shareholders as at the end of the last month prior to the disclosure day of the annual report | 174,731 |

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

Unit: share

| Shareholdings of top ten shareholders | | | | | | | Nature of shareholder |
|--|------------------------------------|--|----------------|---|------------------------------------|--------|---------------------------------------|
| Name of shareholder (full name) | Change during the reporting period | Number of shares held at the end of the period | Percentage (%) | Number of shares held with selling restrictions | Status of shares pledged or frozen | | |
| | | | | | Status | Number | |
| Haier Electric Appliances International Co., Ltd. | | 1,258,684,824 | 19.13 | | Nil | | Domestic non-state-owned legal entity |
| Haier Group Corporation | | 1,072,610,764 | 16.30 | | Nil | | Domestic non-state-owned legal entity |
| Hong Kong Securities Clearing Co., Ltd. | | 857,911,223 | 13.04 | | Nil | | Foreign legal entity |
| China Securities Finance Corporation Limited | | 182,592,697 | 2.78 | | Nil | | Unknown |
| Qingdao Haier Venture & Investment Information Co., Ltd. | | 172,252,560 | 2.62 | | Nil | | Domestic non-state-owned legal entity |
| GIC PRIVATE LIMITED | | 161,125,601 | 2.45 | | Nil | | Foreign legal entity |

| Bank of China Limited- E Fund's small and medium-sized hybrid securities investment funds | | 97,000,000 | 1.47 | | Nil | | Unknown |
|--|--|--------------------------------|------|-------|---------------|--|---------------------------------------|
| CLEARSTREAM BANKING S.A. (Note) | | 91,216,350 | 1.39 | | Nil | | Foreign legal entity |
| Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) | | 73,011,000 | 1.11 | | Nil | | Domestic non-state-owned legal entity |
| Central Huijin Asset Management Ltd. | | 69,539,900 | 1.06 | | Nil | | Unknown |
| Shareholdings of top ten shareholders not subject to selling restrictions | | | | | | | |
| Name of shareholder | Number of tradable shares without selling restrictions | Class and number of shares | | Class | Number | | |
| | | | | | | | |
| Haier Electric Appliances International Co., Ltd. | 1,258,684,824 | RMB ordinary | | | 1,258,684,824 | | |
| Haier Group Corporation | 1,072,610,764 | RMB ordinary | | | 1,072,610,764 | | |
| Hong Kong Securities Clearing Co., Ltd. | 857,911,223 | RMB ordinary | | | 857,911,223 | | |
| China Securities Finance Corporation Limited | 182,592,697 | RMB ordinary | | | 182,592,697 | | |
| Qingdao Haier Venture & Investment Information Co., Ltd. | 172,252,560 | RMB ordinary | | | 172,252,560 | | |
| GIC PRIVATE LIMITED | 161,125,601 | RMB ordinary | | | 161,125,601 | | |
| Bank of China Limited- E Fund's small and medium-sized hybrid securities investment funds | 97,000,000 | RMB ordinary | | | 97,000,000 | | |
| CLEARSTREAM BANKING S.A. (Note) | 91,216,350 | Overseas listed foreign shares | | | 91,216,350 | | |
| Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) | 73,011,000 | RMB ordinary | | | 73,011,000 | | |
| Central Huijin Asset Management Ltd. | 69,539,900 | RMB ordinary | | | 69,539,900 | | |
| Related-parties or parties acting in concert among the aforesaid shareholders | <p>(1) Haier Electric Appliances International Co., Ltd. is a holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司) and Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青岛海创智管理咨询企业(有限合伙)) is a party acting in concert with Haier Group Corporation;</p> <p>(2) The Company is not aware of the existence of any connections of other shareholders.</p> | | | | | | |
| Explanation of preferential shareholders with restoration of voting rights and their shareholdings | Not applicable | | | | | | |

Note: (1) This account is the Clearstream Banking Collection Account for the Company's D shares, which is the original data provided by the German securities registration agency to the Company after the merger according to local market practices and technical settings, not representing the ultimate shareholder. (2) 57,142,857 shares in this account are held by Haier International Co., Limited, the concerted actor of the Company's ultimate controller Haier Group Corporation, accounting for 0.87% of the Company's total share capital.

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

☐ Applicable ☒ Not Applicable

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

☐Applicable ☒Not Applicable

IV. Controlling shareholder and the ultimate controller

(I) Status of controlling shareholder

1 Legal person

☒Applicable ☐Not Applicable

| | |
|--|---|
| Name | Haier Electric Appliances International Co., Ltd. |
| The person in charge of the Company or legal representative | Zhang Ruimin (张瑞敏) |
| Establishment date | 1988-06-30 |
| Principal business | Manufacturing of freezer, electromagnetic stove, house electrical fan, hairdryer, freezing machine, gas fire, air cleaner, dishwasher, electric heater, electric cooker, water dispenser, vacuum cleaner, kitchen ventilator, gas stove and oven focal; the export of the products produced by the Company, the import and export of technology and equipment for the Company's own use and the import business of raw materials for production |
| Shareholding of other controlling and participating domestic and overseas listed companies in the reporting period | Indirect controlling / participating Company: 'Qingdao Haier Biomedical Co., Ltd.' (青岛海尔生物医疗股份有限公司) (stock name: 'Haier Biomedical', stock code: 688139), Yingkang Life Technology Co., Ltd. (盈康生命科技股份有限公司) (stock name: 'Yingkang Life', stock code: 300143), 'Qingdao Bank Co., Ltd.' (青岛银行股份有限公司) (stock name: 'Bank of Qingdao', stock code: 002948), 'Haier Electronics Group Co., Ltd.' (stock name: 'Haier Elec', stock code: 01169.HK) etc. |
| Other explanation | Nil |

2 Natural person

☐Applicable ☒Not Applicable

3 Explanation on the absence of controlling shareholders of the Company

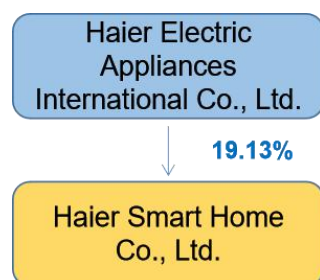
☐Applicable ☒Not Applicable

4 Index and dates in respect of the changes in controlling shareholders during the reporting period

☐Applicable ☒Not Applicable

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

☒Applicable ☐Not Applicable



(II) Status of the ultimate controller

1 Legal person

☒Applicable ☐Not Applicable

| | |
|--|---|
| Name | Haier Group Corporation |
| The person in charge of the Company or legal representative | Zhang Ruimin (张瑞敏) |
| Establishment date | 1980-03-24 |
| Principal business | Manufacturing of home appliances, digital products, communication equipment, electronic computers and accessories, ordinary machineries, kitchen utensils and industrial use robots; domestic commercial wholesale distribution and retail sale (excluding those operated exclusively by the State, which are dangerous and limited by the State); the import and export business (please refer to Foreign Trade Enterprise Validation Certificate for details) |
| Shareholding of other controlling and participating domestic and overseas listed companies in the reporting period | Indirect controlling / participating Company: 'Qingdao Haier Biomedical Co., Ltd.' (青岛海尔生物医疗股份有限公司) (stock name: 'Haier Biomedical', stock code: 688139), Yingkang Life Technology Co., Ltd. (盈康生命科技股份有限公司) (stock name: 'Yingkang Life', stock code: 300143), 'Qingdao Bank Co., Ltd.' (青岛银行股份有限公司) (stock name: 'Bank of Qingdao', stock code: 002948), 'Haier Electronics Group Co., Ltd.' (stock name: 'Haier Elec', stock code: 01169.HK) etc. |
| Other explanation | Nil |

2 Natural person

☐Applicable ☒Not Applicable

3 Explanation on the absence of ultimate controller of the Company

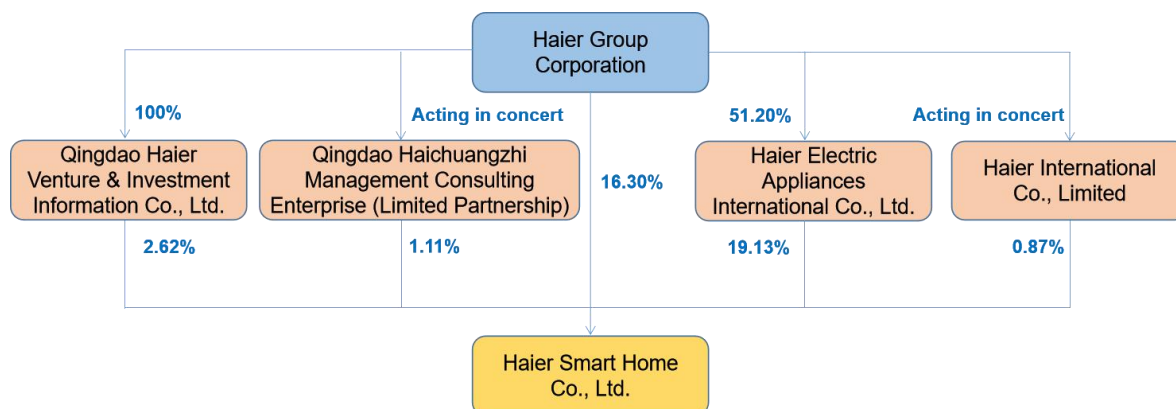
☐Applicable ☒Not Applicable

4 Index and dates in respect of the changes in ultimate controller during the reporting period

☐Applicable ☒Not Applicable

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

☒Applicable ☐Not Applicable



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

☐Applicable ☒Not Applicable

(III) Introduction of controlling shareholders and ultimate controllers

☒Applicable ☐Not Applicable

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

V. Other legal shareholders with a shareholding percentage over 10%

☐Applicable ☒Not Applicable

VI. Explanation of reduction of share restrictions

☐Applicable ☒Not Applicable

SECTION VII RELEVANT INFORMATION OF PREFERRED SHARES

☐Applicable ☒Not Applicable

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. Changes of Shareholding and Remuneration

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

√Applicable □Not Applicable

Unit: share

| Name | Title (note) | Gender | Age | Appointment date | Expiration date of appointment | Shareholdings at the beginning of the year | Shareholdings at the end of the year | Increase/decrease in shares for the year | Reason for increase/decrease | Total remuneration received from the Company during the reporting period (RMB 0'000) (before tax) | Whether receive remuneration from the Company's related party |
|-------------------------|---------------------------|--------|-----|------------------|--------------------------------|--|--------------------------------------|--|-------------------------------------|---|---|
| Liang Haishan | Chairman | male | 54 | 2019-06-18 | 2022-06-17 | 12,859,062 | 14,483,466 | 1,624,404 | Employee shareholding scheme vested | 190 | NO |
| Tan Lixia | Vice president | female | 50 | 2019-06-18 | 2022-06-17 | 6,836,737 | 8,136,260 | 1,299,523 | | Not receiving remuneration from the Company | YES |
| Li Huagang | Director, General manager | male | 51 | 2019-06-18 | 2022-06-17 | 482,214 | 653,306 | 171,092 | | 142.6 | NO |
| Wu Changqi | Director | male | 65 | 2019-06-18 | 2022-06-17 | | | | | 20 | NO |
| Lin Sui | Director | male | 64 | 2019-06-18 | 2022-06-17 | | | | | 7.5 | NO |
| Yan Yan | Director | male | 63 | 2019-06-18 | 2022-06-17 | | | | | 7.5 | NO |
| Dai Deming | Independent director | male | 58 | 2019-06-18 | 2021-06-09 | | | | | 20 | NO |
| Shi Tiantao | Independent director | male | 58 | 2019-06-18 | 2020-05-19 | | | | | 20 | NO |
| Qian Daqun | Independent director | male | 67 | 2019-06-18 | 2022-06-17 | | | | | 7.5 | NO |
| Wu Cheng(retired) | Independent director | male | 80 | 2016-05-31 | 2019-06-18 | | | | | 12.5 | NO |
| Peng Jianfeng (retired) | Director | male | 59 | 2016-05-31 | 2019-06-18 | | | | | 12.5 | NO |
| Zhou Hongbo (retired) | Director | male | 58 | 2016-05-31 | 2019-06-18 | | | | | 12.5 | NO |

| | | | | | | | | | | | |
|-----------------------|---|--------|----|------------|------------|------------|------------|-----------|-------------------------------------|---|-----|
| Liu Haifeng (retired) | Director | male | 50 | 2016-05-31 | 2019-06-18 | | | | | 0 | NO |
| Wang Peihua | Chairman of the Board of Supervisors | male | 63 | 2019-06-18 | 2022-06-17 | 91,213 | 144,764 | 53,551 | Employee shareholding scheme vested | Not receiving remuneration from the Company | YES |
| Ming Guoqing | Supervisor | male | 60 | 2019-06-18 | 2022-06-17 | 59,518 | 94,505 | 34,987 | | Not receiving remuneration from the Company | YES |
| Yu Miao | Employee supervisor | male | 38 | 2019-06-18 | 2022-06-17 | | | | | 21 | NO |
| Wang Yuqing (retired) | Employee supervisor | female | 45 | 2016-05-31 | 2019-01-08 | 7,532 | 7,532 | | | 0 | NO |
| Gong Wei | Chief financial officer, vice president | male | 47 | 2019-06-18 | 2022-06-17 | 1,450,556 | 1,671,903 | 221,347 | Employee shareholding scheme vested | 65 | NO |
| Ming Guozhen | Secretary to the board of directors, vice president | female | 56 | 2019-06-18 | 2022-06-17 | 1,106,579 | 1,240,515 | 133,936 | | 60 | NO |
| Total | / | / | / | / | / | 22,893,411 | 26,432,251 | 3,538,840 | / | 598.6 | / |

| Name | Major work experience |
|---------------|---|
| Liang Haishan | Male, born in 1966, is a senior engineer. He had served as head of the quality department of Qingdao Haier Refrigerator Co., Ltd., general manager of Qingdao Haier Air Conditioner Gen Corp., Ltd, senior vice president of Haier Group, rotation president of Haier Group. He is vice president of the board of directors of Haier Group, and Chairman & CEO of Haier Smart Home Co., Ltd. chairman of 10th session of the Board manager of Haier Smart Home Co., Ltd.; he was rewarded National May 1st Labor Medal, Outstanding Leadership Award of the National Light Industry Enterprise Information (全国轻工业企业信息化优秀领导奖), Top 10 Leaders in China Strategic Emerging Industries in recent year; Prize of Technology Advancement for China Household Appliances, First Prize Award of Science and Technology Progress of China National Light Industry Council, 2017 Forbes China Best CEO of Listed Company, 2017 Taishan Industry Leading Talent of Shandong Province. |
| Tan Lixia | Female, born in 1970, had served as assistant to director and general manager of Haier Air Conditioning Electronics Import and Export Company (海尔空调电子进出口公司), the head of integrated department, deputy director, director of department of overseas market development of Haier Group, and head of department of financial |

| | |
|------------|---|
| | management of Haier Group, CFO of Haier Group currently serves as the executive vice president of Haier Group, the president of Haier Financial Holdings Limited, the vice chairman of the 10th session of the Board of Haier Smart Home Co., Ltd.. In recent years, she was successively awarded Model Worker of Shandong Province, Outstanding Entrepreneur of the State, ‘March 8 Red-Banner Holders of the State’, PRC CFO of the Year, China Top Ten Women in Economic Area, China Top Ten Brand Female (中国十大品牌女性), member of the 12th Standing Committee of the All-China Women’s Federation and the vice president of the China Women Entrepreneurs Association and so on. |
| Li Huagang | Male, born in 1969. He has served as the chief operating officer and executive director of Haier Electrical Appliances Group Co., Ltd., a controlling subsidiary of the Company. He is currently the director, general manager and chief marketing officer of China of Haier Smart Home Co., Ltd.. He graduated from Huazhong University of Science and Technology with a bachelor’s degree in economics in 1991, and graduated from China Europe International Business School in 2014 with a master’s degree in executive master of business administration from senior management. |
| Wu Changqi | Male, born in 1955, professor and tutor of doctorate students of department of Strategic Management of Guanghua School of Management of Peking University. He graduated from Shandong University in 1982 with a bachelor degree in economics. He graduated from Katholieke Universiteit Leuven in Belgium in 1990, with a MBA degree and a doctorate degree in applied economics successively. He was an assistant professor and associate professor of Department of Economics of School of Business and Management of Hong Kong University of Science and Technology, professor and director of Department of Strategic Management of Guanghua School of Management of Peking University, deputy dean of Guanghua School of Management, Peking University, Director of EMBA degree programme center and so on. He is currently the president of the National Hi-Tech Industrial Development Zone Strategy Research Institute of Peking University (国家高新技术产业开发区发展战略研究院) and president of Guanghua Leadership Research Center, dean of Management School of Shandong University, Shandong University director of the 10th session of the Board of Haier Smart Home Co., Ltd.. |
| Lin Sui | Male, born in 1956. He was a partner of Deloitte China (retired from Deloitte China on 31 May 2019). He has been engaged in international tax consulting work in the United States and China for nearly 30 years. He has participated in many professional tax consulting services including multinational investment transactions, mergers, acquisitions and reorganization, listings, financing projects, tax optimization of supply chain, and internal tax risk control in many Chinese international companies. He has extensive experience in corporate reorganization, acquisitions, equity arrangements, tax accounting and business transformation. In recent years, he has been mainly engaged in consulting for the digital transformation of corporate finance and tax management. In 1989, he went to the United States to earn credits for MBA and tax law. He joined Deloitte USA in 1993 and was assigned to Deloitte China in 2002. He is a U.S. Certified Public Accountant. Prior to returning China, he was employed by the |

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| | Ministry of Science and Technology of China as a member of the National High-tech Development Torch Program Overseas Scholars Advisory Committee and a UN China Development Project Expert. He is currently invited to be an external teacher of China Europe International Business School and Shanghai National Accounting Institute, part-time master tutor of Fudan University and Shanghai University of Finance and Economics, deputy director of the advisory committee of the Large Enterprise Tax Institute, and director of the 10th session of the Board of Haier Smart Home Co., Ltd. |
| Yan Yan | Male, born in 1957. He is currently the founding managing partner of SAIF Asia Investment Fund. Prior to founding SAIF, Mr. Yan was the managing director and director of the Hong Kong office of AIG Asia Infrastructure Investment Fund from 1994 to 2001. From 1989 to 1994, he was an economist at the World Bank headquarters in Washington, a researcher at the well-known think tank Hudson Institute, and a director of strategic planning and business development for the Asia Pacific region at Sprint International Corporation. Mr. Yan obtained a bachelor's degree in engineering from Nanjing Institute of Aeronautics in 1982 and specialized in master's degree of Sociology in Peking University from 1984 to 1986. He studied his Ph.D. from Princeton University from 1986-1989 and received a master's degree in international economics in 1989. He also took advanced finance and accountancy courses at the Wharton School of Business in 1995. |
| Dai Deming | Male, born in 1962. He is a professor and doctoral supervisor of the accounting department of School of Business at Remin University of China. He also concurrently holds other positions such as a vice-chairman of Accounting Society of China, Independent director of the 10th session of the Board of Directors of Haier Smart Home. He served as an independent director for Beijing Capital Development Co., Ltd. (北京首都开发股份有限公司). |
| Shi Tiantao | Male, born in 1962. He currently serves as a professor and doctoral supervisor of the School of Law at Tsinghua University as well as director of Finance & Law Research Center under the School of Law at Tsinghua University. He also serves on the 10th session of the Board of Directors of Haier Smart Home as an independent director. Meanwhile, he concurrently holds other positions such as a vice president of the Chinese Research Association of Securities Law, an arbitrator of CIETAC, and a member of the Case Guidance Committee of the Supreme People's Court. |
| Qian Daqun | Male, born in 1953. He was served as Chairman of IBM Greater China, Chief Executive Officer and CEO of IBM Greater China. He graduated from the Department of Mathematics, Tamkang University of Taiwan, and studied advanced management courses at Harvard University's Institute of Business Administration, IBM Global Senior Manager Course, and is currently an independent director of the 10th session of the Board of Haier Smart Home Co., Ltd.. |
| Wu Cheng (retired) | Male, born in 1940, expert in information and automation, academician of Chinese Academy of Engineering. He graduated from Tsinghua University in 1962 and got a postgraduate degree of Tsinghua University in 1966. He is a professor and doctoral supervisor of department of Automation of Tsinghua University, head of National CIMS Engineering Research Center, and was an independent director of the 9th session of the Board of Haier Smart Home Co., Ltd.. |

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| Peng Jianfeng (retired) | Male, born in 1961, professor and tutor of doctorate students of School of Labor and Human Resources of Remin University of China, president of China Stone Management Consulting Group, vice chairman of China Human Resource Development Association, vice director of Management Consulting Committee of China Enterprise Confederation. He once was the deputy dean of School of Labor and Human Resources of Remin University of China and a director of the 9th session of the Board of Haier Smart Home Co., Ltd.. |
| Zhou Hongbo (retired) | Male, born in 1962, chairman of UbiLink, member of the board of directors of Beijing Hanbang Technology Co., Ltd., part-time chief scientist of Kyland Technology Co., Ltd (东土科技); he was once the general manager of Beiqi iFoton Co., Ltd. (北汽福田车联网公司), chief software specialist of Tsinghua Tongfang, senior engineer / manager of research and development of IBM/Oracle and other companies in the United States, postdoctoral researcher of Oak Ridge National Laboratory of America etc. He has engaged in the research and development work in supercomputing and cloud computing. He was distinguished expert of Beijing, Guiyang and other municipal government; part-time professor of Beijing Jiaotong University, University of Electronic Science and Technology of China and other colleges; He was the pioneer engaged in IoT development in Tsinghua Tongfang after his return from abroad in 2003, and has published three treatises at home and abroad, and he is one of the nine global IoT experts interviewed by the internationally renowned magazine 'Economist'. He was a director of the 9th session of the Board of Haier Smart Home Co., Ltd.. |
| Liu Haifeng (retired) | Male, born in 1970, currently is the president of Dehong Capital (德弘资本) and was the KKR global partner, co-head of KKR Asian Private Equity (KKR 亚洲私募业务) and CEO of KKR Greater China Region. He once served as the managing director of Morgan Stanley and co-head of the Direct Investment Department of Morgan Stanley Asia. In years of direct investment career, he achieved an excellent long-term investment performance, he was responsible for and led a number of successful and pioneering direct investment projects in the Greater China region, such as: Ping An Insurance, Mengniu Dairy, Qingdao Haier, Sunner Development, Belle International, Far East Horizon, Nanfu Battery, China Modern Dairy, United Envirotech Ltd., China International Capital Corporation Limited (CICC), China Cord Blood Corporation, Yongle Household Appliances, Hengan International, COFCO Meat, Guangdong Feed (粤海饲料), Asia Dairy, Uxin Limited, Tarena Education and etc. He graduated from Columbia University, and achieved the highest honor of science degree in Department of Electronic Engineering; he is a member of Tau Beta Pi (National Engineering Honor Society of America) (全美工程荣誉学会), and he has won the Edwin Howard Armstrong Award as the most outstanding electronic engineering student of Columbia University. He was a director of the 9th session of the Board of Haier Smart Home Co., Ltd.. |
| Wang Peihua | Male, born in 1957, senior political analyst, he has served as the deputy secretary of Party Committee of Haier Group Air-Conditioner Head Office (海尔集团空调本部), Washing Machine Head Office (洗衣机本部), and Haier Group Freezer & Heater Head Office (海尔集团冷柜电热本部), chairman of the labor union of Haier Group Technology and Equipment Head Office, deputy secretary of Discipline Inspection Committee etc.. He is the head of the Organizational Department of Haier Group and |

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| | the president of the 10th session of the Board of Supervisors of Haier Smart Home Co., Ltd.. |
| Ming Guoqing | Male, born in 1960, senior political analyst, has served as deputy secretary of Discipline Inspection Committee of Qingdao Refrigerator General Factory, party branch secretary and assistant manager of Qingdao Haier Transportation Company (青岛海尔运输公司), head of the comprehensive department of Qingdao Haier Co., Ltd., deputy secretary of party committee and secretary of discipline inspection committee of Haier Refrigerator Products Head Office (海尔冰箱产品本部), chairman of the labor union. He is the chairman of the labor union of Haier Group, and the supervisor of the 10th session of the board of supervisors of Haier Smart Home Co., Ltd.. |
| Yu Miao | Male, Han nationality, born in 1982, Chinese nationality with a master degree. He serves as the legal manager and employee supervisor of the 10th session of the board of supervisors of Haier Smart Home Co., Ltd. since April 2012. |
| Wang Yuqing(retired) | Female, born in 1975, has served as the employee supervisor of the board of Supervisors of Haier Smart Home Co., Ltd., the secretary and head of the general manager office of Haier Smart Home Co., Ltd.. |
| Gong Wei | Male, born in 1973, has served as the financial manager of Haier Smart Home Co., Ltd., senior financial manager and senior financial analyst of Haier Group, chief financial officer of Haier Washing Machine Head Office (海尔洗衣机本部), chief financial officer of Haier Air-Conditioner Head Office (海尔空调本部), chief financial officer of White Goods Group, he is currently the vice president and chief financial officer of the Company. He was granted the honorary titles such as Outstanding Youth in Post of Qingdao City, Outstanding Accounting Workers of Shandong Province, National Outstanding Accounting Workers and so on, and won the awards of Top Ten CFO in China as appraised by 'New Money' Magazine (《新理财杂志》) in 2011. |
| Ming Guozhen | Female, born in 1964, senior economist, was the lecturer of the investment department of China Institute of Finance, deputy head of the Teaching and Research section of Investment Economy Department, a member of treasury department of Everbright International Investment Consultancy Company, deputy director and director of general manager office, general manager of business management department and general manager of personnel department, assistant to the general manager of the Company, executive vice president of Everbright International Investment Consultancy Company; she was the office director of analysts professional committee of the Securities Association of China, vice director of Qualification Management Department of the Association, vice director of Practice Standards Committee (执业标准委员会) of the Association. She is currently the vice general manager and secretary to the Board of Directors of Haier Smart Home Co., Ltd.. |

Other information

☐Applicable ☒Not Applicable

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

□Applicable √Not Applicable

II. Positions held by current and retired directors, supervisors and senior management during the reporting period**(I) Positions held in shareholders' entities**

√Applicable □Not Applicable

| Name | Company | Position | Appointment date | End date of appointment |
|------------------------------------|---|-----------------------------------|------------------|-------------------------|
| Liang Haishan | Haier Electric Appliances International Co., Ltd. | Director | November 1997 | |
| Tan Lixia | Haier Electric Appliances International Co., Ltd. | Director | September 2014 | |
| Tan Lixia | Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司) | Supervisor | March 2009 | |
| Tan Lixia | Haier Group Corporation | Executive vice president | February 2016 | |
| Wang Peihua | Haier Group Corporation | Head of Organizational Department | | |
| Ming Guoqing | Haier Group Corporation | Chairman of the Labor Union | | |
| Li Huagang | Haier Electric Appliances International Co., Ltd. | Director | | |
| Positions in shareholders entities | Nil | | | |

(II) Positions held in other entities

√Applicable □Not Applicable

| Name | Company | Position | Appointment date | End date of appointment |
|---------------|------------------------------------|------------|------------------|-------------------------|
| Liang Haishan | Haier Group Finance Co., Ltd. | Director | | |
| Liang Haishan | Haier Financial Holdings Limited | Director | | |
| Liang Haishan | Qingdao Haier multimedia Co., Ltd. | Chairman | | |
| Tan Lixia | Haier Group Finance Co., Ltd. | Supervisor | | |

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|-------------|--|------------------------------------|------------------|----------------|
| Tan Lixia | Haier Financial Holdings Limited | Legal representative, director | July 2014 | |
| Tan Lixia | Bank of Qingdao Co., Ltd. | Non-executive director | April 2012 | May 2021 |
| Tan Lixia | Wanlian (Chongqing) IoT Technology Co., Ltd.(万链 (重庆) 物联网科技有限公司) | President | May 2018 | |
| Tan Lixia | Yingkang Life Technology Co., Ltd. | Director | 16 May 2019 | |
| Tan Lixia | Qingdao Haier Biomedical Co., Ltd. | President | July 2018 | |
| Li Huagang | Qingdao Haier Cultural Industry Development Co., Ltd. (青岛海尔文化产业发展有限公司) | Director | | |
| Wu Cheng | Tsinghua University | Professor | February 1967 | |
| Wu Cheng | Kingdee International Software Group Company Limited | Independent Non-executive director | | March 2018 |
| Wu Changqi | Peking University | Professor | | |
| Wu Changqi | Huaxia Bank Co., Ltd. | Supervisor | 12 May 2015 | 12 May 2021 |
| Wu Changqi | Beijing Electronic Zone Investment and Development Co., Ltd. | Independent director | 28 December 2012 | 22 April 2019 |
| Wu Changqi | Yijiahe Technology Co., Ltd. | Independent director | 24 August 2018 | 24 August 2021 |
| Wu Changqi | Shandong University | Dean of Management School | October 2019 | |
| Shi Tiantao | Tsinghua University | Professor | 2000 | |
| Shi Tiantao | Jiajiayue Group Holding Co., Ltd. | Independent director | | |
| Shi Tiantao | Beijing Zeho Waterfront Co., Ltd. | Independent director | | |
| Shi Tiantao | Rongtong Fund Management Co., Ltd. | Independent director | | |
| Liu Haifeng | Far East Horizon Co., Ltd | Non-executive director | October 2009 | |
| Liu Haifeng | China International Capital Corporation Limited | Non-executive director | February 2015 | |
| Liu Haifeng | Sunpower Group | Non-executive director | November 2017 | |
| Dai Deming | China Zheshang Bank Co., Ltd. | Independent Non-executive director | March 2015 | |
| Dai Deming | BOC Aviation Limited | Independent Non-executive director | May 2016 | |
| Dai Deming | China Securities Co., Ltd. | Independent Non-executive director | August 2016 | |
| Dai Deming | Power Construction Corporation of China | Independent Non-executive director | March 2018 | |
| Dai Deming | Poly Developments and Holdings Corporation Limited | Independent Non-executive director | September 2018 | |

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| Peng Jianfeng | Beijing Chinastone Enterprise Management Consulting Co., Ltd. | Chairman of the Board | 2003 | |
| Peng Jianfeng | School of Labor and Human Resources of Remin University of China | Professor | 1996 | |
| Peng Jianfeng | China Merchants Shekou Industrial Zone Holdings Co., Ltd. | Independent director | 2015 | |
| Peng Jianfeng | Jinko Power Technology Co., Ltd. | Independent director | 2017 | |
| Zhou Hongbo | Beijing Hanbang Technology Co., Ltd. | Director | November 2017 | November 2020 |
| Lin Sui | Deloitte China | Partner | From 1 June 2002 | 31May 2019 |
| Yan Yan | SAIF Asia Investment Fund (赛富亚洲投资基金) | Chief partner | October 2001 | To date |
| Yan Yan | China Resources Land Limited | Independent Non-executive director | July 2006 | To date |
| Yan Yan | Guodian Technology & Environment Group Corporation Limited | Non-executive director | June 2012 | To date |
| Yan Yan | Beijing BuleFocus Data Technology Co., Ltd. (北京蓝色光标数据科技股份有限公司) | Independent director | March 2014 | To date |
| Yan Yan | TCL Group Corporation | Independent director | March 2015 | To date |
| Yan Yan | ATA Inc. | Director | March 2005 | To date |
| Yan Yan | Shanghai WellTech Industrial Automation Co., Ltd.(上海威尔泰工业自动化股份有限公司) | Director | June 2019 | To date |
| Yan Yan | 360 Finance, Inc | Independent director | October 2019 | To date |
| Yan Yan | Shenzhen Guangfeng Technology Co., Ltd.(深圳光峰科技股份有限公司) | Director | June 2019 | To date |
| Ming Guozhen | Qingdao Overseas Chinese Industrial Holdings Co., Ltd. | Director | July 2008 | |
| Positions in other entities | Nil | | | |

III. Remuneration of directors, supervisors and senior management

√Applicable □Not Applicable

Decision-making procedures of the remuneration of directors, supervisors and senior management

The procedures for decision-making of remuneration of directors, supervisors and senior management of the Company are establishing platform, clearing standards, communication and consultation, and making objective decision. The

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| | Remuneration Committee of the Company formulate remuneration standards, adjust principles and assess the principles of realizing, then propose them to the board of directors for approval, thus form a system platform, then to determine the actual remuneration of that year according to the principle of ‘salary paid by users’ and the vertical and horizontal matching statement examination results of the bet against cycle, the vertical and horizontal matching statement annual examination results and win-win value-added statement examination results, and the EMC contracts. |
| Determination basis of the remuneration of directors, supervisors and senior management | The management personnel salary system of the Company in 2019 reflects the high value-added and high sharing nature of ‘salary paid by users’ and is linked to the vertical and horizontal matching statement and the win-win value-added statement, of which the tool is the two-dimensional lattice model (二维点阵模型). The two-dimensional lattice (二维点阵) could reflect the strategy support and EMC contracts vertically, connecting with the ignition of the enhancement of EMC/emerging small companies and leading platform, and the global leading market competitiveness and outcome of ecology horizontally. The highest allowance of outside directors of the 9th and 10th session of the board of directors of the Company is RMB 200,000 (before tax) in total per year, including the fixed allowances of RMB 150,000 per year, the highest performance allowance is RMB 50,000 per year, and the exact amount of performance allowance will be determined based on the comprehensive consideration of the contribution of directors to the Board decision making, the effectiveness of the proposals and recommendations to the board of directors, the participation of the meetings of the Board, attendance rate of all Board meetings and other factors. The travelling expense for attending the meetings of the board of directors and shareholders and other expenses necessary for performing their duties pursuant to the Articles of Association shall be fully reimbursed. |
| Remuneration payables of directors, supervisors and senior management | Paid as required. |
| Total actual remuneration of all the directors, supervisors and senior management at the end of the reporting period | RMB 5.986 million |

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

√Applicable □Not Applicable

| Name | Position | Changes | Reasons |
|---------------|----------------------|-------------|---|
| Peng Jianfeng | Director | Designation | Reelection due to the expiry of 9th session of the Board of Directors |
| Zhou Hongbo | Director | Designation | Reelection due to the expiry of 9th session of the Board of Directors |
| Liu Haifeng | Director | Designation | Reelection due to the expiry of 9th session of the Board of Directors |
| Wu Cheng | Independent director | Designation | Reelection due to the expiry of 9th session of the Board of Directors |
| Lin Sui | Director | Election | Establishment to 10th session of the Board of Directors |
| Yan Yan | Director | Election | Establishment to 10th session of the Board of Directors |
| Li Huagang | Director | Election | Establishment to 10th session of the Board of Directors |
| Qian Daqun | Independent director | Election | Establishment to 10th session of the Board of Directors |
| Liang Haishan | General manager | Designation | Reelection due to the expiry of 9th session of the Board of Directors |
| Li Huagang | General manager | Appointment | Establishment to 10th session of the Board of Directors |
| Wang Yuqing | Employee supervisor | Designation | Resign from the Company |
| Yu Miao | Employee supervisor | Election | Appointed |

V. Punishment by the Securities Supervisory Institute in last three years

□Applicable √Not Applicable

VI. Staff of the parent company and principal subsidiaries**(I) Staff information**

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| Number of staff of the parent company | 3,501 |
| Number of staff of principle subsidiaries | 96,256 |
| Total number of staff | 99,757 |
| Number of employees whose retirement expenses are borne by the parent company and the principal subsidiaries | 0 |
| Breakdown by function | |
| Function | Number |
| Production | 59,581 |
| Sales | 19,818 |
| R&D | 16,679 |
| Financial | 1,509 |
| Administrative | 2,170 |
| Total | 99,757 |
| Breakdown by education | |
| Education | Number (person) |
| Bachelor and above | 24,175 |
| College | 25,346 |
| Technical secondary school and others | 50,236 |
| Total | 99,757 |

(II) Remuneration policies

☒Applicable ☐Not Applicable

The Company conducted the system of ‘salary paid by users’, individual paid separately and entirety paid in advanced, which is examined by added-value of user experience and originates from the strategic balance sheet of Haier, and carried out the evaluation of the creation of user values, the ignition of the enhancement of EMC/emerging small companies, the budget implementation of the leading targets, outcome of the ecology and the continuous optimization based on the EMC contracts, vertical and horizontal matching statement and the win-win value-added statement. The incentive system leads to ‘salary paid by users’, win-win sharing through everybody creating values to the users who will pay for the values, leading to create ecological value, achieving the brand leading of IoT ecology.

(III) Personnel training

☒Applicable ☐Not Applicable

Please also refer to relevant content set out in *2019 Social Responsibility Report of Haier Smart Home Co., Ltd.* published on the same date as this report.

(IV) Labor Outsourcing

☐Applicable ☒Not Applicable

VII. Other

☐Applicable ☒Not Applicable

SECTION IX CORPORATE GOVERNANCE

I. Explanation of Corporate Governance

√Applicable □Not Applicable

During the reporting period, the Company strictly complied with the requirements under the *Company Law*, the *Securities Law*, *Code on Corporate Governance for Listing Company* and the requirements of the relevant laws and regulations, to improve its corporate governance structure, regulate its operation, improve its information disclosure system, strengthen the communication with investors and elevate the standard of the Company's corporate governance. In respect of corporate governance structure, the general meeting, the Board and the management standardized its operation to practically guarantee the legal interests of the Company and its shareholders; all Directors duly discharged their duties in a diligent way; each committee of the Board of the Company performed their work according to their respective detailed working rules to ensure that the Board operate in a more effective and scientific way; independent Directors fulfilled their duties independently and issued independent opinion on major matters in order to effectively protect the interests of the Company as a whole and the lawful rights and interests of medium and small investors. In respect of information disclosure, the Company strictly executed the registration and management system for insiders, achieved the management of inside information on significant events and eliminating the act of using the Company's inside information for stocks trading by insider. Meanwhile, the Company reinforced the accountability of people who are responsible for annual report disclosure and enhanced the quality and transparency of information disclosure in annual reports. The Company has placed a lot of emphasis on information disclosure and disclosed relevant information on a true, accurate, complete and timely basis strictly in accordance with the requirements of laws and regulations to ensure all shareholders have equal access to such information. In respect of the management of investor relation, in accordance with guideline of the *Management System for Investor Relation*, the Company integrated business and financial resources by the office of board secretary and realized positive and all-around access to investors in a multi-layer and diversified format through introduction reference, result announcement conference and online forum. Meanwhile, the Company replied investors on a timely basis by ways of interview, e-mail, phone, fax and the website (<http://sns.sseinfo.com>) and enhanced interaction with investors, so as to respect and protect the interests of various investors, with the aim of achieving harmonious and mutual success with the Company, staff and investors. The corporate governance structure of the Company is sound and there is no difference between the corporate governance structure and the requirement of relevant documents from CSRC.

(1) Shareholders and general meeting of shareholders:

The Company could ensure that all shareholders, especially the minority shareholders enjoy equal treatment and are able to fully exercise their rights; during the reporting period, the convening and procedure of the shareholders' general meeting of the Company were in compliance with the requirements of the *Articles of Association* and *Rules Governing Shareholders' General Meeting of the*

Company. Attendance of shareholders at the meeting is relatively high, which ensured that the shareholders fully exercised voting rights; the Company also engaged lawyers who possess the qualification to engage in securities business to attend and witness the shareholders' general meeting; the resolutions were considered and approved in accordance with legal procedures, which could guarantee the power and rights of minority shareholders.

(2) Relationship between controlling shareholders and the listed company:

The controlling shareholders acted normatively and did not interfere with the Company's management decisions and operations, directly or indirectly. The Company and the controlling shareholders are independent of each other in terms of their staff, assets, finance, organization and business. Their respective board of directors, the Board of Supervisors and internal administrative departments are all independent of each other. The specific requirements for regulating Related-party transactions and fund flow are set out in the *Articles of Association*, *Fair Decision-Making System for Related-party Transactions* and the *Administrative System for Regulation of Fund Flow between the Company and Related Parties*, *Risk Control System for Related-party Transaction with Haier Group Finance Co., Ltd.*, and *Proposal for Emergency Response System for Risk of Deposits with Haier Group Finance Co., Ltd.*, which guaranteed the interests of investors. The daily related-party transactions are subject to the consideration and approval at the annual general meeting and set specialized execution procedure. The basis of pricing and reasonability of operation agreement shall be supervised and reviewed by special departments, so as to regulate the execution of related-party transactions. Internal control and internal control audit of the Company would also focus on the compliance of the related-party transactions, in order to protect the interests of minority shareholders and non-related shareholders. During the reporting period, further increased self-procurement capability and scope of the self-procurement platforms including Qingdao Haidarui Procurement Service Co., Ltd. (青岛海达瑞采购服务有限公司) and Qingdao Haidayuan Procurement Service Co., Ltd. (青岛海达源采购服务有限公司) and strengthened the procurement capability of the Company, which further reduced related-party transactions.

(3) Directors and the Board:

During the reporting period, the Board of the Company operated in accordance with rules and continued to perform their duties under the *Articles of Association* and relevant laws and regulations better and practically implement relevant decisions at the shareholders' general meeting. The number and composition of the members of the Board complied with relevant laws and regulations; the directors attended the board meeting and shareholders' general meeting with diligent and responsible attitude and protected the interests of the Company. During the reporting period, the Company reelected the personnel of its 10th session of the Board smoothly. The Company has 6 external directors, of which 3 are independent directors, representing two thirds of the total number of the directors (9 in total) of the Company. The Board continues to maintain an open structure and efficiently bring 'smart' resources to the Company. Each of the independent directors of the Company respectively acted as member of the

nomination committee, remuneration and appraisal committee and audit committee of the Board and practically carried out their duties, which are in accordance with the requirements in the *Code of Corporate Governance for Listed Companies*.

During the reporting period, all directors and independent directors performed their duties earnestly strictly in compliance with the *Articles of Association*, the *Rules of Procedure for the Board of Directors*, the *System for Independent Directors* and relevant requirements under laws and regulations and each committees of the Board operated normatively according to its own work rules. During the reporting period, the Board of the Company considered and approved the following matters: the Employees Stock Ownership Scheme and periodical reports, so as to encourage the Company to further consolidate its resources to better implement the networking and globalize development strategy. During the reporting period, the Company reelected the personnel of the Board and senior management smoothly.

(4) Supervisors and the Board of Supervisors:

During the reporting period, the Board of Supervisors operated in accordance with rules and continued to practically perform their duties under the *Articles of Association* and relevant laws and regulations. The number and composition of the members of the Board of Supervisors complied with requirements under laws and regulations. During the reporting period, the Supervisors of the Company performed their duties earnestly and adhered to the principle of being responsible to the Company and all shareholders to supervise legality and compliance on finance matters of the Company and performance of duty by the Company's directors, managers of the Company and other senior management strictly in accordance with requirements under the *Articles of Association*, the *Rules of Procedure for the Board of Supervisors* and relevant laws and regulations. During the reporting period, the Company reelected the personnel of the board of supervisors smoothly.

(5) Performance evaluation and incentive and disciplinary mechanism:

In accordance with the Articles of Association, the Board shall appoint or remove the general manager and the secretary of the Board; the Board shall appoint or remove the deputy general manager and other senior management (including the chief financial officer) of the Company based on the nomination by the general manager and determine their remunerations and rewards and penalties. The human resource department of the Company shall make routine appraisal and evaluation on the performance of directors, supervisors and senior management and Remuneration and Appraisal Committee shall make inspection and evaluation on their performance to determine their remunerations at the end of the year.

During the reporting period, the Company adopted the Phase IV Employees Stock Ownership Scheme which further perfected the incentive and disciplinary mechanism and mechanism of the shareholders shares benefits and risks with the management of the Company, so as to enhance the competitiveness and promote the sustainable and sound development of the Company.

(6) Stakeholders:

The Company was able to fully respect and protect the lawful rights and interests of the suppliers, channels, banks, other creditors, employees, consumers and other stakeholders. Meanwhile, the Company actively took part in public welfare undertaking in such place where it operates, placed a lot of emphasis on environment protection, performed its social duties earnestly and worked together with these stakeholders actively with good communication to promote the sustainable and sound development of the Company. For details, please refer to relevant information in 2019 Social Responsibility Report of Haier Smart Home Co., Ltd. published on the same date of this report.

(7) Information disclosure and transparency:

During the reporting period, the Company positively disclosed the relevant information in a true, accurate and complete manner which was strictly in accordance with relevant laws and regulations including the *Articles of Association*, *Administrative Measure for Information Disclosure* and requirements in the *Information Disclosure Management System of the Company*, *Work Rules and Procedures Regarding the Annual Report* and the *Management System for Investor Relation*, proactively communicated with regulatory authorities and investors and designated newspapers including *Shanghai Securities News*, *China Securities Journal*, *Securities Times* and *Securities Daily* for information disclosure to ensure that all shareholders access to such information equally. The Company authorized the secretary of the Board to take charge of information disclosure, reception of visits by shareholders and handling of shareholder's enquiries. Meanwhile, the Company broadened communication channels for investors to get relevant information of the Company through telephone conference calls after periodical reporting and occasionally holding on-site and online forums. With respect to the significant Related-party transactions, the Company performed necessary approval procedures and disclosed relevant information strictly in compliance with the *Articles of Association* and *Fair Decision-Making System for Related-party Transactions* to protect the interests of investors. During the reporting period, the Company further perfected the confidentiality procedure for information disclosure strictly in compliance with the *Registration System of Insiders*, the *Responsibility System for Major Errors in Information Disclosure in Annual Reports* and the *Management System of External Information Users* to ensure the fairness and equity of information disclosure.

(8) Implementation of corporate governance campaign in 2019:

During the reporting period, the Company continued to carry out works relating to 'solution of business competition and reduction of related-party transactions' to maintain the Company's optimized governance results. In 2019, trading volume of related-party transactions regarding procurement amounted to RMB 20.12 billion, which accounted for 10.9% of the similar transactions, representing a decrease of 0.5 pct pt compared to the same period of the previous year. Trading volume of related-party transactions regarding sales amounted to RMB 2.63 billion, which accounted for 1.3% of the similar transactions, representing a decrease of 0.2pct pt compared to the same period of the previous year. The optimization of the related-party transactions in the previous period has been maintained. The Company will continue to promote the continuous optimization of related-party transactions (Related-party transactions herein refer to transactions between the Company and related parties determined in

accordance with the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* and other regulations. Therefore, the scope and amount of related-party transactions may be different from that scope as identified under *Accounting Standards for Business Enterprises*).

Leveraging on the further implementation of governance campaign and enhancing the establishment of fundamental systems, the Company further improved the corporate governance structure and improved the corporate governance. The Company carried out various activities to strengthen the consciousness of learning and further strengthened the consciousness on regulating governance in the listed company among directors, supervisors and senior management of the listed company with organizational training to improve the ability to regulate governance and continuously improve and perfect corporate governance of the Company, thus to protect the minority interests and to guarantee and promote the healthy, stable and sustainable development of the Company.

Whether there is a significant difference between the corporate governance and requirements of relevant provisions of the CSRC; if so, the reasons should be explained

☐Applicable ☒Not Applicable

II. Brief Introduction to the General Meeting of Shareholders

| Meeting | Date | Index for details of websites designated for publishing resolutions | Date of disclosure |
|-----------------------------|--------------|--|--------------------|
| 2018 Annual General Meeting | 18 June 2019 | For details, please refer to the <i>Announcement on Resolutions Passed at the 2018 Annual General Meeting of Qingdao Haier Co., Ltd.</i> (L2019-040) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers. | 19 June 2019 |

Explanation of shareholders' general meetings

☒Applicable ☐Not Applicable

The 2018 Annual General Meeting of the Company (the '2018 AGM') was held by way of on-site voting and online voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 18 June 2019 for deliberation of the proposals concerning the annual report of the Company and other issues. The Company had a total of 6,368,416,700 shares. Attendance of shareholders and proxies at the 2018 AGM is as follows: there were 314 shareholders of the Company in attendance either in person or by proxy at the 2018 AGM, holding a total of 3,732,277,507 shares, representing 58.61% of the total number of shares of the Company with voting rights. The directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the 2018 AGM. The 2018 AGM was convened by the Board of the Company. Mr. Liang Haishan, Chairman of the Board, presided over the 2018 AGM. The Company had 9 Directors, of whom 4 Directors attended the 2018 AGM (Directors Wu Changqi, Peng Jianfeng, Zhou Hongbo, Wu Cheng, Liu Haifeng David were unable to attend the 2018 AGM due to personal engagement); the Company had 3 Supervisors, all of whom attended the 2018 AGM. The

secretary to the Board of the Company attended the 2018 AGM and other members of senior management of the Company were invited to attend the 2018 AGM.

III. Performance of duties by directors

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

| Name of director | Whether an independent director or not | Attendance of Board meetings | | | | | | Attendance of general meetings |
|-------------------|--|--|----------------------|---------------------------------|---------------------|---------|--|---------------------------------|
| | | Required attendances of Board meetings | Attendance in person | Attendance by telecommunication | Attendance by proxy | Absence | Absence from two consecutive meetings in person or not | Attendances at general meetings |
| Liang Haisan | No | 8 | 8 | 4 | 0 | 0 | No | 1 |
| Tan Lixia | No | 8 | 8 | 3 | 0 | 0 | No | 1 |
| Li Huagang | No | 5 | 5 | 2 | 0 | 0 | No | 0 |
| Wu Changqi | No | 8 | 8 | 6 | 0 | 0 | No | 0 |
| Dai Deming | Yes | 8 | 8 | 5 | 0 | 0 | No | 1 |
| Shi Tiantao | Yes | 8 | 8 | 7 | 0 | 0 | No | 1 |
| Lin Sui | No | 5 | 5 | 2 | 0 | 0 | No | 0 |
| Qian Daqun | Yes | 5 | 5 | 3 | 0 | 0 | No | 0 |
| Yan Yan | No | 5 | 5 | 4 | 0 | 0 | No | 0 |
| Wu Cheng | Yes | 3 | 3 | 3 | 0 | 0 | No | 0 |
| Peng Jianfeng | No | 3 | 3 | 3 | 0 | 0 | No | 0 |
| Zhou Hongbo | No | 3 | 3 | 3 | 0 | 0 | No | 0 |
| Liu Haifeng David | No | 3 | 2 | 2 | 1 | 0 | No | 0 |

Statement for failure to attend the Board meetings in person for two consecutive times

☐Applicable ☒Not Applicable

| | |
|---|---|
| Number of Board meetings held in the year | 8 |
| Of which: Number of on-site meetings | 0 |
| Number of meetings held by telecommunication | 3 |
| Number of meetings held both on site and by telecommunication | 5 |

(II) Independent directors' objection to the relevant matters of the Company

☐Applicable ☒Not Applicable

(III) Other

☐Applicable ☒Not Applicable

IV. Major opinions and suggestions of the Special Committees of the Board in performing their duties during the reporting period, details should be disclosed if any disagreements

☒Applicable ☐Not Applicable

(1) Audit Committee: during the reporting period, the Company convened 7 meetings of the Audit

Committee to consider the annual report audit-related work for three times, namely, pre-audit, mid-audit and post audit and made relevant arrangement. The Audit Committee believed that the 2018 financial and accounting statement issued by the Company was in compliance with the requirements of the *Accounting Standards for Business Enterprises*, and gave a true and fair view of the Company's assets and liabilities as of 31 December 2018 and operating results and cash flow for the year 2018. There was no significant unresolved disagreement between accounting and auditing. There was no material risk affecting the Company's operation. The Company operated prudently and would be able to continue as a going concern. Other meetings considered the plans for the annual budget of related-party transactions, internal control self-assessment reports, profit distribution plan, engagement of accounting firm, capital increase in subsidiaries by related parties, the first quarterly report/the semi-annual report/the third quarterly report of 2019. The Audit Committee agreed the above resolutions and submitted the same to the Board for consideration.

(2) Remuneration and Appraisal Committee: during the reporting period, the Company convened 1 meeting of the Remuneration and Appraisal Committee to consider the Phase IV Stock Ownership Scheme of Core Employees Stock Ownership Scheme and the annual remuneration package of directors, supervisors and senior management. The Remuneration Committee believes that the Company's salary incentive system will be further improved, the incentive and restriction mechanism will be strengthened and a mechanism that shares interests and risks between shareholders of the Company and the management will be formulated by implementing such initiatives as Core Employees Stock Ownership Scheme. The remuneration received by the Company's directors and senior management personnel from the Company is strictly evaluated and cashed in accordance with the Company's evaluation system. The remuneration disclosed by the Company is consistent with the actual situation. The Remuneration and Appraisal Committee agreed the above resolutions and submitted the same to the Board for consideration.

(3) Nomination Committee: during the reporting period, the Company convened 1 meeting of the Nomination Committee to summarize the reelection of directors/senior management as well as annual performance of duties by directors, supervisors and senior management. The Nomination Committee believes that there are no director / executive candidates who are not allowed to serve as directors of the Company, and their qualifications meet the requirements for being a director of a listed company and they are capable to meet the requirements of the relevant positions assigned by the Company; All directors, supervisors and senior management personnel of the Company are fulfilled their diligent and honesty obligation in accordance with the provisions of laws, regulations and the *Articles of Association*, and safeguarded the interests of the Company's shareholders. The Nomination Committee agreed the above resolutions.

(4) Strategy Committee: during the reporting period, the Company convened 2 meetings of the Strategy Committee to consider and approve the plan for capital increase in subsidiaries of the Company by related parties, annual performance of duties. The Strategy Committee believes that this capital increase can facilitate the Company's sustainable development and is in line with the Company's

long-term development strategy and the long-term interests of all shareholders of the Company. Such capital increase has no adverse impact on the Company's sustainable operating capacity, profit or loss and asset condition. The Strategy Committee agreed the above resolutions and submitted the same to the Board for consideration.

V. Board of Supervisors' explanation on risks about the Company

☐Applicable ☒Not Applicable

VI. Statements of the Company on inability to maintain the independence or the ability of independent operations between the Company and the controlling shareholders with respect to business, personnel, assets, organization and finance

☐Applicable ☒Not Applicable

Corresponding solutions, working progress and subsequent working plans of the Company in case of horizontal competition

☐Applicable ☒Not Applicable

VII. Establishment and implementation of appraisal and incentive mechanism for senior management during the reporting period

☒Applicable ☐Not Applicable

In 2019, the Company adopted a system —salary paid by users| individual paid separately and entirety paid in advanced, which is linked to the vertical and horizontal matching statement and the win-win value-added statement for management personnel, of which the tool is the two-dimensional lattice model (二维点阵模型). The two-dimensional lattice (二维点阵) could reflect the strategy support and EMC contracts vertically connecting with the ignition of the enhancement of EMC/emerging small companies and leading platform, and the global leading market competitiveness and outcome of ecology horizontally. The competitiveness of compensation was determined by such elements as 'support for strategy', 'competitiveness of market leading target', 'emerging small companies, leading platform|' and 'outcome of ecology'. The senior management receives annual appraisal of the annual performance, which was the key factor to performance bonus and development. On the one hand, the Company's 'salary paid by users' overall compensation system of connecting sales force with their orders and remuneration diversified the way of salary incentive of the management, leading to create user value and create ecological value, and made the compensation mechanism for management more flexible on the other hand, which drove the innovation of management.

Meanwhile, the Company's salary incentive system was further improved, the incentive and restriction mechanism was strengthened and a mechanism that shares interests and risks with the Company and the management was formulated in the principle of —salary paid by users| by implementing such initiatives as Core Employees Stock Ownership Scheme.

VIII. Whether to disclose the self-assessment report on internal control

☒Applicable ☐Not Applicable

For details, please refer to the *2019 Internal Control Assessment Report of Haier Smart Home Co., Ltd.* disclosed on the same day of this report.

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

☐Applicable ☒Not Applicable

IX. Relevant explanations on the audit report of internal control

☒Applicable ☐Not Applicable

The Company's auditor Shandong Hexin Certified Public Accountants LLP has audited the efficiency of internal control relating to the financial report of the Company, and has issued its standard unqualified audit report for the Company's internal control (He Xin Shen Zi.(2020) No.000286).

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

Whether to disclose the audit report on internal control: Yes

X. Others

☐Applicable ☒Not Applicable

SECTION X RELEVANT INFORMATION ON CORPORATE BONDS

√Applicable □Not Applicable

I. Overview of corporate bonds

Unit and Currency: RMB 0'000

| Name of bonds | Abbreviation | Code | Issuing date | Date of expiry | Balance of bonds | Interest rate(%) | Method of capital repayment with interest | Places of transaction |
|--|-------------------------|--------|------------------|------------------|------------------|--|---|-------------------------|
| Convertible Corporate Bonds of Qingdao Haier Co., Ltd. | Haier Convertible Bonds | 110049 | 18 December 2018 | 17 December 2024 | 300,749 | Interest rates for the first year to sixth year are 0.2, 0.5, 1.0, 1.5, 1.8, 2.0, respectively | On an annual basis | Shanghai Stock Exchange |

Interest payment and repayment of corporate bonds

√Applicable □Not Applicable

The interest of convertible corporate bonds in this Issuance is paid on an annual basis, while the principal and the interest for the last year of convertible corporate bonds which do not convert to shares shall be returned when expired. The interest payment day for each year is the date of first anniversary of this issuance of convertible corporate bonds. The first interest payment day is 18 December 2019. Because the convertible bonds reached the redemption conditions during the reporting period, the Board of the Company decided to exercise the redemption right after review and approval since the convertible bonds satisfied the redemption conditions. Therefore, the Company fully redeemed the balance of convertible bonds registered on the redemption registration date. The amounts redeemed include accrued interest for the current period. After redemption, the Company's convertible bonds have been delisted on 17 December 2019.

Other information on corporate bond

√Applicable □Not Applicable

For other information, please refer to 'II. Issuance and listing of securities' under 'SECTION VI —CHANGES IN ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS' in this report.

II. Contact person and method of corporate bonds trustee manager and contact method of credit rating agency

| | | |
|----------------------|---------|--|
| Credit rating agency | Name | United Credit Ratings Co., Ltd. |
| | Address | 12th Floor, PICC Office Tower, No.2 Jianguomen Outer Street, Chaoyang District, Beijing, China |

Other explanation:

☐Applicable ☒Not Applicable

III. Use of funds raised from corporate bonds

☒Applicable ☐Not Applicable

As of 31 December 2019, RMB 1,676.65 million of the raised funds have been used with a balance of RMB 1,355.06 million (the account balance includes income from purchase of wealth management products, current deposit interest, exchange gains and losses and raised funds not invested of the Company's). For details of the usage, please refer to the *Specific Audit Report on the Deposit and Actual use of Capital Raised in 2019 of Haier Smart Home Co., Ltd* disclosed on the same day of this report.

IV. Introduction of corporate bonds rating

☒Applicable ☐Not Applicable

During the reporting period, United Credit Ratings Co., Ltd. issued the Result Announcement of the 2019 Follow-up Rating on the Convertible Corporate Bonds of Qingdao Hair Co., Ltd., according to this rating report, the main credit rating of the Haier Smart Home Co., Ltd. is AAA and the credit rating of convertible corporate bonds is AAA.

V. Corporate bonds credit enhancement mechanism, solvency plan and others during the reporting period

☒Applicable ☐Not Applicable

The interest of convertible corporate bonds in this issuance is paid on an annual basis, while the principal and the interest for the last year of convertible corporate bonds which do not convert to shares shall be returned when expired. The coupon rate of convertible corporate bonds in the issuance is: 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. During the reporting period, the Company has fully redeemed convertible bonds that registered on the registration date and the interest in the interest accrual period was paid in accordance with the regulations at the time of redemption.

VI. Meeting of corporate bondholders

☒Applicable ☐Not Applicable

During the reporting period, the first bondholders' meeting in 2019 of the Company was convened with both on-site voting and network voting. The meeting was held on the afternoon of 29 May 2019 in room A108, Haier University, Haier Information Industrial Park, No.1 Haier Road, Qingdao City, to review the *Proposal on Changing Part of the Investment Projects of Funds Raised from Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* The total number of the convertible corporate bonds is 30,074,900 (each with a nominal value of RMB 100), and the total number of bondholders and entrusted

proxies attending this bondholders' meeting is 75, representing bonds outstanding for the current period shall be 6,062,140 in aggregate, accounting for 20.16% of the aggregate number of the Company's convertible corporate bonds. In addition, the supervisors, senior management and attorney appointed by the Company attended this bondholders' meeting. The general meeting of shareholders was convened by the Board of Directors of the Company, and the secretary of the Company's Board of Directors presided over the meeting. The poll results of the above proposal in this meeting were: the number of affirmative votes is 6,062,140, accounting for 100.00% of the aggregate number of valid voting bonds attending this bondholders' meeting; the number of dissenting votes is 0, accounting for 0.00% of the aggregate number of valid voting bonds attending this bondholders' meeting; the number of abstaining votes is 0, accounting for 0.00% of the aggregate number of valid voting bonds attending this bondholders' meeting.

VII. Duty fulfillment of corporate bonds trustee manager

☐Applicable ☒Not Applicable

VIII. Accounting data and financial indicators in the last two years of the Company at the end of the reporting period

☒Applicable ☐Not Applicable

| Key indicators | Unit and Currency: RMB | | |
|-----------------------------------|------------------------|-------------------|----------------|
| | 2019 | 2018 | Yoy change (%) |
| EBITDA | 21,042,832,181.06 | 16,405,780,332.78 | 28.26 |
| Liquidity ratio | 1.05 | 1.16 | -0.11 |
| Quick ratio | 0.76 | 0.89 | -0.13 |
| Debt to assets ratio (%) | 65.33 | 66.80 | -2.20 |
| Total liabilities ratio of EBITDA | 33.53 | 27.72 | 5.81 |
| Interest coverage ratio | 9.37 | 9.04 | 0.34 |
| Cash interest coverage ratio | 8.63 | 13.06 | -4.43 |
| EBITDA interest coverage ratio | 12.04 | 11.19 | 0.85 |

IX. Interest payment of other bonds and debt financing instruments of the Company

☐Applicable ☒Not Applicable

X. Bank credit business of the Company during the reporting period

☒Applicable ☐Not Applicable

During the reporting period, the Company had bank credit business amounted to RMB 95,162.6987 million.

XI. Execution status of promises or commitments in prospectus of corporate bonds during the reporting period

☒Applicable ☐Not Applicable

During the reporting period, the Company signed a storage supervision agreement for raised funds account with each of the project implementation entities, sponsor and banks to promote the use of raised funds in a compliance manner in accordance with the provisions of the prospectus. For the use of raised funds by related projects, please refer to the *Specific Audit Report on the Deposit and Actual use of Capital Raised in 2019 of Haier Smart Home Co., Ltd* disclosed on the same day of this report.

XII. Impact of major events on operating status and solvency of the Company

☐Applicable ☒Not Applicable

SECTION XI RESPONSIBILITY STATEMENT

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

Qingdao, 29 April 2020

The Board of Haier Smart Home Co., Ltd

Liang Haishan

Tan Lixia

Li Huagang

Wu Changqi

Lin Sui

Yan Yan

SECTION XII FINANCIAL REPORT

I. Audit Report

√Applicable Not Applicable

Audit Report

He Xin Shen Zi. (2020) No.000287

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

I. AUDIT OPINION

We have audited the financial statements of Haier Smart Home Co., Ltd. (hereinafter referred to as the 'Haier Smart Home Co., Ltd. '), which comprise the Consolidated and the Company's Balance Sheet as at 31 December 2019, the Consolidated and the Company's Income Statement, the Consolidated and the Company's Cash Flow Statement, the Consolidated and the Company's Statement of Changes in Shareholders' Equity for the year 2019, and notes related to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Consolidated and the Company's financial position of the Haier Smart Home Co., Ltd. as at 31 December 2019, and the Consolidated and the Company's financial performance and cash flow for the year 2019 in accordance with the requirements of Accounting Standards for Business Enterprises.

II. BASIS OF OUR AUDIT OPINION

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

III. KEY AUDIT MATTERS

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

| Key Audit Matters | Audit Response |
|-------------------|----------------|
|-------------------|----------------|

(I) Provision for impairment of goodwill

Relevant disclosures are included in note V. 28 Other significant accounting policies and accounting estimates and note V.19 Impairment of long-term assets to the financial statements.

As of 31 December 2019, the book value of goodwill was RMB 23.352 billion, and the book value of intangible assets with indefinite useful lives was RMB 2.722 billion, without any provision for asset impairment. Whether the provision for impairment of long-term assets was sufficient had great influence to the financial statements.

Significant management judgments are involved in calculation of asset group's recoverable amount, such as revenue growth rate, gross margin, discount rate, etc.

Provision for impairment of goodwill and intangible assets with indefinite useful lives is considered as the key audit matter due to the significant amount and management judgement involved in calculation.

We mainly implemented the following audit procedures on the provisions for the impairment of goodwill and intangible assets with indefinite useful life:

(1) Compared the actual operating results of the related assets group with previous year's forecasted figures, to assess the reliability of the management forecast on cash flow;

(2) Compared the input of cash flow forecast with historical data, approved budget and business plan;

(3) Tested the calculation accuracy of the discounted cash flow model;

(4) Assessed the appropriateness of parameters in the cash flow conversion model, such as the discount rate and the perpetual growth rate. The assessment is based on our understanding of the Company's businesses and the industry.

(II) Provision for impairment of inventory

Relevant disclosures are included in note VII.8 Inventory to the financial statements.

The Company's inventories are measured at the lower of cost and net realizable value. As of 31 December 2019, the inventory balance was RMB 29.197 billion, and the provision for impairment of inventory was RMB 968 million and the book value was RMB 28.229 billion. Whether the provision for the impairment of inventories was sufficient and accurate had great influence to the financial statements.

The Company determines the net realizable value of inventory based on the estimated selling price minus the estimated selling expenses and related taxes.

Management estimates the selling price based on the status of inventory. The estimation process involves significant management judgments such as inventory status, repair rate, discount rate, etc.

Provision for inventories is considered as the key audit matter due to the significant amount and management judgement involved in calculation.

We mainly implemented the following audit procedures on the provision for impairment of inventories:

(1) Obtained the calculation table for provision for impairment of inventory of the Company, and reviewed the conditions and aging of the products models stated in the table to see whether they are consistent with the information obtained through physical inventory on a sample basis;

(2) Compared the major parameters estimated by management with historical data, and assessed the appropriateness;

(3) Assessed the selling price estimated by the management, and checked the inventory against the actual selling price after the balance sheet date on a sample basis;

(4) Assessed selling expenses and related tax estimated by management and compared with actual amounts incurred.

(III) Product warranty

Relevant disclosures are included in Note VII. 36 Non-current liabilities due within one year and Note VII. 43 Estimated liabilities to the financial statements.

Estimated liabilities of the Company are mainly accrued due to current obligations arising from product warranty. As of 31 December 2019, the balance of the estimated liabilities and non-current liabilities due within one year related to product warranty was RMB 3.058 billion, and whether the provision for warranty was sufficient and accurate had great influence to the financial statements.

Estimated liabilities for product warranty of the Company were measured in accordance with the best estimate of the cost to fulfill the relevant current obligations.

Calculation of the product warranty involves management's significant judgments based on historical experience, such as: replacement rate, repair rate, and loss due to disassemble product.

Estimated liabilities are considered as the key audit matters due to the significant amount and management judgement involved in calculation.

We mainly implemented the following audit procedures on the estimated liabilities:

- (1) Obtained the calculation table on provisions of the management;
- (2) Compared the main parameters estimated by management with historical data;
- (3) Tested the accuracy of the calculation on estimated liabilities;
- (4) Compared and analyzed the calculation results of the estimated liabilities and the Company's actual operation;

IV. OTHER INFORMATION

The management of Haier Smart Home Co., Ltd. (hereinafter referred to as the 'Management') is responsible for other information. Other information includes the information covered in the 2019 annual report of Haier Smart Home Co., Ltd., but does not include the financial statements and our audit reports.

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

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

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

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

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

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

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

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

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

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

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(III) Evaluate the appropriateness of accounting policies used by the Management and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the ability of Haier Smart Home Co., Ltd. to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the auditing standards to draw attention in our audit report to the related disclosures in the financial statements or; if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause Haier Smart Home Co., Ltd. to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Haier Smart Home Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and remain solely responsible for our audit opinion.

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

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

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

Hexin Certified Public Accountants LLP

Certified Public Accountant: Zhao Bo (Engagement Partner)

Certified Public Accountant: Wang Lin

Jinan, China

28 April 2020

II. Financial statements

Consolidated Balance Sheet

31 December 2019

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

| Items | Notes | 31 December 2019 | 31 December 2018 |
|--|---------|--------------------|-------------------|
| Current assets: | | | |
| Monetary funds | VII. 1 | 36,178,815,683.25 | 38,370,916,510.92 |
| Provision of settlement fund | | | |
| Funds lent | | | |
| Financial assets held for trading | VII. 2 | 308,135,007.05 | 1,775,648,387.76 |
| Financial assets measured at fair value and changes of which included in current profit and loss | | | |
| Derivative financial assets | VII. 3 | 19,158,132.45 | 96,723,164.37 |
| Bills receivable | VII. 4 | 13,951,419,893.96 | 14,300,186,109.12 |
| Accounts receivable | VII. 5 | 11,015,871,060.09 | 10,533,499,026.83 |
| Financing receivables | | | |
| Prepayments | VII. 6 | 1,272,921,546.72 | 594,462,998.04 |
| Premiums receivable | | | |
| Reinsurance accounts receivable | | | |
| Reinsurance contract reserves receivable | | | |
| Other receivables | VII. 7 | 2,163,517,802.50 | 1,656,056,557.69 |
| Including: Interest receivables | | 273,009,954.80 | 234,022,792.03 |
| Dividends receivables | | 4,524,472.84 | 4,557,432.17 |
| Financial assets purchased under resale agreements | | | |
| Inventories | VII. 8 | 28,228,600,971.61 | 22,410,973,571.32 |
| Contract assets | VII. 9 | 422,738,398.42 | 456,781,406.54 |
| Assets held for sale | VII. 10 | | 144,091,213.39 |
| Non-current assets due in one year | | | |
| Other current assets | VII. 11 | 6,985,966,115.46 | 5,079,674,706.45 |
| Total current assets | | 100,547,144,611.51 | 95,419,013,652.43 |
| Non-current assets: | | | |
| Loans and advances granted | | | |
| Debt investments | | | |
| Available-for-sale financial assets | | | |
| Other debt investments | | | |
| Held-to-maturity investments | | | |
| Long-term receivables | | 307,588,203.00 | 245,791,343.37 |
| Long-term equity investments | VII. 12 | 20,460,763,915.68 | 13,993,750,238.52 |
| Investments in other equity instruments | VII. 13 | 1,395,959,878.92 | 1,400,316,460.34 |
| Other non-current financial assets | VII. 14 | 294,547,364.47 | 327,358,825.57 |
| Investment properties | VII. 15 | 29,402,691.38 | 30,879,147.42 |
| Fixed assets | VII. 16 | 21,180,057,212.01 | 17,393,085,539.69 |
| Construction in progress | VII. 17 | 2,391,364,659.97 | 3,873,648,086.10 |
| Biological assets for production | | | |
| Oil and gas assets | | | |
| Right-of-use assets | VII. 18 | 2,755,066,601.59 | |
| Intangible assets | VII. 19 | 10,687,071,783.07 | 9,246,314,657.92 |
| Development cost | VII. 20 | 193,285,777.10 | 538,382,288.33 |
| Goodwill | VII. 21 | 23,351,729,813.35 | 21,238,727,027.17 |

| | | | |
|---|---------|--------------------|--------------------|
| Long-term prepaid expenses | VII. 22 | 437,586,912.58 | 231,512,313.15 |
| Deferred income tax assets | VII. 23 | 1,578,901,892.73 | 1,822,103,089.57 |
| Other non-current assets | VII. 24 | 1,843,764,965.81 | 2,330,688,982.56 |
| Total non-current assets | | 86,907,091,671.66 | 72,672,557,999.71 |
| Total assets | | 187,454,236,283.17 | 168,091,571,652.14 |
| Current liabilities: | | | |
| Short-term borrowings | VII. 25 | 8,585,049,237.18 | 6,298,504,892.57 |
| Borrowings from central bank | | | |
| Funds borrowed | | | |
| Financial liabilities held for trading | VII. 26 | 42,799,173.35 | 218,748,280.33 |
| Financial liabilities measured at fair value and changes of which included in current profit and loss | | | |
| Derivative financial liabilities | VII. 27 | 99,548,853.97 | 35,603,754.54 |
| Bills payable | VII. 28 | 19,308,538,776.92 | 20,038,016,339.68 |
| Accounts payables | VII. 29 | 33,750,567,046.28 | 27,899,496,560.29 |
| Receipts in advance | VII. 30 | | 14,681,466.58 |
| Contract liabilities | VII. 31 | 5,583,008,412.49 | 5,518,079,019.27 |
| 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. 32 | 3,155,572,417.30 | 2,674,970,750.56 |
| Taxes payable | VII. 33 | 2,117,056,381.04 | 1,846,299,486.82 |
| Other payables | VII. 34 | 15,156,392,521.82 | 12,770,158,224.50 |
| Including: Interest payables | | 49,395,752.93 | 104,522,208.28 |
| Dividends payables | | 145,851,115.28 | 168,425,466.85 |
| Fees and commissions payable | | | |
| Reinsurance Accounts payables | | | |
| Liabilities held for sale | VII. 35 | | 32,362,267.88 |
| Non-current liabilities due within one year | VII. 36 | 7,317,138,918.02 | 4,655,206,739.98 |
| Other current liabilities | VII. 37 | 494,065,707.54 | 427,117,731.89 |
| Total current liabilities | | 95,609,737,445.91 | 82,429,245,514.89 |
| Non-current liabilities: | | | |
| Deposits for insurance contracts | | | |
| Long-term borrowings | VII. 38 | 13,276,452,935.56 | 15,541,466,325.22 |
| Bonds payable | VII. 39 | 7,004,585,761.43 | 9,191,896,302.70 |
| Including: Preference shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | VII. 40 | 1,980,271,767.35 | |
| Long-term payables | VII. 41 | 142,342,718.45 | 106,763,243.99 |
| Long-term payables for staff's remuneration | VII. 42 | 1,122,350,237.36 | 934,974,735.49 |
| Estimated liabilities | VII. 43 | 1,398,877,746.33 | 1,206,615,541.95 |
| Deferred income | VII. 44 | 705,272,617.10 | 643,551,987.30 |
| Deferred income tax liabilities | VII. 23 | 1,154,413,295.72 | 405,343,787.76 |
| Other non-current liabilities | VII. 45 | 70,071,490.03 | 1,823,866,693.93 |
| Total non-current liabilities | | 26,854,638,569.33 | 29,854,478,618.34 |
| Total liabilities | | 122,464,376,015.24 | 112,283,724,133.23 |
| Owners' equity (or shareholders' equity): | | | |
| Paid-in capital (or share capital) | VII. 46 | 6,579,566,627.00 | 6,368,416,700.00 |

| | | | |
|---|---------|--------------------|--------------------|
| Other equity instruments | VII. 47 | 431,424,524.07 | 904,485,788.71 |
| Including: Preference shares | | | |
| Perpetual bonds | | | |
| Capital reserve | VII. 48 | 4,435,890,845.47 | 2,451,667,057.65 |
| Less: treasury stock | | | |
| Other comprehensive income | VII. 49 | 1,317,988,619.66 | 772,632,347.35 |
| Special reserve | | | |
| Surplus reserve | VII. 50 | 2,655,327,405.46 | 2,288,301,317.10 |
| General risk provisions | | | |
| Undistributed profits | VII. 51 | 32,468,121,744.26 | 26,957,242,682.61 |
| Total equity attributable to owners (or shareholders) of the Parent Company | | 47,888,319,765.92 | 39,742,745,893.42 |
| Minority shareholders' interests | | 17,101,540,502.01 | 16,065,101,625.49 |
| Total owners' equity (or shareholders' equity) | | 64,989,860,267.93 | 55,807,847,518.91 |
| Total liabilities and owners' equity (or shareholders' equity) | | 187,454,236,283.17 | 168,091,571,652.14 |

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Balance Sheet of the Parent Company

31 December 2019

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

| Items | Notes | 31 December 2019 | 31 December 2018 |
|--|----------|-------------------|------------------|
| Current Assets: | | | |
| Monetary funds | | 5,624,406,816.79 | 7,068,899,574.96 |
| Financial assets held for trading | | | |
| Financial assets measured at fair value and changes of which included in current profit and loss | | | |
| Derivative financial assets | | | |
| Bills receivable | | | |
| Accounts receivable | XVIII. 1 | 1,182,234,481.49 | 222,622,017.43 |
| Financing receivables | | | |
| Prepayments | | 30,749,459.11 | 28,809,797.43 |
| Other receivables | XVIII. 2 | 5,885,752,905.74 | 2,082,767,166.58 |
| Including: Interest receivables | | 16,753,860.49 | 6,292,538.22 |
| Dividends receivables | | 3,836,055,151.41 | 1,912,418,382.82 |
| Inventories | | 233,688,207.38 | 124,773,163.23 |
| Contract assets | | | |
| Assets held for sale | | | |
| Non-current assets due within one year | | | |
| Other current assets | | 705,958,670.28 | 109,865,313.53 |
| Total current assets | | 13,662,790,540.79 | 9,637,737,033.16 |
| Non-current assets: | | | |
| Debt investments | | | |
| Available-for-sale financial assets | | | |
| Other debt investments | | | |

| | | | |
|---|----------|-------------------|-------------------|
| Held-to-maturity investments | | | |
| Long-term receivables | | | |
| Long-term equity investments | XVIII. 3 | 35,566,480,370.20 | 33,844,234,315.30 |
| Investments in other equity instruments | | 5,147,131.28 | 5,262,480.92 |
| Other non-current financial assets | | | |
| Investment properties | | | |
| Fixed assets | | 180,807,176.98 | 119,546,157.40 |
| Construction in progress | | 65,367,920.02 | 37,655,076.18 |
| Biological assets for production | | | |
| Oil and gas assets | | | |
| Right-of-use assets | | | |
| Intangible assets | | 15,779,108.14 | 17,186,540.33 |
| Development cost | | | |
| Goodwill | | | |
| Long-term prepaid expenses | | 5,405,209.80 | 5,779,229.64 |
| Deferred income tax assets | | 97,384,845.46 | 81,511,748.07 |
| Other non-current assets | | 3,792,624.04 | 28,632,829.14 |
| Total non-current assets | | 35,940,164,385.92 | 34,139,808,376.98 |
| Total assets | | 49,602,954,926.71 | 43,777,545,410.14 |
| Current liabilities: | | | |
| Short-term borrowings | | | 1,500,000,000.00 |
| Financial liabilities held for trading | | | |
| Financial liabilities measured at fair value and changes of which included in current profit and loss | | | |
| Derivative financial liabilities | | | |
| Bills payable | | | |
| Accounts payables | | 3,412,291,778.06 | 334,747,358.40 |
| Receipts in advance | | | |
| Contract liabilities | | 16,562,259.31 | 2,391,211,509.89 |
| Payables for staff's remuneration | | 76,513,196.33 | 65,387,056.03 |
| Taxes payable | | 86,856,453.32 | 67,279,606.39 |
| Other payables | | 26,900,844,668.74 | 21,834,869,774.34 |
| Including: Interest payable | | | |
| Dividends payable | | | |
| Liabilities held for sale | | | |
| Non-current liabilities due within one year | | | |
| Other current liabilities | | 2,149,745.37 | 2,089,282.56 |
| Total current liabilities | | 30,495,218,101.13 | 26,195,584,587.61 |
| Non-current liabilities: | | | |
| Long-term borrowings | | | |
| Bonds payable | | | 2,510,530,062.86 |
| Including: Preference shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | | | |
| Long-term payable | | 20,000,000.00 | 20,000,000.00 |
| Long-term payables for staff's remuneration | | | |
| Estimated liabilities | | | |
| Deferred income | | 59,820,000.00 | 67,360,000.00 |
| Deferred income tax liabilities | | 43,325,120.18 | 29,485,678.28 |
| Other non-current liabilities | | | |

| | | | |
|--|--|-------------------|-------------------|
| Total non-current liabilities | | 123,145,120.18 | 2,627,375,741.14 |
| Total liabilities | | 30,618,363,221.31 | 28,822,960,328.75 |
| Owners' equity (or Shareholders' equity): | | | |
| Paid-in capital (or share capital) | | 6,579,566,627.00 | 6,368,416,700.00 |
| Other equity instruments | | | 473,061,264.64 |
| Including: Preference shares | | | |
| Perpetual bonds | | | |
| Capital reserve | | 7,036,531,178.83 | 4,182,825,672.98 |
| Less: treasury stock | | | |
| Other comprehensive income | | 11,077,477.45 | 7,791,344.47 |
| Special reserve | | | |
| Surplus reserve | | 2,050,181,180.01 | 1,683,155,091.65 |
| Undistributed profits | | 3,307,235,242.11 | 2,239,335,007.65 |
| Total owners' equity (or shareholders' equity) | | 18,984,591,705.40 | 14,954,585,081.39 |
| Total liabilities and owners' equity (or shareholders' equity) | | 49,602,954,926.71 | 43,777,545,410.14 |

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Profit Statement

January-December 2019

Unit and Currency: RMB

| Items | Notes | 2019 | 2018 |
|---|---------|--------------------|--------------------|
| I .Total operating revenue | VII. 52 | 200,761,983,256.57 | 184,108,481,959.27 |
| Including: Operating revenue | | 200,761,983,256.57 | 184,108,481,959.27 |
| Interest income | | | |
| Insurance premiums earned | | | |
| Fee and commission income | | | |
| II . Total cost of operations | | 192,625,787,459.73 | 174,687,709,671.51 |
| Including: Operating cost | VII. 52 | 140,868,398,722.26 | 130,455,086,874.95 |
| Interest expenses | | | |
| Fee and commission expenses | | | |
| Insurance withdrawal payment | | | |
| Net payment from indemnity | | | |
| Net provisions withdrew for insurance contract liability | | | |
| Insurance policy dividend paid | | | |
| Reinsurance cost | | | |
| Taxes and surcharges | VII. 53 | 802,045,039.88 | 868,087,131.66 |
| Selling expenses | VII. 54 | 33,682,126,291.31 | 28,923,144,934.04 |
| Administrative expenses | VII. 55 | 10,113,263,329.25 | 8,405,151,809.85 |
| R&D expenses | VII. 56 | 6,266,936,518.17 | 5,104,647,278.53 |
| Financial expenses | VII. 57 | 893,017,558.86 | 931,591,642.48 |
| Including: Interest expenses | | 1,747,107,740.65 | 1,465,865,741.36 |
| Interest income | | 550,224,661.04 | 484,742,562.68 |
| Add: Other income | VII. 58 | 1,282,213,029.53 | 932,261,059.52 |
| Investment income (losses are represented by '-') | VII. 59 | 5,479,539,484.34 | 1,924,571,212.54 |
| Including: investment income of associates and joint ventures | | | |

| | | | |
|--|---------|-------------------|-------------------|
| Income generated from the derecognition of financial assets measured at amortized cost | | | |
| 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. 60 | 76,716,967.53 | -145,191,723.49 |
| Loss on credit impairment (losses are represented by '-') | VII. 61 | -150,370,315.60 | -99,632,377.38 |
| Loss on assets impairment (losses are represented by '-') | VII. 62 | -860,578,700.61 | -762,514,363.82 |
| Gain from disposal of assets (losses are represented by '-') | VII. 63 | 485,727,628.01 | 267,752,434.20 |
| III. Operating profit (losses are represented by '-') | | 14,449,443,890.04 | 11,538,018,529.33 |
| Add: non-operating income | VII. 64 | 390,971,548.74 | 479,796,796.75 |
| Less: non-operating expenses | VII. 65 | 209,806,640.82 | 236,320,293.42 |
| IV. Total profit (total losses are represented by '-') | | 14,630,608,797.96 | 11,781,495,032.66 |
| Less: income tax expense | VII. 66 | 2,296,216,280.86 | 1,881,843,052.56 |
| V. Net profit (net losses are represented by '-') | | 12,334,392,517.10 | 9,899,651,980.10 |
| (I) Classification by continuous operation | | | |
| 1. Net profit from continuous operation (net losses are represented by '-') | | 9,021,527,220.76 | 9,532,385,702.59 |
| 2. Net profit from discontinued operation (net losses are represented by '-') | | 3,312,865,296.34 | 367,266,277.51 |
| (II) Classification by ownership of the equity | | | |
| 1. Net profit attributable to shareholders of the Parent Company (net losses are represented by '-') | | 8,206,247,105.96 | 7,483,659,016.04 |
| 2. Profit or loss attributable to minority shareholders (net losses are represented by '-') | | 4,128,145,411.14 | 2,415,992,964.06 |
| VI. Other comprehensive income, net of tax | VII. 67 | 569,276,732.12 | 843,463,106.56 |
| (I) Other comprehensive income attributable to owners of the Parent Company, net of tax | | 545,356,272.31 | 727,607,989.62 |
| 1. Other comprehensive income that cannot be reclassified into the profit or loss | | -12,605,115.57 | 51,065,061.29 |
| (1) Changes arising from re-measurement of defined benefit plans | | -9,515,689.78 | 80,039,412.97 |
| (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 | | -3,089,425.79 | -28,974,351.68 |
| (4) Changes in fair value of credit risks of the enterprise | | | |
| 2. Other comprehensive income to be reclassified into the profit or loss | | 557,961,387.88 | 676,542,928.33 |
| (1) Other comprehensive income that | | 83,635,935.11 | 166,426,767.08 |

| | | | |
|---|----------|-------------------|-------------------|
| can be transferred into profit or loss under equity method | | | |
| (2) Changes in fair value of other debt investments | | | |
| (3) Profit or loss from changes in fair value of available-for-sale financial assets | | | |
| (4) Reclassified financial assets that are credited to other comprehensive income | | | |
| (5) Profit or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets | | | |
| (6) Credit impairment provision for other debt investments | | | |
| (7) Reserve for cash flow hedging (effective portion of profit or loss arising from cash flow hedging) | | -36,169,378.90 | -5,946,207.24 |
| (8) Exchange differences on translation of financial statements denominated in foreign currencies | | 510,494,831.67 | 516,062,368.49 |
| (9) Others | | | |
| (II) Other comprehensive income attributable to minority shareholders, net of tax | | 23,920,459.81 | 115,855,116.94 |
| VII. Total comprehensive income | | 12,903,669,249.22 | 10,743,115,086.66 |
| (I) Total comprehensive income attributable to the owners of Parent Company | | 8,751,603,378.27 | 8,211,267,005.66 |
| (II) Total comprehensive income attributable to the minority shareholders | | 4,152,065,870.95 | 2,531,848,081.00 |
| VIII. Earnings per share: | | | |
| (I) Basic earnings per share (RMB /share) | XVIII. 1 | 1.286 | 1.217 |
| (II) Diluted earnings per share (RMB /share) | XVIII. 1 | 1.212 | 1.189 |

The party being absorbed in the business combination under common control incurred in the current period recorded a net profit of RMB 87,475,174.99 before the combination.

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Profit Statement of the Parent Company

January-December 2019

Unit and Currency: RMB

| Items | Notes | 2019 | 2018 |
|------------------------------|----------|------------------|------------------|
| I. Operating income | XVIII. 4 | 6,637,855,488.62 | 3,260,311,127.79 |
| Less: operating cost | XVIII. 4 | 5,160,746,140.20 | 2,233,751,914.63 |
| Taxes and surcharges | | 20,131,277.44 | 23,431,092.16 |
| Selling expenses | | 387,604,103.39 | 297,812,493.19 |
| Administration expenses | | 498,482,577.37 | 484,750,355.15 |
| R&D expenses | | 319,939,911.68 | 234,134,826.42 |
| Financial expenses | | 122,106,293.64 | 191,246,337.05 |
| Including: interest expenses | | 166,897,467.02 | 288,596,787.96 |
| Interest income | | 45,009,504.16 | 108,547,077.81 |
| Add: other income | | 94,265,388.14 | 41,275,162.37 |

| | | | |
|---|----------|------------------|------------------|
| investment income (losses are represented by '-') | XVIII. 5 | 3,536,864,902.60 | 2,649,879,889.56 |
| Including: investment income of associates and joint ventures | | | |
| Derecognition income on financial assets measured at amortized cost | | | |
| 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 '-') | | 383,369.58 | 974,670.56 |
| Loss on assets impairment (losses are represented by '-') | | -51,400,268.37 | -2,609,224.31 |
| Gain from disposal of assets (losses are represented by '-') | | 61,268.03 | 25,693.17 |
| II. Operating profit (losses are represented by '-') | | 3,709,019,844.88 | 2,484,730,300.54 |
| Add: non-operating income | | 9,474,684.80 | 49,665,765.66 |
| Less: non-operating expenses | | 3,019,024.42 | |
| III. Total profit (total losses are represented by '-') | | 3,715,475,505.26 | 2,534,396,066.20 |
| Less: income tax expenses | | 45,214,621.71 | 75,669,867.06 |
| IV. Net profit (net losses are represented by '-') | | 3,670,260,883.55 | 2,458,726,199.14 |
| (I) Net profit from continuous operations (net losses are represented by '-') | | 3,670,260,883.55 | 2,458,726,199.14 |
| (II) Net profit from discontinued operations (net losses are represented by '-') | | | |
| V. Other comprehensive income, net of tax | | 3,286,132.98 | 35,908,964.35 |
| (I) Other comprehensive income that cannot be reclassified into the profit or loss | | -98,047.20 | -472,690.84 |
| 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 | | -98,047.20 | -472,690.84 |
| 4. Changes in fair value of credit risks of the enterprise | | | |
| (II) Other comprehensive income to be reclassified into the profit or loss | | 3,384,180.18 | 36,381,655.19 |
| 1. Other comprehensive income that can be transferred into profit or loss under equity method | | 3,384,180.18 | 36,381,655.19 |
| 2. Changes in fair value of other debt investments | | | |
| 3. Profit or loss from changes in fair value of available-for-sale financial assets | | | |
| 4. Reclassified financial assets that are credited to other comprehensive income | | | |
| 5. Profit or loss arising from reclassification from held-to-maturity investments to available-for-sale financial | | | |

| | | | |
|---|--|------------------|------------------|
| assets | | | |
| 6. Credit impairment provision for other debt investments | | | |
| 7. Reserve for cash flow hedging (effective portion of profit or loss arising from cash flow hedging) | | | |
| 8. Exchange differences on translation of financial statements denominated in foreign currencies | | | |
| 9. Others | | | |
| VI. Total comprehensive income | | 3,673,547,016.53 | 2,494,635,163.49 |
| VII. Earnings per share: | | | |
| (I) Basic earnings per share (RMB /share) | | | |
| (II) Diluted earnings per share (RMB /share) | | | |

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Cash Flow Statement

January-December 2019

Unit and Currency: RMB

| Items | Notes | 2019 | 2018 |
|--|---------|--------------------|--------------------|
| I. Cash flow from operating activities: | | | |
| Cash received from the sale of goods and rendering services | | 204,152,920,970.07 | 189,746,904,673.47 |
| Net increase in distributor and inter-bank deposits | | | |
| Net increase in borrowing from the central bank | | | |
| Net cash increase in borrowing from other financial institutes | | | |
| Cash received from premiums under original insurance contract | | | |
| Net cash received from reinsurance business | | | |
| Net increase in deposits of policy holders and investment | | | |
| Cash received from interest, fee and commissions | | | |
| Net increase in cash borrowed | | | |
| Net increase in cash received from repurchase operation | | | |
| Net cash received from customer deposits for trading in securities | | | |
| Refunds of taxes | | 898,183,873.66 | 1,049,026,132.96 |
| Cash received from other related operating activities | VII. 68 | 2,134,070,599.27 | 1,411,185,062.87 |
| Sub-total of cash inflows from operating activities | | 207,185,175,443.00 | 192,207,115,869.30 |
| Cash paid on purchase of goods and services | | 141,035,818,536.96 | 130,115,106,185.56 |
| Net increase in loans and advances of distributors | | | |
| Net increase in deposits in the PBOC and inter-bank | | | |

| | | | |
|---|---------|--------------------|--------------------|
| Cash paid for compensation payments under original insurance contract | | | |
| Net increase in cash lent | | | |
| Cash paid for interest, bank charges and commissions | | | |
| Cash paid for insurance policy dividend | | | |
| Cash paid to and on behalf of employees | | 22,281,126,153.50 | 19,659,188,254.77 |
| Cash paid for all types of taxes | | 8,909,484,821.52 | 9,053,346,841.16 |
| Cash paid to other operation related activities | VII. 69 | 19,876,114,988.29 | 14,236,692,106.61 |
| Sub-total of cash outflows from operating activities | | 192,102,544,500.27 | 173,064,333,388.10 |
| Net cash flow from operating activities | VII. 74 | 15,082,630,942.73 | 19,142,782,481.20 |
| II. Cash flow from investing activities: | | | |
| Cash received from recovery of investments | | 1,922,506,706.23 | 665,375,871.37 |
| Cash received from return on investments | | 587,572,407.11 | 333,405,289.21 |
| Net cash received from the disposal of fixed assets, intangible assets and other long-term assets | | 261,126,967.93 | 471,243,957.95 |
| Net cash received from disposal of subsidiaries and other operating entities | | | 660,267,394.34 |
| Other cash received from investment activities | VII. 70 | 4,628,544.73 | 124,732,422.41 |
| Sub-total of cash inflows from investing activities | | 2,775,834,626.00 | 2,255,024,935.28 |
| Cash paid on purchase of fixed assets, intangible assets and other long-term assets | | 6,194,093,049.63 | 6,759,942,015.50 |
| Cash paid for investments | | 3,891,482,546.25 | 3,022,793,911.86 |
| Net increase in secured loans | | | |
| Net cash paid on acquisition of subsidiaries and other operating entities | | 2,700,119,610.58 | 103,834,291.75 |
| Other cash paid on investment activities | VII. 71 | 951,722,560.75 | 18,073,550.00 |
| Sub-total of cash outflows from investing activities | | 13,737,417,767.21 | 9,904,643,769.11 |
| Net cash flow from investing activities | | -10,961,583,141.21 | -7,649,618,833.83 |
| III. Cash flow from financing activities: | | | |
| Cash received from capital contributions | | 440,579,441.68 | 2,972,757,948.54 |
| Including: cash received from capital contributions by minority shareholders of subsidiaries | | | |
| Cash received from borrowings | | 18,468,949,110.20 | 15,684,208,193.90 |
| Other cash received from financing activities | VII. 72 | 2,751,630.60 | 55,102,462.05 |
| Sub-total of cash inflows from financing activities | | 18,912,280,182.48 | 18,712,068,604.49 |
| Cash paid on repayment of loans | | 19,027,731,485.58 | 22,418,202,111.13 |
| Cash paid on distribution of dividends, profits or repayment of interest expenses | | 4,204,473,167.16 | 3,836,399,421.96 |
| Including: dividend and profit paid to minority shareholders by subsidiaries | | | |
| Other cash paid to financing activities | VII. 73 | 1,693,038,756.15 | 2,959,445,042.86 |

| | | | |
|--|---------|-------------------|--------------------|
| Sub-total of cash outflows from financing activities | | 24,925,243,408.89 | 29,214,046,575.95 |
| Net cash flow from financing activities | | -6,012,963,226.41 | -10,501,977,971.46 |
| IV. Effect of fluctuations in exchange rates on cash and cash equivalents | | 293,937,069.64 | 277,396,786.66 |
| V. Net increase in cash and cash equivalents | | -1,597,978,355.25 | 1,268,582,462.57 |
| Add: balance of cash and cash equivalents at the beginning of the period | VII. 75 | 36,560,925,755.10 | 35,292,343,292.53 |
| VI. Balance of cash and cash equivalents at the end of the period | VII. 75 | 34,962,947,399.85 | 36,560,925,755.10 |

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Cash Flow Statement of the Parent Company

January-December 2019

Unit and Currency: RMB

| Items | Notes | 2019 | 2018 |
|---|-------|------------------|------------------|
| I. Cash flow from operating activities: | | | |
| Cash received from the sale of goods and rendering of services | | 1,740,547,441.74 | 1,919,626,804.58 |
| Refunds of taxes | | 10,340,498.97 | 30,486,213.87 |
| Other cash received from operating activities | | 152,431,584.44 | 153,333,607.15 |
| Sub-total of cash inflows from operating activities | | 1,903,319,525.15 | 2,103,446,625.60 |
| Cash paid on purchase of goods and services | | 619,607,241.38 | 902,047,204.49 |
| Cash paid to and on behalf of employees | | 734,773,203.47 | 786,264,085.93 |
| Cash paid for all types of taxes | | 170,125,689.18 | 195,198,666.67 |
| Other cash paid to operation activities | | 235,966,622.43 | 187,916,659.58 |
| Sub-total of cash outflows from operating activities | | 1,760,472,756.46 | 2,071,426,616.67 |
| Net cash flow from operating activities | | 142,846,768.69 | 32,020,008.93 |
| II. Cash flow from investing activities: | | | |
| Cash received from recovery of investments | | 1,800,977,000.00 | 505,207,895.00 |
| Cash received from return on investments | | 1,533,550,644.96 | 1,173,089,808.18 |
| 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 | | 3,334,527,644.96 | 1,678,297,703.18 |
| Cash paid on purchase of fixed assets, intangible assets and other long-term assets | | 38,846,142.08 | 67,865,088.69 |
| Cash paid for investments | | 4,122,089,854.72 | 1,291,347,820.45 |
| Net cash paid on acquisition of | | | |

| | | | |
|---|--|-------------------|------------------|
| subsidiaries and other operating entities | | | |
| Other cash paid on investment activities | | 320,291,379.00 | |
| Sub-total of cash outflows from investing activities | | 4,481,227,375.80 | 1,359,212,909.14 |
| Net cash flow from investing activities | | -1,146,699,730.84 | 319,084,794.04 |
| III. Cash flow from financing activities: | | | |
| Cash received from capital injections | | | 2,187,186,732.01 |
| Cash received from borrowings | | | 4,483,580,454.50 |
| Other cash received from financing activities | | 3,585,075,242.08 | 326,374,080.44 |
| Sub-total of cash inflows from financing activities | | 3,585,075,242.08 | 6,997,141,266.95 |
| Cash paid on repayment of borrowings | | 1,509,142,243.50 | |
| Cash paid on distribution of dividends, profits or repayment of interest expenses | | 2,506,226,703.49 | 2,280,582,650.27 |
| Other cash paid on financing activities | | 8,547,229.30 | 52,345,130.43 |
| Sub-total of cash outflows from financing activities | | 4,023,916,176.29 | 2,332,927,780.70 |
| Net cash flow from financing activities | | -438,840,934.21 | 4,664,213,486.25 |
| IV. Effect of fluctuations in exchange rates on cash and cash equivalents | | -1,798,861.81 | -16,946,517.23 |
| V. Net increase in cash and cash equivalents | | -1,444,492,758.17 | 4,998,371,771.99 |
| Add: balance of cash and cash equivalents at the beginning of the period | | 7,068,899,574.96 | 2,070,527,802.97 |
| VI. Balance of cash and cash equivalents at the end of the period | | 5,624,406,816.79 | 7,068,899,574.96 |

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Statement of Changes in Owner's Equity
January-December 2019

Unit and Currency: RMB

| Items | 2019 | | | | | | | | | | | | | |
|--|---|------------------------------|------------------------|---------------------|----------------------|--------------------------------|----------------------------------|----------------------------|--------------------|--------------------------------------|--------------------------|----------------|-------------------|---------|
| | Equity attributable to owners of the Parent Company | | | | | | | | | | | | | M e |
| | Paid-in capital (or share capital) | Other equity instruments | | | Capital reserve | Less: treas ury stock | Other comprehensive income | Spec ial reser ve | Surplus reserve | Gen eral risk prov ision | Undistributed profits | Ot he rs | Sub-total | |
| | | prefer ence share s | perpe tual bonds | Others | | | | | | | | | | |
| I. Closing balance for the previous year | 6,368,416,700.00 | | | 904,485,788.7 1 | 2,208,773,474.57 | | 772,632,347.35 | | 2,288,301,317.10 | | 26,859,741,163.95 | | 39,402,350,791.68 | 15,727, |
| Add: changes in accounting policies | | | | | | | | | | | | | | |
| Error correction for prior period | | | | | | | | | | | | | | |
| Business combination under common control | | | | | 242,893,583.08 | | | | | | 97,501,518.66 | | 340,395,101.74 | 337, |
| Others | | | | | | | | | | | | | | |
| II. Opening balance for the current year | 6,368,416,700.00 | | | 904,485,788.7 1 | 2,451,667,057.65 | | 772,632,347.35 | | 2,288,301,317.10 | | 26,957,242,682.61 | | 39,742,745,893.42 | 16,065, |
| III. Increase/decrease for the current period (decrease is represented by ‘-’) | 211,149,927.00 | | | -473,061,264. 64 | 1,984,223,787.8 2 | | 545,356,272.31 | | 367,026,088.36 | | 5,510,879,061.65 | | 8,145,573,872.50 | 1,036, |
| (I) Total comprehensive income | | | | | | | 545,356,272.31 | | | | 8,206,247,105.96 | | 8,751,603,378.27 | 4,152, |
| (II) Capital injection and reduction by owners | 211,149,927.00 | | | -473,061,264. 64 | 1,984,223,787.82 | | | | | | | | 1,722,312,450.18 | -2,522, |
| 1. Ordinary shares invested by owners | 211,149,927.00 | | | -473,061,264. 64 | 2,033,725,374.42 | | | | | | | | 1,771,814,036.78 | -2,522, |
| 2. Capital contribution by holders of other equity instruments | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | |
|--|------------------|--|--|----------------|------------------|--|--|------------------|----------------|------------------|-------------------|-------------------|-------------------|---------------------------|
| 3. Share-based payment included in owners' equity | | | | | | | | | | | | | | |
| 4. Others | | | | | -49,501,586.60 | | | | | | | | -49,501,586.60 | |
| (III) Profit distribution | | | | | | | | | 367,026,088.36 | | -2,602,360,649.09 | | -2,235,334,560.73 | -578, |
| 1. Withdrawal of surplus reserves | | | | | | | | | 367,026,088.36 | | -367,026,088.36 | | | |
| 2. Withdrawal of provisions for general risks | | | | | | | | | | | | | | |
| 3. Distribution to owners (or shareholders) | | | | | | | | | | | -2,235,334,560.73 | | -2,235,334,560.73 | -578, |
| 4. Others | | | | | | | | | | | | | | |
| (IV) Internal transfer of owner's equity | | | | | | | | | | | | | | |
| 1. Transfer of capital reserves into capital (or share capital) | | | | | | | | | | | | | | |
| 2. Transfer of surplus reserves into capital (or share capital) | | | | | | | | | | | | | | |
| 3. Surplus reserves used for remedying loss | | | | | | | | | | | | | | |
| 4. Changes in defined benefit plans carried forward to retained earnings | | | | | | | | | | | | | | |
| 5. Other comprehensive income carried forward to retained earnings | | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | | | | | |
| 1. Withdrawal for the period | | | | | | | | | | | | | | |
| 2. Utilization for the period | | | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | -93,007,395.22 | | -93,007,395.22 | -14, |
| IV. Closing balance for the period | 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, |

Unit and Currency: RMB

| Items | 2018 | | | | | | | | | | | | | Minority equity | Total owners' equity |
|-------|---|--------------------------|--|-------|-------|---------|---------|---------|-----------|--------|-----------|--|--|-----------------|----------------------|
| | Equity attributable to owners of the Parent Company | | | | | | | | | | | | | | |
| | Paid-in | Other equity instruments | | Less: | Other | Special | Surplus | General | Undistrib | Others | Sub-total | | | | |

| | capital (or share capital) | Prefer ence shares | Perpetual bonds | Others | Capital reserve | treasury stock | comprehensive income | reserve | reserve | risk provision | uted profits | | | | |
|---|----------------------------------|--------------------------|--------------------|--------------------|----------------------|-------------------|-------------------------|---------|----------------------|-------------------|-----------------------|--|-----------------------|-----------------------|-----------------------|
| I. Closing balance for the previous year | 6,097,402,727 .00 | | | 431,424 ,524.07 | 2,312,32 2,267.08 | | 4,424,024.90 | | 2,103,05 7,782.41 | | 22,350,95 2,230.17 | | 33,299,58 3,555.63 | 14,549,620,5 53.66 | 47,849,204,109. 29 |
| Add: changes in accounting policies | | | | | | | 40,604,722.79 | | | | -54,905,5 84.45 | | -14,300,86 1.66 | -7,036,266.7 1 | -21,337,128.37 |
| Error correction for prior period | | | | | | | | | | | | | | | |
| Business combination under common control | | | | | 231,743, 568.73 | | | | | | 69,725,12 4.64 | | 301,468,6 93.37 | 244,618,457. 55 | 546,087,150.9 2 |
| Others | | | | | | | | | | | | | | | |
| II. Opening balance for the current year | 6,097,402,727 .00 | | | 431,424 ,524.07 | 2,544,065, 835.81 | | 45,028,747.69 | | 2,103,057, 782.41 | | 22,365,771, 770.36 | | 33,586,75 1,387.34 | 14,787,202,74 4.50 | 48,373,954,131. 84 |
| III. Increase/decrease for the current period (decrease is represented by '-') | 271,013,973.0 0 | | | 473,061 ,264.64 | -92,398, 778.16 | | 727,603,599.66 | | 185,243, 534.69 | | 4,591,470, 912.25 | | 6,155,994, 506.08 | 1,277,898,88 0.99 | 7,433,893,387. 07 |
| (I) Total comprehensive income | | | | | | | 727,607,989.62 | | | | 7,483,659, 016.04 | | 8,211,267, 005.66 | 2,531,848,08 1.00 | 10,743,115,086. 66 |
| (II) Capital contribution and withdrawal by owners | 271,013,973.0 0 | | | 473,061 ,264.64 | -92,398, 778.16 | | -4,389.96 | | -60,597, 907.03 | | -545,381, 163.32 | | 45,692,99 9.17 | -685,182,351 .78 | -639,489,352.6 1 |
| 1. Ordinary shares invested by owners | 271,013,973.0 0 | | | 473,061 ,264.64 | -114,735 ,322.33 | | | | | | | | 629,339,9 15.31 | -685,182,351 .78 | -55,842,436.47 |
| 2. Capital contribution by holders of other equity instruments | | | | | | | | | | | | | | | |
| 3. Share-based payment included in owners' equity | | | | | | | | | | | | | | | |
| 4. Others | | | | | 22,336,5 44.17 | | -4,389.96 | | -60,597, 907.03 | | -545,381, 163.32 | | -583,646,9 16.14 | | -583,646,916.1 4 |
| (III) Profit distribution | | | | | | | | | 245,841, 441.72 | | -2,331,15 3,174.35 | | -2,085,311 ,732.63 | -568,766,848 .23 | -2,654,078,580 .86 |
| 1. Withdrawal of surplus reserves | | | | | | | | | 245,841, 441.72 | | -245,841, 441.72 | | | | |
| 2. Withdrawal of provisions for general risks | | | | | | | | | | | | | | | |
| 3. Distribution to owners (or shareholders) | | | | | | | | | | | -2,085,31 1,732.63 | | -2,085,311 ,732.63 | -568,766,848 .23 | -2,654,078,580 .86 |
| 4. Others | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|--|------------------|--|--|----------------|------------------|--|----------------|--|------------------|--|-------------------|--|-------------------|-------------------|-------------------|
| (IV) Internal transfer of owner's equity | | | | | | | | | | | | | | | |
| 1. Transfer of capital reserves into capital (or share capital) | | | | | | | | | | | | | | | |
| 2. Transfer of surplus reserves into capital (or share capital) | | | | | | | | | | | | | | | |
| 3. Surplus reserves used for remedying loss | | | | | | | | | | | | | | | |
| 4. Changes in defined benefit plans carried forward to retained earnings | | | | | | | | | | | | | | | |
| 5. Other comprehensive income carried forward to retained earnings | | | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | | | | | | |
| 1. Withdrawal for the period | | | | | | | | | | | | | | | |
| 2. Utilization for the period | | | | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | -15,653,766.12 | | -15,653,766.12 | | -15,653,766.12 |
| IV. Closing balance for the period | 6,368,416,700.00 | | | 904,485,788.71 | 2,451,667,057.65 | | 772,632,347.35 | | 2,288,301,317.10 | | 26,957,242,682.61 | | 39,742,745,893.42 | 16,065,101,625.49 | 55,807,847,518.91 |

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Statement of Changes in Owners' Equity of the Parent Company
January-December 2019

Unit and Currency: RMB

| Items | 2019 | | | | | | | | | | |
|--|------------------------------------|--------------------------|-----------------|-----------------|------------------|----------------------|----------------------------|-----------------|------------------|-----------------------|----------------------|
| | 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 |
| | | Prefer ence shares | Perpetual bonds | Others | | | | | | | |
| I . Closing balance for the previous year | 6,368,416,700.00 | | | 473,061,264.64 | 4,182,825,672.98 | | 7,791,344.47 | | 1,683,155,091.65 | 2,239,335,007.65 | 14,954,585,081.39 |
| Add: changes in accounting policies | | | | | | | | | | | |
| Error correction for prior period | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II . Opening balance for the current year | 6,368,416,700.00 | | | 473,061,264.64 | 4,182,825,672.98 | | 7,791,344.47 | | 1,683,155,091.65 | 2,239,335,007.65 | 14,954,585,081.39 |
| III. Increase/decrease for the current period (decrease is represented by '-') | 211,149,927.00 | | | -473,061,264.64 | 2,853,705,505.85 | | 3,286,132.98 | | 367,026,088.36 | 1,067,900,234.46 | 4,030,006,624.01 |
| (I) Total comprehensive income | | | | | | | 3,286,132.98 | | | 3,670,260,883.55 | 3,673,547,016.53 |
| (II) Capital injection and reduction by owners | 211,149,927.00 | | | -473,061,264.64 | 2,889,898,684.61 | | | | | | 2,627,987,346.97 |
| 1. Ordinary shares invested by owners | 211,149,927.00 | | | -473,061,264.64 | 2,889,898,684.61 | | | | | | 2,627,987,346.97 |
| 2. Capital contribution by holders of other equity instruments | | | | | | | | | | | |
| 3. Share-based payment included in owners' equity | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | 367,026,088.36 | -2,602,360,649.09 | -2,235,334,560.73 |
| 1. Withdrawal of surplus reserves | | | | | | | | | 367,026,088.36 | -367,026,088.36 | |
| 2. Distribution to owners | | | | | | | | | | -2,235,334,560.73 | -2,235,334,560.73 |

| | | | | | | | | | | | |
|--|------------------|--|--|--|------------------|--|---------------|--|------------------|------------------|-------------------|
| (or shareholders) | | | | | | | | | | | |
| 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 | | | | | -36,193,178.76 | | | | | | -36,193,178.76 |
| IV. Closing balance for the period | 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 |

| Items | 2018 | | | | | | | | | | |
|--|------------------------------------|--------------------------|-----------------|--------|------------------|----------------------|----------------------------|-----------------|------------------|-----------------------|----------------------|
| | 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 | 6,097,402,727.00 | | | | 2,317,907,947.71 | | -43,234,737.77 | | 1,437,313,649.93 | 2,128,502,328.76 | 11,937,891,915.63 |

| | | | | | | | | | | | |
|--|------------------|--|--|----------------|------------------|--|----------------|--|------------------|-------------------|-------------------|
| Add: changes in accounting policies | | | | | | | 15,117,117.89 | | | -16,428,564.00 | -1,311,446.11 |
| Error correction for prior period | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Opening balance for the current year | 6,097,402,727.00 | | | | 2,317,907,947.71 | | -28,117,619.88 | | 1,437,313,649.93 | 2,112,073,764.76 | 11,936,580,469.52 |
| III. Increase/decrease for the current period (decrease is represented by '-') | 271,013,973.00 | | | 473,061,264.64 | 1,864,917,725.27 | | 35,908,964.35 | | 245,841,441.72 | 127,261,242.89 | 3,018,004,611.87 |
| (I) Total comprehensive income | | | | | | | 35,908,964.35 | | | 2,458,414,417.24 | 2,494,323,381.59 |
| (II) Capital injection and reduction by owners | 271,013,973.00 | | | 473,061,264.64 | 1,861,549,590.47 | | | | | | 2,605,624,828.11 |
| 1. Ordinary shares invested by owners | 271,013,973.00 | | | 473,061,264.64 | 1,861,549,590.47 | | | | | | 2,605,624,828.11 |
| 2. Capital contribution by holders of other equity instruments | | | | | | | | | | | |
| 3. Share-based payment included in owners' equity | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | 245,841,441.72 | -2,331,153,174.35 | -2,085,311,732.63 |
| 1. Withdrawal of surplus reserves | | | | | | | | | 245,841,441.72 | -245,841,441.72 | |
| 2. Distribution to owners (or shareholders) | | | | | | | | | | -2,085,311,732.63 | -2,085,311,732.63 |
| 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 | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|------------------|--|--|----------------|------------------|--|--------------|--|------------------|------------------|-------------------|
| remediating 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 | | | | | 3,368,134.80 | | | | | | 3,368,134.80 |
| IV. Closing balance for the period | 6,368,416,700.00 | | | 473,061,264.64 | 4,182,825,672.98 | | 7,791,344.47 | | 1,683,155,091.65 | 2,239,335,007.65 | 14,954,585,081.39 |

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

III. General Information of the Company

1. Overview of the Company

√Applicable □Not Applicable

The predecessor of Haier Smart Home Co., Ltd (hereinafter referred to as the Company) was Qingdao Refrigerator Factory, which was established in 1984. As permitted to offering by People's Bank of China, Qingdao Branch on 16 December 1989, with the document of Qing Ti Gai [1989] No.3 issued on 24 March 1989, based on the reconstruction of the original Qingdao Refrigerator Factory, a limited company was set up by directional fund raising of RMB 150 million. In March and September 1993, as approved by the document of Qing Gu Ling Zi [1993] No. 2 and No. 9 issued by the pilot leading team of Qingdao joint stock company, the Company was converted from a directional offering company to a public subscription company and issued additional 50 million shares to the public and listed with trading on Shanghai Stock Exchange in November 1993.

The Company's registered office is located at the Haier Industrial Park of Laoshan District, Qingdao, Shandong Province, and the headquarters 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 controlling parent company of the Company is Haier Group Corporation.

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

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 Enterprises – Basic Standards* published by the Ministry of Finance, specific accounting standards, and guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (hereinafter collectively referred to as the 'Accounting Standards for Enterprises') which issued subsequently, and in combination with the

disclosure provisions of the *Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No.15: General Provisions for Financial Report (Revised in 2014)* of CSRC as well as the following significant accounting policies and accounting estimation.

2. Continuing operation

☒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 Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Enterprises, which accurately and completely reflected information relating to the financial condition of the Company on 31 December 2019, operation result of 2019 and cash flow.

2. Accounting period

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

3. Operating period

☒Applicable ☐Not Applicable

The Company takes 12 months as an operating period, which is also the classification basis for the liquidity of its assets and liabilities.

4. Recording currency

Renminbi is the recording currency of the Company.

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

√Applicable ☐Not Applicable

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

(1) Business combinations under common control

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

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 under non-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, all the transactions are 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 the 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 involving entities not under common control

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

In business combination involving entities not under common control, the cost of combination 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, 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 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 involving entities 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 equity' 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 under non-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 the its purchase of assets from joint operations.

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

8. Recognition standard for cash and cash equivalents

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

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

9. Foreign currency businesses and translation of foreign currency statements

☒Applicable ☐Not Applicable

(1) Foreign currency transactions

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

Monetary items denominated in foreign currencies are translated into functional currencies at the rates of exchange ruling at the balance sheet date. All foreign exchange difference are credited in the profit or loss, except ① those arising from the funds denominated in foreign currency specially borrowed for the establishment of the qualifying assets are treated based on the principal of capitalization of borrowing costs; ② those arising from the other changes in the balance other than

amortized cost of available-for-sale monetary items denominated in foreign currency are recognized in the other comprehensive income.

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

(2) Translation of foreign currency financial statements

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

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

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

When disposing overseas operations, the translation difference 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 and loss of the current period, related transaction costs are directly included in profit and loss of the current period; for other types of financial assets, related transaction costs are included in their initial recognized amounts. For the accounts receivable or bills receivable arising from the sale of products or the provision of labor services that do not contain or consider the significant financing components, 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 (including one year) from the balance sheet date as non-current assets matured within one year; the creditor's rights investments matured within one year (including one year) when being obtained are listed as other current assets.

(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 (including one year) from the balance sheet date are listed as non-current assets matured within one year; other creditor's

rights investments matured within one year (including one year) when being obtained are listed as other current assets.

(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 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 by taking into account the historical credit losses experience, the existing conditions and forecast of future economic conditions.

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

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

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

③Derecognition

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

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 pricing the asset or liability, and the Company should maximize the use of relevant observable inputs. When related observable inputs can't be acquired or are not feasible to be acquired, then use unobservable inputs.

(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 during the year.

②Critical 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, 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, low-cost consumables, 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 stated 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 using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation. The net realizable value of materials in inventory that are held for production is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation. 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 using the normal saleable 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 impairment of inventories 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 impaired cost, and recognized in the profit or loss.

(4) Inventory system

The Company adopts perpetual inventory system.

(5) Amortization of low-value consumables and packaging

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

12. Long-term equity investments

√Applicable ☐Not Applicable

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

(1) Recognition of initial cost of investment

①For long-term equity investment obtained from business consolidation under common control, the initial cost is measured at the combining party's share of the carrying amount of the equity of the combined party; for a long-term equity investment obtained from business consolidation under non-common control, the initial cost is the consolidation cost at the date of acquisition;

②For the long-term equity investment acquired in a manner other than business combination: the initial investment cost of the long-term equity investment acquired by payment in cash shall be the total purchase price; 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 recognized in accordance with the 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 recognized in accordance with relevant requirements under the Rules.

(2) Subsequent measurement and profit or loss recognition

①Cost method

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

②Equity method

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

Under the equity method, where the initial investment cost of a long-term equity investment

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

For long-term equity investments accounted for using the equity method, the Company recognizes the investment income and other comprehensive incomes according to its share of net profit or loss and other comprehensive incomes 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 incomes.

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 held have no control, joint control or significant impact on the investee and that are accounted according to the financial instrument recognition and measurement criteria can carry out common control or place significant impact due to addition of investment which resulted in the increase of shareholding, the investee shall plus the fair value of the equity investment originally held determined in accordance with the Standards for Recognition and Measurement of Financial Instruments and the fair value of the consideration payable for new investment as the initial investment cost accounted under equity method when changing the equity method.

②Change of measurement at fair value or accounting under equity method to cost method: the equity investment of the investee held by the investor with no control, joint control or significant impact and accounted according to the financial instrument recognition and measurement criteria, or the long-term equity investment in associates or joint venture originally held that can control the investee due to addition of investment, shall be accounted in accordance with the long-term equity investment formed by combination of enterprises.

③Change of accounting under equity method to measurement at fair value: the long-term equity investment originally held with common control or significant impact on the investee that cannot conduct common control or significant impact on the investee due to the decrease of shareholding as a result of factors such as partial disposal, 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 is lost and the book value is included in profit or loss in the relevant year.

④Change of cost method to equity method: where control on the investee change to significant impact or common control with other investors due to factors such as disposal of investment, the long-term equity investment cost that ceased to be recognized shall first be carried forward on the proportion of the investment disposed. Then comparing the cost of the remaining long-term equity investment with the attributable fair value of the identifiable net assets of the investee at the original investment calculated on proportion of the remaining shareholding, where the former larger than the later, it belongs to the goodwill as showed in deciding the investment price and will not adjust the carrying amount of the long-term equity investment; where the former less than the later, the retained earnings will be adjusted along with the adjustment of the long-term equity investment.

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

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

②Significant influence on the investee refers to significant influence over the investee exists when holding more than 20% but less than 50% of the shares with voting rights or even if the holding is below 20%, there is still significant influence if any of the following conditions satisfied:

- 1) There is representative in the board of directors or similar governing body of the investee;
- 2) Participating in investee's policy setting process;
- 3) Assign management to investee;
- 4) The investee relies on the technology or technical information of the investor;

5) Major transactions with the investee.

(5) Impairment test and provision of impairment

At the balance sheet date, the Company reviews whether there is impairment indicator for the long-term equity investments. When there is impairment indicator, the recoverable amount is determined through impairment test and impairment is provided based on the difference between the recoverable amount and the carrying value. Impairment loss is not reversed once provided.

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 received and the carrying amount of the disposed investment is recognized in profit or loss. For long-term equity investment accounted for using the equity method, the part 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 fixed assets. For land use rights leased out or held for resale after appreciation in value, they are amortized over their useful lives 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 is impairment indicator for investment properties. When there is impairment indicator, the recoverable amount is recognized through an impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed in subsequent periods.

14. Fixed assets

(1) Fixed assets recognition criteria

Fixed assets are tangible assets that are held for production of goods, provision of labor services, leasing or administrative purposes, and have useful life 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;

②the cost of the fixed assets can be measured reliably.

(2) Classification and Depreciation method of fixed assets

The fixed assets of the Company can be divided into: buildings and constructions, production equipment, transportation equipment and 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 policies; 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 of fixed assets | Useful lives | Expected residual rate |
|-----------------------------|--------------|------------------------|
| Land ownership | - | - |
| Houses and buildings | 8-40 years | 0%-5% |
| Machinery equipment | 4-20 years | 0%-5% |
| Vehicles | 5-10 years | 0%-5% |
| Office equipment and others | 3-10 years | 0%-5% |

(3) Test method and provision for impairment of fixed assets

At the balance sheet date, the Company reviews whether there is impairment indicator for the fixed assets. When there is an impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount once the impairment of an asset is recognized, it will not be reversed in the subsequent accounting period.

(4) Basis for Recognition, measurement of fixed assets held under finance lease

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

Measurement of fixed assets held under finance lease: fixed assets held under finance lease are

initially recognized at the lower of fair value of the leased assets at the inception of lease and the present value of minimum lease payments.

Subsequent measurement of fixed assets held under finance lease is accounted for using the depreciation and impairment policies of owned fixed assets.

15. Construction in progress

☒Applicable ☐Not Applicable

(1) Types of construction in progress

Construction in progress for the Company is self-operated construction.

(2) Standard and date 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 operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can operate normally;

③Further expenditure incurred for construction is very minimal or remote;

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

(3) Impairment test and provision 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 and an impairment test is needed to recognize the recoverable amount when there are signs that construction in progress may impair. The impairment loss should be the lower of the carrying value and recoverable amount and impairment loss cannot be reversed in the following accounting period if it has been provided.

The recoverable amount of construction in progress should base on the higher value between fair value of asset less disposal expense and present value of estimated cash flow in the future.

16. Borrowing costs

☒Applicable ☐Not Applicable

(1) Recognition principles for borrowing cost capitalization

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized

as expenses in the current profit and loss when 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 sale.

(2) Computation of capitalized amount of borrowing costs

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

Capitalization interruption period: Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of a qualifying asset is interrupted abnormally and the interruption lasts for more than 3 months.

Computation of capitalized amount of borrowing costs: ① Specific borrowings will be recorded based on the actual interest expense incurred in the period of special borrowings less the interest income from unutilized borrowings placed at banks or investment gain from temporary investment; ② Normal borrowings utilized are calculated based on the weighted average of expenses of the aggregate asset 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 was amortized over the accounting periods borrowings to adjust the interest in every period using the effective interest rates.

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 amount of the lease liability;
- (2) for lease payment 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, the Company recognizes the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. If the book value of the right-of-use assets is reduced to zero and there is 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 profits and losses. For other lease changes which result 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 shape and are possessed or controlled by the Company.

(1) Valuation method of intangible assets

Intangible assets are initially recognized at costs. The actual costs of purchased intangible assets include the consideration and relevant expenses paid. For intangible asset contributed by investors, the value agreed in the investment contract or agreement is the actual cost of the intangible asset. But if the value agreed in the investment contract or agreement is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditure incurred in bringing the asset to its intended use.

Subsequent measurement of intangible assets of the Company: ① Intangible assets with finite useful lives are amortized on a straight-line basis; at the end of each year, the useful lives and

amortization policy are reviewed, and adjusted if there is any variance with original policies; ② Intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at each year end date. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight-line method according to the estimated useful life.

(2) Criterion of determining indefinite useful life

The useful life of an intangible asset is indefinite if the period in which the future economic benefits generated by the intangible asset could not be determined, or the useful life could not be ascertained.

Criterion of determining intangible assets with indefinite useful lives: ① For intangible assets 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 generating benefits for the Company still could not be estimated after considering the industrial practice or relevant expert opinion.

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

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

As at the balance sheet date, the Company reviews the intangible assets to check whether there is an indication of impairment and an impairment test is needed to recognize the recoverable amount when there are signs that intangible assets may impair. The impairment provision should be the lower of the recoverable amount and carrying value and provision for impairment loss cannot be reversed in the following accounting periods once it has been provided.

The recoverable amount of intangible assets should be based on the higher value between the net of fair value of asset less disposal expense and present value of estimated cash flow of assets in the future.

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

As for an internal research and development project, expenditure incurred in the research stage is recognized in profit or loss in the period as incurred. Expenses incurred in the development stage are recognized as intangible assets if all of the following conditions are met: ① the technical feasibility of completing the intangible asset so that it will be available for use or for sale; ② the intention to complete the intangible asset for use or for sale; ③ how the intangible asset will generate economic benefits, including there is evidence that the products produced by the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that

there exists usage for the intangible asset; ④the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; ⑤the expenditures attributable to the development of the intangible asset could be reliably measured.

Basis for distinguishing research stage and development stage of an internal research and development project: research stage refers to the activities carried out for the planned investigation and search for obtaining new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of achievements and other knowledge obtained from the research stage in a plan or design to produce new or substantially improved materials, equipment and products is regarded as development stage, which has the characteristics of pinpointing and is very likely to form results. All the expenditures on research and development which cannot be distinguished between research stage and development stage are recognized in the profit or loss when incurred.

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 indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment will be made for the difference will be recorded in impairment loss. The recoverable amount is the higher of the net of the asset's fair value less disposal costs and the present value of the future cash flow expected to be derived from the asset. Provision for asset impairment is determined 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 a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that can generate independent cash inflows.

Goodwill is tested for impairment at least at each year end.

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

groups or asset group portfolios.

When impairment test is made to the related asset groups or asset group portfolios including goodwill, if there is an indication that the related asset groups or asset group portfolios are prone to impair, the Company shall firstly test for impairment for the asset groups or asset group portfolios excluding goodwill and calculate the recoverable amount and recognize the impairment loss accordingly by comparing with its carrying amount. The Company shall then test for impairment for the asset groups or asset group portfolios including goodwill and compare the carrying amount (including the carrying amount of allocated goodwill) with its recoverable amount of related asset groups or asset group portfolios. Provision for impairment loss shall be recognized when the recoverable amount of the related asset groups or asset group portfolios is lower than its carrying amount.

Once the above impairment loss of 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 are expenditures which have incurred but the benefit period is more than one year (excluding one year). They are amortized evenly over the benefit period of each item of expenses. If the long-term prepayments are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to profit or loss for the period.

21. Employee benefits

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

Short-term employee benefits include short-term salaries, bonus, allowance, subsidies, staff's welfare, housing provident fund, union funds and employee education funds, medical insurance fees, injury insurance fees, maternity insurance fees, short-term paid absence, short-term profit-sharing plans, etc. During the accounting period when employees render services, short-term benefits payable that actually incurred shall be recognized as liabilities and credited into profit and loss or relevant assets cost on an accrual basis for the benefit objects.

Post-employment benefits mainly include the basic pension insurance, supplementary pension, 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 pension plans. Defined contribution plans: the Company shall recognize the sinking fund paid to individual entity on balance

sheet date as a liability in exchange of services from the employee in accounting period, and credited into profits or losses or related assets costs in accordance with the benefit objects. Defined benefit plans: the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out by independent actuary at the interim and the annual balance sheet date. Staffs' benefit costs incurred by the defined benefit plan of the Group are categorized as follows: (1) service cost, include current period service cost, past-service cost and settlement profit or loss. Current period service cost means the increase of the present value of defined benefit obligation resulted from the current year service offered by employee. Past-service cost means the increase or decrease of the present value of defined benefit obligation resulted from the revision of the defined benefit plans related to the prior period service offered by employee; (2) interest costs of defined benefit plans; (3) changes related to the remeasurement of defined benefit plans liabilities. Unless other accounting standards require or permit to charge the employee benefits into assets cost, the Company charges (1) and (2) above into profit or loss and recognized (3) above as other comprehensive income without transferring to profit or loss in subsequent accounting periods.

Termination benefits: the indemnity proposal provided by the Company for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily, when the following conditions are met, recognize and at the same time credited into profit or loss the accrued liabilities arising from the indemnity as a result of terminating labor relation with the employees: the Company has made a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately; and the Company could not unilaterally withdraw from the termination plan or the redundancy offer. Early retirement benefits will adopt same principles as the termination benefit. The Company will credit the salaries and social benefits intend to pay for these early retirees during the periods from the date of early retirement to the normal retirement date to profit or loss for the current period when recognition conditions for accrued liabilities are met.

22. Lease liabilities

☒Applicable ☐Not Applicable

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

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

The interest rate implicit in lease refers to the interest rate that makes the sum of the present value

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

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 redetermines the lease payments and remeasures the lease liabilities in accordance with the present value of the lease payments after changes and the revised discount rate.

After the commencement date of the lease term, in the event that the future lease payments change 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 remeasure lease liability based on present value of the lease payments after changes. In such cases, the discount rate adopted by the Company shall remain unchanged; But if the change in lease payments 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.

(2) Measurement of estimated liability

The best estimate of the expenditure from the performance of the current obligation is initially recorded as accrued liability. When the necessary expenditures fall within a range and the probability of each result in the range are identical, the best estimate is the median of the range; if there are severable items involved, every possible result and relevant probability are taken into account for the best estimation.

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

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. For the payment of such fair value that may only be exercised if services are fulfilled during the vesting period or the specified performance is achieved, the fair value shall, based on the best estimate of the number of exercisable 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 calculated and 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 is achieved, on each balance sheet date within the vesting period, based on the best estimate of exercise, be recognized in relevant costs or expenses at the fair value of the liability assumed by the Company, and the liabilities shall be adjusted correspondingly.

At each balanced sheet date and the settlement date prior to the settlement of liabilities, the fair value of the liability is re-measured with its change consolidated in profit/loss.

When there is changes to the Company's share-based payment plans, if the modification increases the fair value of the equity instruments granted, corresponding recognition of service increase in accordance with the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognized as a corresponding increase in service achieved. Increase in the fair value of equity instruments refer to the difference between the fair values of the equity instrument on the modified date before or after the modification. If the Company modifies the exercisable 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 exercisable conditions upon the disposal of exercisable 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 will be treated as accelerating the exercise of rights and the remaining vesting period should be recognized immediately in the profit or loss, while at the same time recognize the capital reserve. Employees or other parties can choose to meet non-vesting conditions, but for those that are not met in the vesting period, the Company will treat it as cancellation of equity instruments granted.

25. Revenue

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

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

Where the contract includes two or several 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 record 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 distributor, excluding the amount collected for any third party. The transaction price confirmed 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 distributor 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 distributor obtains and consumes economic benefits brought by performance of the company and its subsidiaries when the company and its subsidiaries perform the contract.

② The distributor 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 the non-replaceable usages, and the company and its subsidiaries are entitled to collect the amount for the cumulative completed and performed portion till now 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 during a certain time point, the company and its subsidiaries recognize revenue at the time point when the distributor obtains control right of relevant goods or services. When judging whether the distributor has obtained control right over goods or services, the company and its subsidiaries will consider the following signs:

- ①The company and its subsidiaries enjoy the right of instant collection over such goods and services;
- ②The company and its subsidiaries have transferred the material objects of such goods to the distributor;
- ③The company and its subsidiaries have transferred statutory ownership right of the goods or major risks and remuneration of the ownership right to the distributor;
- ④The distributor 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 distributor (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 distributor 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 distributor and shall transfer goods or services to the distributor 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 distributors only include performance obligation of transferring the whole machine of home appliance. Generally, on the

basis of taking into account the following factors comprehensively, revenue is recognized based on the time point of transfer of control right of goods: the right of instant collection for obtaining goods, transfer of major risks and remuneration on ownership right of goods, transfer of statutory ownership right of goods, transfer of assets of material objects of goods, the distributor's acceptance of such goods.

(2) Construction contract income

Construction contract between the company and the distributor generally includes performance obligations of construction and installation of commercial air-conditioner and smart home, because the distributor 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 investment approach. When the schedule of performance can't be reasonably confirmed, where the costs of the company that have been incurred can be compensated, recognize revenue 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 rules and regulations of laws, the company provides quality assurance for goods sold and project constructed. For assurance class of quality assurance in order to ensure the distributor that goods sold comply with existing standards, the company conducts accounting treatment in accordance with estimated liabilities. For service class of quality assurance in order to ensure the distributor to 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 class assurance in accordance with the relevant proportion of separate selling price of quality assurance of goods and services, and recognizes revenue when the distributor obtains control right over services. When assessing whether quality assurance provides a separate service other than ensuring the distributor that the goods sold comply with existing standards, the company shall consider factors such as whether such quality assurance is statutory requirements or industrial practices, term of quality assurance and the nature of the company's promise for performing tasks.

26. Government grants

☒Applicable ☐Not Applicable

(1) Types of government grants

Government grants refer to the monetary assets or non-monetary assets obtained by the Company from the government for free, not including the investment made 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 the profit or loss for the current period and allocated on an even basis over the useful life of the asset; government grants measured at nominal amount shall be recorded directly in profit and loss for the current period. 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 profit or loss for the current period when such expenses are recognized; ②those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period.

(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 construction or other project that forms a long-term asset, it is regarded as asset-related government grant.

If the government grant received by the Company is not asset-related, it is regarded 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 the balance sheet date;

②Government grant shall be categorized as related to income if its usage is just subject to general statement and no specific project in relevant 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 over the estimated useful life of the relevant asset starting from the date the asset is available for use.

(5) Recognition of government grants

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

Other government grants other than those measured at the amount of receivables are recognized upon actual receipt of such subsidies.

27. Deferred tax assets/deferred tax liabilities

☒Applicable ☐Not Applicable

Deferred tax assets and deferred 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 current tax laws and regulation, 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 relevant asset or discharging the relevant liability.

(2) Deferred tax asset is recognized to the extent that there is enough taxable income for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there would be enough taxable benefit for the utilization of the deductible temporary difference, the deferred income tax asset not previously recognized is recognized in current period. If there is no sufficient evidence that there would be enough future taxable income for the deduction of the deferred income tax asset, the carrying value of the deferred income tax asset is reduced.

(3) Deferred tax liability is recognized for taxable temporary difference arising from investments in subsidiaries and associated companies, unless the Company could control the 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 foreseeable future and there will be sufficient future taxable profit to deduct the deductible temporary difference.

(4) No deferred 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 profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are

measured at the tax rates that are estimated to apply to the period when the asset is realized or the liability is 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 evaluates the extent to which it transfers the risks and rewards of ownership of the assets to the other entities and determines whether it retains control while applying the accounting policy in respect of asset securitization.

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

② The financial asset is continued to recognize 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 and credit risk, allow 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 hedge projects.

Hedged projects refer to projects which make enterprises face risks of changes in fair value or cash flow and are designated as hedge 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 item.

The company continuously conducts assessment over whether hedge relationship complies with requirements of hedge effectiveness on the starting date of hedge and follow-on period. Hedge effectiveness refers to the extent that changes in fair value or cash flow of hedge instruments can offset changes in fair value or cash flow of hedge projects caused by the risks of being hedged. The portion that the changes in fair value or cash flow of hedge instruments are greater or less than changes in fair value or cash flow 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 considered other various factors. 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 affected for the current period, relevant adjustment due to the effect shall be recognized for the current period; if the revision affects both the current and future period, the effect shall be recognized in the current and future period.

On the balance sheet date, the significant fields involving judgments, estimates and assumptions about financial report items are listed as follows:

① Estimated liability

Provision for product quality guarantee, estimated onerous contracts, and other estimates shall be recognized in accordance with the terms of contract, current knowledge and historical experience. If the contingent event has formed a practical obligation which probably results in outflow of economic benefits from the Company, an estimated liability shall be recognized on the basis of the best estimate of the expenditures to settle relevant practical obligation. Recognition and measurement of the estimated liability significantly rely 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 maintenance information 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 credit losses in accordance with breach risk exposure and expected credit risk ratio, and confirms 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 unemployment rate, external market environment, technological environment and changes in distributor conditions. The company regularly monitors and reviews relevant assumptions relating to calculation of expected credit losses. The aforesaid techniques and key assumptions have not changed substantially during the year.

③ Impairment provision of inventories

Inventories are measured by lower of historical cost or net realizable value method according to the accounting policies of inventories; for obsolete and unsalable inventories or whose costs are higher than the net realizable, provision for impairment of inventories shall be incurred. The carrying value of inventory shall be written down to the net realizable value on the basis of the salability of inventories and the net realizable value. Inventory impairment requires the management's obtaining of solid evidence, and their judgment 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 of inventories during the period accounting estimates are changed.

④ Fair value of financial instruments

For financial instruments where there is no active market, the Company will determine the 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 confirm 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

On 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 deducted disposal expenses and the present value of expected future cash flow. The net of fair value deducted by disposal expenditure is determined with reference to the price in the sale agreement regarding analogous asset, and observable market price less the increase of cost that directly attributable to the disposal of assets. Significant judgments regarding the production amount, 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 determining the present value of future cash flow. Recoverable amount shall be estimated by using all accessible relevant information, including production amount, sales price, and relevant operating costs predictions made 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, and 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 a straight-line approach over their estimated useful life by taking into consideration the residual value. Useful life shall be periodically reviewed to determine the depreciation and amortization expenses for each reporting period and be determined on the basis of historical experience regarding analogous assets and the expected technological innovation. Significant changes to previous accounting estimates will result in adjustments against depreciation and amortization expenses in the future periods.

⑧ Deferred tax assets

Deferred tax asset is recognized for all the uncompensated tax losses to the extent that there is sufficient taxable income for the deduction of loss. In order to determine the amount of deferred tax assets, the management of the Company needs to predict the timing and the amount of taxable profits

in the future by taking into account a large amount of judgment, as well as the strategy of tax planning.

⑨ Income tax

There are certain transactions the tax treatment and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Whether some items could be presented before taxation shall be approved by relevant tax authorities. Where the final tax outcome of these matters is different from the initial estimated amount, such differences will impact the current and deferred tax in the period of confirmation.

⑩ Rebate accrual

The Company and its subsidiaries adopt the policy of rebate for all distributors. 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 rebate on a regular basis with reference to the completion of agreed assessment indexes. Rebate accrual 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 rebate during the period when significant changes occur.

29. Main Changes on significant accounting policies and accounting estimation

(1) Main Changes on significant accounting policies

☒Applicable ☐Not Applicable

| Contents and reasons of changes in accounting policies | Publication time | Implementation time |
|---|------------------|---------------------|
| <i>Accounting Standard for Business Enterprises No. 21 —Lease</i> (Cai Kuai (2018) No. 35) | December 2018 | 1 January 2019 |
| <i>Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019</i> (《关于修订印发2019年度一般企业财务报表格式的通知》) (Cai Kuai (2019) No.6) | May 2019 | 1 January 2019 |
| <i>Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019)</i> (《关于修订印发合并财务报表格式(2019版)的通知》) (Cai Kuai (2019) No.16) | September 2019 | 1 January 2019 |
| <i>Accounting Standard for Business Enterprises No. 7 —Exchange of Non-monetary Assets</i> (Cai Kuai (2019) No.8) | May 2019 | 10 June 2019 |
| <i>Accounting Standard for Business Enterprises No. 12 —Debt Restructuring</i> (Cai Kuai (2019) No.9) | May 2019 | 17 June 2019 |

In accordance with the newly revised *Accounting Standard for Business Enterprises No. 21 —Leases*, the Company and its subsidiaries made adjustments to the amount of retained earnings and other relevant items in the financial statements at the beginning of the initial application year based on

the amounts accrued due to the impact of adopting new standards on leases while did not adjust the information in the comparable period.

| Items in the balance sheet | Adjusted amount on 1 January 2019 |
|----------------------------|-----------------------------------|
| Right-of-use assets | 3,042,278,728.96 |
| Deferred income tax assets | 22,003,106.46 |
| Current accounts | 27,763,677.12 |
| Lease liabilities | 3,153,370,882.34 |
| Retained earnings | -47,362,103.25 |
| Minority equity interests | -13,963,266.55 |

The Company and its subsidiaries prepared the 2019 financial statements in accordance with the financial statement format stipulated by the document Cai Kuai [2019] No. 6 and 16, and changed the presentation of the relevant financial statements by retrospective adjustment approach. The impact of the relevant presentation adjustment on the combined balance sheet at the beginning of the period is as follows: divide subjects of notes receivable and accounts receivable into subjects of accounts receivable, accounts receivable; divide subjects of accounts payable and accounts payable into subjects of notes payable, accounts payable.

The Company and its subsidiaries adopted the relevant provisions of *Accounting Standards for Business Enterprises No. 7-Exchange of Non-Monetary Assets* (Cai Kuai (2019) No.8) from 10 June 2019 and shall made adjustments to the exchange of non-monetary assets occurred during the period from 1 January 2019 to the date of implementation of this standards. No retrospective adjustments are required for non-monetary asset exchanges that occurred before 1 January 2019. The Company's initial implementation of the standards has no impact on the financial statements.

The Company and its subsidiaries adopted the relevant provisions of *Accounting Standard for Business Enterprises No. 12 —Debt Restructuring* (Cai Kuai (2019) No.9) from 17 June 2019 and shall made adjustments to the debt restructuring occurred during the period from 1 January 2019 to the date of implementation of this standards. No retrospective adjustments are required for debt restructuring that occurred before 1 January 2019. The Company's initial implementation of the standards has no impact on the financial statements.

(2) Changes on significant accounting estimation

☐ Applicable ☒ Not Applicable

VI. Taxation

1. Main tax categories and rates

Main tax categories and rates conditions

√Applicable □Not Applicable

| Tax types | Basis of taxation | Tax rate |
|---------------------------------------|--|---|
| Value-added tax | Taxable revenue from sales of goods and rendering services | 6%, 9%, 16% or 13% |
| City maintenance and construction tax | Circulation tax payable | 7% |
| EIT | Taxable income | Statutory tax rate or preferential rates as follows |
| (Local) education surcharge | Circulation tax payable | 1%, 2%, 3% |

Disclosure of tax entities with different EIT rates

□Applicable √ Not Applicable

2. Preferential tax

√Applicable □Not Applicable

Companies subjected to preferential tax and preferential tax rate:

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

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

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| 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 |
| Qingdao Haier Drum 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 |
| 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 Electronics Co., Ltd. | 15% | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Haier New Energy Electric Appliance Co., Ltd. | 15% | entitled to the preferential taxation policies as a hi-tech enterprise |
| Foshan Shunde Haier Intelligent Electronics Co., Ltd. | 15% | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Haier Washing Appliance Co., Ltd. | 15% | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Ririshun Lexin Cloud Technology Co., Ltd. | 15% | entitled to the preferential taxation policies as a hi-tech enterprise |
| Hefei Haier Drum Washing Machine Co., Ltd. | 15% | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Haier Electronic Plastic Co., Ltd. | 15% | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Penghai Software Co., Ltd. (青岛鹏海软件有限公司) | 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 |

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| 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 |
| Shenyang Haichen Zhilian Technology Co., Ltd. (沈阳海辰智联科技有限公司) | 5% | entitled to the preferential policies as a small/micro enterprise |
| Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd. | 5% | entitled to the preferential policies as a small/micro enterprise |
| Dalian Haier Energy & Power Co., Ltd. | 5% | entitled to the preferential policies as a small/micro enterprise |
| Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd. (青岛国创智能家电研究院有限公司) | 5% | entitled to the preferential policies as a small/micro enterprise |
| Qingdao Hailian Rongchuang Technology Co., Ltd. | 5% | entitled to the preferential policies as a small/micro enterprise |
| Haier Digital Technology (Nanjing) Co., Ltd. | 10% | entitled to the preferential policies as a small/micro enterprise |
| Jiaxing Penghai Information Technology Co., Ltd. (嘉兴鹏海信息技术有限公司) | 5% | entitled to the preferential policies as a small/micro enterprise |
| Qingdao Haimeihui Management Consulting Co., Ltd. (青岛海美汇管理咨询有限公司) | 5% | entitled to the preferential policies as a small/micro enterprise |
| GE Appliance (Shanghai) Co., Ltd. | 10% | entitled to the preferential policies as a small/micro enterprise |
| Shanghai Haier Zhongzhi Fang Chuang Ke Management Co., Ltd. | 5% | entitled to the preferential policies as a small/micro enterprise |
| Haier Digital Technology (Tianjin) Co., Ltd. (海尔数字科技(天津)有限公司) | 5% | entitled to the preferential policies as a small/micro enterprise |
| Chongqing Haier Electronics Sales Co., Ltd. and some Western companies | 15% | entitled to the preferential taxation policies under the Western Development initiative of the PRC |
| Chongqing Xin Ririshun Electric Sales Co., Ltd. and some Western companies | 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 |

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

VII. Explanatory Notes for Items in Consolidated Financial Statements

Unless otherwise specified, the following closing balance refers to the amount as of 31 December 2019, the opening balance refers to the amount as of 31 December 2018. The amount for the current period refers to the amount in the period from 1 January to 31 December 2019, the amount of the previous period refers to the amount of the period from 1 January to 31 December 2018.

1. Monetary funds

√Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|---|-------------------|-------------------|
| Cash on hand | 7,556,892.38 | 1,380,614.79 |
| Cash in bank | 34,502,656,877.99 | 36,041,217,337.30 |
| Other cash balances | 1,668,601,912.88 | 2,328,318,558.83 |
| Total | 36,178,815,683.25 | 38,370,916,510.92 |
| Include: —total amount deposit overseas | 8,787,573,078.32 | 8,103,894,274.56 |

Other explanation

The cash in the monetary funds deposited in Haier Group Finance Co., Ltd. was RMB 16,565,878,044.44 at the end of the period, the balance of which included a fixed deposit of RMB 5,070,088,733.14. The investment fund in the closing balance of other monetary funds was RMB 363,979,733.00, deposit in third party payment platform was RMB 88,753,896.48 and the security deposit was RMB 1,211,307,630.84, the frozen fund was RMB 500,867.52, and the restricted fund was RMB 4,059,785.04.

2. Financial assets held for trading

| Items | Closing balance | Opening balance |
|--|-----------------|------------------|
| Forward foreign exchange trading contracts | 84,934,313.67 | 188,677,068.41 |
| Short-term wealth management products | 198,614,361.33 | 1,567,648,908.00 |
| Investment in other equity instruments | 24,586,332.05 | 19,322,411.35 |
| Total | 308,135,007.05 | 1,775,648,387.76 |

3. Derivative financial assets

☒Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Interest rate swap agreement | | 57,228,769.39 |
| Forward foreign exchange trading contracts | 17,241,833.10 | 39,494,394.98 |
| Forward commodity contracts | 1,916,299.35 | |
| Total | 19,158,132.45 | 96,723,164.37 |

4. Bills receivable

(1) Details of bills receivable

| Items | Closing balance | Opening balance |
|-------------------------------|-------------------|-------------------|
| Bank acceptance notes | 462,888,721.91 | 918,779,105.29 |
| Commercially acceptance notes | 13,503,587,868.65 | 13,381,407,003.83 |
| Balance of bills receivable | 13,966,476,590.56 | 14,300,186,109.12 |
| Allowance for bad debts | 15,056,696.60 | |
| Bills receivable, net | 13,951,419,893.96 | 14,300,186,109.12 |

Provision for bad debts is made on a portfolio basis:

☐ Applicable ☒ Not Applicable

(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 movement | Reversal | Write-off / other movement | |
| Allowance for bad debts | | 15,056,696.60 | | | | 15,056,696.60 |
| Total | | 15,056,696.60 | | | | 15,056,696.60 |

The bills receivable pledged by the Company at the end of the period was RMB 12,705,833,821.07.

5. Accounts receivable

① Accounts receivable are disclosed by aging as follow:

| Aging | Closing balance | Opening balance |
|--------------------------------|-------------------|-------------------|
| Within one year | 10,948,682,641.60 | 10,363,416,324.49 |
| 1-2 years | 274,136,141.64 | 276,477,418.06 |
| 2-3 years | 98,672,021.59 | 103,360,570.79 |
| Over 3 years | 139,300,727.01 | 136,030,844.12 |
| Balance of accounts receivable | 11,460,791,531.84 | 10,879,285,157.46 |
| Allowance for bad debts | 444,920,471.75 | 345,786,130.63 |
| Accounts receivable, net | 11,015,871,060.09 | 10,533,499,026.83 |

② The total amount of the top 5 accounts receivable at the end of the period is RMB 3,670,933,263.49, accounting for 32.03% of the book balance of accounts receivable.

Provision for bad debts is made on a portfolio basis:

☐ Applicable ☒ Not Applicable

① Changes in allowance for bad debts of accounts receivable in the current period:

| Items | Opening balance | Increase for the current period | | Decrease for the current period | | Closing balance |
|-------------------------|-----------------|---------------------------------|----------------|---------------------------------|------------------------------|-----------------|
| | | Provision | Other movement | Reversal | Write-off and other movement | |
| Allowance for bad debts | 345,786,130.63 | 123,990,271.79 | 122,772,242.44 | 7,736,990.03 | 139,891,183.08 | 444,920,471.75 |

② Actual write-off of accounts receivable in the current period

The amount of accounts receivable actually written off in the current period is RMB 82,676,852.61 and there is no important bad debt write-off of accounts receivable.

③ The company's accounts receivable that were terminated due to the transfer of financial assets in the current period

In the current period, the amount of accounts receivable that the company terminated due to the transfer of financial assets was RMB 6,292,387,563.69, and the transfer method was outright sale factoring/asset securitization.

④ Restricted accounts receivable in the current period

The amount of accounts receivable mortgaged and pledged at the end of the period is RMB 395,674,730.67.

6. Prepayments

(1) Prepayments are disclosed by aging as follows:

| Aging | Closing balance | Opening balance |
|-----------------|------------------|-----------------|
| Within one year | 1,226,300,431.60 | 521,288,772.57 |
| 1-2 years | 14,275,907.31 | 31,417,749.94 |
| 2-3 years | 6,036,100.01 | 39,033,032.18 |
| Over 3 years | 26,309,107.80 | 2,723,443.35 |
| Total | 1,272,921,546.72 | 594,462,998.04 |

(2) The total amount of the top 5 in the prepayments at the end of the period is RMB 590,827,918.80, which accounts for 46.42% of the prepayment balance.

7. Other receivables

Presented as:

☒Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|---------------------|------------------|------------------|
| Interest receivable | 273,009,954.80 | 234,022,792.03 |
| Dividend receivable | 4,524,472.84 | 4,557,432.17 |
| Other receivables | 1,885,983,374.86 | 1,417,476,333.49 |
| Total | 2,163,517,802.50 | 1,656,056,557.69 |

Interest receivable

| Aging | Closing balance | | Opening balance | |
|-----------------|--------------------|------------|--------------------|------------|
| | Book value balance | Proportion | Book value balance | Proportion |
| Within one year | 224,873,084.17 | 82.36% | 173,680,567.06 | 74.22% |
| 1-2 years | 26,470,812.60 | 9.70% | 60,342,224.97 | 25.78% |
| 2-3years | 21,666,058.03 | 7.94% | | |
| Total | 273,009,954.80 | 100.00% | 234,022,792.03 | 100.00% |

Dividend receivable

| Aging | Closing balance | | Opening balance | |
|-----------------|--------------------|------------|--------------------|------------|
| | Book value balance | Proportion | Book value balance | Proportion |
| Within one year | | | 32,959.33 | 0.72% |
| 1-2 years | | | | |
| 2-3years | | | | |
| Over 3 years | 4,524,472.84 | 100.00% | 4,524,472.84 | 99.28% |
| Total | 4,524,472.84 | 100.00% | 4,557,432.17 | 100.00% |

Other receivables

① Other receivables are disclosed by aging as follows:

| Aging | Closing balance | Opening balance |
|------------------------------|------------------|------------------|
| Within one year | 1,801,028,378.02 | 1,333,753,654.19 |
| 1-2 years | 65,979,912.86 | 49,687,361.67 |
| 2-3years | 26,319,826.19 | 31,772,279.45 |
| Over 3 years | 64,449,296.31 | 76,627,635.06 |
| Balance of other receivables | 1,957,777,413.38 | 1,491,840,930.37 |
| Allowance for bad debts | 71,794,038.52 | 74,364,596.88 |
| Other receivables, net | 1,885,983,374.86 | 1,417,476,333.49 |

② The total amount of the top 5 other receivables at the end of the period is RMB 932,101,719.03,

which accounts for 47.61% of the book balance of other receivables.

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

| Items | Opening balance | Increase for the current period | | Decrease for the current period | | Closing balance |
|-------------------------|-----------------|---------------------------------|----------------|---------------------------------|------------------------------|-----------------|
| | | Provision | Other movement | Reversal | Write-off and other movement | |
| Allowance for bad debts | 74,364,596.88 | 16,006,140.97 | 350,532.67 | 600,000.00 | 18,327,232.00 | 71,794,038.52 |

④ Other receivables written off during the period

The amount of other receivables actually written off in the current period is RMB 13,853,548.76 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 |
| Raw materials | 3,068,331,798.61 | 115,668,613.58 | 2,530,152,656.33 | 90,663,625.24 |
| Work in progress | 408,055,609.14 | 425,020.38 | 204,722,421.27 | |
| Finished goods | 25,720,392,258.54 | 852,085,060.72 | 20,555,190,452.17 | 788,428,333.21 |
| Total | 29,196,779,666.29 | 968,178,694.68 | 23,290,065,529.77 | 879,091,958.45 |

(2) Impairment provision of inventories

| Items | Opening balance | Increase for the current period | | Decrease for the current period | | Closing balance |
|------------------|-----------------|---------------------------------|----------------|---------------------------------|------------------------------|-----------------|
| | | Provision | Other movement | Reversal | Write-off and other movement | |
| Raw materials | 90,663,625.24 | 70,574,078.95 | 33,599,360.86 | 7,414,323.66 | 71,754,127.81 | 115,668,613.58 |
| Work in progress | | 425,020.38 | | | | 425,020.38 |
| Finished goods | 788,428,333.21 | 544,805,643.98 | 61,737,941.18 | 31,989,614.15 | 510,897,243.50 | 852,085,060.72 |
| Total | 879,091,958.45 | 615,804,743.31 | 95,337,302.04 | 39,403,937.81 | 582,651,371.31 | 968,178,694.68 |

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 | 426,392,594.69 | 3,654,196.27 | 456,781,406.54 | |
| Total | 426,392,594.69 | 3,654,196.27 | 456,781,406.54 | |

(2) Provision of credit loss

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

10. Assets held for sale

| Items | Closing balance | Opening balance |
|--|-----------------|-----------------|
| 7.71% equity of Shengfeng Logistics Group Co., Ltd | | 106,010,000.00 |
| Assets in Shanghai Guangfulai Co., Ltd. | | 38,081,213.39 |
| Total | | 144,091,213.39 |

11. Other current assets

(1) Details

| Items | Closing balance | | Opening balance | |
|---|------------------|----------------------|------------------|----------------------|
| | Book balance | Impairment provision | Book balance | Impairment provision |
| Bank deposit for wealth management products | 3,981,314,321.50 | | 2,838,231,840.90 | |
| Deductible taxes | 2,578,384,287.03 | 3,276,161.33 | 1,658,616,253.86 | 5,489,980.82 |

| | | | | |
|--------------------------|------------------|----------------|------------------|----------------|
| Returns cost receivables | 374,052,448.32 | 218,016,000.42 | 322,726,264.39 | 162,998,678.53 |
| Others | 273,507,220.36 | | 428,589,006.65 | |
| Total | 7,207,258,277.21 | 221,292,161.75 | 5,248,163,365.80 | 168,488,659.35 |

(2) Impairment provision

| Items | Opening balance | Increase for the current period | | Decrease for the current period | | Closing balance |
|--------------------------|-----------------|---------------------------------|----------------|---------------------------------|------------------------------|-----------------|
| | | Provision | Other movement | Reversal | Write-off and other movement | |
| Deductible input tax | 5,489,980.82 | | | | 2,213,819.49 | 3,276,161.33 |
| Returns cost receivables | 162,998,678.53 | 218,016,000.43 | | | 162,998,678.54 | 218,016,000.42 |
| Total | 168,488,659.35 | 218,016,000.43 | | | 165,212,498.03 | 221,292,161.75 |

12. Long-term equity investments

√Applicable □Not Applicable

| Investees | Opening balance | Increase/decrease for the current 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. | 5,405,958,339.07 | | 722,234,863.55 | 8,418,525.64 | | -126,000,000.00 |
| Bank of Qingdao Co., Ltd. | 2,592,829,635.67 | | 152,613,715.57 | 9,083,138.79 | -89,573,156.06 | -77,995,640.00 |
| Wolong Electric (Jinan) Motor Co., Ltd. | 123,281,802.39 | | 10,313,776.05 | | | -10,040,000.00 |
| Qingdao Hegang New Material | 262,284,357.65 | | 17,779,416.15 | | | |

| | | | | | | |
|---|----------------|--------------|-----------------|--|---------------|----------------|
| Technolog y Co., Ltd. (青 岛 河 钢 新 材 料 科 技 股 份 有 限 公 司) | | | | | | |
| Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership) | 362,380,221.29 | | 72,159,881.83 | | | |
| Mitsubishi Heavy Industries Haier (Qingdao) Air-conditi oners Co., Ltd. | 622,643,614.66 | | 87,012,822.20 | | | -66,600,000.00 |
| Qingdao Haier Carrier Refrigerati on Equipment Co., Ltd. | 332,723,126.50 | | 63,210,360.76 | | | |
| Qingdao Haier Multimedia Co., Ltd. | 555,084,616.71 | | -119,877,634.76 | | -2,820,180.69 | |
| Qingdao Haier Software Investment Co., Ltd. | 18,193,519.15 | | 1,442,617.60 | | | |
| Hefei Feier Smart | | 4,000,000.00 | -3,241,811.70 | | | |

| | | | | | | |
|--|---------------|--------------|----------------|--|--|--|
| Technolog y Co., Ltd. | | | | | | |
| Qingdao Xinaohaizh i Energy Co., Ltd. | 25,075,683.85 | | 890,361.10 | | | |
| Qingdao Zhongzaih aina Environme ntal Services Co., Ltd. (青岛中 再海纳环 境服务有 限公司) | 2,192,958.60 | | 68,300.10 | | | |
| Shandong Haibida Big Data Co., Ltd. (山东 海必达 大数据 有限公 司) | | 6,000,000.00 | -667,359.90 | | | |
| Beijing Mr. Hi Network Technolog y Company Limited | 3,757,759.75 | | | | | |
| Beijing Xiaobei Technolog y Co., Ltd. | 2,687,341.82 | | | | | |
| Beijing ASU Tech Co., Ltd. | 30,062,027.79 | | -24,199,912.01 | | | |

| | | | | | | |
|--|----------------|--|-------------|---------------|--------------|---------------|
| Shenzhen Genyuan Environmental Protection Technology Co., Ltd. | 7,849,992.00 | | -935,504.27 | | | |
| Qingdao Haimu Investment Management Co., Ltd. | 2,078,341.37 | | 119,935.09 | | | |
| Qingdao Haimu Smart Home Investment Partnership (Limited Partnership) | 48,001,070.25 | | 45,127.39 | | | |
| Guangzhou Heying Investment Partnership (Limited Partnership) | 176,064,809.68 | | | 47,053,825.13 | | -3,920,000.00 |
| Qingdao Home Wow Cloud Network Technology Co., Ltd.. | 1,216,581.32 | | -420,718.04 | | 2,372,996.71 | |
| Beijing Cangxiaow ei Supply | 791,316.97 | | | | | |

| | | | | | | |
|---|--|------------------|----------------|------------|--|--|
| Chain Management Co., Ltd. | | | | | | |
| Bingji (Shanghai) Corporate Management Co., Ltd.(冰戟 (上海) 企业管理有限公司) | | 878,522,519.50 | 16,017,245.50 | | | |
| Youjin (Shanghai) Corporate Management Co., Ltd.(优瑾 (上海) 企业管理有限公司) | | 1,596,495,489.99 | 29,122,264.56 | | | |
| RRS (Shanghai) Investment Co., Ltd. (日日顺 (上海) 投资有限公司) | | 2,901,900,890.90 | 52,949,571.92 | | | |
| Haier Best Water Technology Co., Ltd. (倍世海尔饮水科技有限公司) | | 23,401,518.00 | -1,676,172.74 | | | |
| Meiling Candy Washing | | 36,328,977.10 | -13,207,691.18 | 100,850.46 | | |

| | | | | | | |
|--|-------------------|------------------|------------------|----------------|----------------|-----------------|
| Machine Co., Ltd. (美菱卡迪洗衣机有限公司) | | | | | | |
| Konan Electronic Co., Ltd. | 74,799,791.29 | | -6,914,358.04 | 3,595,400.72 | | -284,085.00 |
| HNR Company (Private) Limited | 91,076,038.80 | | 2,019,335.34 | 11,461,771.51 | | |
| HPZ LIMITED | 88,800,332.55 | | -1,601,945.50 | -9,048,835.56 | | |
| Controladora Mabe S.A.deC.V | 3,173,153,937.00 | | 353,471,727.58 | 43,433,537.08 | -5,672,471.63 | -66,718,276.58 |
| MiddleEast Air conditioning Company, Limited | 18,208,123.96 | | 483,750.85 | 310,720.85 | | |
| Total | 14,021,195,340.09 | 5,446,649,395.49 | 1,409,211,965.00 | 114,408,934.62 | -95,692,811.67 | -351,558,001.58 |

(Continued)

| Investees | Increase/decrease for the current period | | Closing balance | Closing balance of impairment provision |
|--|--|--------------------------------|------------------|---|
| | Other movement | The disposal of the investment | | |
| Associate: | | | | |
| Haier Group Finance Co., Ltd. | | | 6,010,611,728.26 | |
| Bank of Qingdao Co., Ltd. | | | 2,586,957,693.97 | |
| Wolong Electric (Jinan) Motor Co., Ltd. | | | 123,555,578.44 | |
| Qingdao Hegang New Material Technology Co., Ltd. (青岛河钢新材料科技股份有限公司) | | | 280,063,773.80 | |
| Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership) | | | 434,540,103.12 | |
| Mitsubishi Heavy Industries Haier | | | 643,056,436.86 | |

| | | | | |
|---|--|-------------|------------------|---------------|
| (Qingdao) Air-conditioners Co., Ltd. | | | | |
| Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. | | | 395,933,487.26 | 21,000,000.00 |
| Qingdao Haier Multimedia Co., Ltd. | | | 432,386,801.26 | 48,300,000.00 |
| Qingdao Haier Software Investment Co., Ltd. | | | 19,636,136.75 | |
| Hefei Feier Smart Technology Co., Ltd. | | | 758,188.30 | |
| Qingdao Xinaohaizhi Energy Co., Ltd. | | | 25,966,044.95 | |
| Qingdao Zhongzaihaina Environmental Services Co., Ltd. (青岛中再海纳环境服务有限公司) | | | 2,261,258.70 | |
| Shandong Haibida Big Data Co., Ltd. (山东海必达大数据有限公司) | | | 5,332,640.10 | |
| Beijing Mr. Hi Network Technology Company Limited | | | 3,757,759.75 | 3,757,759.75 |
| Beijing Xiaobei Technology Co., Ltd. | | | 2,687,341.82 | 2,687,341.82 |
| Beijing ASU Tech Co., Ltd. | | | 5,862,115.78 | |
| Shenzhen Genyuan Environmental Protection Technology Co., Ltd. | | | 6,914,487.73 | 6,914,487.73 |
| Qingdao Haimu Investment Management Co., Ltd. | | | 2,198,276.46 | |
| Qingdao Haimu Smart Home Investment Partnership (Limited Partnership) | | | 48,046,197.64 | |
| Guangzhou Heying Investment Partnership (Limited Partnership) | | | 219,198,634.81 | |
| Qingdao Home Wow Cloud Network Technology Co., Ltd. | | | 3,168,859.99 | |
| Beijing Cangxiaowei Supply Chain Management Co., Ltd. | | -791,316.97 | | |
| Bingji (Shanghai) Corporate Management Co., Ltd. | | | 894,539,765.00 | |
| Youjin (Shanghai) Corporate Management Co., Ltd. | | | 1,625,617,754.55 | |
| RRS (Shanghai) Investment Co., Ltd. (日日顺(上海)投资有限公司) | | | 2,954,850,462.82 | |

| | | | | |
|---|--|-------------|-------------------|---------------|
| Haier Best Water Technology Co., Ltd. (倍世海尔饮水科技有限公司) | | | 21,725,345.26 | |
| Meiling Candy Washing Machine Co., Ltd. (美菱卡迪洗衣机有限公司) | | | 23,222,136.38 | |
| Konan Electronic Co., Ltd. | | | 71,196,748.97 | |
| HNR Company (Private) Limited | | | 104,557,145.65 | |
| HPZ LIMITED | | | 78,149,551.49 | |
| Controladora Mabe S.A.deC.V. | | | 3,497,668,453.45 | |
| Middle East Airconditioning Company, Limited | | | 19,002,595.66 | |
| Total | | -791,316.97 | 20,543,423,504.98 | 82,659,589.30 |

13. 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 (中国石化销售股份有限公司) | 1,242,930,000.00 | 1,261,564,000.00 |
| Other | 153,029,878.92 | 138,752,460.34 |
| Total | 1,395,959,878.92 | 1,400,316,460.34 |

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

| Items | Amount for the current period |
|---|-------------------------------|
| SINOPEC Fuel Oil Sales Corporation Limited (中国石化销售股份有限公司) | 38,549,487.32 |
| Other | 583,805.96 |
| Total | 39,133,293.28 |

14. Other non-current financial assets

☒Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|--------------------------------------|-----------------|-----------------|
| Long-term wealth management products | 294,547,364.47 | 327,358,825.57 |
| Total | 294,547,364.47 | 327,358,825.57 |

15. Investment properties

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

| Items | Houses and buildings | Land use rights | Total |
|--|----------------------|-----------------|---------------|
| I. Original book value | | | |
| 1. Opening balance | 45,999,732.78 | 2,128,550.51 | 48,128,283.29 |
| 2. Increase for the current period | | | |
| (1) Outsourced | | | |
| (2) Inventories\fixed assets\construction in progress transferred in | | | |
| (3) Increase in business combinations | | | |
| 3. Decrease for the current period | | | |
| (1) Disposal | | | |
| (2) Disposal of subsidiary | | | |
| (3) Other transferring out | | | |
| 4. Converted difference in foreign currency statements | 415,651.21 | | 415,651.21 |
| 5. Closing balance | 46,415,383.99 | 2,128,550.51 | 48,543,934.50 |
| II. Accumulated depreciation and accumulated amortization | | | |
| 1. Opening balance | 16,739,224.15 | 509,911.72 | 17,249,135.87 |
| 2. Increase for the current period | | | |
| (1) Provision or amortization | 1,785,875.56 | 40,236.22 | 1,826,111.78 |
| 3. Decrease for the current period | | | |
| (1) Disposal | | | |
| (2) Disposal of subsidiary | | | |
| (3) Other transferring out | | | |
| 4. Converted difference in foreign currency statements | 65,995.47 | | 65,995.47 |
| 5. Closing balance | 18,591,095.18 | 550,147.94 | 19,141,243.12 |
| 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 | | | |
| (3) Other transferring out | | | |

| | | | |
|--|---------------|--------------|---------------|
| 4. Converted difference in foreign currency statements | | | |
| 5. Closing balance | | | |
| IV. Book Value | | | |
| 1. Closing book value | 27,824,288.81 | 1,578,402.57 | 29,402,691.38 |
| 2. Opening book value | 29,260,508.63 | 1,618,638.79 | 30,879,147.42 |

(2) The depreciation and amortization amount charge for the period is RMB 1,826,111.78.

(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.

16. Fixed assets

Presented as:

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|---------------------------|-------------------|-------------------|
| Fixed assets | 21,159,138,731.39 | 17,392,953,868.76 |
| Disposals of fixed assets | 20,918,480.62 | 131,670.93 |
| Total | 21,180,057,212.01 | 17,393,085,539.69 |

(1) Fixed assets:

| Items | Houses and buildings | Production equipment | Transportation equipment |
|--|----------------------|----------------------|--------------------------|
| I. Original book value: | | | |
| 1. Opening balance | 9,409,485,291.38 | 19,106,141,336.85 | 233,824,748.01 |
| 2. Increase for the current period | | | |
| (1) Acquisition | 23,447,248.82 | 1,071,129,154.78 | 3,723,390.92 |
| (2) Construction in progress transferred in | 1,286,439,909.03 | 3,786,036,511.30 | 28,570,339.77 |
| (3) Increase in business combinations | 1,201,525,645.96 | 1,243,238,008.35 | 22,678,608.29 |
| 3. Decrease for the current period | | | |
| (1) Disposal or Write-off | 301,596,547.25 | 1,158,321,163.60 | 11,073,709.77 |
| (2) Disposal of subsidiary | 1,724,890,969.75 | 73,133,253.28 | 104,637,739.76 |
| (3) Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | 95,134,252.87 | 270,623,846.51 | 959,073.83 |

| | | | |
|--|------------------|-------------------|----------------|
| 5. Closing balance | 9,989,544,831.06 | 24,245,714,440.91 | 174,044,711.29 |
| II. Accumulated depreciation | | | |
| 1. Opening balance | 3,035,141,829.60 | 8,780,227,901.81 | 150,746,305.67 |
| 2. Increase for the current period | | | |
| (1) Provision | 469,488,408.16 | 2,146,912,490.25 | 22,549,550.51 |
| (2) Increase in business combinations | 411,084,804.78 | 767,277,667.58 | 18,209,827.16 |
| 3. Decrease for the current period | | | |
| (1) Disposal or write-off | 190,931,221.06 | 805,972,675.58 | 10,305,576.48 |
| (2) Disposal of subsidiary | 345,549,742.40 | 43,036,816.08 | 84,994,109.03 |
| (3) Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | 40,714,969.53 | 171,641,505.03 | 731,627.35 |
| 5. Closing balance | 3,419,949,048.61 | 11,017,050,073.01 | 96,937,625.18 |
| III. Impairment provision | | | |
| 1. Opening balance | 32,900,098.06 | 16,389,633.59 | 2,132.47 |
| 2. Increase for the current period | | | |
| (1) Provision | | 1,162,006.47 | |
| (2) Increase in business combinations | | 11,173,362.41 | 78,041.40 |
| 3. Decrease for the current period | | | |
| (1) Disposal or write-off | 24,667.42 | 15,302,429.38 | |
| (2) Disposal of subsidiary | | | |
| (3) Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | 1,586,050.12 | 1,132,870.46 | 443.35 |
| 5. Closing balance | 34,461,480.76 | 14,555,443.55 | 80,617.22 |
| IV. Book Value | | | |
| 1. Closing book value | 6,535,134,301.69 | 13,214,108,924.35 | 77,026,468.89 |
| 2. Opening book value | 6,341,443,363.72 | 10,309,523,801.45 | 83,076,309.87 |

(Continued)

| Items | Office furniture | Other | Total |
|------------------------------------|------------------|----------------|-------------------|
| I. Original book value | | | |
| 1. Opening balance | 542,107,498.50 | 868,842,406.68 | 30,160,401,281.42 |
| 2. Increase for the current period | | | |

| | | | |
|--|----------------|------------------|-------------------|
| (1) Acquisition | 52,179,903.63 | 73,567,454.34 | 1,224,047,152.49 |
| (2) Construction in progress transferred in | 216,107,457.35 | 409,114,176.26 | 5,726,268,393.71 |
| (3) Increase in business combinations | 90,074,385.54 | 957,196,919.46 | 3,514,713,567.60 |
| 3. Decrease for the current period | | | |
| (1) Disposal or write-off | 49,955,532.64 | 58,894,620.17 | 1,579,841,573.43 |
| (2) Disposal of subsidiary | 97,339.00 | 21,999,944.53 | 1,924,759,246.32 |
| (3) Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | 12,599,005.34 | 38,739,187.63 | 418,055,366.18 |
| 5. Closing balance | 863,015,378.72 | 2,266,565,579.67 | 37,538,884,941.65 |
| II. Accumulated depreciation | | | |
| 1. Opening balance | 313,806,904.89 | 434,317,723.31 | 12,714,240,665.28 |
| 2. Increase for the current period | | | |
| (1) Provision | 93,033,696.61 | 169,092,878.33 | 2,901,077,023.86 |
| (2) Increase in business combinations | 69,487,786.57 | 801,340,846.87 | 2,067,400,932.96 |
| 3. Decrease for the current period | | | |
| (1) Disposal or write-off | 45,809,833.57 | 50,817,884.48 | 1,103,837,191.17 |
| (2) Disposal of subsidiary | 44,427.64 | 12,213,225.36 | 485,838,320.51 |
| (3) Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | 7,926,543.47 | 4,949,375.84 | 225,964,021.22 |
| 5. Closing balance | 438,400,670.33 | 1,346,669,714.51 | 16,319,007,131.64 |
| III. Impairment provision | | | |
| 1. Opening balance | 153,069.07 | 3,761,814.19 | 53,206,747.38 |
| 2. Increase for the current period | | | |
| (1) Provision | | 166,128.98 | 1,328,135.45 |
| (2) Increase in business combinations | 368,626.92 | 7,836,596.29 | 19,456,627.02 |
| 3. Decrease for the current period | | | |
| (1) Disposal or write-off | 110,338.31 | 424,894.88 | 15,862,329.99 |
| (2) Disposal of subsidiary | | | |
| (3) Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | -342,685.06 | 233,219.89 | 2,609,898.76 |

| | | | |
|-----------------------|----------------|----------------|-------------------|
| 5. Closing balance | 68,672.62 | 11,572,864.47 | 60,739,078.62 |
| IV. Book Value | | | |
| 1. Closing book value | 424,546,035.77 | 908,323,000.69 | 21,159,138,731.39 |
| 2. Opening book value | 228,147,524.54 | 430,762,869.18 | 17,392,953,868.76 |

(2) In the current period, the balance of the construction in progress transferred to the original value of the fixed assets in a total of RMB 5,726,268,393.71.

(3) The amount of fixed assets mortgage at the end of the period is RMB 54,750,632.82.

(4) Disposals of fixed assets

| Items | Closing balance | Opening balance | Reason for transferring to disposal |
|---------------------------------------|-----------------|-----------------|-------------------------------------|
| Relocation of Qingdao Industrial Park | 20,918,480.62 | | Demolition |
| Others | | 131,670.93 | Scrap cleanup |
| Total | 20,918,480.62 | 131,670.93 | |

17. Construction in progress

Presented as

☒Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|--------------------------|------------------|------------------|
| Construction in progress | 2,391,364,659.97 | 3,873,648,086.10 |
| Construction materials | | |
| Total | 2,391,364,659.97 | 3,873,648,086.10 |

Construction in progress

(1) . Details of construction in progress

☒Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing Balance | | | Opening balance | | |
|------------------------------|-----------------|----------------------|----------------|-----------------|----------------------|----------------|
| | Book balance | Impairment provision | Book Value | Book balance | Impairment provision | Book Value |
| Zhengzhou New Energy Project | 339,598,483.94 | | 339,598,483.94 | 28,345,188.02 | | 28,345,188.02 |
| America GEA | 301,439,928.75 | 34,061,569.61 | 267,378,359.14 | 328,202,831.68 | 23,930,767.80 | 304,272,063.88 |

| Items | Closing Balance | | | Opening balance | | |
|--|-----------------|----------------------|----------------|-----------------|----------------------|----------------|
| | Book balance | Impairment provision | Book Value | Book balance | Impairment provision | Book Value |
| Project | | | | | | |
| Qingdao Appliance Equipment Project | 236,539,836.43 | | 236,539,836.43 | 51,044,968.22 | | 51,044,968.22 |
| Qingdao Washing Appliance Project | 108,566,194.72 | | 108,566,194.72 | 352,667,044.20 | | 352,667,044.20 |
| Qingdao Special Refrigeration Appliances Project | 101,448,249.30 | | 101,448,249.30 | 409,431,912.37 | | 409,431,912.37 |
| New Zealand FPA Project | 83,150,746.03 | | 83,150,746.03 | 113,126,924.77 | | 113,126,924.77 |
| Haier Vietnam Project | 82,951,773.11 | | 82,951,773.11 | 31,642,712.64 | | 31,642,712.64 |
| Laiyang Smart Kitchen Project | 81,387,700.67 | | 81,387,700.67 | 64,617,334.97 | | 64,617,334.97 |
| Haier Smart Home Project | 65,367,920.02 | | 65,367,920.02 | 37,655,076.18 | | 37,655,076.18 |
| Haier Air Conditioning Electronics Project | 61,168,160.86 | | 61,168,160.86 | 14,567,091.58 | | 14,567,091.58 |
| Shunde Washing Machine Project | 47,121,073.88 | | 47,121,073.88 | 12,298,279.28 | | 12,298,279.28 |
| Tianjin Ririxin Project | 45,468,458.70 | | 45,468,458.70 | 386,754,022.65 | | 386,754,022.65 |
| Europe CANDY Project | 44,645,629.53 | | 44,645,629.53 | | | |
| Jiaonan Washing Machine Project | 38,432,444.33 | | 38,432,444.33 | 20,459,333.68 | | 20,459,333.68 |
| Qingdao Haier Technology Project | 36,834,016.09 | | 36,834,016.09 | 3,308,697.00 | | 3,308,697.00 |
| Haier Dishwasher Project | 33,102,507.96 | | 33,102,507.96 | 53,552,923.14 | | 53,552,923.14 |
| Haier India Project | 32,308,143.64 | | 32,308,143.64 | 4,465,258.67 | | 4,465,258.67 |
| Hefei Refrigerator Project | 32,162,988.77 | | 32,162,988.77 | 54,798,396.31 | | 54,798,396.31 |
| Hefei Roller Project | 29,722,701.93 | | 29,722,701.93 | 97,615,033.96 | | 97,615,033.96 |
| Chongqing Washing Machine Project | 28,878,806.80 | | 28,878,806.80 | 9,581,587.73 | | 9,581,587.73 |
| Goodaymart Logistics Supply | | | | 522,865,557.84 | | 522,865,557.84 |

| Items | Closing Balance | | | Opening balance | | |
|---------------|------------------|----------------------|------------------|------------------|----------------------|------------------|
| | Book balance | Impairment provision | Book Value | Book balance | Impairment provision | Book Value |
| Chain Project | | | | | | |
| Others | 595,130,464.12 | | 595,130,464.12 | 1,300,578,679.01 | | 1,300,578,679.01 |
| Total | 2,425,426,229.58 | 34,061,569.61 | 2,391,364,659.97 | 3,897,578,853.90 | 23,930,767.80 | 3,873,648,086.10 |

(2) Details of significant changes of construction in progress for the period

| Project name | Opening balance | Increase for the current period | Transfer to fixed assets | Other decrease | Converted difference in foreign currency statements | Closing balance | Source of fund |
|--|-----------------|---------------------------------|--------------------------|----------------|---|-----------------|----------------------------|
| Zhengzhou New Energy Project | 28,345,188.02 | 313,378,484.59 | 2,125,188.67 | | | 339,598,483.94 | Self-funding |
| America GEA Project | 328,202,831.68 | 694,422,909.43 | 726,201,306.31 | | 5,015,493.95 | 301,439,928.75 | Self-funding |
| Qingdao Appliance Equipment Project | 51,044,968.22 | 243,294,616.92 | 57,799,748.71 | | | 236,539,836.43 | Self-funding |
| QingdaoWashing Appliance Project | 352,667,044.20 | 314,040,873.32 | 558,141,722.80 | | | 108,566,194.72 | Self-funding |
| Qingdao Special Refrigeration Appliances Project | 409,431,912.37 | 157,782,381.03 | 465,766,044.10 | | | 101,448,249.30 | Self-funding/ fund raising |
| New Zealand FPA Project | 113,126,924.77 | 212,010,877.08 | 245,399,257.83 | | 3,412,202.01 | 83,150,746.03 | Self-funding |
| Haier Vietnam Project | 31,642,712.64 | 68,629,934.80 | 17,320,874.33 | | | 82,951,773.11 | Self-funding/ fund raising |

| | | | | | | | |
|--|----------------|----------------|----------------|--|---------------|---------------|----------------------------|
| Laiyang Smart Kitchen Project | 64,617,334.97 | 184,717,633.76 | 167,947,268.06 | | | 81,387,700.67 | Self-funding/ fund raising |
| Haier Smart Home Project | 37,655,076.18 | 112,318,504.96 | 84,605,661.12 | | | 65,367,920.02 | Self-funding |
| Haier Air Conditioning Electronics Project | 14,567,091.58 | 158,429,909.27 | 111,828,839.99 | | | 61,168,160.86 | Self-funding |
| Shunde Washing Machine Project | 12,298,279.28 | 104,840,053.32 | 70,017,258.72 | | | 47,121,073.88 | Self-funding |
| Tianjin Ririxin Project | 386,754,022.65 | 253,792,027.85 | 595,077,591.80 | | | 45,468,458.70 | Self-funding |
| Europe CANDY Project | | 100,122,460.65 | 51,129,737.42 | | -4,347,093.70 | 44,645,629.53 | Self-funding |
| Jiaonan Washing Machine Project | 20,459,333.68 | 65,223,799.19 | 47,250,688.54 | | | 38,432,444.33 | Self-funding |
| Qingdao Haier Technology Project | 3,308,697.00 | 41,158,161.89 | 7,632,842.80 | | | 36,834,016.09 | Self-funding/ fund raising |
| Haier Dishwasher Project | 53,552,923.14 | 54,355,778.11 | 74,806,193.29 | | | 33,102,507.96 | Self-funding |
| Haier India Project | 4,465,258.67 | 48,547,293.81 | 20,484,953.12 | | -219,455.72 | 32,308,143.64 | Self-funding/ fund raising |
| Hefei Refrigerator Project | 54,798,396.31 | 62,659,813.36 | 85,295,220.90 | | | 32,162,988.77 | Self-funding |
| Hefei Roller Project | 97,615,033.96 | 61,070,131.61 | 128,962,463.64 | | | 29,722,701.93 | Self-funding |
| Chongqing Washing Machine Project | 9,581,587.73 | 56,745,414.37 | 37,448,195.30 | | | 28,878,806.80 | Self-funding |

| | | | | | | | |
|--|------------------|------------------|------------------|----------------|---------------|------------------|-----------------------------------|
| Goodaymart Logistics Supply Chain Project | 522,865,557.84 | 179,085,288.22 | 76,884,092.94 | 625,066,753.12 | | | Self-fundin g |
| Others | 1,300,578,679.01 | 1,388,433,554.42 | 2,094,143,243.32 | 6,777,677.96 | 7,039,151.97 | 595,130,464.12 | Self-fundin g/ fund raising |
| Total | 3,897,578,853.90 | 4,875,059,901.96 | 5,726,268,393.71 | 631,844,431.08 | 10,900,298.51 | 2,425,426,229.58 | |

(3) Impairment provision of construction in progress

| Project name | Opening balance | Increase for the current period | Transfer to fixed assets | Other decrease | Exchange differences | Closing Balance |
|---------------------|-----------------|---------------------------------|--------------------------|----------------|----------------------|-----------------|
| America GEA project | 23,930,767.80 | 9,619,271.50 | | | 511,530.31 | 34,061,569.61 |

18. Right- of-use assets

| Items | Houses and buildings | Production equipment | Transportation equipment |
|--|----------------------|----------------------|--------------------------|
| I. Original book value: | | | |
| 1. Opening balance | | | |
| 2. Amount recognized by implementing the new lease standard as at 1 January 2019 | 2,803,521,203.21 | 422,710.95 | 1,681,046.92 |
| 3. Increase for the current period | | | |
| (1) Increase | 1,201,809,861.10 | 36,889,375.43 | 165,310,476.87 |
| 4. Decrease for the current period | | | |
| (1) Disposal | 14,822,083.87 | 6,920,230.24 | 1,793,938.21 |
| (2) Disposal subsidiary | 1,209,045,826.53 | | |
| 5. Converted difference in foreign currency statements | 35,686,867.25 | 373,843.46 | 3,327,205.99 |
| 6. Closing balance | 2,817,150,021.16 | 30,765,699.60 | 168,524,791.57 |
| II. Accumulated amortization | | | |
| 1. Opening balance | | | |
| 2. Increase in the current period | | | |
| (1) Provision | 701,845,646.75 | 4,688,682.05 | 55,307,542.17 |
| 3. Decrease for the current period | | | |
| (1) Disposal | 11,099,423.28 | 179,908.03 | 1,700,856.25 |
| (2) Disposal subsidiary | 226,376,405.85 | | |
| 4. Converted difference in foreign | 5,987,911.03 | 51,078.94 | 1,016,098.60 |

| | | | |
|--|------------------|---------------|----------------|
| currency statements | | | |
| 5. Closing balance | 470,357,728.65 | 4,559,852.96 | 54,622,784.52 |
| III. Impairment provision | | | |
| 1. Opening balance | | | |
| 2. Increase in the current period | | | |
| (1) Provision | | | |
| 3. Decrease for the current period | | | |
| (1) Disposal | | | |
| (2) Disposal subsidiary | | | |
| 4. Converted difference in foreign currency statements | | | |
| 5. Closing balance | | | |
| IV. Book Value | | | |
| 1. Closing book balance | 2,346,792,292.51 | 26,205,846.64 | 113,902,007.05 |
| 2. Opening book balance | | | |

(Continued)

| Items | Office furniture | Other | Total |
|--|------------------|----------------|------------------|
| I. Original book value: | | | |
| 1. Opening balance | | | |
| 2. Amount recognized by implementing the new lease standard as at 1 January 2019 | 14,242,945.45 | 222,410,822.43 | 3,042,278,728.96 |
| 3. Increase for the current period | | | |
| (1) Increase | 46,828,190.32 | 82,504,809.71 | 1,533,342,713.43 |
| 4. Decrease for the current period | | | |
| (1) Disposal | 680,486.76 | | 24,216,739.08 |
| (2) Disposal subsidiary | | | 1,209,045,826.53 |
| 5. Converted difference in foreign currency statements | 604,709.03 | 4,662,346.92 | 44,654,972.65 |
| 6. Closing balance | 60,995,358.04 | 309,577,979.06 | 3,387,013,849.43 |
| II. Accumulated amortization | | | |
| 1. Opening balance | | | |
| 2. Increase in the current period | | | |
| (1) Provision | 12,269,302.08 | 89,627,078.60 | 863,738,251.65 |
| 3. Decrease for the current period | | | |
| (1) Disposal | 680,486.76 | | 13,660,674.32 |

| | | | |
|--|---------------|----------------|------------------|
| (2)Disposal subsidiary | | | 226,376,405.85 |
| 4. Converted difference in foreign currency statements | 97,818.94 | 1,093,168.85 | 8,246,076.36 |
| 5.Closing balance | 11,686,634.26 | 90,720,247.45 | 631,947,247.84 |
| III.Impairment provision | | | |
| 1.Opening balance | | | |
| 2.Increase in the current period | | | |
| (1)Provision | | | |
| 3.Decrease for the current period | | | |
| (1)Disposal | | | |
| (2)Disposal subsidiary | | | |
| 4. Converted difference in foreign currency statements | | | |
| 5.Closing balance | | | |
| IV.Book Value | | | |
| 1.Closing book balance | 49,308,723.78 | 218,857,731.61 | 2,755,066,601.59 |
| 2.Opening book balance | | | |

19. Intangible assets

| Items | Proprietary technology | Licenses and franchises | Land use rights |
|--|------------------------|-------------------------|------------------|
| I.Original book value | | | |
| 1.Opening balance | 1,593,770,408.63 | 3,920,820,151.59 | 2,091,181,628.34 |
| 2.Increase for the current period | | | |
| (1)Purchase | 27,797,247.75 | 139,955,824.87 | 280,127,958.21 |
| (2)Internal research and development | 121,806,942.09 | | |
| (3)Increase in business combination | | 74,964,393.70 | |
| 3.Decrease for the current period | | | |
| (1)Disposal | | | 16,900,000.00 |
| (2)Disposal subsidiary | | | 1,168,593,346.59 |
| (3)Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | 33,642,700.48 | 75,751,579.50 | 6,143,758.90 |
| 5.Closing balance | 1,777,017,298.95 | 4,211,491,949.66 | 1,191,959,998.86 |
| II. Accumulated amortization | | | |

| | | | |
|--|------------------|------------------|------------------|
| 1. Opening balance | 543,957,689.12 | 267,235,743.09 | 223,598,592.85 |
| 2. Increase in the current period | | | |
| (1) Provision | 164,299,865.25 | 112,072,885.23 | 34,099,717.37 |
| (2) Increase in business combination | | 69,361,531.36 | |
| 3. Decrease for the current period | | | |
| (1) Disposal | | | 13,683,813.66 |
| (2) Disposal subsidiary | | | 98,877,050.16 |
| (3) Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | 27,422,911.12 | 3,101,289.72 | -117,344.31 |
| 5. Closing balance | 735,680,465.49 | 451,771,449.40 | 145,020,102.09 |
| III. Impairment provision | | | |
| 1. Opening balance | | | |
| 2. Increase in the current period | | | |
| (1) Provision | | | |
| (2) Increase in business combination | | | |
| 3. Decrease for the current period | | | |
| (1) Disposal | | | |
| (2) Disposal subsidiary | | | |
| (3) Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | | | |
| 5. Closing balance | | | |
| IV. Book Value | | | |
| 1. Closing book balance | 1,041,336,833.46 | 3,759,720,500.26 | 1,046,939,896.77 |
| 2. Opening book balance | 1,049,812,719.51 | 3,653,584,408.50 | 1,867,583,035.49 |

(Continued)

| Items | Trademark rights | Application management software and others | Total |
|---------------------------------------|------------------|--|-------------------|
| I. Original book value | | | |
| 1. Opening balance | 1,251,997,712.00 | 2,392,063,712.92 | 11,249,833,613.48 |
| 2. Increase in the current period | | | |
| (1) Purchase | | 242,206,243.67 | 690,087,274.50 |
| (2) Internal research and development | | 668,854,327.50 | 790,661,269.59 |

| | | | |
|--|------------------|------------------|-------------------|
| (3)Increase in business combination | 1,450,931,500.84 | 394,596,528.99 | 1,920,492,423.53 |
| 3.Decrease for the current period | | | |
| (1)Disposal | | 19,581,338.92 | 36,481,338.92 |
| (2)Disposal subsidiary | | 84,825,663.51 | 1,253,419,010.10 |
| (3)Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | 18,714,088.63 | 11,500,459.26 | 145,752,586.77 |
| 5.Closing balance | 2,721,643,301.47 | 3,604,814,269.91 | 13,506,926,818.85 |
| II.Accumulated amortization | | | |
| 1.Opening balance | | 958,761,822.54 | 1,993,553,847.60 |
| 2.Increase in the current period | | | |
| (1)Provision | | 476,041,161.72 | 786,513,629.57 |
| (2) Increase in business combination | | 59,442,201.25 | 128,803,732.61 |
| 3.Decrease for the current period | | | |
| (1)Disposal | | 14,967,018.80 | 28,650,832.46 |
| (2)Disposal subsidiary | | 19,996,802.48 | 118,873,852.64 |
| (3)Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | | 18,136,546.61 | 48,543,403.14 |
| 5.Closing balance | | 1,477,417,910.84 | 2,809,889,927.82 |
| III. Impairment provision | | | |
| 1.Opening balance | | 9,965,107.96 | 9,965,107.96 |
| 2.Increase in the current period | | | |
| (1)Provision | | | |
| (2) Increase in business combination | | | |
| 3.Decrease for the current period | | | |
| (1)disposal | | | |
| (2)Disposal subsidiary | | | |
| (3)Transfer to hold for sale | | | |
| 4. Converted difference in foreign currency statements | | | |
| 5.Closing balance | | 9,965,107.96 | 9,965,107.96 |
| IV.Book Value | | | |
| 1.Closing book balance | 2,721,643,301.47 | 2,117,431,251.11 | 10,687,071,783.07 |

| | | | |
|-------------------------|------------------|------------------|------------------|
| 2. Opening book balance | 1,251,997,712.00 | 1,423,336,782.42 | 9,246,314,657.92 |
|-------------------------|------------------|------------------|------------------|

At the end of the period, the intangible assets developed through the Company accounted for the 15.48% of the original value at the end of the period.

20. Development cost

| Items | Opening balance | Increase for the period | Decrease for the current period | | Converted difference in foreign currency statements | Closing balance |
|----------------------|-----------------|-------------------------|---------------------------------|-------------------------------------|---|-----------------|
| | | | Recognized as intangible asset | Included in current profit and loss | | |
| 91ABD.ERP IT Program | 508,299,234.90 | 188,142,702.43 | 600,956,372.36 | | 3,325,584.51 | 98,811,149.48 |
| Others | 30,083,053.43 | 398,637,292.69 | 189,704,897.23 | 142,698,543.83 | -1,842,277.44 | 94,474,627.62 |
| Total | 538,382,288.33 | 586,779,995.12 | 790,661,269.59 | 142,698,543.83 | 1,483,307.07 | 193,285,777.10 |

21. Goodwill

| Items | Opening balance | Increase for the current period | Decrease for the current period | Impact of fluctuation in exchange rate for the current period | Closing balance |
|-------|-------------------|---------------------------------|---------------------------------|---|-------------------|
| GEA | 20,390,297,236.59 | | | 334,639,841.98 | 20,724,937,078.57 |
| Candy | | 2,009,282,064.54 | | 22,747,919.83 | 2,032,029,984.37 |
| Other | 848,429,790.58 | | 264,693,523.97 | 11,026,483.80 | 594,762,750.41 |
| Total | 21,238,727,027.17 | 2,009,282,064.54 | 264,693,523.97 | 368,414,245.61 | 23,351,729,813.35 |

In the case of a goodwill impairment test, the Group compares the carrying amount of the relevant asset group or asset group combination (including goodwill) with its recoverable amount. If the recoverable amount is less than the book value, corresponding difference will be recognized in current profit or loss.

The recoverable amount of the asset group (including goodwill) is calculated with discounted estimated future cash flow method based on a management-approved 5-10 years budget. Future cash flows beyond the budget period are estimated using the estimated perpetual annual growth rate. The perpetual annual growth rate (mainly 2%) adopted by the management is consistent with industry forecast data and does not exceed the long-term average growth rate of each product. The management determines the income growth rate (mainly 2.50%-14.39%) and the EBITDA profit margin (mainly 2.22%-6.21%) based on historical experience and market development forecasts, and adopts the pre-tax interest rate that can reflect the specific risks of the relevant asset group as the discount rate (mainly 9.83%-11.12%). The management analyzes the recoverable amount of each asset group based on these assumptions and believes that there is no need to make provision for goodwill.

22. 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 | 7,220,921.67 | 224,414,494.62 | 59,402,549.85 | | | 172,232,866.44 |
| Improvement on leased property | 167,271,750.21 | 91,946,257.44 | 37,429,178.82 | 26,955,249.37 | 1,880,760.03 | 196,714,339.49 |
| Others | 57,019,641.27 | 39,930,242.34 | 13,302,785.14 | 15,009,725.93 | 2,334.11 | 68,639,706.65 |
| Total | 231,512,313.15 | 356,290,994.40 | 110,134,513.81 | 41,964,975.30 | 1,883,094.14 | 437,586,912.58 |

23. Deferred income tax assets/deferred income tax liabilities**(1) Deferred income tax assets before elimination**

| Items | Closing balance | Opening balance |
|--|------------------|------------------|
| Provision for assets impairment | 330,149,872.25 | 242,019,596.69 |
| Liabilities | 1,638,698,620.85 | 1,450,174,770.92 |
| Internal unrealized earnings eliminated due to combination | 648,447,634.39 | 464,499,951.47 |
| Government grants | 104,843,341.38 | 34,135,441.99 |
| Uncovered losses | 644,817,113.91 | 545,335,444.16 |
| Others | 97,140,142.95 | 88,784,075.68 |
| Total | 3,464,096,725.73 | 2,824,949,280.91 |

(2) Deferred income tax liabilities before elimination

| Items | Closing balance | Opening balance |
|---|------------------|------------------|
| Disposal of subsidiaries and movement in investment in other equity instruments | 752,137,954.24 | 94,972,688.60 |
| Withholding income tax of overseas enterprises | 77,190,532.32 | 77,190,532.32 |
| Difference between the tax base of the assets formed from mergers and acquisitions and depreciation | 2,063,021,233.00 | 1,146,845,953.67 |
| Changes of the fair value | 6,607,767.41 | 4,416,607.36 |
| Others | 140,650,641.75 | 84,764,197.15 |

| | | |
|-------|------------------|------------------|
| Total | 3,039,608,128.72 | 1,408,189,979.10 |
|-------|------------------|------------------|

(3) The deferred income tax assets and the deferred income tax liabilities eliminated at the end of the period was RMB 1,885,194,833.00.

24. Other non-current assets

| Items | Closing balance | Opening balance |
|------------------------------------|------------------|------------------|
| Prepayments for equipment and land | 1,423,060,146.73 | 2,118,776,080.19 |
| Other | 420,704,819.08 | 211,912,902.37 |
| Total | 1,843,764,965.81 | 2,330,688,982.56 |

25. Short-term borrowings

☒Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|-----------------------------------|------------------|------------------|
| Borrowings - secured by pledge | 172,099,117.93 | 359,230,849.08 |
| Borrowings - secured by mortgage | 68,231,758.92 | 46,843,046.04 |
| Borrowings - secured by guarantor | 3,505,822,164.08 | 3,983,541,155.25 |
| Borrowings - unsecured | 4,838,896,196.25 | 1,908,889,842.20 |
| Total | 8,585,049,237.18 | 6,298,504,892.57 |

26. Financial liabilities held for trading

| Items | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Forward foreign exchange trading contracts | 42,799,173.35 | 211,934,956.99 |
| Forward foreign exchange option | | 6,813,323.34 |
| Total | 42,799,173.35 | 218,748,280.33 |

27. Derivative financial liabilities

☒Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Forward foreign exchange trading contracts | 85,557,428.14 | 24,384,482.19 |
| Forward commodity contracts | | 11,219,272.35 |

| | | |
|------------------------------|---------------|---------------|
| Interest rate swap agreement | 13,991,425.83 | |
| Total | 99,548,853.97 | 35,603,754.54 |

28. Bills payable√Applicable ☐Not Applicable

Unit and Currency: RMB

| Categories | Closing balance | Opening balance |
|----------------------------|-------------------|-------------------|
| Commercial acceptance bill | 2,237,116,468.45 | 2,402,746,892.66 |
| Bank acceptance bill | 17,071,422,308.47 | 17,635,269,447.02 |
| Total | 19,308,538,776.92 | 20,038,016,339.68 |

29. Accounts payable√Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|------------------|-------------------|-------------------|
| Accounts payable | 33,750,567,046.28 | 27,899,496,560.29 |
| Total | 33,750,567,046.28 | 27,899,496,560.29 |

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

30. Receipts in advance√Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|---------------------|-----------------|-----------------|
| Receipts in advance | | 14,681,466.58 |
| Total | | 14,681,466.58 |

31. Contract liabilities√Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|----------------------|------------------|------------------|
| Contract liabilities | 5,583,008,412.49 | 5,518,079,019.27 |
| Total | 5,583,008,412.49 | 5,518,079,019.27 |

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

32. Payables for staff's remuneration**(1) Payables for staff's remuneration**

√Applicable □Not Applicable

Unit and Currency: RMB

| Items | Opening balance | Increase for the current period | Decrease for the current period | Closing balance |
|--|------------------|---------------------------------|---------------------------------|------------------|
| I.Short-term remuneration | 2,477,228,146.12 | 20,931,781,705.29 | 20,430,379,570.90 | 2,978,630,280.51 |
| II.Post-employment benefits: defined contribution plan | 26,305,532.76 | 1,606,917,761.44 | 1,606,143,308.75 | 27,079,985.45 |
| III.Termination benefits | 14,228,664.47 | 17,332,826.34 | 21,743,302.40 | 9,818,188.41 |
| IV.Other benefits due in one year | 157,208,407.21 | 35,845,029.40 | 53,009,473.68 | 140,043,962.93 |
| Total | 2,674,970,750.56 | 22,591,877,322.47 | 22,111,275,655.73 | 3,155,572,417.30 |

(2) Short-term remuneration

√Applicable □Not Applicable

Unit and Currency: RMB

| Items | Opening balance | Increase for the current period | Decrease for the current period | Closing balance |
|---|------------------|---------------------------------|---------------------------------|------------------|
| I.Salaries, bonus, allowances and benefit | 1,505,598,351.67 | 15,439,290,305.52 | 14,988,259,905.69 | 1,956,628,751.50 |
| II.Employee welfare | 291,304,655.82 | 412,290,047.70 | 404,801,520.38 | 298,793,183.14 |
| III.Social benefit | 158,180,551.65 | 1,518,175,632.72 | 1,530,383,961.22 | 145,972,223.15 |
| IV.Housing fund | 6,138,737.72 | 364,734,779.82 | 369,134,487.46 | 1,739,030.08 |
| V.Labor union fee and education fund | 3,784,144.36 | 90,317,353.70 | 92,852,458.09 | 1,249,039.97 |
| VI.Short-term compensated leave | 233,150,647.10 | 282,603,440.62 | 269,208,976.89 | 246,545,110.83 |
| VII.Others | 279,071,057.80 | 2,824,370,145.21 | 2,775,738,261.17 | 327,702,941.84 |
| Total | 2,477,228,146.12 | 20,931,781,705.29 | 20,430,379,570.90 | 2,978,630,280.51 |

(3) Defined contribution plan:

√Applicable □Not Applicable

Unit and Currency: RMB

| Items | Opening balance | Increase for the current period | Decrease for the current period | Closing balance |
|-------|-----------------|---------------------------------|---------------------------------|-----------------|
|-------|-----------------|---------------------------------|---------------------------------|-----------------|

| | | | | |
|------------------------------|---------------|------------------|------------------|---------------|
| 1.Basic pension insurance | 25,824,577.94 | 1,554,901,145.01 | 1,554,184,887.00 | 26,540,835.95 |
| 2.Unemployment insurance | 292,043.93 | 28,852,437.86 | 28,876,101.71 | 268,380.08 |
| 3.Enterprise annuity payment | 188,910.89 | 23,164,178.57 | 23,082,320.04 | 270,769.42 |
| Total | 26,305,532.76 | 1,606,917,761.44 | 1,606,143,308.75 | 27,079,985.45 |

(4) Termination benefits

| Items | Closing balance | Opening balance |
|--------------------------|-----------------|-----------------|
| Termination compensation | 9,818,188.41 | 14,228,664.47 |
| Total | 9,818,188.41 | 14,228,664.47 |

33. Taxes payable

√Applicable □Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|---|------------------|------------------|
| Value-added tax | 606,034,986.30 | 444,632,639.90 |
| Corporate income tax | 1,278,004,157.85 | 1,187,320,453.29 |
| Individual income tax | 12,703,998.50 | 79,292,028.99 |
| City maintenance and construction tax | 57,716,819.31 | 2,600,755.51 |
| Education surcharge | 5,473,294.35 | 3,919,326.90 |
| The electrical and electronic products waste treatment fund | 102,288,068.00 | 67,359,180.79 |
| Other taxes | 54,835,056.73 | 61,175,101.44 |
| Total | 2,117,056,381.04 | 1,846,299,486.82 |

34. Other payables

Presented as

√Applicable □Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|-------------------|-------------------|-------------------|
| Interest payable | 49,395,752.93 | 104,522,208.28 |
| Dividends payable | 145,851,115.28 | 168,425,466.85 |
| Other payables | 14,961,145,653.61 | 12,497,210,549.37 |
| Total | 15,156,392,521.82 | 12,770,158,224.50 |

(1) Interest payable:

| Items | Closing balance | Opening balance |
|-----------------------------------|-----------------|-----------------|
| Interest on long-term borrowings | 22,160,847.23 | 57,626,542.89 |
| Interest on short-term borrowings | 27,234,905.70 | 46,895,665.39 |
| Total | 49,395,752.93 | 104,522,208.28 |

(2) Dividends payable:

| Name of unit | Closing balance | Opening balance |
|-------------------------|-----------------|-----------------|
| Brave Lion (HK) limited | 122,756,874.10 | 122,756,874.10 |
| Others | 23,094,241.18 | 45,668,592.75 |
| Total | 145,851,115.28 | 168,425,466.85 |

(3) Other payables:

| Items | Closing balance | Opening balance |
|----------------|-------------------|-------------------|
| Other payables | 14,961,145,653.61 | 12,497,210,549.37 |
| Total | 14,961,145,653.61 | 12,497,210,549.37 |

The closing balance mainly included the incurred but unpaid costs.

35. Liabilities held-for-sale

☒Applicable ☐Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Liabilities of Shanghai Guangfulai Co., Ltd.(上海广富来有限公司) | | 32,362,267.88 |
| Total | | 32,362,267.88 |

36. 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 | 4,730,070,447.82 | 3,015,060,105.58 |
| Lease liabilities due within one year | 594,930,209.58 | |
| Estimated liabilities due within one year | 1,992,138,260.62 | 1,640,146,634.40 |
| Total | 7,317,138,918.02 | 4,655,206,739.98 |

37. Other current liabilities

√Applicable □Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|------------------------------|-----------------|-----------------|
| Payable refund | 486,038,304.57 | 402,932,170.91 |
| Tax amount to be written off | 6,284,243.87 | 22,023,598.68 |
| Others | 1,743,159.10 | 2,161,962.30 |
| Total | 494,065,707.54 | 427,117,731.89 |

38. Long-term borrowings

√Applicable □Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|--|-------------------|-------------------|
| Borrowings - secured by mortgage | 12,663,597.65 | 23,574,659.91 |
| Borrowings - secured by guarantor | 2,343,619,509.01 | 9,213,273,265.96 |
| Borrowings - unsecured | 8,877,523,705.58 | 90,511,272.46 |
| Borrowings - secured by guarantor and mortgage | 2,042,646,123.32 | 6,214,107,126.89 |
| Total | 13,276,452,935.56 | 15,541,466,325.22 |

Other explanations, including interest rate range:

√Applicable □Not Applicable

Interest rate on long-term borrowings – secured by guarantor is the one as provided in the agreement plus LIBOR.

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

Interest rate on offshore long-term borrowings – unsecured is the one as provided in the agreement plus LIBOR.

Interest rate on long-term borrowings – secured by mortgage is the one as provided in the agreement plus LIBOR.

39. Bonds payable

On 21 November 2017, Harvest International Company, the Company's wholly-owned subsidiary, issued a 5-year HK\$8 billion exchangeable corporate bond, coupon rate is zero and rate of return is 1%.

On 18 December 2018, the Company issued an RMB 3 billion convertible corporate bond. The convertible bond issued has a maturity of 6 years. The coupon rate is 0.2% in the first year, 0.5% in the second year, and 1.0% in the third year, 1.5% in the fourth year, 1.8% in the fifth year, and 2.0% in the

sixth year.

The bond was divided into liabilities and equities on initial recognition:

| Items | Exchangeable bond issued in 2017 | Convertible bonds issued in 2018 |
|--------------------------------------|-------------------------------------|-------------------------------------|
| Initial recognition: | 6,731,131,007.13 | 2,980,024,754.50 |
| Including: | | |
| Equities of the exchangeable bond | 431,424,524.07 | 473,061,264.64 |
| Liabilities of the exchangeable bond | 6,299,706,483.06 | 2,506,963,489.86 |

√ Applicable □ Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|---|------------------|------------------|
| Exchangeable corporate bonds issued in 2017 | 7,004,585,761.43 | 6,681,366,239.84 |
| Convertible corporate bonds issued in 2018 | | 2,510,530,062.86 |
| Total | 7,004,585,761.43 | 9,191,896,302.70 |

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

| Items | Opening balance | Increase in 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 | Redemption in the current period | Closing balance |
|----------------------------------|------------------|----------------------------|--|---|----------------------|--|----------------------------------|------------------|
| Exchangeable bond issued in 2017 | 6,681,366,239.84 | | 170,643,368.66 | | 152,576,152.93 | | | 7,004,585,761.43 |
| Exchangeable bond issued in 2018 | 2,510,530,062.86 | | 104,059,924.80 | | | 2,605,447,744.16 | 9,142,243.50 | |
| Total | 9,191,896,302.70 | | 274,703,293.46 | | 152,576,152.93 | 2,605,447,744.16 | 9,142,243.50 | 7,004,585,761.43 |

40. Lease liabilities

| Items | Closing balance | Opening balance |
|---------------------------|------------------|-----------------|
| Lease liabilities | 2,575,201,976.93 | |
| Less: due within one year | 594,930,209.58 | |
| Total | 1,980,271,767.35 | |

41. Long-term payables

| Items | Closing balance | Opening balance |
|--------------------------------------|-----------------|-----------------|
| Investment from CDB development fund | 93,000,000.00 | 93,000,000.00 |
| Others | 49,342,718.45 | 13,763,243.99 |
| Total | 142,342,718.45 | 106,763,243.99 |

According to 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 RMB 20 million in Qingdao Haier Refrigerator Co., Ltd., and RMB 73 million in Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited. China Development Fund Co. Ltd. earns 1.2% of the annual profits by means of dividends or repurchase at a premium. The Company and its subsidiaries will repurchase the investments above in 2020 to 2027.

42. Long-term employee benefits payable

✓ Applicable ☐ Not Applicable

(1) Long-term employee benefits payable

✓ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|---|------------------|-----------------|
| I.Post-employment benefits: net liability of defined benefit plan | 577,613,222.26 | 456,055,879.38 |
| II.Termination benefits | 324,191,428.30 | 230,752,405.39 |
| III. Other long-term benefits | | |
| IV.Provision for work-related injury compensation | 220,545,586.80 | 248,166,450.72 |
| Total | 1,122,350,237.36 | 934,974,735.49 |

(2) Defined benefit plan

Some subsidiaries of the Company have participated in several defined benefit plans, in which eligible employees are entitled to the retirement benefits as planned.

These plans are exposed to interest rate risks, changes in life expectancy of the beneficiary and other risks.

The actuarial valuation of the assets and the present value of defined benefit obligations under such plans are determined by using the Projected Unit Credit (PUC) method.

① The defined benefit plan of Haier Asia Co., Ltd., a subsidiary of the Company

Actuarial assumptions used to defined benefit plans

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

Present value of defined benefit obligations

| Items | Amount |
|--|----------------|
| I. Opening balance | 324,545,002.06 |
| II. Defined benefit cost recognized in current profit or loss | 10,911,836.54 |
| 1. Current service cost | 9,256,866.73 |
| 2. Past service cost | |
| 3. Settlement gains (loss indicated in '—') | |
| 4. Interest cost | 1,654,969.81 |
| III. Defined benefit cost recognized in other comprehensive income | -810,043.57 |
| 1. Actuarial loss (gain indicated in '—') | -810,043.57 |
| IV. Other changes | 117,799.76 |
| 1. The consideration paid at the time of settlement | |
| 2. Benefit paid | -11,324,991.52 |
| 3. Exchange differences | 11,442,791.28 |
| V. Closing balance | 334,764,594.79 |

Fair value of plan assets

| Items | Amount |
|--|----------------|
| I. Opening balance | 326,403,548.13 |
| II. Defined benefit cost recognized in current profit or loss | 6,467,103.23 |
| 1. Interest income | 6,467,103.23 |
| III. Defined benefit cost recognized in other comprehensive income | 16,685,608.79 |
| 1. Return on plan assets (except those included in net interests) | 16,685,608.79 |
| 2. Changes in impact of asset cap (except those included in net interests) | |
| IV. Other changes | 19,169,068.52 |
| 1. Employer contributions | 15,844,104.03 |
| 2. Benefit paid | -8,661,365.23 |
| 3. Exchange differences | 11,986,329.72 |
| V. Closing balance | 368,725,328.67 |

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 | -1,858,546.07 |
| II. Defined benefit cost recognized in current profit or loss | 4,444,733.31 |
| III. Defined benefit cost recognized in other comprehensive income | -17,495,652.36 |
| IV. Other changes | -19,051,268.76 |
| V. Closing balance | -33,960,733.88 |

The average term for the defined benefit obligation is 12.29 years at the balance sheet date.

②The defined benefit plan of Roper Corporation, a subsidiary of the Company

Roper Corporation, a subsidiary of the Company, has provided post-employment defined benefit plan of health care benefits to eligible employees.

Actuarial assumptions used in defined benefit plans

| Items | Rate |
|---------------|-------|
| Discount rate | 3.27% |

Present value of defined benefit obligations

| Items | Amount |
|--|----------------|
| I. Opening balance | 118,346,193.16 |
| II. Business combination not under common control | |
| III. Defined benefit cost recognized in current profit or loss | 7,716,462.39 |
| 1. Current service cost | 5,468,388.48 |
| 2. Past service cost | |
| 3. Settlement gains (loss indicated in '—') | |
| 4. Interest cost | 2,248,073.91 |
| IV. Defined benefit cost recognized in other comprehensive incomes | 17,710,854.84 |
| 1. Actuarial loss (gain indicated in '—') | 17,710,854.84 |
| V. Other changes | -5,166,490.02 |
| 1. The consideration paid at the time of settlement | |
| 2. Benefit paid | -7,336,037.78 |
| 3. Exchange differences | 2,169,547.76 |
| VI. Closing balance | 138,607,020.37 |

Net liability (net asset) of defined benefit plan

| Items | Amount |
|--|----------------|
| I. Opening balance | 118,346,193.16 |
| II. Business combination not under common control | |
| III. Defined benefit cost recognized in current profit or loss | 7,716,462.39 |
| IV. Defined benefit cost recognized in other comprehensive incomes | 17,710,854.84 |
| V. Other changes | -5,166,490.02 |
| VI. Closing balance | 138,607,020.37 |

The average term for the defined benefit obligation is 10.48 years at the balance sheet date.

③ The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company.

Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company, has provided post-retirement defined benefit plan of health care benefits for the eligible employees.

Actuarial assumptions used in defined benefit plans

| Items | Rate |
|---------------|-------|
| Discount rate | 3.06% |

Present value of defined benefit obligations

| Items | Amount |
|--|----------------|
| I. Opening balance | 326,812,839.04 |
| II. Business combination not under common control | |
| III. Defined benefit cost recognized in current profit or loss | 9,770,629.88 |
| 1. Current service cost | |
| 2. Past service cost | |
| 3. Settlement gains (loss indicated in '—') | |
| 4. Interest cost | 9,770,629.88 |
| IV. Defined benefit cost recognized in other comprehensive incomes | -1,862,059.88 |
| 1. Actuarial loss (gain indicated in '—') | -1,862,059.88 |
| V. Other changes | -24,684,542.64 |
| 1. The consideration paid at the time of settlement | |
| 2. Benefit paid | -29,797,968.63 |
| 3. Exchange differences | 5,113,425.99 |
| VI. Closing balance | 310,036,866.40 |

Net liability (net asset) of defined benefit plan

| Items | Amount |
|--|----------------|
| I. Opening balance | 326,812,839.04 |
| II. Business combination not under common control | |
| III. Defined benefit cost recognized in current profit or loss | 9,770,629.88 |
| IV. Defined benefit cost recognized in other comprehensive incomes | -1,862,059.88 |
| V. Other changes | -24,684,542.64 |
| VI. Closing balance | 310,036,866.40 |

④The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company.

Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company, has provided defined benefit plan of pension for the eligible employees.

Actuarial assumptions used in defined benefit plans

| Items | Rate |
|---------------|-------|
| Discount rate | 2.96% |

Present value of defined benefit obligations

| Items | Amount |
|--|----------------|
| I. Opening balance | 284,892,248.72 |
| II. Business combination not under common control | |
| III. Defined benefit cost recognized in current profit or loss | 10,352,886.72 |
| 1. Current service cost | |
| 2. Past service cost | |
| 3. Settlement gains (loss indicated in '—') | |
| 4. Interest cost | 10,352,886.72 |
| IV. Defined benefit cost recognized in other comprehensive incomes | 11,761,508.14 |
| 1. Actuarial loss (gain indicated in '—') | 11,761,508.14 |
| V. Other changes | -49,531,432.86 |
| 1. The consideration paid at the time of settlement | |
| 2. Benefits paid out | -53,834,549.18 |
| 3. Exchange differences | 4,303,116.32 |
| VI. Closing balance | 257,475,210.72 |

Fair value of plan assets

| Items | Amount |
|--------------------|----------------|
| I. Opening balance | 201,739,810.80 |

| | |
|--|----------------|
| II. Defined benefit cost recognized in current profit or loss | |
| 1. Interest income | |
| III. Defined benefit cost recognized in other comprehensive incomes | 7,857,265.95 |
| 1. Return on plan assets (except those included in net interests) | 7,857,265.95 |
| 2. Changes in impact of asset cap (except those included in net interests) | |
| IV. Other changes | -24,674,304.18 |
| 1. Employer contributions | 26,081,740.20 |
| 2. Benefits paid out | -53,834,549.18 |
| 3. Exchange differences | 3,078,504.80 |
| V. Closing balance | 184,922,772.57 |

Net liability (net asset) of defined benefit plan

| Items | Amount |
|---|----------------|
| I. Opening balance | 83,152,437.92 |
| II. Business combination not under common control | |
| III. Defined benefit cost recognized in current profit or loss | 10,352,886.72 |
| IV. Defined benefit cost recognized in other comprehensive income | 3,904,242.19 |
| V. Other changes | -24,857,128.68 |
| VI. Closing balance | 72,552,438.15 |

(3) Provision for work-related injury compensation

Haier U.S. Appliance Solutions, Inc. made a provision for the occupational injury claims filed by the injured due to production accidents starting from 1 January 1991. The provision was calculated by Beechercarlson Insurance Services, LLC., based on actuarial method. The discount rate used in the actuary is 3.72%.

| Items | Amount |
|---|----------------|
| I. Opening balance | 248,166,450.72 |
| II. Business combination not under common control | |
| III. Compensation recognized in current profit and loss | 88,336,691.42 |
| IV. Actual compensation paid | -78,439,355.15 |
| V. Other changes | -37,518,200.19 |
| VI. Closing balance | 220,545,586.80 |

Classification of the balance of defined benefit plan

| Items | Closing balance | Opening balance |
|-------|-----------------|-----------------|
|-------|-----------------|-----------------|

| | | |
|-------------------|----------------|----------------|
| Short-term salary | 84,527,455.18 | 89,343,078.64 |
| Long-term salary | 577,613,222.26 | 456,055,879.38 |
| Total | 662,140,677.44 | 545,398,958.02 |

43. Estimated liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Items | Opening balance | Closing balance |
|--|------------------|------------------|
| Active litigation | 17,830,624.07 | 19,619,840.35 |
| Others | 191,659.99 | 192,441,718.48 |
| Projection of three guarantees and installation fees | 1,188,593,257.89 | 1,186,816,187.50 |
| Total | 1,206,615,541.95 | 1,398,877,746.33 |

Projection of significant assumption and estimation relating to three guarantees and installation fees: the Company projected three guarantees and installation fees rate reasonably based on previous actual expense on three guarantees and installation fees as well as sales data. The company projected three guarantees and installation fees that are likely to be incurred going forward according to the requirements of three guarantees and installation policies of the Company as well as the actual sales data.

44. 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 | 643,551,987.30 | 203,322,115.82 | 141,601,486.02 | 705,272,617.10 |
| Total | 643,551,987.30 | 203,322,115.82 | 141,601,486.02 | 705,272,617.10 |

45. Other non-current liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|---|-----------------|------------------|
| Obligation of repurchasing the minority | 54,598,203.27 | 1,792,322,337.19 |

| | | |
|--------------------------|---------------|------------------|
| equity rights | | |
| Contingent consideration | | 5,705,307.28 |
| Others | 15,473,286.76 | 25,839,049.46 |
| Total | 70,071,490.03 | 1,823,866,693.93 |

46. Share capital

| Category | Opening balance | Increase for the current period | Decrease for the current period | Closing balance |
|---|-----------------|---------------------------------|---------------------------------|-----------------|
| I. Restricted shares | | | | |
| 1. State-owned shares | | | | |
| 2. Shares held by domestic non-state-owned legal entities | | | | |
| 3. Shares held by domestic individuals | | | | |
| 4. Shares held by offshore non-state-owned legal entities | | | | |
| II. Non-restricted shares | 6,368,416,700 | 211,149,927 | | 6,579,566,627 |
| 1. Ordinary shares in RMB | 6,097,402,727 | 211,149,927 | | 6,308,552,654 |
| 2. Domestic listed foreign Shares | | | | |
| 3. Offshore listed foreign Shares | 271,013,973 | | | 271,013,973 |
| 4. Others | | | | |
| III. Total shares | 6,368,416,700 | 211,149,927 | | 6,579,566,627 |

47. Other equity instruments

| Items | Opening balance | Increase for the current period | Decrease for the current period | Closing balance |
|-------------------------------------|-----------------|---------------------------------|---------------------------------|-----------------|
| Equity portion of exchangeable bond | 431,424,524.07 | | | 431,424,524.07 |
| Equity portion of convertible bond | 473,061,264.64 | | 473,061,264.64 | |
| Total | 904,485,788.71 | | 473,061,264.64 | 431,424,524.07 |

48. Capital reserve

√ Applicable □ Not Applicable

Unit and Currency: RMB

| Items | Opening balance | Increase for the current period | Decrease for the current period | Closing balance |
|---------------------------------|------------------|---------------------------------|---------------------------------|------------------|
| Capital premium (Share premium) | 1,602,447,419.64 | 3,230,127,891.51 | 1,196,402,517.09 | 3,636,172,794.06 |
| Other capital reserve | 849,219,638.01 | 42,199,128.76 | 91,700,715.36 | 799,718,051.41 |
| Total | 2,451,667,057.65 | 3,272,327,020.27 | 1,288,103,232.45 | 4,435,890,845.47 |

The main reasons for the change in share premium: ①the Company converted part of convertible bonds to shares in the current period, increasing the capital reserve of RMB 2,867,359,081.80; ②capital reserve increased RMB 22,539,602.81 due to the Company's adjustments to the expenses from issuance of D shares in the current period; ③acquisition of minority shareholding from subsidiaries in the current period and non-proportional capital injection in subsidiaries in the current period, increasing the share premium of RMB 340,229,206.90; reducing the share premium of RMB 1,196,402,517.09.

The main reasons for the change in other capital reserve: Changes on option expenses and other owner's equity of the investee accounted for using equity method, which results from proportionate movement of other capital reserve by the Company.

49. Other comprehensive income

| Items | Opening balance | Amounts for the current period | | | | | Closing balance |
|-------|-----------------|----------------------------------|---------------------------|--|---|--------|------------------|
| | | Amount before current income tax | Less: income tax expenses | Attributable to the parent company after tax | Attributable to minority shareholders after tax | Others | |
| a | -66,156,965.02 | 114,408,934.62 | -11,763,456.99 | 83,635,935.11 | 19,009,542.52 | | 17,478,970.09 |
| b | 39,349,747.72 | -50,680,983.58 | 14,257,780.69 | -36,169,378.90 | -253,823.99 | | 3,180,368.82 |
| c | 754,824,347.90 | 525,775,557.44 | | 510,494,831.67 | 15,280,725.77 | | 1,265,319,179.57 |
| d | -25,555,254.57 | -15,727,336.84 | 2,556,446.88 | -3,089,425.78 | -10,081,464.18 | | -28,644,680.35 |
| e | 70,170,471.32 | -12,356,776.21 | 2,806,566.11 | -9,515,689.79 | -34,520.31 | | 60,654,781.53 |
| Total | 772,632,347.35 | 561,419,395.43 | 7,857,336.69 | 545,356,272.31 | 23,920,459.81 | | 1,317,988,619.66 |

Notes:

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

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

Item b represents cash flow hedge reserves (the effective part of the cash flow hedge profit and loss).

Item c represents exchange differences from translation of foreign currency financial statements.

(2) Item d and e are other comprehensive income that cannot be reclassified into profit or loss. Details are as follows:

Item d represents the change in fair value of investments in other equity instruments.

Item e represents changes arising from remeasurement of net liabilities or assets of defined benefit plans.

50. 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 | 2,240,644,515.51 | 367,026,088.36 | | 2,607,670,603.87 |
| Discretionary surplus reserve | 26,042,290.48 | | | 26,042,290.48 |
| Reserve fund | 11,322,880.64 | | | 11,322,880.64 |
| Enterprise expansion fund | 10,291,630.47 | | | 10,291,630.47 |
| Others | | | | |
| Total | 2,288,301,317.10 | 367,026,088.36 | | 2,655,327,405.46 |

Pursuant to *Company Law of the People's Republic of China* and Articles of Association, the Company is required to appropriate the statutory surplus reserve at 10% of its net profit.

51. Undistributed profits

✓ Applicable ☐ Not Applicable

| Items | Amounts |
|--|-------------------|
| Undistributed profits at the end of previous year | 26,859,741,163.95 |
| Adjustment due to business combination under common control | 97,501,518.66 |
| Undistributed profits at the beginning of the year | 26,957,242,682.61 |
| Add: net profit attributable to owners of the parent company | 8,206,247,105.96 |
| Other transfer in | -45,645,291.97 |
| Adjustment due to implementation of enterprise accounting standard | -47,362,103.25 |
| Profit available for appropriation for the year | 35,070,482,393.35 |
| Less: appropriation of statutory surplus reserve | 367,026,088.36 |
| Appropriation of staff incentive and welfare fund | |

| | |
|--|-------------------|
| Dividend payable for ordinary shares | 2,235,334,560.73 |
| Undistributed profits at the end of period | 32,468,121,744.26 |

52. Operating income and operating cost

(1) Operating income

| Items | Amount for the current period | Amount for the previous period |
|------------------|-------------------------------|--------------------------------|
| Primary business | 199,470,697,570.75 | 183,286,154,021.37 |
| Other Business | 1,291,285,685.82 | 822,327,937.90 |
| Total | 200,761,983,256.57 | 184,108,481,959.27 |

(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 | 29,128,360,847.20 | 20,034,773,426.88 | 31,772,519,759.44 | 21,695,248,357.25 |
| Refrigerator | 58,437,548,582.46 | 39,576,846,618.02 | 54,339,167,693.16 | 37,841,043,547.32 |
| Kitchen appliance | 29,508,925,597.30 | 20,323,125,202.75 | 24,950,529,063.08 | 17,222,856,837.31 |
| Water appliance | 9,623,997,584.95 | 5,211,758,293.50 | 9,098,972,704.47 | 4,935,239,352.51 |
| Washing machine | 44,714,295,068.12 | 30,082,538,105.52 | 36,268,485,954.44 | 23,967,326,298.29 |
| Equipment product and integrated channel services | 28,057,569,890.72 | 25,180,488,578.94 | 26,856,478,846.78 | 24,615,530,049.65 |
| Total | 199,470,697,570.75 | 140,409,530,225.61 | 183,286,154,021.37 | 130,277,244,442.33 |

53. 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 | 291,146,530.21 | 299,636,077.94 |
| Education surcharge | 177,513,807.70 | 205,304,971.68 |
| Property tax | 57,458,858.13 | 74,789,844.32 |
| Land use tax | 101,817,438.06 | 112,099,149.93 |
| Stamp duty | 121,945,873.71 | 131,753,308.22 |
| Others | 52,162,532.07 | 44,503,779.57 |
| Total | 802,045,039.88 | 868,087,131.66 |

54. Selling expenses√ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Items | Amount for the current period | Amount for the previous period |
|------------------|-------------------------------|--------------------------------|
| Selling expenses | 33,682,126,291.31 | 28,923,144,934.04 |
| Total | 33,682,126,291.31 | 28,923,144,934.04 |

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

55. Administrative expenses√ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Items | Amount for the current period | Amount for the previous period |
|-------------------------|-------------------------------|--------------------------------|
| Administrative expenses | 10,113,263,329.25 | 8,405,151,809.85 |
| Total | 10,113,263,329.25 | 8,405,151,809.85 |

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

56. R&D expenses√ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Items | Amount for the current period | Amount for the previous period |
|--------------|-------------------------------|--------------------------------|
| R&D expenses | 6,266,936,518.17 | 5,104,647,278.53 |
| Total | 6,266,936,518.17 | 5,104,647,278.53 |

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

57. Financial expenses

| Items | Amount for the current period | Amount for the previous period |
|-----------------------|-------------------------------|--------------------------------|
| Interest expense | 1,747,107,740.65 | 1,465,865,741.36 |
| Less: interest income | 550,224,661.04 | 484,742,562.68 |

| | | |
|---------------------------|-----------------|----------------|
| Less: cash discount | 162,248,119.74 | 170,820,924.61 |
| Exchange gains and losses | -272,402,809.68 | -17,784,066.55 |
| Others | 130,785,408.67 | 139,073,454.96 |
| Total | 893,017,558.86 | 931,591,642.48 |

Interest expenditure in lease liabilities in the current period is RMB 125,139,190.24.

58. Other income

| Items | Amount for the current period | Amount for the previous period | Related to assets/ revenue |
|-------------------|-------------------------------|--------------------------------|-------------------------------|
| Government grants | 1,209,403,624.81 | 873,868,769.14 | Related to revenue |
| Government grants | 72,809,404.72 | 58,392,290.38 | Related to assets |
| Total | 1,282,213,029.53 | 932,261,059.52 | |

59. Investment income (losses are represented by '-')

| Items | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Long-term equity investments income calculated by the equity method | 1,409,211,965.00 | 1,325,588,165.74 |
| Investment income from disposal of long-term equity investments | 3,823,762,154.68 | 259,839,279.75 |
| Investment income from disposal of other equity instrument investments | 2,536,466.62 | 206,586.42 |
| Investment income from other equity instrument investments during holding period | 39,133,293.28 | 105,245,136.33 |
| Income from wealth management products | 168,169,628.59 | 103,868,032.82 |
| Investment income from disposal of financial assets measured at fair value with changes included in current profit and loss | 36,725,976.17 | 129,824,011.48 |
| Total | 5,479,539,484.34 | 1,924,571,212.54 |

60. Gains on changes in fair value (losses are represented by '-')

| Items | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Change in fair value of forward foreign exchange trading contracts | 72,176,324.08 | -151,334,742.90 |
| Changes in fair value of wealth management products | 19,675,848.00 | 8,697,646.20 |

| | | |
|--------|----------------|-----------------|
| Others | -15,135,204.55 | -2,554,626.79 |
| Total | 76,716,967.53 | -145,191,723.49 |

61. Credit impairment loss

√ Applicable □ Not Applicable

Unit and Currency: RMB

| Items | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Impairment losses on contract assets | -3,654,196.27 | |
| Bad debts losses on accounts receivable | -131,659,422.73 | -99,632,377.38 |
| Impairment losses on bills receivable | -15,056,696.60 | |
| Total | -150,370,315.60 | -99,632,377.38 |

62. Impairment loss on assets (losses are represented by '-')

| Items | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Impairment losses on inventory | -576,400,805.50 | -555,735,594.59 |
| Impairment losses on other current assets | -218,016,000.43 | -168,488,659.35 |
| Impairment losses on fixed assets | -1,328,135.45 | -8,740,858.30 |
| Impairment losses on intangible assets | | |
| Impairment losses on construction in progress | -9,619,271.50 | -23,104,150.01 |
| Impairment losses on long-term equity investment | -55,214,487.73 | -6,445,101.57 |
| Total | -860,578,700.61 | -762,514,363.82 |

63. Gains on disposal of assets (losses are represented by '-')

| Items | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Gains on disposal of non-current assets | 501,274,953.38 | 366,499,751.21 |
| Less: losses on disposal of non-current assets | 15,547,325.37 | 98,747,317.01 |
| Total | 485,727,628.01 | 267,752,434.20 |

64. Non-operating income

| Items | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Gains on disposal of non-current assets | 638,713.73 | 816,958.25 |

| | | |
|--------------------------|----------------|----------------|
| Quality claims and fines | 278,824,898.94 | 355,961,563.89 |
| Others | 111,507,936.07 | 123,018,274.61 |
| Total | 390,971,548.74 | 479,796,796.75 |

65. Non-operating expenses

| Items | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Losses on disposal of non-current assets | 89,405,090.32 | 54,178,221.66 |
| Others | 120,401,550.50 | 182,142,071.76 |
| Total | 209,806,640.82 | 236,320,293.42 |

66. 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 expense | 1,708,340,696.65 | 1,568,256,118.41 |
| Deferred income tax expense | 587,875,584.21 | 313,586,934.15 |
| Total | 2,296,216,280.86 | 1,881,843,052.56 |

(2) Reconciliation between accounting profit and income tax expenses

✓ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Items | Amount |
|--|-------------------|
| Total profit | 14,630,608,797.96 |
| Income tax expense calculated pursuant to statutory/applicable tax rate(s) | 3,657,652,199.49 |
| Impact from different tax rates applicable to subsidiaries | -865,824,754.94 |
| Impact from adjustment to income tax in prior periods | -261,092,921.04 |
| Impact from non-taxable income | -376,022,237.79 |
| Impact from non-deductible cost, expense and loss | 127,655,871.63 |
| Impact from deductible provisional differences or deductible losses of unrecognized deferred tax assets from this period | 13,848,123.51 |
| Income tax expense | 2,296,216,280.86 |

Other explanations:

☐ Applicable ☒ Not Applicable

67. Other comprehensive income

√ Applicable □ Not Applicable

Please refer to Note VII.49 for details

68. Cash received from other operating activities

| Items | Amount |
|--|------------------|
| Deposits and securities | 152,758,721.32 |
| Government grants | 1,132,443,779.89 |
| Non-operating income excluding government grants | 189,272,236.82 |
| Interest income | 487,927,913.74 |
| Payment for collection and payment transfer | 162,500,402.61 |
| Others | 9,167,544.89 |
| Total | 2,134,070,599.27 |

69. Cash paid to other operating activities

| Items | Amount |
|--|-------------------|
| Cash paid on selling expenses | 13,602,405,217.00 |
| Cash paid on administrative and R&D expenses | 6,045,972,512.21 |
| Cash paid on financial expenses | 91,648,773.63 |
| Non-operating expenses | 40,584,413.95 |
| Deposits and securities | 72,513,950.34 |
| Others | 22,990,121.16 |
| Total | 19,876,114,988.29 |

70. Other cash received from investing activities

| Items | Amount |
|--|--------------|
| Net cash received from acquisition of subsidiaries | 4,628,544.73 |
| Total | 4,628,544.73 |

71. Other cash paid to investing activities

| Items | Amount |
|---|----------------|
| Net cash paid to disposal of subsidiaries | 951,463,168.22 |
| Others | 259,392.53 |
| Total | 951,722,560.75 |

72. Other cash received from financing activities

| Items | Amount |
|--------|--------------|
| Others | 2,751,630.60 |
| Total | 2,751,630.60 |

73. Other cash paid to financing activities

| Items | Amount |
|--------------------------------------|------------------|
| Payment of public issuance fee | 8,547,229.30 |
| Share repurchase | 65,901,807.36 |
| Acquisition of minority shareholding | 723,436,676.46 |
| Lease payment | 892,757,440.57 |
| Others | 2,395,602.46 |
| Total | 1,693,038,756.15 |

74. Supplementary information of cash flow

| Net profit adjusted to cash flow of operating activities | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| 1. Net profit | 12,334,392,517.10 | 9,899,651,980.10 |
| Add: impairment provision for assets | 1,010,949,016.21 | 862,146,741.20 |
| Depreciation of fixed assets | 3,766,641,387.29 | 2,560,302,067.47 |
| Amortization of intangible assets | 786,513,629.57 | 555,797,458.00 |
| Amortization of long-term prepaid expenses | 110,134,513.81 | 40,540,358.80 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets ('-' represents 'gains') | -396,961,251.42 | -214,439,336.05 |
| Loss and gains on change of fair value ('-' represents 'gains') | -76,716,967.53 | 145,191,723.49 |
| Financial expenses ('-' represents 'gains') | 1,474,704,930.97 | 1,375,994,530.95 |
| Loss on investments ('-' represents 'gains') | -5,479,539,484.34 | -1,922,576,743.62 |
| Decrease in deferred tax assets ('-' represents | 631,902,444.76 | 42,303,181.71 |

| | | |
|--|-------------------|-------------------|
| ‘increase’) | | |
| Increase of deferred tax liabilities (‘-’ represents ‘decrease’) | -44,026,860.55 | 271,283,752.45 |
| Decrease in inventories (‘-’ represents ‘increase’) | -3,949,038,184.52 | -676,571,288.53 |
| Decrease of operational account receivables (‘-’ represents ‘increase’) | -908,459,449.72 | 2,056,031,787.77 |
| Increase of operational account payables (‘-’ represents ‘decrease’) | 5,705,533,226.59 | 4,296,694,514.79 |
| Others | 116,601,474.51 | -149,568,247.33 |
| Net cash flow generated from operational activities | 15,082,630,942.73 | 19,142,782,481.20 |
| 2 . Significant investment and financing activities not involving cash inflows and outflows: | | |
| Capital transferred from debts | 2,605,447,744.16 | |
| 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 | 34,962,947,399.85 | 36,560,925,755.10 |
| Less: cash balance at the beginning of the period | 36,560,925,755.10 | 35,292,343,292.53 |
| Add: cash equivalents balance at the end of the period | | |
| Less: cash equivalents balance at the beginning of the period | | |
| Net increase of cash and cash equivalents | -1,597,978,355.25 | 1,268,582,462.57 |

75. Cash and cash equivalents

| Items | Closing balance | Opening balance |
|---|-------------------|-------------------|
| I. Cash | 34,962,947,399.85 | 36,560,925,755.10 |
| Including: Cash on hand | 7,556,892.38 | 1,380,614.79 |
| Bank deposits always available for payment | 34,502,656,877.99 | 36,041,217,337.30 |
| Other monetary funds always available for payment | 452,733,629.48 | 518,327,803.01 |
| II. Cash equivalents | | - |
| Including: bond investments due within three months | | - |
| III. Closing balance of cash and cash equivalents | 34,962,947,399.85 | 36,560,925,755.10 |

| | | |
|---|--|--|
| Including: restricted cash and cash equivalents the used by the parent or subsidiaries of the Group | | |
|---|--|--|

76. Monetary items in foreign currency

| Items | Closing Balance | | | Opening Balance | | |
|---|-----------------------------|---------------|-------------------|-----------------------------|---------------|------------------|
| | Balance in foreign currency | Exchange rate | Balance in RMB | Balance in foreign currency | Exchange rate | Balance in RMB |
| Monetary funds | | | | | | |
| USD | 730,666,614.19 | 6.9762 | 5,097,276,433.90 | 1,068,031,791.21 | 6.8632 | 7,330,115,789.42 |
| EUR | 151,676,201.42 | 7.8155 | 1,185,425,352.21 | 48,497,251.17 | 7.8473 | 380,572,479.12 |
| JPY | 3,356,863,028.27 | 0.064086 | 215,127,924.03 | 2,269,981,380.74 | 0.061887 | 140,482,337.71 |
| HKD | 745,289,079.40 | 0.8958 | 667,629,957.33 | 626,595,586.45 | 0.8762 | 549,023,052.85 |
| Others | | | 2,043,389,309.90 | | | 1,381,212,756.03 |
| Subtotal | | | 9,208,848,977.37 | | | 9,781,406,415.13 |
| Accounts receivables | | | | | | |
| USD | 269,987,662.70 | 6.9762 | 1,883,487,932.50 | 344,469,847.01 | 6.8632 | 2,364,165,453.98 |
| EUR | 325,463,066.35 | 7.8155 | 2,543,656,595.07 | 56,772,642.74 | 7.8473 | 445,511,959.37 |
| JPY | 3,829,608,370.79 | 0.064086 | 245,424,282.05 | 4,349,404,743.03 | 0.061887 | 269,171,611.33 |
| Others | | | 2,931,185,158.50 | | | 2,186,781,156.28 |
| Subtotal | | | 7,603,753,968.12 | | | 5,265,630,180.96 |
| Short-term borrowings | | | | | | |
| USD | 521,126,042.56 | 6.9762 | 3,635,479,498.10 | 492,713,050.43 | 6.8632 | 3,381,588,207.73 |
| EUR | 320,772,912.41 | 7.8155 | 2,507,000,696.91 | 9,554,106.32 | 7.8473 | 74,973,938.51 |
| JPY | 6,656,569,078.27 | 0.064086 | 426,592,885.95 | 3,084,656,064.62 | 0.0619 | 190,940,210.40 |
| Others | | | 66,592,438.54 | | | 30,737,573.90 |
| Subtotal | | | 6,635,665,519.50 | | | 3,678,239,930.54 |
| Accounts payables | | | | | | |
| USD | 1,219,489,898.22 | 6.9762 | 8,507,405,427.96 | 807,248,013.94 | 6.8632 | 5,540,304,569.25 |
| EUR | 421,042,022.97 | 7.8155 | 3,290,653,930.56 | 11,066,031.53 | 7.8473 | 86,838,469.23 |
| JPY | 5,988,441,245.39 | 0.064086 | 383,775,245.65 | 3,127,541,332.15 | 0.0619 | 193,594,808.46 |
| NZD | 147,674,519.27 | 4.6973 | 693,671,519.36 | | | |
| Others | | | 1,735,111,878.01 | | | 1,546,898,716.82 |
| Subtotal | | | 14,610,618,001.54 | | | 7,367,636,563.76 |
| Non-current liabilities due in one year | | | | | | |
| USD | 692,201,069.75 | 6.9762 | 4,828,933,102.79 | 409,319,900.19 | 6.8632 | 2,809,244,338.98 |

| | | | | | | |
|----------------------|------------------|----------|-------------------|------------------|--------|-------------------|
| EUR | 104,804,376.00 | 7.8155 | 819,098,600.63 | | | |
| JPY | 1,923,050,313.62 | 0.064086 | 123,240,602.40 | | | |
| RUB | 183,707,445.72 | 0.112600 | 20,685,458.39 | 2,087,381,000.00 | 0.0986 | 205,815,766.60 |
| Others | | | 278,535,431.52 | | | |
| Subtotal | | | 6,070,493,195.73 | | | 3,015,060,105.58 |
| Long-term borrowings | | | | | | |
| USD | 876,451,371.56 | 6.9762 | 6,114,300,058.28 | 2,208,809,964.66 | 6.8632 | 15,159,504,549.45 |
| EUR | 712,443,399.37 | 7.8155 | 5,568,101,387.80 | | | |
| RUB | 500,000,010.04 | 0.112600 | 56,300,001.13 | | | |
| NZD | 319,915,612.92 | 4.6973 | 1,502,739,608.57 | | | |
| JPY | | | | 4,327,558,051.70 | 0.0619 | 267,875,843.40 |
| Others | | | 22,348,282.12 | | | 72,878,712.37 |
| Subtotal | | | 13,263,789,337.90 | | | 15,500,259,105.22 |

VIII. Changes of consolidation scope

1. Business combination not under common control

√ Applicable □ Not Applicable

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

√ Applicable □ Not Applicable

Unit and Currency: RMB

| Name of acquiree | Time of equity acquisition | Equity acquisition cost | Interest acquired (%) | Equity acquisition method | Equity acquisition date | Recognition basis of acquisition dates | Acquiree's revenue from acquisition date to the end of the period | Acquiree's net profit from acquisition date to the end of the period |
|---|----------------------------|-------------------------|-----------------------|---------------------------|-------------------------|--|---|--|
| Candy S.p.A | January 2019 | EUR 467,211,498.32 | 100 | Acquisition | January 2019 | Shareholding transferred | EUR 1,365,407,949.00 | EUR -15,773,523.4 |
| Shanghai Firs International Logistics Co., Ltd. | March 2019 | 25,950,868.35 | 51 | Acquisition | March 2019 | Shareholding transferred | 101,475,377.35 | 1,577,204.07 |

(2) Combination cost and goodwill

| Items | CANDYS.p.A (EUR) | Shanghai Firs International Logistics Co., Ltd. |
|--|------------------|---|
| ----- Cash | 467,211,498.32 | 20,000,000.00 |
| -----Contingent consideration | | 5,950,868.35 |
| Total combination cost | 467,211,498.32 | 25,950,868.35 |
| Less: fair value of identifiable net assets acquired | 207,211,500.32 | 4,865,433.94 |
| Goodwill | 259,999,998.00 | 21,085,434.41 |

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

| Items | Candy S.p.A | |
|---------------------------------|-----------------|-----------------|
| | Fair value(EUR) | Book Value(EUR) |
| Monetary funds | 124,315,613.00 | 124,315,613.00 |
| Accounts receivable | 167,835,082.00 | 167,835,082.00 |
| Other receivables | 79,933,406.00 | 79,933,406.00 |
| Inventories | 249,471,277.00 | 249,471,277.00 |
| Long-term equity investments | 4,716,766.00 | 4,716,766.00 |
| Fixed assets | 181,718,451.87 | 140,988,930.00 |
| Construction in progress | 7,379,785.00 | 7,379,785.00 |
| Intangible assets | 228,158,310.53 | 48,423,547.00 |
| Goodwill | | 6,094,796.00 |
| Deferred income tax assets | 33,253,774.00 | 33,253,774.00 |
| Other non-current assets | 10,427,618.00 | 10,427,618.00 |
| Accounts payable | -386,867,873.00 | -386,867,873.00 |
| Taxes payable | -18,425,859.00 | -18,425,859.00 |
| Other payables | -89,711,804.00 | -89,711,804.00 |
| Contract liabilities | -1,779,450.00 | -1,779,450.00 |
| Bank borrowings | -267,753,271.00 | -267,753,271.00 |
| Long-term payables | -16,232,217.00 | -16,232,217.00 |
| Deferred income tax liabilities | -83,159,393.78 | -22,692,115.00 |
| Other non-current liabilities | -12,750,413.30 | -12,750,413.30 |
| Net assets | 210,529,802.32 | 56,627,591.70 |
| Less: Minority equity interests | -3,318,302.00 | -3,318,302.00 |
| Net assets obtained | 207,211,500.32 | 53,309,289.70 |

| Items | Shanghai Firs International Logistics Co., Ltd. |
|-------|---|
|-------|---|

| | Fair value | Book Value |
|---|----------------|----------------|
| Monetary funds | 4,628,544.73 | 4,628,544.73 |
| Accounts receivable | 58,534,640.84 | 58,534,640.84 |
| Bills receivable | 1,868,857.04 | 1,868,857.04 |
| Other receivables | 9,655,435.06 | 9,655,435.06 |
| Prepayments | 4,207,402.80 | 4,207,402.80 |
| Fixed assets | 1,856,760.06 | 1,856,760.06 |
| Intangible assets | 2,346,858.39 | 2,346,858.39 |
| Other current assets | 2,989,330.42 | 2,989,330.42 |
| Short-term borrowings | -15,026,666.63 | -15,026,666.63 |
| Accounts payable | -15,269,603.51 | -15,269,603.51 |
| Taxes payable | -67,637.73 | -67,637.73 |
| Payables for staff's remuneration | -1,551,221.84 | -1,551,221.84 |
| Expected refund liabilities –short term | -1,540,316.20 | -1,540,316.20 |
| Other payables | -38,495,776.20 | -38,495,776.20 |
| Contract liabilities | -2,810,706.25 | -2,810,706.25 |
| Other current liabilities | -1,785,834.44 | -1,785,834.44 |
| Net assets | 9,540,066.54 | 9,540,066.54 |
| Less: Minority equity interests | 4,674,632.60 | 4,674,632.60 |
| Net assets obtained | 9,540,066.54 | 9,540,066.54 |

2. Business combination under common control

√ Applicable □ Not Applicable

(1) Business consolidation under common control occurring in the current period

| Name of acquiree | % of interest acquired from business combination | Basis for recognition as business combination under common control | Acquisition date | Recognition basis of acquisition dates |
|---|--|--|------------------|--|
| Haier Energy Power Company (海尔能源动力公司) | 100.00% | Controlled by Haier Group before and after the transaction | December 2019 | Rights and obligations related to target shareholding have been transferred to the Company |
| Qingdao Penghai Software Co., Ltd. (青岛鹏海软件有限公司) | 60.01% | Controlled by Haier Group before and after the transaction | December 2019 | Rights and obligations related to target shareholding have been transferred to the |

| | | | | Company |
|---|---------|--|----------------|--|
| Qingdao HSW Water Appliance Co., Ltd. (青岛海施水设备有限公司) | 51.00% | Controlled by Haier Group before and after the combination | July 2019 | Rights and obligations related to target shareholding have been transferred to the Company |
| Qingdao RRS Health Industry Development Co., Ltd. (青岛日日顺健康产业发展有限公司) | 100.00% | Controlled by Haier Group before and after the combination | September 2019 | Rights and obligations related to target shareholding have been transferred to the Company |

(Continued)

| Name of acquiree | Income of the acquiree from the beginning of the current consolidation period to the consolidation date | Net profit of the acquiree from the beginning of the current consolidation period to the consolidation date | Income of the acquiree during the comparison period | Net profit of the acquiree during the comparison period |
|---|---|---|---|---|
| Haier Energy Power Company (海尔能源动力公司) | 2,145,366,527.27 | 28,408,895.99 | 960,550,566.28 | 21,319,300.11 |
| Qingdao Penghai Software Co., Ltd. (青岛鹏海软件有限公司) | 53,937,834.68 | -637,588.98 | 48,272,473.02 | 269,456.54 |
| Qingdao HSW Water Appliance Co., Ltd. (青岛海施水设备有限公司) | 555,339,560.27 | 59,632,695.06 | 1,030,732,895.20 | 107,441,598.99 |
| Qingdao RRS Health Industry Development Co., Ltd. (青岛日日顺健康产业发展有限公司) | | 71,172.92 | | 21,763.45 |

(2) Combination cost

| Combination cost | -----Cash | -----Equity |
|---|---------------|------------------|
| Haier Energy Power Company (海尔能源动力公司) | 10,952,820.00 | 375,540,417.00 |
| Qingdao Penghai Software Co., Ltd. (青岛鹏海软件有限公司) | 13,764,733.74 | |
| Qingdao HSW Water Appliance Co., Ltd. (青岛海施水设备有限公司) | | 1,073,523,786.00 |
| Qingdao RRS Health Industry Development Co., Ltd. (青岛日日顺健康产业发展有限公司) | 34,000,000.00 | |

(3) Assets and book value of liabilities of acquirees at the acquisition date

| Items | Haier Energy Power Company (海尔能源动力公司) | |
|---------------------------------|---------------------------------------|-----------------------------------|
| | Acquisition date | At the end of the previous period |
| Monetary funds | 232,991,873.09 | 198,236,920.21 |
| Accounts receivable | 204,290,938.20 | 165,244,805.51 |
| Other current assets | 8,939,377.48 | 6,275,566.78 |
| Long-term equity investments | 31,744,965.01 | 30,236,343.95 |
| Fixed assets | 72,726,222.28 | 71,590,500.86 |
| Construction in progress | 823,632.76 | 155,855.86 |
| Right-of-use asset | 7,872,891.10 | |
| Intangible assets | 22,500,248.79 | 1,116,154.70 |
| Long-term prepaid expenses | 133,918.92 | 333,286.59 |
| Deferred income tax assets | 1,089,044.63 | 613,047.45 |
| Other non-current assets | 5,000,000.00 | 5,000,000.00 |
| Less: Accounts payable | -306,879,746.78 | -247,660,771.27 |
| Lease liabilities | -5,853,684.09 | |
| Net assets | 275,379,681.39 | 231,141,710.64 |
| Less: Minority equity interests | -8,712,060.00 | -8,525,998.71 |
| Net assets obtained | 266,667,621.39 | 222,615,711.93 |

(Continued)

| Items | Qingdao Penghai Software Co., Ltd. (青岛鹏海软件有限公司) | |
|---------------------------------|---|-----------------------------------|
| | Acquisition date | At the end of the previous period |
| Monetary funds | 14,118,590.14 | 14,577,418.33 |
| Accounts receivable | 9,153,105.73 | 6,626,920.13 |
| Inventories | 1,753,294.87 | 6,728,189.70 |
| Other current assets | 393,790.77 | |
| Long-term equity investments | 5,332,640.10 | |
| Fixed assets | 41,145.86 | 80,978.11 |
| Construction in progress | 2,215,336.02 | |
| Intangible assets | | 53,041.66 |
| Long-term prepaid expenses | 192,251.44 | 415,854.08 |
| Less: Accounts payable | -17,775,931.03 | -16,500,589.13 |
| Short-term borrowings | -1,080,000.00 | |
| Deferred income | -3,000,000.00 | |
| Net assets | 11,344,223.90 | 11,981,812.88 |
| Less: Minority equity interests | -4,536,555.14 | -4,791,526.97 |

| | | |
|---------------------|--------------|--------------|
| Net assets obtained | 6,807,668.76 | 7,190,285.91 |
|---------------------|--------------|--------------|

(Continued)

| Items | Qingdao HSW Water Appliance Co., Ltd. (青岛海施水设备有限公司) | |
|-----------------------------------|---|-----------------------------------|
| | Acquisition date | At the end of the previous period |
| Monetary funds | 590,482,485.31 | 674,880,628.00 |
| Accounts receivable | 146,130,180.06 | 163,200,236.59 |
| Inventories | 32,822,791.71 | 27,054,260.10 |
| Other current assets | 17,115,267.62 | 971,965,499.8 |
| Financial assets held for trading | 112,753,343.84 | |
| Fixed assets | 1,837,503.78 | 1,775,179.43 |
| Construction in progress | 3,092,660.27 | |
| Intangible assets | 33,820,632.52 | 35,902,739.85 |
| Deferred income tax assets | 4,068,633.12 | 5,865,306.00 |
| Goodwill | 83,174,470.00 | 83,174,470.00 |
| Less: Accounts payable | -553,566,644.96 | -554,475,065.34 |
| Taxes payable | -707,540.96 | -4,700,680.72 |
| Payables for staff's remuneration | -8,419,330.56 | -11,785,210.88 |
| Other current liabilities | -22,637,806.31 | -23,220,521.87 |
| Net assets | 439,966,645.44 | 407,390,996.16 |
| Less: Minority equity interests | -215,583,656.27 | -199,621,588.12 |
| Net assets obtained | 224,382,989.17 | 207,769,408.04 |

(Continued)

| Items | Qingdao RRS Health Industry Development Co., Ltd. (青岛日日顺健康产业发展有限公司) | |
|---------------------------------|---|-----------------------------------|
| | Acquisition date | At the end of the previous period |
| Monetary funds | 24,741,203.38 | 26,866,137.10 |
| Accounts receivable | 5,359,225.00 | 3,168,812.50 |
| Other current assets | 607.99 | 485.66 |
| Less: Accounts payable | -8,100.00 | -7,500.00 |
| Taxes payable | | -6,171.81 |
| Net assets | 30,092,936.37 | 30,021,763.45 |
| Less: Minority equity interests | | |
| Net assets obtained | 30,092,936.37 | 30,021,763.45 |

3. Disposal of subsidiary

When single disposal of the investment in a subsidiary lead to the loss of control:

| Items | Cixi Yunlian Bailing Logistics Co., Ltd. | Qingdao Haier Goodaymart Logistic Co., Ltd. |
|---|--|---|
| Equity disposal price | 1,000,000.00 | 6,450,442,686.39 |
| Proportion of equity disposal | 51% | 9.38% |
| Method of equity disposal | Disposal | Disposal |
| Time of loss-of-control | January 2019 | July 2019 |
| Basis for determination the time of loss-of-control | Transfer | Regulatory approval |
| Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level | -3,515,418.58 | 3,827,277,573.26 |

4. Disclosure of discontinued operation

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

(1) Profit or loss from discontinued operation

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

| Items | For the current period | The corresponding period of the previous year |
|--------------------------|------------------------|---|
| Operating income | 4,907,810,524.82 | 10,144,305,216.56 |
| Less: cost and others | 4,710,367,482.14 | 9,688,228,315.31 |
| Total profit | 197,443,042.68 | 456,076,901.25 |
| Less: income tax expense | 46,936,990.15 | 88,810,623.74 |
| Net profit | 150,506,052.53 | 367,266,277.51 |

② Profit or loss from disposal of discontinued operation

| Items | For the current period | The corresponding period of the previous year |
|--|------------------------|---|
| Total profit or loss from disposal of discontinued operation | 3,827,277,573.26 | - |
| Less: income tax expense | 664,918,329.45 | - |
| Net profit or loss from disposal of discontinued operation | 3,162,359,243.81 | - |

(2) Cash flow from discontinued operation

| Items | For the current period | The corresponding period of the previous year |
|-----------------------------------|------------------------|---|
| Cash flow of operating activities | -160,498,574.34 | 182,479,576.60 |
| Cash flow of investing activities | 19,567,060.81 | -1,726,012,100.47 |
| Cash flow of financing activities | -283,463,745.83 | 406,868,319.55 |

(3) Net profit from discontinued operation

| Items | For the current period | The corresponding period of the previous year |
|--|------------------------|---|
| Net profit from discontinued operation (net losses are represented by '-') | 3,312,865,296.34 | 367,266,277.51 |
| Net profit attributable to shareholders of the Parent Company | 1,491,299,457.32 | 92,880,683.65 |
| Net profit attributable to minority shareholders | 1,821,565,839.02 | 274,385,593.86 |

Changes of consolidation scope due to other reasons

5. Changes of consolidation scope due to other reasons

√ Applicable □ Not Applicable

(1) Qingdao Haier Intelligent Electronics Co., Ltd., a subsidiary of the Company, established a subsidiary Qingdao Haiduv Health Technology Co., Ltd. for the period with a total shareholding of 70% at the end of the period.

(2) Qingdao Haier Technology Investment Co., Ltd., a subsidiary of the Company established a subsidiary Qingdao Jijia Cloud Intelligent Technology Co., Ltd. for the period with a total shareholding of 80% at the end of the period.

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

(4) Haier Digital Technology (Qingdao) Co., Ltd. (海尔数字科技(青岛)有限公司), a subsidiary of the Company, established a wholly-owned subsidiary Xiong'an Haier Digital Technology Co., Ltd. (雄安海尔数字科技有限公司) for the period.

(5) Chongqing Haier Electronics Sales Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Haimeihui Management Consulting Co., Ltd. (青岛海美汇管理咨询有限公司) for the period.

(6) Qingdao Yunshang Yuyi IOT Technology Co., Ltd. (青岛云裳羽衣物联科技有限公司), a subsidiary of the Company, established a wholly-owned subsidiary Wuxi Yunshang Internet of Clothing Technology Co., Ltd. (无锡云裳衣联网科技有限公司) for the period.

(7) Qingdao Haier Intelligent Technology Development Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd. (青岛国创智能家电研究院有限公司) for the period.

(8) Qingdao Haier Moulds Co., Ltd., a subsidiary of the Company, established a subsidiary Shenyang Haichen Zhilian Technology Co., Ltd. (沈阳海辰智联科技有限公司) for the period with a total shareholding of 60% at the end of the period.

(9) Qingdao Yunshang Yuyi IOT Technology Co., Ltd. (青岛云裳羽衣物联科技有限公司), a subsidiary of the Company established a subsidiary Hangzhou Gandao Intelligent Technology Co., Ltd. (杭州甘道智能科技有限公司) for the period with a total shareholding of 60% at the end of the 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 | Method |
|--|------------------------------------|------------------------|---|--------------|----------|---------------------------------|---|
| | | | | Direct | Indirect | | |
| Haier Electronics Group Co., Ltd. | Mainland of China and Hong Kong | Bermuda | Group company, which mainly engage in investment holding, the production and sale of washing machines and water heaters, distribution service and logistics service | 14.00% | 31.87% | 57.87% | Business combination under common control |
| Wonder Global (BVI) Investment Limited | The US and other overseas areas | British Virgin Islands | Group company, which mainly engage in home appliances production and distribution business | | 100.00% | 100.00% | Establishment |
| Haier Singapore Investment Holding Co., Ltd. | Singapore and other overseas areas | Singapore | Group company, which mainly engage in home appliances production and distribution business | | 100.00% | 100.00% | Business combination under common control |
| Haier New Zealand Investment Holding Company Limited | New Zealand | New Zealand | Group company, which mainly engaged in the production and distribution of home appliances | | 100.00% | 100.00% | Business combination under common control |

| | | | | | | | |
|---|---|---|---|---------|---------|---------|---|
| Candy S.p.A | Europe | Italy | Group company, which mainly engaged in the production and distribution of home 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 sale 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 | 100.00% | | 100.00% | Business combination under common control |
| Wuhan Haier Electronics Co., Ltd. | Wuhan Haier Industrial Park | Wuhan Haier Industrial Park | Manufacture and sale of air-conditioners | 60.00% | | 60.00% | Business combination under common control |
| Qingdao Haier Air-Conditioner Electronics Co., Ltd. | Qingdao Development Zone | Qingdao Development Zone | Manufacture and sale of air-conditioners | 100.00% | | 100.00% | Business combination under common control |
| Qingdao Haier Information Plastic Development Co., Ltd. | Qingdao High-tech Zone | Qingdao High-tech Zone | Manufacturing of plastic products | 100.00% | | 100.00% | Business combination under common control |

| | | | | | | | |
|---|---|---|--|--------|---------|---------|---|
| Dalian Haier Precision Products Co., Ltd. | Dalian Export Expressing Zone | Dalian Export Expressing Zone | Manufacture and sale of precise plastics | 90.00% | | 90.00% | Business combination under common control |
| Hefei Haier Plastic Co., Ltd. | Hefei Economic & Technological Development Area | Hefei Economic & Technological Development Area | Manufacture and sale of plastic parts | 94.12% | 5.88% | 100.00% | Business combination under common control |
| Qingdao Haier Moulds Co., Ltd. | Qingdao High-tech Zone | Qingdao High-tech Zone | R&D and manufacture of precise mold and product | 75.00% | 25.00% | 100.00% | Business combination under common control |
| Qingdao Meier Plastic Powder Co., Ltd. | Qingdao Development 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 |
| Chongqing Haier Intelligent Electronics Co., Ltd. | Jiangbei District, Chongqing City | Jiangbei District, Chongqing City | Manufacture and sale of electronics and automatic control system equipment | 90.00% | 10.00% | 100.00% | Business combination under common control |
| Qingdao Haier Robot Co., Ltd. | Qingdao High-tech Zone | Qingdao High-tech Zone | R&D, manufacture and sale of robot | | 100.00% | 100.00% | Business combination under common control |

| | | | | | | | |
|---|----------------------------------|----------------------------------|--|---------|--|---------|---------------|
| Qingdao Haier Refrigerator Co., Ltd. | Qingdao High-tech Zone | Qingdao High-tech Zone | Manufacture and production 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 | Research and development of home appliances mold and technological equipment | 100.00% | | 100.00% | Establishment |
| Qingdao Haier Whole Set Home Appliance Service Co., Ltd. | Qingdao High-tech Zone | Qingdao High-tech Zone | Research, development and sales of health-related small home appliance | 98.33% | | 98.33% | Establishment |
| Qingdao Haier Intelligent Electronics Co., Ltd. | Qingdao High-tech Zone | Qingdao High-tech Zone | Design, R&D of electronics and automatic control system | 100.00% | | 100.00% | 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 | Research, manufacture and sales of freezer and other refrigeration products | 96.06% | | 96.06% | Establishment |
| Dalian Haier Air-conditioning Co., Ltd. | Dalian Export Expressin | Dalian Export Expressin | Air conditioner processing and manufacturing | 90.00% | | 90.00% | Establishment |

| | | | | | | | |
|---|---|---|---|--------|--------|---------|---------------|
| | g Zone | g Zone | | | | | |
| Dalian Haier Refrigerator Co., Ltd. | Dalian Export Expressing Zone | Dalian Export Expressing Zone | Refrigerator processing and manufacturing | 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 | Research, manufacture and sales of freezer and other refrigeration products | 95.00% | 5.00% | 100.00% | Establishment |
| Qingdao Haidarui Procurement Service Co., Ltd. | Qingdao High-tech Zone | Qingdao High-tech Zone | Develop, purchase and sell electrical products and components | 98.00% | 2.00% | 100.00% | Establishment |
| Qingdao Haier Intelligent Home Appliance Technology Co., Ltd. | Qingdao High-tech Zone | Qingdao High-tech Zone | Development and application of home appliances, communication, electronics and network engineering technology | 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 | | 70.00% | 70.00% | Establishment |

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|---|-----------------------------------|-----------------------------------|---|---------|---------|---------|---------------|
| | | | plate, mold and electronic products for home appliances | | | | |
| Qingdao Haier Air Conditioning Equipment Co., Ltd. | Jiaonan City, Qingdao | Jiaonan City, Qingdao | Manufacture of home appliances and electronics | | 100.00% | 100.00% | Establishment |
| Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd. | Dalian Export Expressing Zone | Dalian Export Expressing Zone | Domestic trade | | 100.00% | 100.00% | Establishment |
| Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd. | Dalian Export Expressing Zone | Dalian Export Expressing Zone | Domestic trade | | 100.00% | 100.00% | Establishment |
| Qingdao Ding Xin Electronics Technology Co., Ltd. | Qingdao Development Zone | Qingdao Development Zone | Manufacturing and sales of electronic components | | 100.00% | 100.00% | Establishment |
| Chongqing Haier Electronics Sales Co., Ltd. | Jiangbei District, Chongqing City | Jiangbei District, Chongqing City | Sales of home appliances | 95.00% | 5.00% | 100.00% | Establishment |
| Chongqing Haier Refrigeration Appliance Co., Ltd. | Jiangbei District, Chongqing City | Jiangbei District, Chongqing City | Processing and manufacturing of refrigerator | 84.95% | 15.05% | 100.00% | Establishment |
| Hefei Haier Refrigerator Co., Ltd. | Hefei Haier Industrial Park | Hefei Haier Industrial Park | Processing and manufacturing of refrigerator | 100.00% | | 100.00% | Establishment |
| Wuhan Haier Energy and Power Co., Ltd. | Wuhan Haier Industrial Park | Wuhan Haier Industrial Park | Energy service | | 75.00% | 75.00% | Establishment |
| Qingdao Haier HVAC Engineering Co., Ltd. | Qingdao Development Zone | Qingdao Development Zone | Air-conditioning engineer | | 100.00% | 100.00% | Establishment |
| Chongqing Goodaymart Electric Appliance Sale Co., | Jiangbei District, Chongqing | Jiangbei District, Chongqing | Sales of home appliances and electronics | | 51.00% | 51.00% | Establishment |

| Ltd. | g City | g City | | | | | |
|--|---|---|---|---------|---------|---------|-------------------|
| 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 | Develop, purchase and sell electrical products and components | 100.00% | | 100.00% | Establishment |
| Qingdao Haier Intelligent Technology Development Co., Ltd. | Qingdao High-tech Zone | Qingdao High-tech Zone | Development and research of home appliance products | 100.00% | | 100.00% | Establishment |
| Qingdao Hairi Hi-Tech Model Co., Ltd. | Qingdao High-tech | Qingdao High-tech | Design, manufacture | | 100.00% | 100.00% | Business combinat |

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| | Zone | Zone | and sales of product model and mould | | | | ion under common control |
| Qingdao Hai Gao Design and Manufacture Co., Ltd. | Qingdao High-tech Zone | Qingdao High-tech Zone | Industrial design and prototype production | | 75.00% | 75.00% | Business combination under common control |
| Beijing Haier Guangke Digital Technology Co., Ltd. | Beijing | Beijing | Development, promotion and transfer of technology | | 55.00% | 55.00% | Business combination under common control |
| Shanghai Haier Medical Technology Co., Ltd. | Shanghai | Shanghai | Wholesale and retail of medical facility | | 100.00% | 100.00% | Establishment |
| Qingdao Haier Technology Co., Ltd. | Qingdao | Qingdao | Development and sales of software and information product | 100.00% | | 100.00% | Business combination under common control |
| Qingdao Haier Technology Investment Co., Ltd. | Qingdao | Qingdao | Entrepreneurship investment and consulting | 100.00% | | 100.00% | Establishment |
| Qingdao Casarte Smart Living Appliances Co., Ltd. | Qingdao | Qingdao | Development, production and sales of appliances | | 100.00% | 100.00% | Establishment |
| Qingdao Haichuangyuan Appliances Sales Co., Ltd. | Qingdao | Qingdao | Sales of home appliances and digital products | | 100.00% | 100.00% | Establishment |
| Haier Overseas Electric Appliance Co., Ltd. | Qingdao | Qingdao | Sales of home appliances, international freight forwarding | 100.00% | | 100.00% | Establishment |
| Haier Group (Dalian) Electrical | Dalian | Dalian | Sales of home appliances, | 100.00% | | 100.00% | Business combination |

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|--|----------|----------|--|---------|---------|---------|--------------------------|
| Appliances Industry Co., Ltd. | | | international freight forwarding | | | | ion under common control |
| Qingdao Haier Central Air Conditioning Co., Ltd. | Qingdao | Qingdao | Production and sales of air conditioners and refrigeration equipment | | 100.00% | 100.00% | Establishment |
| Beijing Haier Yun Kitchen Technology Co., Ltd. | Beijing | Beijing | Technology development promotion and transfer | | 95.77% | 95.77% | Establishment |
| Chongqing Haier Home Appliance Sale Hefei Co., Ltd. | Hefei | Hefei | Sales of home appliances | | 100.00% | 100.00% | Establishment |
| Beijing Haier Zhongyou Netmedia Co., Ltd. | Beijing | Beijing | Radio and television program | | 51.00% | 51.00% | Establishment |
| Qingdao Weixi Smart Technology Co., Ltd. | Qingdao | Qingdao | Intelligent sanitary ware | | 71.43% | 71.43% | Establishment |
| Haier U+smart Intelligent Technology (Beijing) Co., Ltd. | Beijing | Beijing | Software development | 100.00% | | 100.00% | Establishment |
| Qingdao Haier Industry Intelligence Research Institute Co., Ltd. | Qingdao | Qingdao | Industrial intelligence technology | 100.00% | | 100.00% | Establishment |
| Haier (Shanghai) Electronics Co., Ltd. | Shanghai | Shanghai | Sales, research and development of home appliances | 100.00% | | 100.00% | Establishment |
| Shanghai Haier Zhongzhi Fang Chuang Ke Management Co., Ltd. | Shanghai | Shanghai | Business management consulting, chuankge management | 100.00% | | 100.00% | Establishment |
| Haier COSMO IOT Ecosystem Technology Co., Ltd. | Qingdao | Qingdao | Industrial investment, robotics and automation R&D, | 78.05% | 9.58% | 87.63% | Establishment |

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|--|-------------|-------------|---|--|---------|---------|---|
| | | | etc. | | | | |
| Maniiq (Qingdao) Intelligent Equipment Co., Ltd. | Qingdao | Qingdao | Internet of things, robot and automation research and development, design, etc. | | 100.00% | 100.00% | Establishment |
| Haier Digital Technology (Shanghai) Co., Ltd. | Shanghai | Shanghai | Technology development promotes, transfer, material sales, etc. | | 100.00% | 100.00% | Establishment |
| Qingdao Haier Smart Kitchen Appliance Co., Ltd. | Qingdao | Qingdao | Production and sales of kitchen smart home appliances | | 100.00% | 100.00% | Establishment |
| GE Appliance (Shanghai) Co., Ltd. | Shanghai | Shanghai | Sales of home appliances | | 100.00% | 100.00% | Establishment |
| Qingdao Hao Pin Hai Rui Information Technology Co., Ltd. | Qingdao | Qingdao | Develop, purchase and sales of electrical products and components | | 100.00% | 100.00% | Establishment |
| Fisher&Paykelp Roduction Machinery Limited | New Zealand | New Zealand | Manufacturing of automation and customization special equipment | | 100.00% | 100.00% | Business combination under common control |
| Maniiq (Singapore) Intelligent Equipment Co., Ltd. | Singapore | Singapore | Investment management | | 100.00% | 100.00% | Establishment |
| Maniiq (HK) Intelligent Equipment Co., Ltd. | Hong Kong | Hong Kong | Investment management | | 100.00% | 100.00% | Establishment |
| Qingdao Haier Special Refrigerating Appliance Co., Ltd. | Qingdao | Qingdao | Production and sales of home appliances | | 100.00% | 100.00% | Establishment |
| Beijing Zero Micro Technology Co., Ltd. | Beijing | Beijing | Promotion of technological development | | 55.00% | 55.00% | Establishment |
| Laiyang Haier Smart | Laiyang | Laiyang | Production and | | 100.00% | 100.00% | Establishment |

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|---|-----------|-----------|---|---------|---------|---------|---------------|
| Kitchen Appliance Co., Ltd. | | | sales of home appliances | | | | ment |
| Aituling (Shanghai) Information Technology Co., Ltd. | Shanghai | Shanghai | Promotion of technological development | | 72.22% | 72.22% | Establishment |
| Qingdao Blue Whale Technology Co., Ltd. | Qingdao | Qingdao | Industrial intelligence technology | | 67.00% | 67.00% | Establishment |
| Qingdao Hailian Rongchuang Technology Co., Ltd. | Qingdao | Qingdao | Industrial intelligence technology | 100.00% | | 100.00% | Establishment |
| Hefei Haier Air Conditioning Electronics Co., Ltd. | Hefei | Hefei | Production and sales of home appliances | | 100.00% | 100.00% | Establishment |
| Taizhou Haier Medical Technology Co., Ltd. | Taizhou | Taizhou | Promotion of medical research and development | | 100.00% | 100.00% | Establishment |
| Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd. | Shanghai | Shanghai | Research and development of home appliances | | 100.00% | 100.00% | Establishment |
| Haier (Shenzhen) R&D Co., Ltd. | Shenzhen | Shenzhen | Development, research and technical services of household and commercial electrical | | 100.00% | 100.00% | Establishment |
| Guangzhou Haier Air Conditioner Co., Ltd. | Guangdong | Guangdong | Manufacturing of refrigeration and air conditioning equipment | | 100.00% | 100.00% | Establishment |
| Qingdao Haier Institute of Investment Management Co., Ltd. | Qingdao | Qingdao | Venture Capital business | | 70.00% | 70.00% | Establishment |
| Tianjin Haiyun Chuang Digital Technology Co., Ltd. | Tianjin | Tianjin | Research and development of digital technology | | 100.00% | 100.00% | Establishment |
| Haier Digital Technology (Qindao) Co., Ltd. | Qingdao | Qingdao | Research and development of digital technology | | 100.00% | 100.00% | Establishment |
| Haier Digital Technology (Nanjing) | Nanjing | Nanjing | Research and development of | | 100.00% | 100.00% | Establishment |

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|--|----------|----------|--|--|---------|---------|---------------|
| Co., Ltd. | | | digital technology | | | | |
| Haier Digital Technology (Wuxi) Co., Ltd. | Wuxi | Wuxi | Research and development of digital technology | | 100.00% | 100.00% | Establishment |
| Haier Digital Technology (Xi'an) Co., Ltd. | Xi'an | Xi'an | Research and development of digital technology | | 100.00% | 100.00% | Establishment |
| Ficoteng Intelligent Technology (Qingdao) Co., Ltd. | Qingdao | Qingdao | Intelligent device integrated service | | 100.00% | 100.00% | Establishment |
| Qingdao Yunshang Yuyi IOT Technology Co., Ltd. | Qingdao | Qingdao | IoT technology research and development, sales of home appliances, digital products and accessories, clothing shoes and hats, textiles, daily necessities, and furniture | | 70.00% | 70.00% | Establishment |
| Haiyu (Shanghai) Intelligent Technology Co., Ltd. | Shanghai | Shanghai | Rental of apartments, intelligent equipment, etc. | | 70.00% | 70.00% | Establishment |
| Tianjin Haier Zhikong Electronics Co., Ltd. | Tianjin | Tianjin | Development and manufacturing of automatic control system | | 100.00% | 100.00% | Establishment |
| Hefei Haier Intelligent Electronics Co., Ltd. | Hefei | Hefei | Development and manufacturing of automatic control system | | 100.00% | 100.00% | Establishment |
| Qingdao Haizhi Investment Management Co., Ltd. | Qingdao | Qingdao | Asset management, equity investment. | | 100.00% | 100.00% | Establishment |
| Qingdao Haiduv Health Technology Co., Ltd. | Qingdao | Qingdao | Design and development of home appliance | | 70.00% | 70.00% | Establishment |
| Qingdao Jijia Cloud Intelligent Technology Co., Ltd. | Qingdao | Qingdao | R&D and sales of lighting appliances | | 80.00% | 80.00% | Establishment |

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| Qingdao Penghai Software Co., Ltd. (青岛鹏海软件有限公司) | Qingdao | Qingdao | Information transmission, software and information technology services | | 60.01% | 60.01% | Business combination under common control |
| Qingdao Haier Energy & Power Co., Ltd. | Qingdao | Qingdao | Water, electricity, steam heat supply | | 100.00% | 100.00% | Business combination under common control |
| Haier Digital Technology (Guangzhou) Co., Ltd. (海尔数字科技(广州)有限公司) | Guangzhou | Guangzhou | Scientific research and technical service | | 100.00% | 100.00% | Establishment |
| Xiong'an Haier Digital Technology Co., Ltd. (雄安海尔数字科技有限公司) | Hebei | Hebei | Scientific research and technical service | | 100.00% | 100.00% | Establishment |
| Qingdao Haopin Haizhi Information Technology Co., Ltd. (青岛好品海智信息技术有限公司) | Qingdao | Qingdao | Information technology consulting services | | 100.00% | 100.00% | Establishment |
| Qingdao Haimeihui Management Consulting Co., Ltd. (青岛海美汇管理咨询有限公司) | Qingdao | Qingdao | Leasing and business services | | 100.00% | 100.00% | Establishment |
| Wuxi Yunshang Internet of Clothing Technology Co., Ltd. (无锡云裳衣联网科技有限公司) | Wuxi | Wuxi | Internet of Things technology R & D | | 100.00% | 100.00% | Establishment |
| Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd. (青岛国创智能家电研究院有限公司) | Qingdao | Qingdao | Scientific research and technical service | | 100.00% | 100.00% | Establishment |

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|---|----------------------|----------------------|---------------------------------|--|--------|--------|---------------|
| Shenyang Haichen Zhilian Technology Co., Ltd. (沈阳海辰智联科技有限公司) | Shenyang | Shenyang | Wholesale and retail | | 60.00% | 60.00% | Establishment |
| Hangzhou Gandao Intelligent Technology Co., Ltd. (杭州甘道智能科技有限公司) | Hangzhou | Hangzhou | Technology development, service | | 60.00% | 60.00% | Establishment |
| Microenterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd. | All over the country | All over the country | Sales of home appliances | | | | Establishment |

Reasons for including subsidiaries 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 of Haier Electronics Group Co., Ltd., and small companies like Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd, which were included into the scope of consolidated financial statements.

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

(2) Material non-wholly owned subsidiaries

| Name of associates | Shareholding of minority shareholders | Profit or loss attributable to minority shareholders in the current period | Distribute dividends to minority shareholders in the current period | Balance of minority shareholders' equity at the end of the period |
|-------------------------------------|---------------------------------------|--|---|---|
| Haier Electronics Group Co., Ltd. | 54.13% | 4,079,009,887.16 | 547,686,383.15 | 16,109,313,923.63 |
| Guizhou Haier Electronics Co., Ltd. | 41.00% | 12,714,502.23 | 10,660,000.00 | 112,122,562.30 |
| Wuhan Haier Electronics Co., Ltd. | 40.00% | 25,240,212.45 | 8,000,000.00 | 265,183,244.33 |

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

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

(Continued)

| Name of subsidiary | Opening balance | | | | | |
|--------------------------------------|-------------------|--------------------|-------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Haier Electronics Group Co., Ltd. | 37,285,916,287.75 | 10,570,207,407.75 | 47,856,123,695.50 | 19,178,901,750.12 | 2,491,525,471.89 | 21,670,427,222.01 |
| Guizhou Haier Electronics Co., Ltd.. | 522,694,157.33 | 49,721,058.77 | 572,415,216.10 | 302,856,533.06 | 1,100,000.00 | 303,956,533.06 |
| Wuhan Haier Electronics Co., Ltd. | 941,594,837.71 | 149,527,217.84 | 1,091,122,055.55 | 471,264,475.86 | | 471,264,475.86 |

| Name of subsidiary | Amount for the current period | | | |
|--------------------------------------|-------------------------------|------------------|----------------------------|-------------------------------------|
| | Operating revenue | Net profit | Total comprehensive income | Cash flow from operating activities |
| Haier Electronics Group Co., Ltd. | 80,163,616,510.79 | 7,393,576,960.88 | 7,449,383,123.24 | 4,776,998,171.71 |
| Guizhou Haier Electronics Co., Ltd.. | 1,408,675,861.26 | 31,010,981.05 | 31,010,981.05 | 168,289,320.95 |
| Wuhan Haier Electronics Co., Ltd. | 1,996,073,968.98 | 63,100,531.13 | 63,100,531.13 | 254,103,821.03 |

(Continued)

| Name of subsidiary | Amount for the previous period | | | |
|--------------------------------------|--------------------------------|------------------|----------------------------|-------------------------------------|
| | Operating revenue | Net profit | Total comprehensive income | Cash flow from operating activities |
| Haier Electronics Group Co., Ltd. | 85,376,423,035.20 | 4,097,569,326.80 | 4,323,139,015.38 | 4,406,448,804.72 |
| Guizhou Haier Electronics Co., Ltd.. | 1,205,308,014.04 | 29,067,991.87 | 29,067,991.87 | -63,792,645.00 |
| Wuhan Haier Electronics Co., Ltd. | 2,250,957,874.26 | 62,155,769.83 | 62,155,769.83 | -85,652,495.51 |

2. Transactions leading to the change of shareholding in subsidiaries but not losing the control

√ Applicable ☐ Not Applicable

(1). Description of changes in the share of owners' equity in subsidiaries

√ Applicable ☐ Not Applicable

The Company purchased the equity interest of a subsidiary, Haier Electronics Group Co., Ltd. from a secondary market, and its minority shareholders' exercise for the current period or reduced capital, which leads to changes in the Company's shareholding ratio. Capital contribution not proportional to the original shareholding results in changes of shareholding ratio in the subsidiary. The Company and the subsidiary of the Company acquired minority shareholding, which results in changes in the Company's shareholding ratio; Capital contribution by minority shareholders of the subsidiary of the Company leads to changes in the Company's shareholding ratio.

(2). Impact of the transactions on non-controlling interest and the equity attributable to shareholders of the Company:

| Items | Haier Electronics Group Co., Ltd. | Others |
|---|-----------------------------------|------------------|
| Total Consideration for acquisition/disposal | 485,705,569.46 | 685,874,018.94 |
| Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed | -407,376,870.31 | 1,003,215,503.65 |
| Difference | -893,082,439.77 | 317,341,484.71 |
| Including: capital reserve adjustment | -893,082,439.77 | 317,341,484.71 |

3. Interests in joint ventures and associates

√ Applicable ☐ Not Applicable

(1) Associates

| Name of joint venture | Principal place of business | Place of registration | Nature of business | Shareholding | Accounting treatment of investment |
|---|-----------------------------|-----------------------|---------------------|--------------|------------------------------------|
| Wolong Electric (Jinan) Motor Co., Ltd. | Jinan | Jinan | Motor Manufacturing | 30.00% | Equity method |

| | | | | | |
|--|----------|----------|--|--------|---------------|
| Qingdao Hegang New Material Technology Co., Ltd. (青岛河钢新材料科技股份有限公司) | Qingdao | Qingdao | Steel plate manufacturing | 25.65% | Equity method |
| Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership) | Qingdao | Qingdao | Venture Capital | 63.13% | Equity method |
| Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd. | Qingdao | Qingdao | Manufacturing of home appliances | 45.00% | Equity method |
| Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. | Qingdao | Qingdao | Manufacturing of home appliances | 49.00% | Equity method |
| Haier Group Finance Co., Ltd. | Qingdao | Qingdao | Financial services | 42.00% | Equity method |
| Qingdao Haier Software Investment Co., Ltd. | Qingdao | Qingdao | Software development | 25.00% | Equity method |
| Beijing Mr. Hi Network Technology Company Limited | Beijing | Beijing | Technology development | 29.03% | Equity method |
| Hefei Feier Smart Technology Co., Ltd. | Hefei | Hefei | Technology development | 40.00% | Equity method |
| Bank of Qingdao Co., Ltd. | Qingdao | Qingdao | Commercial Bank | 8.65% | Equity method |
| Beijing Xiaobei Technology Co., Ltd. | Beijing | Beijing | Sales of home appliances | 42.75% | Equity method |
| Qingdao Haier Multimedia Co., Ltd. | Qingdao | Qingdao | R&D and sales of television | 20.20% | Equity method |
| Beijing ASU Tech Co. Ltd | Beijing | Beijing | Technical service import and export business | 42.61% | Equity method |
| Shenzhen Genyuan Environmental Protection Technology Co., Ltd. (深圳根元环保科技有限公司) | Shenzhen | Shenzhen | Technical advisory services | 18.77% | Equity method |
| Qingdao Haimu Investment Management Co., Ltd. (青岛海慕投资管理有限公司) | Qingdao | Qingdao | Investment management | 49.00% | Equity method |
| Qingdao Haimu Smart Home Investment Partnership (Limited Partnership) | Qingdao | Qingdao | Investment management | 24.00% | Equity method |
| Shandong Haibida Big Data Co., Ltd. (山东海必达大数据有限公司) | Zibo | Zibo | Big data resource service | 40.00% | Equity method |
| Qingdao Xinaohaizhi Energy Co., Ltd. (青岛新奥海智能能源有限公司) | Qingdao | Qingdao | Production and sales of energy | 49.00% | Equity method |
| Qingdao Zhongzaihaina Environmental Services Co., Ltd. (青岛中再海纳环境服务) | Qingdao | Qingdao | Resale of used materials | 20.00% | Equity method |

| | | | | | |
|--|--------------|--------------|--|--------|---------------|
| 有限公司) | | | | | |
| Guangzhou Heying Investment Partnership (Limited Partnership) | Guangzhou | Guangzhou | Investment | 50.00% | Equity method |
| Qingdao Java Cloud Network Technology Co., Ltd. | Qingdao | Qingdao | Home online service | 24.93% | Equity method |
| Bingji (Shanghai) Corporate Management Co., Ltd.(冰戟(上海)企业管理有限公司) | Shanghai | Shanghai | Investment management | 45.00% | Equity method |
| Youjin (Shanghai) Corporate Management Co., Ltd.(优瑾(上海)企业管理有限公司) | Shanghai | Shanghai | Investment management | 45.00% | Equity method |
| RRS (Shanghai) Investment Co., Ltd. (日日顺(上海)投资有限公司) | Shanghai | Shanghai | Investment management | 45.00% | Equity method |
| Haier Best Water Technology Co., Ltd. (倍世海尔饮水科技有限公司) | Qingdao | Qingdao | Water equipment technology development service | 49.00% | Equity method |
| Konan Electronic Co., Ltd. | Japan | Japan | Motor Manufacturing | 50.00% | Equity method |
| HPZ LIMITED | Nigeria | Nigeria | Manufacturing of home appliances | 25.01% | Equity method |
| HNR Company (Private) Limited | Pakistan | Pakistan | Manufacturing of home appliances | 31.72% | Equity method |
| Meiling Candy Washing Machine Co., Ltd. (美菱卡迪洗衣机有限公司) | Hefei | Hefei | Manufacturing of home appliances | 40% | Equity method |
| Controladora Mabe S.A.deC.V. | Mexico | Mexico | Manufacturing of home appliances | 48.41% | Equity method |
| Middle East Air conditioning Company, Limited | Saudi Arabia | Saudi Arabia | Sales of home appliances | 49.00% | Equity method |

(2) The major financial information of important associates

① The basic profile of important associates

a. Haier Group Finance Co., Ltd. (hereinafter referred to as 'Finance company') was established by Haier Group Corporation and its three affiliates. Registration place and principal place of business: No.178-2 Haier Road, Laoshan District, Qingdao City. The Company's subsidiaries hold an aggregate of 42.00% equity interest in Finance Company.

b. General Electric Company has participated in the capital contribution to the establishment of Controladora Mabe S.A.de C.V. (hereinafter referred to as 'MABE'). In June 2016, a subsidiary of the

Company acquired 48.41% of equity interests in MABE held by General Electric Company. The registered address and principal place of business of MABE is Mexico. The subsidiaries of the Company hold approximately 48.41% of equity interests in MABE in total.

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

②Financial information of important associates:

| Items | Finance company | |
|---|---|--|
| | Closing balance/Amount for the current period | Opening balance/Amount for the previous period |
| Current assets | 61,570,216,228.62 | 59,524,840,580.99 |
| Non-current assets | 5,905,904,013.65 | 6,772,155,247.83 |
| Total assets | 67,476,120,242.27 | 66,296,995,828.82 |
| Current liabilities | 52,896,669,320.65 | 51,568,658,834.34 |
| Non-current liabilities | 268,470,616.43 | 1,857,007,615.76 |
| Total liabilities | 53,165,139,937.08 | 53,425,666,450.10 |
| Minority equity interests | | |
| Equity attributable to shareholders of the parent company | 14,310,980,305.19 | 12,871,329,378.72 |
| Including: share of net assets calculated per shareholding percentage | 6,010,611,728.26 | 5,405,958,339.07 |
| Operating revenue | 2,540,718,904.25 | 2,564,135,945.96 |
| Net profit | 1,719,606,817.98 | 1,643,680,363.91 |
| Other comprehensive income | 20,044,108.65 | 77,917,520.22 |
| Total comprehensive income | 1,739,650,926.63 | 1,721,597,884.13 |
| Dividend received from associates for the year | 126,000,000.00 | 210,000,000.00 |

(Continued)

| Items | MABE | |
|-------------------------|---|--|
| | Closing balance/Amount for the current period | Opening balance/Amount for the previous period |
| Current assets | 6,554,356,162.20 | 6,401,986,096.80 |
| Non-current assets | 11,976,635,517.00 | 10,722,377,360.00 |
| Total assets | 18,530,991,679.20 | 17,124,363,456.80 |
| Current liabilities | 8,493,118,880.40 | 8,729,901,178.40 |
| Non-current liabilities | 5,735,182,853.40 | 4,762,051,909.60 |

| | | |
|---|-------------------|-------------------|
| Total liabilities | 14,228,301,733.80 | 13,491,953,088.00 |
| Minority equity interests | | |
| Equity attributable to shareholders of the parent company | 4,302,689,945.40 | 3,632,410,368.80 |
| Including: share of net assets calculated per shareholding percentage | 2,083,138,731.69 | 1,758,624,215.23 |
| Operating revenue | 22,678,063,972.00 | 20,407,164,879.93 |
| Net profit | 730,090,236.00 | 299,739,661.91 |
| Other comprehensive income | 89,711,280.60 | 62,998,185.36 |
| Total comprehensive income | 819,801,516.60 | 362,737,847.27 |
| Dividend received from associates for the year | 66,718,276.58 | |

(Continued)

| Items | BOQ | |
|---|---|--|
| | Closing balance/Amount for the current period | Opening balance/Amount for the previous period |
| Current assets | 238,853,193,000.00 | 181,349,759,000.00 |
| Non-current assets | 134,768,957,000.00 | 136,308,743,000.00 |
| Total assets | 373,622,150,000.00 | 317,658,502,000.00 |
| Current liabilities | 264,534,891,000.00 | 223,355,408,000.00 |
| Non-current liabilities | 78,609,341,000.00 | 66,806,370,000.00 |
| Total liabilities | 343,144,232,000.00 | 290,161,778,000.00 |
| Minority interests | 562,458,000.00 | 511,751,000.00 |
| Equity attributable to shareholders of the parent company | 29,915,460,000.00 | 26,984,973,000.00 |
| Including: share of net assets calculated per shareholding percentage | 2,586,957,693.97 | 2,592,829,635.67 |
| Operating revenue | 9,616,315,000.00 | 7,371,953,000.00 |
| Net profit | 2,335,522,000.00 | 2,043,389,000.00 |
| Other comprehensive income | 105,037,000.00 | 1,016,364,000.00 |
| Total comprehensive income | 2,440,559,000.00 | 3,059,753,000.00 |
| Dividend received from associates for the year | 77,995,640.00 | 77,995,640.00 |

(3). Summarized financial information of insignificant associates and joint ventures

√ Applicable □ Not Applicable

Unit and Currency: RMB

| | Closing balance/Amount for the | Opening balance/Amount for |
|--|-----------------------------------|-------------------------------|
|--|-----------------------------------|-------------------------------|

| | current period | the previous period |
|--|------------------|---------------------|
| Associates | | |
| Wolong Electric (Jinan) Motor Co., Ltd. | 123,555,578.44 | 123,281,802.39 |
| Qingdao Hegang New Material Technology Co., Ltd. (青岛河钢新材料科技股份有限公司) | 280,063,773.80 | 262,284,357.65 |
| Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership) | 434,540,103.12 | 362,380,221.29 |
| Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd. | 643,056,436.86 | 622,643,614.66 |
| Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. | 395,933,487.26 | 332,723,126.50 |
| Qingdao Haier Multimedia Co., Ltd. | 432,386,801.26 | 555,084,616.71 |
| Qingdao Haier Software Investment Co., Ltd. | 19,636,136.75 | 18,193,519.15 |
| Hefei Feier Smart Technology Co., Ltd. | 758,188.30 | |
| Qingdao Xinaohaizhi Energy Co., Ltd. (青岛新奥海智能能源有限公司) | 25,966,044.95 | 25,075,683.85 |
| Qingdao Zhongzaihaina Environmental Services Co., Ltd. (青岛中再海纳环境服务有限公司) | 2,261,258.70 | 2,192,958.60 |
| Shandong Haibida Big Data Co., Ltd. (山东海必达大数据有限公司) | 5,332,640.10 | |
| Beijing Mr. Hi Network Technology Company Limited | 3,757,759.75 | 3,757,759.75 |
| Beijing Xiaobei Technology Co., Ltd. | 2,687,341.82 | 2,687,341.82 |
| Beijing ASU Tech Co., Ltd. | 5,862,115.78 | 30,062,027.79 |
| Shenzhen Genyuan Environmental Protection Technology Co., Ltd. | 6,914,487.73 | 7,849,992.00 |
| Qingdao Haimu Investment Management Co., Ltd. | 2,198,276.46 | 2,078,341.37 |
| Qingdao Haimu Smart Home Investment Partnership (Limited Partnership) | 48,046,197.64 | 48,001,070.25 |
| Guangzhou Heying Investment Partnership (Limited Partnership) | 219,198,634.81 | 176,064,809.68 |
| Qingdao Home Wow Cloud Network Technology Co., Ltd. | 3,168,859.99 | 1,216,581.32 |
| Beijing Cangxiaowei Supply Chain Management Co., Ltd. | | 791,316.97 |
| Bingji (Shanghai) Corporate Management Co., Ltd. (冰戟(上海)企业管理有限公司) | 894,539,765.00 | |
| Youjin (Shanghai) Corporate Management Co., Ltd. (优瑾(上海)企业管理有限公司) | 1,625,617,754.55 | |
| RRS (Shanghai) Investment Co., Ltd. (日日顺(上海)投资有限公司) | 2,954,850,462.82 | |
| Haier Best Water Technology Co., Ltd. (倍世海尔饮水科技) | 21,725,345.26 | |

| | | |
|---|------------------|------------------|
| 有限公司) | | |
| Meiling Candy Washing Machine Co., Ltd. (美菱卡迪洗衣机有限公司) | 23,222,136.38 | |
| Konan Electronic Co., Ltd. | 71,196,748.97 | 74,799,791.29 |
| HNR Company (Private) Limited | 104,557,145.65 | 91,076,038.80 |
| HPZ LIMITED | 78,149,551.49 | 88,800,332.55 |
| MiddleEast Air conditioning Company, Limited | 19,002,595.66 | 18,208,123.96 |
| Total book value of investment | 8,448,185,629.30 | 2,849,253,428.35 |
| Total amount of the following items calculated based on shareholding percentage | | |
| --Net profit | 180,891,658.30 | 343,024,634.11 |
| --Other comprehensive income | 53,473,733.11 | 22,221,841.23 |
| --Total comprehensive income | 234,365,391.41 | 365,246,475.34 |

X. Segment report

(1) Determining basis and accounting policy of reporting segment

√ Applicable □ Not Applicable

The Company is principally engaged in manufacture and sales of home appliances and relevant services business, manufacture of upstream home appliances parts, distribution of products of third-party, logistics and after-sale business. 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.
- 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 and so on.

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

As the centralized management under the headquarters or not being included in the assessment scope of segment management, the total assets of segment exclude monetary funds, financial assets held for trading, derivative financial assets, dividends receivable, assets held for sale, other current assets, investments in other equity instruments, long-term receivables, long-term equity investment, goodwill, deferred tax assets; the total liabilities of segment exclude long-term and short-term borrowings, financial liabilities held for trading, derivative financial liabilities, dividends payables, tax payable, liabilities held for sale, bonds payable, deferred tax liabilities, other non-current liabilities; operating profit of segment exclude financial expenses, gains/(losses) on changes in fair value, gains on investment, gains on disposal of assets, non-VAT refundable upon imposition component of other income, non-operating income and expense and income tax.

(1) Information of reportable segments

Segment information for the period

| Segment information | China smart home business | | | | |
|------------------------------|----------------------------|--------------------|----------------------|--------------------------------|-----------------------------|
| | Internet of Food solutions | | Air energy solutions | Internet of clothing solutions | Whole house water solutions |
| | Refrigerator/freezers | Kitchen appliances | Air conditioners | Washing machine | Water home appliances |
| Segment revenue | 32,750,326,078.30 | 2,439,910,684.24 | 23,492,695,375.69 | 24,444,678,571.04 | 9,596,820,492.67 |
| Including: external revenue | 30,426,716,732.19 | 2,153,844,464.99 | 20,366,461,301.32 | 22,113,172,727.02 | 9,521,215,941.39 |
| Inter-segment revenue | 2,323,609,346.11 | 286,066,219.25 | 3,126,234,074.37 | 2,331,505,844.02 | 75,604,551.28 |
| Total segment operating cost | 30,638,715,948.74 | 2,417,186,983.20 | 23,480,758,896.26 | 22,325,534,630.18 | 8,479,922,900.93 |
| Segment operating profit | 2,111,610,129.56 | 22,723,701.04 | 11,936,479.43 | 2,119,143,940.86 | 1,116,897,591.74 |
| Total segment assets | 10,182,685,599.34 | 1,601,295,526.79 | 16,080,937,914.13 | 9,674,956,522.67 | 3,321,820,888.60 |
| Total segment liabilities | 30,598,595,271.84 | 1,468,196,660.29 | 8,590,183,771.36 | 7,447,258,502.94 | 4,135,690,962.81 |

(Continued)

| Segment information | Overseas home appliance and smart home business | Other business | Inter-segment eliminations | Total |
|--------------------------------|---|-------------------|----------------------------|--------------------|
| Segment revenue | 92,913,936,593.05 | 88,576,700,061.08 | -73,453,084,599.50 | 200,761,983,256.57 |
| Including: external revenue | 92,392,836,342.58 | 23,787,735,747.08 | - | 200,761,983,256.57 |
| Inter-segment revenue | 521,100,250.47 | 64,788,964,314.00 | -73,453,084,599.50 | - |
| Total segment operating cost | 89,758,855,043.71 | 88,359,287,313.74 | -73,496,036,895.98 | 191,964,224,820.78 |
| Segment operating profit | 3,155,081,549.34 | 217,412,747.34 | 42,952,296.48 | 8,797,758,435.79 |
| Total segment assets | 45,754,466,477.11 | 48,931,878,145.26 | -38,979,895,269.93 | 96,568,145,803.97 |
| Total segment liabilities | 24,233,067,377.15 | 48,310,739,488.06 | -39,098,430,484.39 | 85,685,301,550.06 |

Segment information for the corresponding period of last year

| Segment information | China smart home business | | | | |
|--------------------------------|----------------------------|--------------------|----------------------|--------------------------------|-----------------------------|
| | Internet of Food solutions | | Air energy solutions | Internet of Clothing solutions | Whole house water solutions |
| | Refrigerator/freezers | Kitchen appliances | Air conditioners | Washing machine | Water home appliances |
| Segment revenue | 31,618,872,869.99 | 2,467,385,543.83 | 26,644,694,447.79 | 22,508,306,838.44 | 8,855,929,559.20 |
| Including: external revenue | 29,642,460,432.51 | 2,274,145,697.59 | 23,420,074,096.71 | 20,853,109,973.16 | 8,812,187,214.25 |
| Inter-segment revenue | 1,976,412,437.48 | 193,239,846.24 | 3,224,620,351.08 | 1,655,196,865.28 | 43,742,344.95 |
| Total segment operating cost | 29,524,317,142.86 | 2,444,820,362.63 | 25,502,931,385.40 | 20,537,035,519.06 | 7,826,548,213.09 |
| Segment operating profit | 2,094,555,727.13 | 22,565,181.20 | 1,141,763,062.39 | 1,971,271,319.38 | 1,029,381,346.11 |
| Total | 4,977,870,537.68 | 1,711,385,923.34 | 14,369,768,636.22 | 8,221,907,424.42 | 2,752,966,020.93 |

| | | | | | |
|---------------------------|-------------------|------------------|------------------|------------------|------------------|
| segment assets | | | | | |
| Total segment liabilities | 23,184,725,560.95 | 1,314,431,145.96 | 7,379,641,491.01 | 5,592,378,286.22 | 3,316,856,450.71 |

(Continued)

| Segment information | Overseas home appliance and smart home business | Other business | Inter-segment eliminations | Total |
|------------------------------|---|-------------------|----------------------------|--------------------|
| Segment revenue | 75,425,133,144.38 | 88,069,187,883.20 | -71,481,028,327.56 | 184,108,481,959.27 |
| Including: external revenue | 74,896,928,604.96 | 24,209,575,940.09 | - | 184,108,481,959.27 |
| Inter-segment revenue | 528,204,539.42 | 63,859,611,943.11 | -71,481,028,327.56 | - |
| Total segment operating cost | 72,347,701,707.95 | 87,613,861,152.44 | -71,431,056,574.56 | 174,366,158,908.87 |
| Segment operating profit | 3,077,431,436.43 | 455,326,730.76 | -49,971,753.00 | 9,742,323,050.40 |
| Total segment assets | 33,831,326,295.02 | 47,420,138,907.67 | -29,693,450,492.74 | 83,591,913,252.54 |
| Total segment liabilities | 16,366,452,912.55 | 45,967,024,081.00 | -29,415,363,159.35 | 73,706,146,769.05 |

(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 | 106,643,054,818.57 | 106,908,575,758.43 |
| Other countries/regions | 94,118,928,438.00 | 77,199,906,200.84 |
| Among which: | | |
| America | 57,921,805,254.95 | 52,808,964,340.83 |
| Australia | 5,351,975,416.93 | 5,059,554,142.64 |
| South Asia | 6,339,528,301.47 | 5,971,048,523.39 |
| Europe | 15,194,566,954.73 | 4,139,629,938.57 |

| | | |
|------------------------|--------------------|--------------------|
| Southeast Asia | 3,705,563,558.54 | 3,197,828,869.18 |
| Middle East and Africa | 1,117,998,276.01 | 968,609,176.61 |
| Japan | 3,248,939,012.25 | 2,957,892,839.19 |
| Others | 1,238,551,663.12 | 2,096,378,370.43 |
| Total | 200,761,983,256.57 | 184,108,481,959.27 |

Total non-current assets

| Items | Closing balance | Opening balance |
|-------------------------|-------------------|-------------------|
| Mainland China | 14,257,835,282.97 | 15,396,373,909.72 |
| Other countries/regions | 25,259,765,320.54 | 18,248,137,105.45 |
| Total | 39,517,600,603.51 | 33,644,511,015.17 |

Total non-current assets exclude: other equity instrument investments, long-term equity investments, goodwill, deferred 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 to which the input value is significant to the fair value measurement as a whole:

Level 1: Unadjusted quotes for the same asset or liability in an active market

Level 2: Inputs that are directly or indirectly observable for related assets or liabilities, except for Level 1 inputs.

Level 3: Unobservable inputs of related assets or liabilities.

At the end of the period

| Items | Input used for fair value measurement | | | |
|--|---------------------------------------|--------------------------------------|--|----------------|
| | Quotes in an active market (Level 1) | Important observable input (Level 2) | Important unobservable input (Level 3) | Total |
| Continuously measured at fair value | | | | |
| Financial assets held for trading | 400,433.88 | 283,548,675.00 | 24,185,898.17 | 308,135,007.05 |
| Including: Bank wealth management products | | 198,614,361.33 | | 198,614,361.33 |
| Forward exchange contract | | 84,934,313.67 | | 84,934,313.67 |

| | | | | |
|--|---------------|----------------|------------------|------------------|
| Investment in equity instruments | 400,433.88 | | 24,185,898.17 | 24,586,332.05 |
| Derivative financial assets | | 19,158,132.45 | | 19,158,132.45 |
| Including: Forward exchange contract | | 17,241,833.10 | | 17,241,833.10 |
| Forward commodity contract | | 1,916,299.35 | | 1,916,299.35 |
| Other equity instruments | 19,467,066.04 | | 1,376,492,812.88 | 1,395,959,878.92 |
| Including: Equity instruments measured at fair value and changes of which included in other comprehensive income | 19,467,066.04 | | 1,376,492,812.88 | 1,395,959,878.92 |
| Other non-current financial assets | | 294,547,364.47 | | 294,547,364.47 |
| Including: Bank wealth management products | | 294,547,364.47 | | 294,547,364.47 |
| Other non-current assets | | 62,836,363.78 | 14,220,964.80 | 77,057,328.58 |
| Including: Other non-current financial assets | | 62,836,363.78 | 14,220,964.80 | 77,057,328.58 |
| Financial liabilities held for trading | | 42,799,173.35 | | 42,799,173.35 |
| Including: Forward exchange contract | | 42,799,173.35 | | 42,799,173.35 |
| Derivative financial liabilities | | 99,548,853.97 | | 99,548,853.97 |
| Including: Forward exchange contract | | 85,557,428.14 | | 85,557,428.14 |
| Interest rate swap agreement | | 13,991,425.83 | | 13,991,425.83 |
| Other non-current liabilities | | - | 54,598,203.27 | 54,598,203.27 |
| Including: Obligation of repurchasing the minority equity rights | | | 54,598,203.27 | 54,598,203.27 |

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 | 519,213.09 | 1,756,325,976.41 | 18,803,198.26 | 1,775,648,387.76 |
| Including: Bank wealth management products | | 1,567,648,908.00 | | 1,567,648,908.00 |
| Forward foreign exchange contract | | 188,677,068.41 | | 188,677,068.41 |
| Investment in equity instruments | 519,213.09 | | 18,803,198.26 | 19,322,411.35 |
| Derivative financial assets | | 96,723,164.37 | | 96,723,164.37 |
| Including: Forward exchange contract | | 39,494,394.98 | | 39,494,394.98 |
| Interest rate swap agreement | | 57,228,769.39 | | 57,228,769.39 |
| Other equity instruments | 17,420,711.90 | | 1,382,895,748.44 | 1,400,316,460.34 |
| Including: Equity instruments measured at fair value and changes of which included in other comprehensive income | 17,420,711.90 | | 1,382,895,748.44 | 1,400,316,460.34 |
| Other non-current financial assets | | 327,358,825.57 | | 327,358,825.57 |
| Including: Bank wealth management products | | 327,358,825.57 | | 327,358,825.57 |
| Other non-current assets | | 49,499,757.96 | 46,019,000.00 | 95,518,757.96 |
| Including: Other non-current financial assets | | 49,499,757.96 | 46,019,000.00 | 95,518,757.96 |
| Financial liabilities held for trading | | 218,748,280.33 | | 218,748,280.33 |
| Including: Forward foreign exchange contract | | 211,934,956.99 | | 211,934,956.99 |

| | | | | |
|--|--|------------------|----------------|------------------|
| Forward foreign exchange options | | 6,813,323.34 | | 6,813,323.34 |
| Derivative financial liabilities | | 35,603,754.54 | | 35,603,754.54 |
| Including: Forward foreign exchange contract | | 24,384,482.19 | | 24,384,482.19 |
| Forward commodity contract | | 11,219,272.35 | | 11,219,272.35 |
| Other non-current liabilities | | 1,587,403,337.19 | 210,624,307.28 | 1,798,027,644.47 |
| Including: Obligation of repurchasing the minority equity rights | | 1,587,403,337.19 | 204,919,000.00 | 1,792,322,337.19 |
| Contingent consideration | | | 5,705,307.28 | 5,705,307.28 |

For financial instruments traded in an active market, the Company determines its fair value based on its quotes in an active market; for financial instruments not traded in an active market, the Company uses valuation techniques to determine its fair value.

2. The basis for determining the fair value of the continual Level 2 fair value measurement items:

| Items | Fair value at the end of the period | Valuation techniques |
|---|-------------------------------------|---|
| Financial assets held for trading | | |
| Including: Bank wealth management products | 198,614,361.33 | Discounted cash flow |
| Forward exchange contract | 84,934,313.67 | Bank quote for similar products |
| Derivative financial assets | | |
| Including: Forward exchange contract | 17,241,833.10 | Bank quote for similar products |
| Forward commodity contract | 1,916,299.35 | Futures exchange quote for similar products |
| Other non-current financial assets | | |
| Including: Bank wealth management products | 294,547,364.47 | Discounted cash flow |
| Other non-current assets | | |
| Including: Other non-current financial assets | 62,836,363.78 | Discounted cash flow model |
| Financial liabilities held for trading | | |
| Including: Forward exchange contract | 42,799,173.35 | Bank quote for similar products |

| Derivative financial liabilities | | |
|--------------------------------------|---------------|---------------------------------|
| Including: Forward exchange contract | 85,557,428.14 | Bank quote for similar products |
| Interest rate swap agreement | 13,991,425.83 | 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 fair value to the input |
|---|-------------------------------------|---------------------|---|-----------------------------|---|
| Other equity instruments | | | | | |
| Including: SINOPEC Fuel Oil Sales Corporation Limited (中国石化销售股份有限公司) | 1,242,930,000 | Valuation multiples | 1. Average P/E multiple of peers 2. Discount for lack of marketability | 1. 16.92-17.27 2. 9%-11% | 1. 1% increase (decrease) in multiple would result in increase (decrease) in fair value by RMB 12,429,000. 2. 1% increase (decrease) in the risk-free interest rate would result in decrease (increase) in fair value by RMB 13,810,000. |

4. Financial instruments not measured at fair value

| Items | Closing book value | Closing fair value |
|---|--------------------|--------------------|
| Bonds payable (exchangeable corporate bonds issued in 2017) | 7,004,585,761.43 | 7,087,065,405.00 |

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 fair value of bonds payable disclosed above, the difference between the book value and 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 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 other party.

According to Management Practices for Information Disclosure of Listed Company (China Securities Regulatory Commission Order No. 40), related legal entity or individual will be identified as related parties in certain occasions.

(II) Relationships between related parties

1. Information about the parent company and other companies holding shares of the Company

| Name | Type of enterprise | Registered place | Registered capital | Legal representative | Relationships with the Company | Interest in the Company | Voting rights to the Company |
|---|--------------------------------|-----------------------------------|----------------------------|----------------------|---|-------------------------|------------------------------|
| Haier Group Corporation | Collective ownership company | Qingdao High-tech Zone Haier Park | 311,180,000 | Zhang Ruimin | Parent Company | 16.30% | 16.30% |
| Haier Electric Appliances International Co., Ltd. | Joint-stock company | Qingdao High-tech Zone Haier Park | 631,930,635 | Zhang Ruimin | Subsidiary of Parent Company | 19.13% | 19.13% |
| Qingdao Haier Venture & Investment Information Co., Ltd. | Company with limited liability | Qingdao Free Trade Zone | 923,000,000 | Zhou Yunjie | Parties acting in concert of Parent Company | 2.62% | 2.62% |
| Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) | Limited partnership company | Qingdao High-tech Zone Haier Park | 1,053,306,000 | Zhang Ruimin | Parties acting in concert of Parent Company | 1.11% | 1.11% |
| Haier International Co., Limited | Company with limited liability | Hong Kong | 10,000 (Hong Kong Dollars) | / | Parties acting in concert of Parent Company | 0.87% | 0.87% |

2. Subsidiaries of the Company

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

☐Applicable ☒Not Applicable

3. Associates and joint ventures of the Company

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

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

Other explanations

☐Applicable ☒Not Applicable

4. Other related parties

☒ Applicable ☐ Not Applicable

| Other related parties | Relationship between other related parties and the Company |
|---|--|
| Qingdao Haier Parts Procurement Co., Ltd. | Subsidiary of Haier Group |
| Chongqing Haier Electrical Appliances Sales Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Haier Goodaymart Logistic Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Goodaymart Supply Chains Co., Ltd. | Subsidiary of Haier Group |
| Hefei Haier Logistics Co., Limited | Subsidiary of Haier Group |
| Chongqing Haier Logistics Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Haier International Trading Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Haier Special Plastic Development Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Haiyongda Property Management Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Haier Household Integration Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Haier Tooling Development and Manufacturing Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Haier International Travel Agency Co., Ltd. | Subsidiary of Haier Group |
| RRS Internet of Things Co., Ltd. (日日顺物联网有限公司) | Subsidiary of Haier Group |
| Qingdao Haier Whole House Home Co., Ltd. | Subsidiary of Haier Group |
| Chongqing Haier Property Management Co., Ltd. | Subsidiary of Haier Group |
| Haier Group Electric Appliance Industry Co., Ltd. | Subsidiary of Haier Group |
| Haier Finance Leasing (China) Co., Ltd. | Subsidiary of Haier Group |

| | |
|---|--|
| Suzhou Hai Xin InfoTech Ltd | Subsidiary of Haier Group |
| Haier International Co., Ltd. | Subsidiary of Haier Group |
| Haier Group Finance Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Haier Industry and City Innovation Group Co., Ltd. | Subsidiary of Haier Group |
| Laiyang Haier Electrical Co. Ltd. | Subsidiary of Haier Group |
| Dalian Haier International Trade Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Haier Communications Co., Ltd. | Subsidiary of Haier Group |
| Qingdao Haier Brothers Animation Industry Co., Ltd. | Subsidiary of Haier Group |
| Shanghai Cotai Supply Chain Management Co., Ltd. | Subsidiary of Haier Group |
| Xingyang International Co., Ltd.(星洋国际有限公司) | Subsidiary of Haier Group |
| Brave Lion (HK) limited | Subsidiary of Haier Group |
| Qingdao Haier New Materials R & D Co., Ltd. | Associate of subsidiary of Haier Group |
| Controladora Mabe S.A.de C.V. | Associate |
| HNR Company (Private) Limited | Associate |
| Hefei Hegang New Material Technology Co., Ltd. | Subsidiary of associate |
| Wolong Electric (Jinan) Motor Co., Ltd. | Associate |
| Qingdao HBIS Composite New Material | Subsidiary of associate |
| Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd. | Associate |
| Qingdao Haier Software Investment Co., Ltd. | Associate |

5. Related transactions

(1) Related transactions for procurement and sales of goods, provision and acceptance of labor service

Procurement of goods / acceptance of labor service

√ 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. | 11,619,586,690.71 | 9,113,096,659.92 |
| Qingdao Haier Parts Procurement Co., Ltd. | 5,953,684,963.48 | 5,921,843,450.68 |
| Chongqing Haier Electrical Appliances Sales Co., Ltd. | 3,898,627,675.37 | 4,680,091,481.07 |
| Qingdao Haier Goodaymart Logistic Co., Ltd. | 2,284,810,761.71 | |
| HNR Company (Private) Limited | 1,956,294,467.87 | 1,840,370,751.33 |

| | | |
|---|-------------------|-------------------|
| Hefei Haier Logistics Co., Limited | 1,942,921,087.20 | 1,582,350,911.61 |
| Chongqing Haier Logistics Co., Ltd. | 1,907,965,982.80 | 2,073,214,826.93 |
| Qingdao Haier International Trading Co., Ltd. | 1,175,534,219.93 | 1,226,021,106.66 |
| Hefei Hegang New Material Technology Co., Ltd. | 828,466,593.38 | 734,384,802.58 |
| Wolong Electric (Jinan) Motor Co., Ltd. | 730,664,069.32 | 661,075,508.16 |
| Qingdao Haier Special Plastic Development Co., Ltd. | 666,523,746.13 | 719,843,177.61 |
| Qingdao HBIS Composite New Material | 634,888,355.57 | 626,568,343.81 |
| Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd. | 71,591,312.97 | 85,390,255.89 |
| Qingdao Haier Household Integration Co., Ltd. | 29,061,781.34 | 54,710,255.06 |
| Qingdao Haier Tooling Development and Manufacturing Co., Ltd. | 24,033,448.73 | 323,542,192.07 |
| Qingdao Haiyongda Property Management Co., Ltd. | 21,831,548.87 | 237,267,663.00 |
| Haier International Co., Ltd | 10,191,112.28 | 140,741,779.07 |
| Other related-party | 2,204,900,570.82 | 2,213,169,437.98 |
| Total | 35,961,578,388.48 | 32,233,682,603.43 |

Sales of goods / provision of service

√ 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. | 594,580,472.70 | 679,607,921.20 |
| Qingdao Haier International Trading Co., Ltd. | 577,344,117.36 | 622,373,513.67 |
| Qingdao Haier New Materials R & D Co., Ltd. | 489,949,910.45 | 319,471,416.84 |
| HNR Company (Private) Limited | 436,216,032.46 | 428,693,680.74 |
| Controladora Mabe S. A. de C. V. | 375,146,095.66 | 715,307,126.17 |
| Wolong Electric (Jinan) Motor Co., Ltd. | 314,689,017.25 | 241,476,982.52 |
| Qingdao Haier International Travel Agency Co., Ltd. | 303,939,917.85 | 117,712,848.11 |
| Qingdao HBIS Composite New Material | 301,875,325.92 | 131,806,476.71 |

| | | |
|---|------------------|------------------|
| Hefei Hegang New Material Technology Co., Ltd. | 138,554,571.84 | 219,541,831.54 |
| RRS Internet of Things Co., Ltd. (日日顺物联网有限公司) | 34,719,443.14 | 4,604,208.50 |
| Chongqing Haier Electrical Appliances Sales Co., Ltd. | 34,076,449.50 | 246,913,534.92 |
| Qingdao Haier Whole House Home Co., Ltd. | 32,411,131.07 | 39,019,447.13 |
| Chongqing Haier Property Management Co., Ltd. | 27,729,431.99 | 26,981,672.89 |
| Qingdao Haier Tooling Development and Manufacturing Co., Ltd. | 13,858,544.21 | 225,731,209.43 |
| Other related-party | 525,506,903.39 | 470,526,920.15 |
| Total | 4,200,597,364.79 | 4,489,768,790.52 |

Explanations to related transactions for procurement and sales of goods, provision and acceptance of labor service.

☐ Applicable ☒ Not Applicable

6. Receivable and payable due from related-party

| Items and name of distributors | Closing Balance | Opening Balance |
|---|-----------------|-----------------|
| Bills receivable: | | |
| Qingdao Haier New Materials R & D Co., Ltd. | 5,000,000.00 | 34,632,882.73 |
| Other related-party | 18,658,821.43 | 7,356,564.87 |
| Dividend receivable: | | |
| Qingdao Haier Software Investment Co., Ltd. | 4,524,472.84 | 4,524,472.84 |
| Accounts receivable: | | |
| HNR Company (Private) Limited | 420,113,418.64 | 280,435,010.88 |
| Qingdao Haier International Travel Agency Co., Ltd. | 112,821,150.93 | 82,564,510.88 |
| Haier Group Electric Appliance Industry Co., Ltd. | 96,399,344.74 | 115,044,945.15 |
| Controladora Mabe S. A. de C. V. | 86,399,338.60 | 149,908,002.70 |
| Haier Finance Leasing (China) Co., Ltd. | 64,250,047.12 | 80,643,117.12 |
| Qingdao Haier Parts Procurement Co., Ltd. | 61,657,988.46 | 23,987,017.43 |
| RRS Internet of Things Co., Ltd. (日日顺物联网有限公司) | 35,268,625.02 | 6,275,641.65 |
| Qingdao Haier Special Plastic Development Co., Ltd. | 32,485,794.84 | 31,769,104.04 |
| Qingdao Haier International Trading Co., Ltd. | 31,247,321.37 | 17,054,686.23 |
| Suzhou Hai Xin InfoTech Ltd | 10,781,192.30 | 10,878,625.30 |

| | | |
|--|------------------|------------------|
| Qingdao Haier Household Integration Co., Ltd. | 8,092,101.80 | 10,567,963.70 |
| Haier International Co., Ltd. | 2,808,260.59 | 21,866,762.90 |
| Hefei Hegang New Material Technology Co., Ltd. | 5,047,872.56 | 12,430,653.04 |
| Chongqing Haier Property Management Co., Ltd. | 6,328,857.33 | 11,445,371.17 |
| Other related-party | 368,107,531.73 | 231,768,853.79 |
| Prepayments: | | |
| Qingdao Haier Parts Procurement Co., Ltd. | 269,505,987.96 | 6,232,019.51 |
| HNR Company (Private) Limited | 66,648,390.11 | |
| Hefei Haier Logistics Co., Limited | 45,776,811.08 | |
| Chongqing Haier Logistics Co., Ltd. | 34,842,309.86 | |
| Haier Group Electric Appliance Industry Co., Ltd. | 32,846,613.20 | 36,250,083.22 |
| Qingdao Haier International Trading Co., Ltd. | 23,318,702.14 | 52,377,466.40 |
| Other related-party | 53,362,863.82 | 36,146,173.00 |
| Interest receivable: | | |
| Haier Group Finance Co., Ltd. | 49,797,510.75 | 8,558,831.18 |
| Other receivables: | | |
| Haier Group Co., Ltd | 215,130,000.00 | |
| Haier Group Electric Appliance Industry Co., Ltd. | 11,925,794.18 | 4,932,361.04 |
| Qingdao Haier Industry and City Innovation Group Co., Ltd. | 88,640,000.00 | 69,280,000.00 |
| Other related-party | 143,955,967.27 | 81,410,902.63 |
| Bills payable: | | |
| Laiyang Haier Electrical Co. Ltd. | 39,208,909.70 | 60,572,756.31 |
| Other related-party | 28,684,896.03 | 11,747,585.16 |
| Accounts payable: | | |
| Qingdao Haier Parts Procurement Co., Ltd. | 1,968,841,996.69 | 1,709,722,192.99 |
| Chongqing Haier Electrical Appliances Sales Co., Ltd. | 1,061,806,342.30 | 887,619,722.87 |
| Qingdao Haier International Trading Co., Ltd. | 314,990,780.41 | 206,304,134.91 |
| Controladora Mabe S.A.deC.V. | 230,300,308.48 | 448,791,729.31 |
| Dalian Haier International Trade Co., Ltd. | 156,594,556.64 | 85,369,608.45 |
| Chongqing Haier Logistics Co., Ltd. | 132,648,041.70 | 76,661,148.51 |
| Hefei Haier Logistics Co., Limited | 75,628,528.77 | 22,752,588.26 |
| Qingdao Haier Special Plastic Development Co., Ltd. | 69,159,088.68 | 43,902,377.09 |

| | | |
|---|----------------|----------------|
| Hefei Hegang New Material Technology Co., Ltd. | 43,160,933.30 | 50,571,741.10 |
| Qingdao HBIS Composite New Material | 29,418,148.41 | 66,411,374.50 |
| Laiyang Haier Electrical Co. Ltd. | 16,287,220.50 | 14,480,111.50 |
| Haier International Co., Ltd. | 11,823,617.47 | 96,592,512.06 |
| HNR Company (Private) Limited | 8,582,434.46 | 83,263,372.49 |
| Qingdao Haier Communications Co., Ltd. | 6,218,363.69 | 48,474,102.93 |
| Other related-party | 151,131,771.70 | 171,881,760.78 |
| Contract liabilities: | | |
| Wolong Electric (Jinan) Motor Co., Ltd. | 15,580,146.24 | |
| Qingdao Haier New Materials R & D Co., Ltd. | 6,373,064.84 | 625,448.16 |
| Hefei Hegang New Material Technology Co., Ltd. | 5,980,624.73 | |
| Other related-party | 16,549,516.99 | 5,897,451.39 |
| Other payables: | | |
| Qingdao Haier Goodaymart Logistic Co., Ltd. | 571,867,437.60 | |
| Qingdao Haier Brothers Animation Industry Co., Ltd. | 274,526,190.97 | 259,873,164.57 |
| Qingdao Goodaymart Supply Chains Co., Ltd. | 187,341,850.29 | |
| Shanghai Cotai Supply Chain Management Co., Ltd. | 103,450,224.91 | |
| Chongqing Haier Electrical Appliances Sales Co., Ltd. | 60,000,000.00 | |
| Qingdao Haier International Trading Co., Ltd. | 47,981,351.46 | 75,803,387.90 |
| Qingdao Haier Special Plastic Development Co., Ltd. | 43,054,748.09 | |
| Chongqing Haier Logistics Co., Ltd. | | 51,830,739.06 |
| Xingyang International Co., Ltd.(星洋国际有限公司) | | 13,885,076.40 |
| Other related-party | 215,584,489.94 | 106,421,756.70 |
| Interest payable: | | |
| Haier Group Finance Co., Ltd. | 11,288,860.64 | 5,911,859.39 |
| Dividends payable: | | |
| Brave Lion (HK) limited | 122,756,874.10 | 122,756,874.10 |
| Other related-party | 14,040,737.31 | 45,668,592.75 |

7. Others

√ Applicable □ Not Applicable

(1) Certain of the Company's subsidiaries entered into loan contracts with Haier Group Finance Co., Ltd.. The loan balance as of 31 December 2019 was RMB 1.884 billion and the interest expense payable by the Company to Haier Group Finance Co., Ltd. for the current period was RMB 63 million.

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

| Borrower | Loan amount | Guarantor |
|--|-------------------|-------------------------|
| Haier U.S. Appliance Solutions, Inc. | 6,325,892,346.26 | Haier Group Corporation |
| Haier Singapore Investment Holding Co., Ltd. | 5,849,441,673.08 | Haier Group Corporation |
| Total | 12,175,334,019.34 | |

(3) The interest income of deposits received by the Company and subsidiaries from Haier Group Finance Co., Ltd. for the current period was RMB 94 million.

(4) Haier Electrical Appliances Rus Limited lend an amount of RMB 19 million to Haier Russian Trading Company LLC, a related-party.

(5) Qingdao Haier Goodaymart Logistic Co., Ltd., a subsidiary of the Company and other companies provided logistics services to other related companies within Haier Group, the logistics income for the current period was RMB 74 million.

(6) Leasing

| Lessees | Lessor | Uses for leased assets | Lease expense recognized for the current period |
|-----------------------------|---|--------------------------|---|
| Subsidiaries of the Company | Qingdao Haier Investment and Development Co., Ltd. and its subsidiaries | Production and operation | 23,521,980.30 |
| Subsidiaries of the Company | Other companies of Haier Group | Production and operation | 111,997,010.70 |
| Total | | | 135,518,991.00 |

(IV) Pricing policy

1. Related-party sales

Following the acquisition of the overseas white home appliances assets, the Company's original overseas sales model, being exports through the Group's exporting platform, was changed. The trading company under the company holding overseas white home appliances assets was fully responsible for sales of export-oriented products. Meanwhile, the trading company was also responsible for the overseas sales of some of the Group's products (such as brown goods). As such, the Company entered into a Sales

Framework Agreement with Haier Group Corporation. Under which, it was agreed that the Company and Haier Group Corporation will sell products and provide sales-related services (including but not limited to agency sales services, after-sales services and technical support) on a reciprocal basis for a term of three years.

Sales among Haier Electronics Group Co., Ltd. ('Haier Electronics'), a holding subsidiary of the Company, Qingdao Haier Investment and Development Co., Ltd, Haier Group Corporation are carried out according to relevant provisions of Goods Export Agreement, After-sales Service Agreement, Logistics Service Agreement entered into among parties.

2. Related-party Procurement

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

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

3. Related-party Transactions on Financial and Logistics Services

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation, 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 favorable 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. (hereinafter referred to as 'Finance Company') 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.

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

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

In accordance with the Comprehensive Service Agreement, Promotion Agreement, Product Research and Development Agreement entered into among Haier Electronics, Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, Haier Electronics entrusted subsidiaries of Haier Group to support on: energy, meeting, accommodation, ticket, product certification, software, catering, property decoration, house lease, finance and marketing, product research and development.

4. Others

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

The Company and its subsidiaries entered into a series of contracts, including the Framework Agreement Regarding the Procurement of Modular Products with Wolong Electric (Jinan) Motor Co., Ltd. and other companies. Pursuant to which, they agreed to supply modular products to the Company at the most favorable price which is no higher than the price it offered to other distributors.

The Company and its subsidiaries entered into a series of contracts, including the Contract Arrangement Regarding the Procurement of Special Steel Plate Products with Qingdao Hegang New Material Technology Co., Ltd. (青岛河钢新材料科技股份有限公司). Under which, it is agreed that they shall supply goods to the Company on terms which are not less favorable than terms offered by other suppliers.

XIII. Share-based payments

1. Overall of share-base payments

☐Applicable ☒ Not Applicable

XIV. Commitments and Contingencies

1. Significant commitments

☐Applicable ☒ Not Applicable

2. Contingencies

(1) There are significant contingencies at the balance sheet date

☐Applicable ☒ Not Applicable

(2) Even if the Company has no significant contingencies that need to be disclosed, it should also give explanations:

☒ Applicable ☐ Not Applicable

As of 31 December 2019, the Company has no significant contingencies that need to be disclosed.

XV. Events after the balance sheet date

1. According to the resolution of the 7th meeting of the 10th session of the Board of Directors of the Company held on 28 April 2020, the profit for the year is proposed to be distributed on the basis of the total number of shares on the registration date when the plan is implemented in the future, the Company will declare cash dividend of RMB 3.75 (including taxes) for every 10 shares to all shareholders.

2. Since the outbreak of pneumonia epidemic caused by COVID-19 at home and abroad in early 2020, the Company's prevention and control of pneumonia epidemic is continuing globally and various measures have been taken to mitigate the impact of the epidemic on the Company's production and operation. The epidemic has brought uncertainty to the production and operation and may affect the Company's operation and financial condition. The Company will continue to assess and actively respond to the impact of the epidemic on its financial condition and operating results.

3. The Company has no other significant event after the balance sheet date that needs to be disclosed.

XVI. Risks Related to Financial Instruments

✓ Applicable □ Not Applicable

The book value of various financial instruments on the balance sheet date is as follows:

Financial assets

| Items | Closing balance | | | |
|------------------------------------|--|----------------------------|---|-------------------|
| | Financial assets measured at fair value and changes of which included in current profit and loss | Measured at amortized cost | Financial assets measured at fair value and changes of which included in other comprehensive income | Total |
| Monetary funds | | 36,178,815,683.25 | | 36,178,815,683.25 |
| Financial assets held for trading | 308,135,007.05 | | | 308,135,007.05 |
| Derivative financial assets | | | 19,158,132.45 | 19,158,132.45 |
| Bills receivable | | 13,951,419,893.96 | | 13,951,419,893.96 |
| Accounts receivable | | 11,015,871,060.09 | | 11,015,871,060.09 |
| Other receivables | | 2,163,517,802.50 | | 2,163,517,802.50 |
| Other current assets | | 3,981,314,321.50 | | 3,981,314,321.50 |
| Long-term receivables | | 307,588,203.00 | | 307,588,203.00 |
| Other equity instruments | | | 1,395,959,878.92 | 1,395,959,878.92 |
| Other non-current financial assets | 294,547,364.47 | | | 294,547,364.47 |
| Other non-current assets | 77,057,328.58 | | | 77,057,328.58 |

Financial 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 | | 38,370,916,510.92 | | 38,370,916,510.92 |
| Financial assets held for trading | 1,775,648,387.76 | | | 1,775,648,387.76 |
| Derivative financial assets | | | 96,723,164.37 | 96,723,164.37 |
| Bills receivable | | 14,300,186,109.12 | | 14,300,186,109.12 |
| Accounts receivable | | 10,533,499,026.83 | | 10,533,499,026.83 |
| Other receivables | | 1,656,056,557.69 | | 1,656,056,557.69 |
| Other current assets | | 2,838,231,840.90 | | 2,838,231,840.90 |
| Long-term receivables | | 245,791,343.37 | | 245,791,343.37 |
| Other equity instruments | | | 1,400,316,460.34 | 1,400,316,460.34 |
| Other non-current financial assets | 327,358,825.57 | | | 327,358,825.57 |
| Other non-current assets | 95,518,757.96 | | | 95,518,757.96 |

Financial liabilities

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

Financial liabilities (Continued)

| Items | Opening balance | | | |
|---|---|--|--|-------------------|
| | Financial liabilities measured at fair value and changes of which included in current profit and loss | Financial liabilities measured at amortized cost | Financial liabilities measured at fair value and changes of which included in other comprehensive income | Total |
| Short-term borrowings | | 6,298,504,892.57 | | 6,298,504,892.57 |
| Financial liabilities held for trading | 218,748,280.33 | | | 218,748,280.33 |
| Derivative financial liabilities | | | 35,603,754.54 | 35,603,754.54 |
| Bills payable | | 20,038,016,339.68 | | 20,038,016,339.68 |
| Accounts payable | | 27,899,496,560.29 | | 27,899,496,560.29 |
| Other payables | | 12,770,158,224.50 | | 12,770,158,224.50 |
| Non-current liabilities due within one year | | 3,015,060,105.58 | | 3,015,060,105.58 |
| Long-term borrowings | | 15,541,466,325.22 | | 15,541,466,325.22 |
| Bonds payable | | 9,191,896,302.70 | | 9,191,896,302.70 |
| Long-term payables | | 106,763,243.99 | | 106,763,243.99 |
| Other non-current liabilities | 1,798,027,644.47 | | | 1,798,027,644.47 |

Details on each of the financial instruments of the Company are disclosed in Note V. Risks relating to these financial instruments and the risk management policies to mitigate these risks are summarized below. Management of the Company manages and monitors these risk exposures to ensure above risks are well under control.

1. Credit risk

The credit risk the Company exposed to mainly arise from bank deposits, bills receivable, accounts receivable, interest receivable, other receivable and wealth management products.

(1)The Company's bank deposits and financial products are mainly deposited with Haier Group Finance Co., Ltd., national banks and other large and medium sized listed banks. The interest receivables mainly refer to the accrued interest from fixed deposits with them. The Group doesn't believe there is any significant credit risk due to defaults of its counterparties which would cause significant loss.

(2)Accounts receivable and bills receivable: The Company only trades with approved and reputable third parties. All distributors who are traded by credit are subject to credit assessment, and the payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivable on an ongoing basis and purchase 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 mainly include export tax refund, loans and advances to its employees. The Company strengthened the management of these receivables and corresponding business activities based on historical data, and continued to monitor such receivables, so as to ensure that the Company's significant risk of bad debts are controllable and to be reduced.

2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in fulfilling obligations associated with financial liabilities. The Company utilize various financing methods such as notes and bank loans, to strive for a sustainable and flexible financing. It also has facilities with 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 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 and enter into forward foreign exchange contracts to minimize the exposure.

4. Interest rate risk

The Company mainly faces interest rate risk from its long- and short- term bank loans and bonds payables which are interest-bearing. 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 percentage of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

XVII. Other Significant Events

1. The progress of privatisation of Haier Electronics Group Co., Ltd. (hereinafter referred to as 'Haier Electronics') by the Company: On 12 December 2019, the Company announced the preliminary discussion on the implementation of H-share listing and privatization of Haier Electronics. Up to now, the Company has been continuing to explore the proposal on the Possible Privatisation, and has been in ongoing consultations with the relevant regulators concerning the proposed transactions being explored in that regard; and the Company has not furnished a definitive Possible Privatisation proposal to Haier Electronics, no agreement or other commitment has been made by the Company as to whether to proceed with the Possible Privatisation and the details and terms (including the exchange ratio and the timetable) of the Possible Privatisation are yet to be finalised, and there is no certainty that the Possible Privatisation will proceed. For details, please refer to the Company's monthly notice on updating the progress of the aforesaid matter.

2. 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 one year | 1,175,031,729.66 | 205,461,418.79 |
| 1-2 years | 7,798,791.09 | 9,306,599.70 |
| 2-3years | | 8,649,467.83 |
| Over 3 years | | |
| Accounts receivable balance | 1,182,830,520.75 | 223,417,486.32 |
| Allowance for bad debts | 596,039.26 | 795,468.89 |
| Net receivables | 1,182,234,481.49 | 222,622,017.43 |

The total amount of the top 5 accounts receivable at the end of the period was RMB 1,179,134,741.81, accounting for 99.69% of book balance of the accounts receivable.

☐ Applicable ☒ Not Applicable

Changes in bad debt provision for accounts receivable in the current period:

| Items | Opening balance | Increase for the current period | | Decrease for the current period | | Closing balance |
|-------------------------|-----------------|---------------------------------|----------------|---------------------------------|------------------------------|-----------------|
| | | Provision | Other increase | Reversal | Write-off and other movement | |
| Allowance for bad debts | 795,468.89 | | | 199,429.63 | | 596,039.26 |

2. Other receivables

Presentation

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

| Items | Closing balance | Opening balance |
|---------------------|------------------|------------------|
| Interest receivable | 16,753,860.49 | 6,292,538.22 |
| Dividend receivable | 3,836,055,151.41 | 1,912,418,382.82 |
| Other receivables | 2,032,943,893.84 | 164,056,245.54 |
| Total | 5,885,752,905.74 | 2,082,767,166.58 |

Interest receivable:

| Aging | Closing balance | Opening balance |
|-------|-----------------|-----------------|
|-------|-----------------|-----------------|

| | | |
|---------------|---------------|--------------|
| Within 1 year | 16,753,860.49 | 6,292,538.22 |
| Over 1 years | | |
| Total | 16,753,860.49 | 6,292,538.22 |

Dividend receivable:

| Aging | Closing balance | Opening balance |
|------------------|------------------|------------------|
| Within 1 year | 3,836,055,151.41 | 1,912,418,382.82 |
| More than 1 year | | |
| Total | 3,836,055,151.41 | 1,912,418,382.82 |

Other receivables:

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

| Aging | Closing balance | Opening balance |
|---------------------------|------------------|-----------------|
| Within one year | 2,033,022,986.42 | 164,319,278.07 |
| More than one year | | |
| Other receivables balance | 2,033,022,986.42 | 164,319,278.07 |
| Allowance for bad debts | 79,092.58 | 263,032.53 |
| Net other receivables | 2,032,943,893.84 | 164,056,245.54 |

② The total amount of the top 5 other receivables at the end of the period is RMB 1,220,495,115.74, accounting for 60.03% of book balance of other receivables.

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

| Items | Opening balance | Increase for the current period | | Decrease for the current period | | Closing balance |
|-------------------------|-----------------|---------------------------------|----------------|---------------------------------|------------------------------|-----------------|
| | | Provision | Other increase | Reversal | Write-off and other movement | |
| Allowance for bad debts | 263,032.53 | | | 183,939.95 | | 79,092.58 |

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 to subsidiaries | 32,396,253,033.48 | 7,100,000.00 | 30,675,167,530.39 | 7,100,000.00 |
| Long-term equity investments to associates | 3,246,627,336.72 | 69,300,000.00 | 3,197,166,784.91 | 21,000,000.00 |
| Total | 35,642,880,370.20 | 76,400,000.00 | 33,872,334,315.30 | 28,100,000.00 |

(2) Long-term equity investments to subsidiaries

| Investee | Opening balance | Increase / Decrease for the period | Closing balance | Impairment provisions at the end of the period |
|---|-----------------|--|-----------------|---|
| I. Subsidiaries: | | | | |
| Chongqing Haier Electronics Sales Co., Ltd. | 9,500,000.00 | | 9,500,000.00 | |
| Haier Group (Dalian) Electrical Appliances Industry Co., Ltd | 34,735,489.79 | | 34,735,489.79 | |
| Qingdao Haier Refrigerator Co., Ltd. | 402,667,504.64 | | 402,667,504.64 | |
| Qingdao Haier Special Refrigerator Co., Ltd. | 329,832,047.28 | | 329,832,047.28 | |
| Qingdao Haier Information Plastic Development Co., Ltd | 102,888,407.30 | | 102,888,407.30 | |
| Dalian Haier Precision Products Co., Ltd. | 41,836,159.33 | | 41,836,159.33 | |
| Hefei Haier Plastic Co., Ltd. | 42,660,583.21 | | 42,660,583.21 | |
| Qingdao Haier Technology Co., Ltd. | 16,817,162.03 | | 16,817,162.03 | |
| Qingdao Household Appliance Technology and Equipment Research Institute | 66,778,810.80 | | 66,778,810.80 | |
| Qingdao Meier Plastic Powder Co., Ltd. | 24,327,257.77 | | 24,327,257.77 | |
| Chongqing Haier Precision Plastic Co., Ltd. | 47,811,283.24 | | 47,811,283.24 | |
| Qingdao Haier Electronic Plastic Co., Ltd. | 48,000,000.00 | | 48,000,000.00 | |
| Dalian Haier Refrigerator Co., Ltd. | 99,000,000.00 | | 99,000,000.00 | |
| Dalian Haier Air-conditioning 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 | 158,387,576.48 | 80,370,664.37 | 238,758,240.85 | |

| | | | | |
|---|-------------------|------------------|-------------------|--|
| (International) Co., Ltd. | | | | |
| Qingdao Haier Air-Conditioner Electronics Co., Ltd. | 1,113,433,044.51 | | 1,113,433,044.51 | |
| Qingdao Haier Air Conditioner Gen 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-conditioning Co., Ltd. | 100,000,000.00 | | 100,000,000.00 | |
| Hefei Haier Refrigerator Co., Ltd. | 49,000,000.00 | | 49,000,000.00 | |
| Qingdao Haier Whole Set Home Appliance Service Co., Ltd. | 118,000,000.00 | | 118,000,000.00 | |
| Chongqing Haier Refrigeration Appliance Co., Ltd. | 91,750,000.00 | | 91,750,000.00 | |
| Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd. | 2,000,000.00 | | 2,000,000.00 | |
| Haier COSMO IOT Ecosystem Technology Co., Ltd. | 733,454,010.03 | 164,000,000.00 | 897,454,010.03 | |
| Qingdao Haier Special Refrigerating Appliance Co., Ltd. | 100,000,000.00 | | 100,000,000.00 | |
| Haier Shareholdings (Hong Kong) Limited | 23,624,546,787.52 | 1,451,864,838.72 | 25,076,411,626.24 | |
| Shenyang Haier Refrigerator Co., Ltd. | 100,000,000.00 | | 100,000,000.00 | |
| Foshan Haier Freezer Co., Ltd. | 100,000,000.00 | | 100,000,000.00 | |
| Zhengzhou Haier Air-conditioning Co., Ltd. | 100,000,000.00 | | 100,000,000.00 | |
| Qingdao Haidayuan Procurement Service Co., Ltd. | 20,000,000.00 | | 20,000,000.00 | |
| Qingdao Haier Intelligent Technology Development Co., Ltd. | 130,000,000.00 | | 130,000,000.00 | |
| Qingdao Haier Technology Investment Co., Ltd. | 277,255,635.00 | 24,850,000.00 | 302,105,635.00 | |
| Qingdao Casarte Smart Living Appliances Co., Ltd. | 10,000,000.00 | | 10,000,000.00 | |
| Haier Overseas Electric Appliance Co., Ltd. | 20,000,000.00 | | 20,000,000.00 | |
| 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. | 669,830,769.26 | | 669,830,769.26 | 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 | |
| Haier Overseas Electric Appliance Co., Ltd. (Logistics) | 20,000,000.00 | | 20,000,000.00 | |
| Total | 30,675,167,530.39 | 1,721,085,503.09 | 32,396,253,033.48 | 7,100,000.00 |

(3) Long-term equity investments to associates

| Name of investee | Opening Balance | Increased / decreased amount for the current period | | | Closing balance | Impairment provisions at the end of the period |
|--|------------------|---|--|-----------------|------------------|--|
| | | Increase / Decrease for the current period | Investment income recognized under equity method | Others | | |
| Wolong Electric (Jinan) Motor Co., Ltd. | 115,124,133.84 | | 10,823,630.34 | -10,040,000.00 | 115,907,764.18 | |
| Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership) | 362,380,221.29 | | 72,159,881.83 | | 434,540,103.12 | |
| Bank of Qingdao Co., Ltd. | 966,031,978.83 | | 56,860,554.87 | -59,048,298.88 | 963,844,234.82 | |
| Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd. | 622,643,614.66 | | 87,012,822.20 | -66,600,000.00 | 643,056,436.86 | |
| Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. | 332,723,126.50 | | 63,210,360.76 | | 395,933,487.26 | 21,000,000.00 |
| Qingdao Haier multimedia Co., Ltd. | 555,084,616.71 | | -119,877,634.76 | -2,820,180.70 | 432,386,801.25 | 48,300,000.00 |
| Qingdao Hegang New Material Technology Co., Ltd. (青岛河钢新材料科技股份有限公司) | 243,179,093.08 | | 17,779,416.15 | | 260,958,509.23 | |
| Total | 3,197,166,784.91 | | 187,969,031.39 | -138,508,479.58 | 3,246,627,336.72 | 69,300,000.00 |

4. Operating revenue and operating cost

√Applicable □Not Applicable

Unit and Currency: RMB

| Items | Amount for the current period | | Amount for the previous period | |
|------------------|-------------------------------|------------------|--------------------------------|------------------|
| | Revenue | Cost | Revenue | Cost |
| Primary Business | 6,466,328,591.49 | 5,016,605,810.47 | 3,199,683,163.90 | 2,200,981,641.65 |
| Other Business | 171,526,897.13 | 144,140,329.73 | 60,627,963.89 | 32,770,272.98 |
| Total | 6,637,855,488.62 | 5,160,746,140.20 | 3,260,311,127.79 | 2,233,751,914.63 |

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 investment accounted for using cost method | 3,314,994,904.38 | 2,027,080,177.86 |
| Investment income from long-term equity investments accounted for using equity method | 187,969,031.39 | 381,316,748.83 |
| Investment income generated from disposal of long-term equity investment | | 241,239,800.75 |
| Dividend income from investment in other equity instrument during the holding period | 255,422.40 | 243,162.12 |
| Income from wealth management products | 33,645,544.43 | |
| Total | 3,536,864,902.60 | 2,649,879,889.56 |

XIX. Approval of financial report

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

XX. Supplementary Information

1. Basic earnings per share and diluted earnings per share

| Items | Amount for the current period | | Amount for the previous period | |
|-------|-------------------------------|------------------------------|--------------------------------|------------------------------|
| | Weighted | Earnings per share (RMB) | Weighted | Earnings per share (RMB) |

| | average return on net assets | Basic earnings per share | Diluted earnings per share | average return on net assets | Basic earnings per share | Diluted earnings per share |
|---|------------------------------------|--------------------------------|----------------------------------|------------------------------------|--------------------------------|----------------------------------|
| Net profit attributable to ordinary shareholders of the Company | 19.12% | 1.286 | 1.212 | 20.88% | 1.217 | 1.189 |
| Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss | 13.43% | 0.903 | 0.876 | 18.63% | 1.074 | 1.046 |

2. Extraordinary profit or loss

| Items | Amount for the current period | Amount for the previous period |
|--|----------------------------------|-----------------------------------|
| Net profit attributable to ordinary shareholders of the parent Company | 8,206,247,105.96 | 7,483,659,016.04 |
| Less: Extraordinary profit or loss | 2,441,082,405.21 | 882,153,416.25 |
| Net profit attributable to ordinary shareholders of the parent company after deduction of extraordinary profit or loss | 5,765,164,700.75 | 6,601,505,599.79 |

Details of extraordinary profit and loss for the current period

| Extraordinary profit or loss Items | Amount for the current period |
|---|-------------------------------|
| Profit or loss from disposal of non-current assets | 396,961,251.42 |
| Profit from disposal of long-term equity investments | 635,595,988.34 |
| Government grants included in current profit or loss, except that closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards | 990,736,933.23 |
| Gains from the costs of investment in the acquisition of subsidiaries, associated companies and joint ventures being lower than the share of the fair value of the investee's identifiable net assets | 3,190,702,632.96 |
| Profit or loss from fair value changes of financial assets/liabilities held for trading, as well as investment gains arising from disposal of financial assets/liabilities held for trading and financial assets available-for-sale, except the effective hedging related to the normal operations of the Company | 113,442,943.70 |
| Other non-operating income and expenses except the aforementioned items | 269,931,284.51 |
| Impact on minority interests | -2,689,843,840.65 |
| Impact on income tax | -503,903,951.59 |
| Impact on profit from business combination under common control | 37,459,163.29 |
| Total | 2,441,082,405.21 |

1. Difference on figures by domestic and foreign Accounting Standards☐Applicable ☒Not Applicable**2. Others**☐Applicable ☒Not Applicable

SECTION XIII DOCUMENTS AVAILABLE FOR INSPECTION

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

Chairman of the Board: Liang Haishan,

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

Revised information

☐Applicable ☒Not Applicable