

Stock Code: 600690 (SH) 、 690D (FSE) 、 6690 (HK)

Short Name: Haier Smart Home

Haier Smart Home Co., Ltd.

2020 Annual Report



海尔智家
Haier smart home

April 29th 2020

Important Notice

- I. The Board of Directors, the Supervisory Committee, directors, supervisors and senior management of Haier Smart Home Co., Ltd. ('the Company') hereby assure that the content set out in the annual report is true, accurate and complete, and free from any false record, misleading representation or material omission, and are individually and collectively responsible for the content set out therein.
- II. All Directors of the Company have attended the board meetings.
- III. Hexin Certified Public Accountants Limited LLP has issued a standard and unqualified audit report for the Company.
- IV. 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 are examined and reviewed by the Board: to declare a cash dividend of RMB3.66 per 10 shares (tax inclusive) to all shareholders based on the total number of shares held on record date and after deducting the repurchased shares from the repurchase account in respect of the future distribution proposal.

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 the prescribed decision-making procedures?

No

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

No

X. Important Risk Warnings

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

XI. Others

☐ Application ☒ Not application

Chairman: Liang Haishan
Haier Smart Home Co., Ltd
30 March 2021

Letter to Shareholders

In 2020, a year like no other, with the resolve and dedication of 99,000 employees, Haier Smart Home weathered the storm of Covid-19 and came out stronger than ever — our sales revenue reached RMB209.7 billion, net profit attributable to owners of the company reached a record RMB8.88 billion, and operating cash flow went up to RMB17.6 billion.

2020 was also a milestone in Haier Smart Home's own history. With the overwhelming support from shareholders home and abroad, we successfully completed the privatization of Haier Electronics and the listing of H shares (stock code: 6690.HK), establishing ourselves as an integrated platform of people, capital, distribution networks, technologies and expertise with an eternal drive to create value for our users.

In the letter to shareholders from the H-share Prospectus, I reflected on how Haier rose from the verge of bankruptcy and became global appliance industry's most recognizable brand, gaining premium leadership and widespread consumer loyalty in the Chinese market while expanding global footprint by continuously embracing new members into the Haier family. Mitigating the global pandemic has once again reminded us of our inspirations and the culture instilled by Haier's founders from day one: to provide our users with innovative products by leveraging cutting edge technologies, through enhanced services and scenarios applications, infused with our digital capabilities and passion, and become the lifelong partner in our users' journey of making their home a greater and smarter place. With growing confidence, we are going to reinforce the strategic implementation of platforms integration, scenario-based user experiences enhancement, manufacturing optimization and comprehensive digitalization. In the next three years, we remain fully committed to outgrowing the appliance industry, improving our operational excellence, giving our users the ultimate experiences and creating long lasting value for our shareholders.

1. WELL-ESTABLISHED LOCALIZED BRAND PORTFOLIO AND GLOBALIZED OPERATION PLATFORM PLAY AN ESSENTIAL ROLE IN ACCELERATING WORLDWIDE MARKET SHARE EXPANSION AND PROFITABILITY ENHANCEMENT.

China does not only have the world's largest consumer population; it also produces the largest number of appliances every year through its comprehensive supply chain infrastructures. Originated in China, with organic growth and acquisitions in the past twenty years, Haier has completed the building of our global portfolio, unlike others, we chosen to serve global users directly from our localized facilities. 2020 was remarkable for our overseas business as we became the first in terms of market share in kitchen appliances, domestic air conditioner and top-load washing machine in the US; the first in washing machine in Australia & New Zealand and the first in freezer and large refrigerator in Japan; our total overseas revenue grew 8.3% to RMB100 billion.

It has become increasingly evident that our investment in our proprietary brands with a local touch and our endeavours to consolidate a globalized operating platform are bearing fruit. Ongoing integrations around the world have improved product and service offerings, more examples of multilateral collaborations that once created best-selling front loader and new water heater in the US are in the pipeline; secondly we stand ready to share decade-long experience of online operations with our colleagues abroad, where rapid e-commerce penetration is expected post pandemic; thirdly, pioneering the application of IoT technologies in China and the US gives us the opportunity to accumulate scenario and product innovations that are fundamental to strengthening our competitiveness in the rest of the world.

2. LEVERAGING ON PREMIUM LEADERSHIP, PRODUCT INNOVATION AND SCENARIO APPLICATIONS TO REALIZE QUALITY GROWTH

Casarte also had another magnificent year in 2020. In China, it remains the undisputed No.1 in refrigerators, washing machines ASP over 10,000 & air conditioners ASP over RMB15,000, with 79% growth in kitchen appliances. We also see great potentials in new categories including tumble dryers, dish washers, small kitchen appliances and water purifiers.

More and more of the appliances we make are smart with connectivity, a feature we believe will be a prerequisite in the near future, where information can be gathered, analysed and processed to form user insights, so we could make products and provide services that cater to exactly what our users want. Haier's advances in IoT-based technologies and products have also received worldwide recognition. In the US, for the third consecutive year, IoT Breakthrough, a leading market intelligence agency, awarded GE Appliances (GEA) the Best Smart Home Appliances Company in appraising its continued innovations in IoT-based home appliances product and smart home solutions.

We have long been aware of our users' growing frustration with featureless shelf displays and obvious lack of real interaction. Our answer was to launch the brand-new scenario-based Three-Winged Bird Stores, with a built-in smart kitchen, smart living room, smart bedroom, smart bathroom, store visitors can explore integrated one-stop appliance & decoration solutions helped by our dedicated sales teams that are well trained by interior designers and food connoisseur; this revolutionary immersive experience is expected to form the foundation of a longer lasting relationship with our users that could enhance traffic conversion with increasing loyalty.

3. CREATE GREATER VALUE THROUGH END-TO-END DIGITAL REFORM

Haier's digital transformation has three focuses: digitalized user experience, digitalized operation process and digitalized business model. More and more users, younger generations in particular, favour the Internet for information, interaction and consumption, which means alliances with omni-channel partners including e-commerce platforms, social media, livestreaming businesses are critical for our growth; on the other hand, we ought to consolidate and streamline the backend operations in fulfilment, installation and after sales services so our omni-channel users can switch seamlessly without compromising Haier's product offerings, unique user insights, customized designs and comprehensive scenario applications. This is precisely why Haier Smart Home Cloud System was developed to mobilize and consolidate our operations in distribution, franchised stores, logistics and after sales services. With this enhanced interaction, our users receive the products and services they wish for while we become one-step closer to them, this whole process is our definition of consumer-oriented retail service transformation.

Several initiatives have also been made in renovating our factories, including identifying & prioritizing core activities and improving inventory turnover, with the aim to mitigate cost impact from escalating commodity prices; production was made leaner with reduction of SKUs, modularization of suppliers, and end to end inventory management. By aligning managerial KPI in PLM functions with the overall profit target, we were able to further streamline SOP and enhance profitability management.

Haier's culture and maker spirit are pivotal to the success of our digital transformation, during this process, a sense of responsibility to our users and accountability to our own actions are essential in making constant adjustments with a more creative approach to capture the great possibilities from the age of online/offline integration; and Haier's RenDanHeYi (individual and goal combination) paradigm is what inspires our makers with an entrepreneurial spirit to sometimes step outside their comfort zone, often thrive in challenges and always look forward to life's new journeys.

Corporate social responsibilities and sustainable development

Earlier this year, Haier Smart Home was amongst the five companies in China chosen by FORTUNE as the Most Admired Companies in 2021. Candidates are evaluated based on their attributes in social responsibilities to the community and the environment, quality of management, financial soundness, long-term investment value, talent retention, and effectiveness in doing business globally. We consider this a reminder of our greater responsibility in the global business community: Haier Smart Home will continue to dedicate ourselves to the protection and preservation of our environment for future generations; promote equality and invest in our people for future innovations; support our suppliers, distributors, and local community for future sustainability.

In March 2021, Haier Smart Home's ESG Committee was formed under the Board of Directors, demonstrating our long-term commitment to environment, social and governance. The board would very much like to guide the management and mobilize all stakeholders in Haier's ecosystem to take immediate action in the implementation of our long-term ESG road map including green products development, regular suppliers' audit system, recycling, and production optimization raise Haier's ESG standard.

At Haier Smart Home, we believe real life changing innovations begin when our brightest minds are encouraged to think outside the box and start to have beautiful imaginations about making the world a better place. With the full support of our global operational platform which prioritizes learning and sharing, GEA's well-established US market insight and network means we are always there when our users need us; while Haier's diversified product portfolio and supply chain infrastructures are integral to GEA's continued product innovation and market share expansion.

As we navigated the uncharted territory of a global pandemic, I often drew strength from ordinary people doing extraordinary things: when the virus struck the city of Wuhan in February, immediate actions were taken to form a team of 200 service specialists, many of whom volunteered, to deliver & install the first batch of the of refrigerators, water heaters and water purifiers we donated. Our team worked around the clock to make sure over 100 medical facilities were promptly equipped with our sanitizing air conditioners and they even stepped in to help installing units that were produced by our competitors, as we always choose to look at the bigger picture and prioritize social responsibility over economic gain; when Covid-19 first hit the US, we prioritized our people's health and safety and implemented a number of swift measures including mandatory temperature checks, flexible shifts and locations, cleaning and sanitization in all facilities, throughout the pandemic, 1,000 of our salaried employees volunteered a total of 150,000 hours on our factory assembly lines to make essential appliances for our users at a time when they needed us the most. Despite all the difficulties, GEA's production volume grew 10% over the same period in 2019, with 20% increase in the second half.

I wish Haier as a brand and everyone at Haier aspires to do good for our community and society. In May last year, Hu Yunchuan, a young engineer who was installing air conditioner in Zigong, Sichuan province at the time, rushed to the rescue of a five-year old girl without hesitation after onlookers noticed her being stranded outside a balcony six storeys up, heart-stopping footages showed him clinging onto railings grabbing hold of the terrified child and pushing her back inside, he was immediately hailed as a hero and we decided to award him with a new apartment, to show our utmost respect and recognition.

Extraordinary acts of selflessness and bravery from ordinary people that go above and beyond the call of duty define who we are and guide us in what we do. From sponsoring HOPE schools in underprivileged areas and donating to charitable organizations, to leading by example of our own code of conduct, I have always encouraged and supported Haier Smart Home, Haier's people and Haier's stakeholder to step up and do what we can when our community needs us. Small act of kindness from every individual will eventually become one big step in making the world we live in a better place.

Strategic initiatives for the future

Looking back at the year that was just behind us, I am grateful to the people that I have worked with in this day and age. Globalization make it possible for our products and services have remained undisrupted globally despite social distancing; our communication safeguarded by digital technologies, and more importantly, constant sharing of information and knowhow on managing containment measures, e-commerce operations and supply chain infrastructures, have given our colleagues in the US, Europe and the rest of the world a head start in preparation for the virus, we could therefore keep our promise in strengthening protection for employees, continuing innovation and providing consistent services to our users. This global pandemic has tested each individual and the society to its extreme. With creativity, solidarity and responsibility, we remained connected to the market and launched new products featuring well-being, environmental protection and smart technologies to helped our users in taking care for their families, making their food safe and clothes clean; we revamped go-to-market strategies to raise our profile and promote our products on new social networks; our logistics and services team worked day and night to ensure that every single order was delivered and installed on time. As we weathered the storm, the RenDanHeYi principle and the values we share as a company have never been so important.

In the next three years, we will remain committed to drive value from: 1. enhancing competitiveness and profitability of overseas businesses; 2. accelerating digital reform with a focus on scenario applications and user experience while improving operational efficiency; 3. leveraging innovation and IoT technologies to consolidate premium market leadership and increase profitability of all business units, thus accelerating the upgrade of our smart home solutions. With the solid cash flow generated from prior strategic initiatives, we can make consistent investments can be made in digital upgrade, talent retention and R&D with the future in mind.

We remain deeply grateful to the confidence from our shareholders home and abroad for the unanimous vote of support to the proposed privatization Haier Electronics. We also appreciate Haier Group's full backing in recognizing Haier Smart Home as the flagship listing platform. With new inspirations, more diversified board and aligned strategic targets, we are ready to embark upon another new journey as we capture greater synergies and continue to lead the industry.

The discipline, solidarity and commitment demonstrated by humanity when tested in this global pandemic did not only preserve the vitality of our society, they are also fundamental to the unprecedented speed which vaccine was developed, more importantly these beacons of hope that are shining brighter each day will eventually lead us to the other end of the tunnel.

This is the best of our times. My team and I are full of anticipations for the future and we are committed to the path we have chosen. With open mind and willingness to learn and embrace the total harmonization of technology, consumption and humanity at this revolutionary point, we remain dedicated to strengthen our operations on the globalized platform, so we can develop products that best serve our users and enhance their experience, ultimately creating long lasting values for our shareholders.

Chairman of Haier Smart Home Co., Ltd: Liang Haishan
30 March 2021

Contents

SECTION I DEFINITIONS	9
SECTION II GENERAL INFORMATION OF THE COMPANY AND KEY FINANCIAL INDICATORS	11
SECTION III SUMMARY OF THE COMPANY'S BUSINESS	18
SECTION IV DISCUSSION AND ANALYSIS ON OPERATIONS	33
SECTION V SIGNIFICANT EVENTS	72
SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS	123
SECTION VII RELEVANT INFORMATION OF PREFERRED SHARES	134
SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES	135
SECTION IX CORPORATE GOVERNANCE	149
SECTION X RELEVANT INFORMATION ON CORPORATE BONDS	160
SECTION XI RESPONSIBILITY STATEMENT	164
SECTION XII FINANCIAL REPORT	165
SECTION XIII DOCUMENTS AVAILABLE FOR INSPECTION	376

Section I Definitions

I. DEFINITIONS

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

Definition of frequently used terms

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
The Company, Haier Smart Home	Haier Smart Home Co., Ltd, its original name is 'Qingdao Haier Co., Ltd.', and the original short name is 'Qingdao Haier'
Four Major Securities Newspapers	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Haier Electrics, 1169	Haier Electronics Group Co., Ltd. (a previous company listed in Hong Kong, stock code: 01169.HK), a subsidiary as accounted for in the consolidated statement of the Company. On 23 December 2020, the Company completed the issuance of H-shares by way of privatisation. Since then, Haier Electrics has become the wholly-owned subsidiary of the Company.
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. FPA is a wholly-owned subsidiary of the Company.
Candy	Candy Group (Candy S.p.A), is an international professional appliances manufacturer from Italy. Since its establishment in 1945, it has been committed to enabling the global users to enjoy a higher quality of life through innovative technologies and quality services. Candy Group has been prestigious in the global market with users all over the world via its ten self-owned professional home appliance brands. In January 2019, Candy officially became a wholly-owned subsidiary of the Company.

Section I Definitions

Definition of frequently used terms

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.
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.

Section II General Information of the Company and Key Financial Indicators

I. INFORMATION OF THE COMPANY

Chinese name	海爾智家股份有限公司
Chinese short name	海爾智家
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 (D shares)	Company Secretary	Others
Name	Ming Guozhen	Liu Tao	Yao Sun (Sophie)	Wu Zhixian (Trevor)	Global Customer Service Hotline
Address	Department of Securities of Haier Smart Home Co., Ltd. Haier Information Industrial Park, No.1 Haier Road, Qingdao City	Department of Securities of Haier Smart Home Co., Ltd. Haier Information Industrial Park, No.1 Haier Road, Qingdao City	Haier Deutschland GmbH Konrad-Zuse-Platz 681829 München, Germany	Room 3513, 35th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong	/
Tel	0532-88931670	0532-88931670	+49 160 9469 3601 (Germany)	+852 2169 0000	4006 999 999
Fax	0532-88931689	0532-88931689	/	+852 2169 0880	/
Email	finance@haier.com	finance@haier.com	Y.sun@haier.de	trevor@haier.hk	/

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 , http://www.hkexnews.hk
Deposit place of annual report	Department of Securities of Haier Smart Home Co., Ltd. Haier Information Industrial Park, No.1 Haier Road, Qingdao City

Section II General Information of the Company and Key Financial Indicators

V. SUMMARIZED INFORMATION OF SHARES OF THE COMPANY

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

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 (趙波), Wang Lin (王琳)
Accounting firm engaged by the Company (overseas)	Name	HLB Hodgson Impey Cheng Limited
	Business address	31st Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong Special Administrative Region
	Name of signing accountant	Jack, Tian Sun Kit
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 (孫雷), Li Yang (李揚)
	Period of continuing supervision	18 January 2019 to 31 December 2020
Financial advisor responsible for continuing supervision during the reporting period	Name	Zheshang Securities Co., Ltd.
	Business address	No. 201 Wuxing Road, Jianggan District, Hangzhou City, Zhejiang Province
	Name of signing financial advisors	Wang Feng (王鋒), Wang Jian (王建)
	Period of continuing supervision	23 December 2020 to 31 December 2021

Note:

- (1) Accounting firm engaged by the Company (overseas): The H-shares of the Company were listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited on 23 December 2020. According to relevant requirements upon listing, the Company shall be required to engage an international accounting standards auditor to issue the 2020 international standard auditing report. Therefore, according to the resolutions of the general meeting, the Company engaged HLB Hodgson Impey Cheng Limited to issue the 2020 international standard auditing report for the Company.
- (2) The 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 (and delisted upon the redemption of the remaining amount of non-convertible shares on 17 December 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.

VI. OTHER RELATED INFORMATION (continued)

- (3) Financial advisor responsible for continuing supervision: The H-shares of the Company have been listed for trading on the Main Board of The Stock Exchange of Hong Kong Limited on 23 December 2020. According to relevant requirements on significant asset reorganization and as the independent financial advisor of the offering, Zheshang Securities Co., Ltd. will perform the responsibility for continuing supervision in the remaining days of the year when the H-shares of the Company are listed and the subsequent complete accounting year. In addition, according to the requirement of Hong Kong rules, the Company appointed Anglo Chinese Corporate Finance, Limited (address: 40/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong; sponsor: Stephen Clark) as the compliance advisor to perform the responsibility for continuing supervision in the period for continuing supervision (the remaining days of the year for listing and the subsequent complete accounting year).

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

(I) Key accounting data

Unit and Currency: RMB

Key accounting data	2020	2019	Yoy change (%)	2018
Operating revenue	209,725,821,099.44	200,761,983,256.57	4.46	184,108,481,959.27
Net profit attributable to shareholders of the listed company	8,876,593,208.19	8,206,247,105.96	8.17	7,483,659,016.04
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed company	6,457,813,335.37	5,765,164,700.75	12.01	6,601,505,599.79
Net cash flows from operating activities	17,599,111,715.51	15,082,630,942.73	16.68	19,142,782,481.20
At the end of				
	2020	At the end of 2019	Yoy change (%)	At the end of 2018
Net assets attributable to shareholders of the listed company	66,816,422,614.55	47,888,319,765.92	39.53	39,742,745,893.42
Total assets	203,459,495,879.65	187,454,236,283.17	8.54	168,091,571,652.14

Note: Revenue of COSMO was no longer included in the fourth quarter of 2020 since the business of COSMO was stated by the end of September 2020. For example, business revenue of COSMO was not included in the fourth quarter of 2019, representing an increase of 8% and 20% in 2020 and the fourth quarter, respectively.

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

(II) Key financial indicators

Key financial indicators	2020	2019	Yoy change (%)	2018
Basic earnings (RMB per share) per share	1.337	1.286	3.97	1.217
Diluted earnings (RMB per share) per share	1.306	1.191	9.66	1.189
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.973	0.903	7.75	1.074
Weighted average return on net assets (%)	17.67	19.12	Decreased by 1.45 percentage points	20.88
Weighted average return on net assets after deducting non-recurring profit or loss (%)	12.85	13.43	Decreased by 0.58 percentage point	18.63

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

There is no difference between the net profit and net asset attributable to shareholders of listed company in financial report disclosed in the consolidated financial statements according to international accounting standards and according to China Accounting Standards (CAS).

(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

Apart from the financial report prepared according to international accounting standards, the Company did not prepared any financial report according to overseas accounting standards.

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

☐ Applicable ☒ Not applicable

IX. KEY FINANCIAL DATA OF 2020 BY QUARTER

Unit and Currency: RMB

	Q1 (January- March)	Q2 (April- June)	Q3 (July- September)	Q4 (October- December)
Operating revenue	43,141,448,203.28	52,586,648,903.37	58,683,716,582.79	55,314,007,410.00
Net profit attributable to shareholders of listed company	1,070,333,404.45	1,710,467,308.27	3,519,706,790.82	2,576,085,704.65
Net profit after deduction of non-recurring profit or loss attributable to shareholders of listed company	943,123,999.14	1,626,316,498.45	1,522,917,638.14	2,365,455,199.64
Net cash flow from operating activities	-5,787,626,102.33	5,244,706,844.93	6,254,123,931.85	11,887,907,041.06

Reasons for the 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: RMB

Non-recurring profit or loss items	Amount in 2020
Profit or loss from disposal of non-current assets	2,149,836,798.36
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	844,925,723.90
Profit and loss of changes in fair value arising from holding of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities except for valid hedging business relevant to normal business of the company, as well as investment gain realized from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	132,357,789.61
Other operating income and expenses except the aforementioned items	54,990,221.86
Impact on minority interest	-389,539,423.67
Impact on income tax	-373,791,237.24
Total	2,418,779,872.82

Section II General Information of the Company and Key Financial Indicators

XI. ITEMS MEASURED BY FAIR VALUE

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Forward foreign currency contract	-26,180,454.72	-58,007,371.41	-31,826,916.69	113,101,043.88
Wealth management products	493,161,725.80	1,862,036,322.21	1,368,874,596.41	71,832,480.22
Investment in trading equity instruments	24,586,332.05	83,949,637.05	59,363,305.00	3,507,512.50
Interest rate swap agreement	-13,991,425.83	-50,886,744.60	-36,895,318.77	
Investment funds		113,759,845.57	113,759,845.57	8,351,206.56
Investment in other equity instruments	1,395,959,878.92	2,659,125,265.54	1,263,165,386.62	21,366,723.72
Bulk effective hedging	1,916,299.35	25,644,774.08	23,728,474.73	
Other derivative financial instruments	77,057,328.58	46,832,494.61	-30,224,833.97	5,869,913.46
Obligation of repurchasing the minority equity rights	54,598,203.27		-54,598,203.27	
Total	2,007,107,887.42	4,682,454,223.05	2,675,346,335.63	224,028,880.34

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

I Corporate information on principal activities, operating model and industry overview during the reporting period

Since our establishment in 1984, the Company is committed to being an enterprise of the times, continuing to innovate and iterate by continuously introducing new products that lead the market development, and grasping industry opportunities arising. After over 30 years of development, the Company has already become the global leader in large-format home appliance industry and also the pioneer of global smart home solution provider:

- Leading provider of the global large-format home appliance industry: According to data from Euromonitor, an authoritative market researcher, among the large-format home appliances brands, the Company has ranked 1st in the global market in terms of retail volume for 12 consecutive years. The Company has a global portfolio of home appliance brands consisting of Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. Among the large-format home appliance brands, our Haier brand refrigeration appliances and laundry appliances also ranked first in the global market in terms of retail volume for 13 and 12 consecutive years.
- Pioneer of global smart home solutions: Capitalising on our full-range home appliances products, according to Euromonitor, the Company is one of the first home appliance enterprises in the industry to launch smart home solutions. Centring on our interconnected home appliance products and resources from our partners, and supported by Haier Smart Home App and Haier Smart Home Experiential Cloud Platform as well as our physical experience stores and franchised stores, the Company provides smart home solutions suited for various lifestyle scenarios for users to satisfy their pursuit for a better life.

After years of development, the Company has established the following three business segments: smart home business in China, smart home business overseas and other businesses.

Smart Home Business in China

The Company provides full range home appliances products to our customers in China. Through online Haier Smart Home App, as supplemented by physical offline experience stores, the Company also provides value-added services centring on home appliance products, which jointly form our smart home solutions to meet users' needs in different lifestyle scenarios. Specifically, our smart home solutions can be further categorised as Household Food Solutions (Internet of Food), Household Clothing Solutions (Internet of Clothing), Household Air Solutions (Internet of Air), and Household Water Solutions (Internet of Water).

Section III Summary of the Company's Business

- Household Food Solutions (Internet of Food): the Company provides users with refrigerators, freezers, kitchen appliances and other products through domestic market sales and exports under Household Food Solutions. Through our interconnected products, the Company can achieve interactions, for example, between stoves and range hoods, and between refrigerators and ovens. Through providing users with value-added food services featuring a combination of products and services, such as smart cooking and nutrition scheme formulation, the Company is able to meet their needs for convenience, healthy and delicious food.
- Household Clothing Solutions (Internet of Clothing): the Company provides users with washing machines, dryers and other products through domestic market sales and exports under Household Clothing Solutions. Through our interconnected products, the Company can achieve interactions, for example, between washing machines and dryers, and enable smart solution such as, automatic use of laundry detergent. The Company provides users with value-added cleaning and caring services featuring a combination of products and services, so as to meet their needs related to cleaning and caring of apparels.
- Household Air Solutions (Internet of Air): the Company provides users with household air-conditioners, commercial air-conditioners, purifiers, fresh air systems and other products through domestic market sales and exports under Household Air Solutions. In particular, our interconnected products enable offerings of smart solutions such as interaction among air-conditioners in different rooms, interactions between air conditioners and purifiers, smart perception, adaptive air supply, air quality testing and smart sterilisation, so as to fully meet users' needs for healthy and comfortable experience with regards in air temperature, humidity, cleanliness and freshness.
- Household Water Solutions (Internet of Water): the Company provides users with electric water heaters, gas water heaters, solar water heaters, heat pump water heaters, POE water purifiers, POU water purifiers, water softening equipment and other products through domestic market sales and exports under Household Water Solutions. In particular, our interconnected products can provide whole-house water solutions including interactions between water heaters and purifiers, and between heating appliances and water heaters, so as to meet the users' needs for water purification, softening and heating.

Smart Home Business Overseas

In addition to Chinese market, the Company also manufactures and sells a comprehensive portfolio of home appliance products as well as provides value-added services to users in more than 160 countries and regions including North America, Europe, South Asia and Southeast Asia, Australia, New Zealand, Japan, Middle East and Africa.

Section III Summary of the Company's Business

In the overseas market, the Company manufactures and sells home appliance products of our own brands based on local consumer demands. The Company has more than 20 years of experience in overseas operations. The Company further expanded our overseas business through cross-border acquisitions. The Company acquired Haier Group Corporation's overseas white goods business, including Sanyo Electric Co., Ltd.'s white goods businesses in Japan and Southeast Asia in 2015, General Electric Company's home appliances business in 2016, Fisher&Paykel in 2018, and Candy in 2019. The development of the Company's smart home business overseas has been fuelled by the synergies from both our organic growth as well as acquisitions of overseas business.

At present, the overseas smart home business of the Company has entered into a stage of stable development, having achieved multi-brand, cross-product and cross-region presence on a global basis. According to Euromonitor, in 2020, the Company ranked first in terms of retail volume in the Asia major home appliance market, with a market share of 18.6%; ranked second in North America, with a market share of 22.0%; ranked second in Australia and New Zealand, with a market share of 13.4%; ranked third in Middle East and Africa, with a market share of 8.4%; ranked fifth in Europe, with a market share of 7.2%.

Other Businesses

Based on our established smart home business, the Company also expanded its business to cover, among others, parts and components, small home appliances and distribution services. Our parts and components business primarily involves procurement, manufacturing and sales of ancillary parts and components for home appliances. Small home appliances business primarily involves design, outsourced manufacturing and sales of various small home appliances under our brands, to supplement the Company's smart home solutions business. The distribution services business primarily involves distribution of televisions, consumer electronic and other products for Haier Group and other third parties, leveraging our extensive sales network.

During the period, the Company disposed of the 54.50% equity interest of 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 ') under Other Businesses segment. The Company still holds a total of 18.75% equity interest in COSMOPlat through direct and indirect shareholdings. COSMOPlat is no longer accounted for on a consolidated basis in the combined statements of the Company, and the business of COSMOPlat is no longer included in Other Businesses segment from the forth quarter of 2020.

During the period, the Company was once again being listed among the Top 500 World's Companies by Fortune, moved up 13 places as compared with 2019. We are named as the "2021 World's Most Admired Companies" by Fortune, and are the only company in Europe and Asia in home appliances industry selected and the only company not incorporated outside their USA. Meanwhile, the Company became the world's only Internet-of-Things (IoT) ecosystem brand, being named second time in a row as BrandZtm Top 100 Most Valuable Global Brands in 2021.

Section III Summary of the Company's Business

Industry Summary for 2020

(1) *The China market*

Due to the impact of the Covid-19 pandemic and the complex and volatile international environment, China's economic growth rate has declined. According to the National Bureau of Statistics, China's total GDP exceeded RMB101 trillion in 2020, an increase of 2.3% year-on-year, which was the lowest growth rate in the past five years. In the first quarter, the outbreak of the pandemic had strong impacts on the economy and enterprises. The drop in residents' average income led to more cautious consumer behavior. The home appliance market was being hit hard as overall consumer demand shrank. However, as the pandemic situation in the Mainland China was brought under control, work and production of industries were orderly resumed, and consumer demand also restored. Since the second quarter, the overall home appliance market has gradually shaken off the impact of the pandemic, and market sales achieved significant quarter-on-quarter improvements. According to data from CMM, the annual domestic market size for white goods and kitchen appliances in terms of retail value was at RMB448.7 billion, a decrease of 11.9% year-on-year. In particular, retail sales for the refrigerator, washing machine, air conditioner and kitchen appliance categories have recorded negative growths of 3.3%, 6.5%, 22% and 5.4% respectively. However, the declines have significantly narrowed in the second half of the year with a retail market size reaching RMB232.9 billion, representing a year-on-year growth of negative 2.4%. Influenced by changes brewed during the post-pandemic era, the home appliance market continued to evolve towards health-conscious and smart upgrades, with encouraging developments in specific sub-categories and channels.

First of all, the pandemic as a "black swan" event did not only bring impacts to various sectors of the economy, it also reshaped people's attitudes towards consumption. As people spent more time at home, they became more dependent on home appliances. For instance, the need to stock up on food has led to the pursuit of large-capacity refrigerators, and the increased frequency of home cleaning and laundry has brought favor to large-capacity washing machines and water heaters. At the same time, consumers' pursuit for higher standards of quality living has driven the upgrading of product features. Quality and eco-friendly home appliances with disinfection and sterilization features have become hot selling product segments. Home appliances such as air conditioners with fresh air intake, self-cleaning and comfortable air blow features, washing machines equipped with high-temperature sterilizing function, refrigerators that could maintain food freshness with odor control and anti-bacterial features, along with disinfection cabinets, water purifiers and air purifiers, have all achieved significant growths. According to CMM's retail monitoring data survey for major market trends for the online home appliance market in January-November 2020, categories with health-boosting features have all achieved high rankings in terms of sales value among products including washing machines, rice cookers, humidifiers, etc.

Section III Summary of the Company's Business

Secondly, the upgrading of home appliances' features also further promoted the development of smart homes. Driven by technologies such as IoT, cloud computing, big data and artificial intelligence, smart homes have brought great convenience to home living with the characteristics of contactless dialogue systems, multi-product interactive linkages and self-learning capabilities. For example, robotic vacuum cleaners with higher level of intelligence can serve multiple purposes. They can master the room layout through AI learning and automatic recognition, and provide home security services, hence becoming a new center of connection for the living room. The proliferation of intelligence in single products also fueled the rise of whole-house intelligence. The development trend of the future home appliance industry has transformed from purchase of a single product to customization of product sets, and from individual network devices to application of smart scenarios. Many industry giants have already joined the field. Meanwhile, with the emergence of more and more open cloud platforms and reduction in hardware development costs, the smart home ecosystem value chain has become more mature. Users have gradually gained conviction on the uses of smart home products. The proportion of complete set purchases and scenario-based purchases have been on the rise.

Thirdly, as emerging consumer groups became more sophisticated and the concepts of healthy and quality living getting more ingrained into consumer mindset, small home appliances with the characteristics of low unit price, small size, installation-free and minimal service requirements have become a new market hotspot. Small home appliances have grown against the industry's downward trend especially during the pandemic outbreak, as they were more in line with the online sales model of live-streaming e-commerce. For instance, according to information from AVC, the online sales growth for categories such as high-speed blenders and composite devices with steam, microwave and roasting functions had reached 108.7% and 43.8% respectively in 2020. Against the backdrop of a slowdown in growth of conventional large-format appliances, small home appliances that offer both functionalities and enjoyment are capable of tapping into the market upside and provide opportunities for development of new categories.

Lastly, in terms of channels, as offline outlets were impacted by the pandemic prevention and control measures, online channels have become the main conduit for meeting consumer demands. According to AVC market data, the online market shares in terms of retail volumes for air conditioners, refrigerators and washing machines have all increased despite a fall in overall consumption, reaching 51.5%, 60.3% and 64.6% respectively, representing increases of 7.4, 8.0 and 9.3 percentage points. As more time is being spent at home, and the new generation of young people prefer online shopping, e-commerce as a contactless cloud-experience sales medium has had huge influence on users' purchase preference and decision-making process. Through leveraging platform resources and technological advantages, live-streaming e-commerce improved the efficiency in dissemination and accelerated traffic conversions due to its mobile, social and scenario-driven characteristics, hence it has become one of the key modes of sales nowadays. In the future, online content platforms will be enriched by the rise of core user circles such as KOL and KOC, as well as the popularization of the 5G network and the increasingly mature VR technology. Live-streaming e-commerce has the potential to facilitate more in-depth and direct interactions between enterprises and users.

Section III Summary of the Company's Business

(2) *Overseas markets*

The global home appliance market has been developing differently across regions. In developed countries and regions, the development momentum of home appliance market relied on new housing, diversified demands in sub-markets and the upgrading of home appliances. In developing countries, due to the relatively low home appliance ownership rate, the overall market still saw potential for rapid growth. On the other hand, as Covid-19 has broken out in many countries around the world, economic and social activities have been restricted, people's income has been reduced, and the real estate sector was facing pressure in sales and delivery. These series of factors have led to a decline in user demand for home appliances, bringing negative impacts to different regions in varying degrees.

In terms of channels, while offline channels remained dominant, online channels have been developing rapidly. The distribution channels for the global home appliance market were increasingly diversified. In view of the transformation of retail channels, the rapid development of online channels and their integration with offline sales channels have further enhanced the growth potential of online channels.

Breakdown by markets:

- (1) **The U.S. market:** Impacted by the pandemic, consumption in the U.S. market was sluggish in the first half of the year. However, with normalized pandemic prevention and control policies such as social distancing, according to Euromonitor International's statistics, the home appliance industry achieved double-digit growth in the second half of the year, with an annual growth rate of 5%. The recovery of the U.S. home appliance market was, first of all, benefited from the extension of the stay-at-home order, which has stimulated users' demand for home appliances, and shifted travel and entertainment spending into household consumption; secondly, their more mature e-commerce channels have facilitated a boost in household consumption; thirdly, a series of stimulus policies implemented by the government has effectively spurred the growth of household consumption; finally, mortgage rates were at record lows, leading to a surge in new home constructions, existing home sales were also maintaining at its highest level since 2006, which have further stimulated people's demand for home appliances.
- (2) **The European market:** Due to the impact of the pandemic in 2020, the growth of the large-format home appliance market recorded 3.9%. This included a 3.9% growth for refrigerators, a 1% growth for washing machines, and a 4% growth for built-in kitchen appliances.
- (3) **The South Asian and Southeast Asian markets:** ① In response to the impact of the pandemic, the Indian government imposed a strict lockdown from late March to late June, essentially halting sales nationwide. According to estimates from local distributors, the industry has fallen by more than 25% year-on-year. ② Business activities in other regions have also been restricted by the government's quarantine rules. Retail sales and retail volume both declined before gradually recovering in May and June.

Section III Summary of the Company's Business

- (4) **The Australian and New Zealand markets:** ① The Australian home appliance and furniture market has experienced a strong short-term growth due to the stay-at-home order. Competition in the industry has become more intense. Enterprises have actively developed online platforms and continued to improve their offline shopping experience. ② The home appliance chain channels in New Zealand have become more concentrated, market shares of small and medium-sized channels continued to shrink; the proportion of online sales has increased to 5%.
- (5) **The Japanese Market:** The overall sales volume in the white goods industry has dropped 2.3% due to the impact of Covid-19. Specifically, the refrigerator category has experienced declines in both sales volume and sales value, whereas the washing machine category recorded a decrease of 2.9% in sales volume, and an increase of 2.4% in sales value. In addition, refrigerators have become a top-selling category during the pandemic, achieving year-on-year growths of 53.3% and 42.5% in terms of sales volume and sales value respectively (data from GFK).

(3) Industry Outlook for 2021

The Chinese Market: Various industries are expected to show trends of recovery in 2021.

① Refrigerator: The industry is expected to increase in both volume and revenue. Replacement demand due to structural upgrades will further expand market size. The refrigerator market is expected to achieve single digit growth in retail sales in 2021. The export market is expected to grow at a slower rate due to a high base over the same period. ② Washing machine: The domestic retail market and the export market are both expected to show positive growths. The domestic washing machine market is still in the process of recovery while products continue to innovate towards the directions of healthy laundry and the integration of "laundry + garment care". Meanwhile, emerging categories such as clothes dryers and tumble dryers are meeting users' current pursuit of quality living and are therefore expanding rapidly. ③ Residential air-conditioner: Volume and sales revenue are both expected to increase. Due to the expected macroeconomic recovery in 2021 and the low base over the same period, coupled with the rise in the average price of products, the air-conditioner segment is expected to achieve double-digit growths in both retail volume and retail revenue; exports are expected to continue the growth trend since the second quarter of 2020. ④ In addition, the water heater market will see the dawn of recovery, the growth rate of the offline market is expected to be higher than that of the online market due to a low base over the same period, and growth in the online market is expected to slow down. ⑤ The overall size of the kitchen appliance market will rebound from 2020, on one hand, although the control policies for the real estate market are tightening, the proportion of second-hand housing transactions are on the rise, which will drive the volume as well as quality growth of the kitchen appliance category; on the other hand, emerging categories such as dishwashers, integrated cookers and built-in integrated cookers will continue to see fast-growing trends.

Section III Summary of the Company's Business

The Global Market: Looking ahead to 2021, the long-term demand for home appliances as necessity goods remains stable. As many countries around the world are gradually resuming economic and social activities, and the pandemic is expected to be contained with the widespread application of vaccines, growth shall pick up in the global retail market of home appliances. According to Euromonitor's data forecast, the global market size for large-format home appliances (excluding 3C products) in 2021 will rebound to over RMB3 trillion, with a year-on-year increase of about 4%.

II. EXPLANATION ON SIGNIFICANT CHANGES ON MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

During the reporting period, the Company advanced the H-share listing and privatisation of Haier Electronics, a Hong Kong-listed company, which constitutes significant asset reorganization. As at the end of the reporting period, the reorganization has been completed and Haier Electronics became a wholly-owned subsidiary of the Company (the shareholding proportion of the Company in Haier Electronics was 45.87% before the transaction).

Including: Overseas assets 91,106.91 million (Unit and Currency: RMB), representing 44.8% of total assets.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

II Analysis of core competitiveness during the reporting period

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

(1) Competitive advantages in Chinese market

The Company has maintained our long-term leadership positions in China's large-format home appliance market. According to CMM's report, in 2020, the Company has established a leading market position in different large-format home appliance categories. The Company's leading position in full-range home appliance products is the basis for the development of our smart home solutions. The Company's core technology, advanced manufacturing experience and user base in various categories of products enable us to have sufficient single product scale and industry experience, and to successfully transform our model from delivery of the single product form delivers to users by the Company from a single product to provision of a full-suite solution.

Section III Summary of the Company's Business

(2) Dominance in high-end market

In line with the consumption upgrade in China, the Company started building our Casarte brand targeting the PRC high-end market more than 10 years ago. In addition to focus, experience and patience, the creation of high-end brands also requires the technical ability for continuous innovation and differentiated service, so as to meet users' demand for high-quality experience. By combining our technical strengths, product development ability, manufacturing techniques and other advantages in the world as well as specialised marketing and differentiated services, our Casarte brand has gradually gained the trust of users in China's high-end market. According to the information from CMM, in 2020, Casarte has established absolute leadership in China's high-end major home appliance market, and ranked first in terms of the retail volume of refrigeration appliances, laundry appliances, air-conditioners and other items in high-end market. Among which, in terms of offline retail volumes, the share of the Casarte washing machines and refrigerators in China's market above RMB10,000 reached 76.7% and 37.1% respectively, and the share of the air-conditioners in Chinese market above RMB15,000 reached 46.9%. The offline market average price of refrigerators, air conditioners and washing machines has reached approximately two to three times the industry average price.

(3) Continuous expansion and upgrades of smart home solutions

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

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

In addition to our success in China, the Company also deliveredmonstrates strong performance in overseas markets. The Company focuses on developing overseas markets with our ownself-managed brands. The Company's business strategy has enabledhelped us to establishing a multi-brand, cross-segment and cross-regional, three-in-one model with self-built, interconnected and collaborative operations in R&D, manufacturing and distributions.

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

Section III Summary of the Company's Business

In 2020, the Company had 14 research and development centres, 122 production centres, 108 marketing centres around the world, and covered nearly 130,000 point-of-sales overseas.

(5) Constantly increasing market share

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

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

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

(7) Cross-border acquisition and integration capabilities

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

Section III Summary of the Company's Business

(8) Comprehensive and effective global collaboration ability

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

- Global collaboration in R&D: With a global collaboration R&D system, the Company has established a global technology research and development mechanism to share our common universal modules and multiplexing technologies, as well as to share patents within the scope of compliance. For example, the Company has successfully applied the direct-drive motor researched and developed by Fisher & Paykel to our Casarte laundry appliances and achieved desirable outcome.
- Global collaboration in product development: The Company has established a global product development mechanism to coordinate cooperative product development efforts around the globe and achieved regional collaboration and complementation among product categories. For example, the Company has successfully supported GE Appliances' resumption of its water heater business.
- Global collaboration in procurement: The Company's global procurement activities are guided, instructed and implemented by our global commodity committee. The Company's operation departments in different areas can share procurement resources in the globe with our Global Sourcing Operation Platform ("GSOP") and, so as to achieve economies of scale effects.
- Global collaboration in supply chain: With the transparent, visualised and digitalised global supply chain management system, the Company can flexibly deploy our production capacity across the globe and share and develop intelligent manufacturing technologies in a coordinated way.
- Global collaboration in marketing and branding: The Company has realised global collaboration in branding, with the operation of our multi-level brand portfolios around the globe. The Company also carries out promotion activities among various regional markets around the globe and introduces successful marketing strategies. For example, the Company has successfully introduced the sales and marketing models in the third- and fourth-tier markets of China into India, Pakistan, Thailand and other markets, which strengthened our brand image and market competitiveness.

Section III Summary of the Company's Business

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

Based on the core concept of “the world as my R&D department”, the Company has established a leading global R&D innovation system to ensure that the Company is making continuous innovation centering on user demands. The Company has established 14 R&D centres around the world and formed a R&D resource sharing network globally. On this basis, the Company independently took the initiative to build the Haier Open Partnership Ecosystem (HOPE platform) which has linked more than 1 million world-class resources partners, with over 30 million patents achievements. The resource partners can thereby participate in our user-centred iterative R&D process.

In 2020, Haier Smart Home ranked first on the global smart home patent application ranking list for four consecutive occasions with 2,034 home appliance patents; Haier won 2 more awards at the 21st Chinese Outstanding Patented Invention Golden Award Presentation and ranked 1st in the industry. We won a total of 9 national patented invention awards, representing half of industry's honours. As a pioneer of international standard in home appliance sector, Haier Smart Home is accelerating its pace to propel the Chinese standards going aboard. 80% of the international standards in China's home appliance industry were originated made by Haier. In 2020, the first IEC international standard for refrigeration appliance preservation formulated under Haier's guidance was officially published. The application scenarios include the Internet of Clothing, the Internet of Food, the Internet of Water and the related ecological standards have fulfilled the requirements of 4 major international standards organizations such as ISO/IEC/IEEE/OCF 4. We effectively and really realized the full-range coverage and global leadership of the smart home cloud ecological standard system.

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

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

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

Section III Summary of the Company's Business

Outlook

In 2021, the Company will focus on the building of high-end, scenario and ecosystem brands, continuing to leverage our strengths in market-leading set products, global synergies, high-end brands and the Smart Home experience cloud platform. We will drive forward the whole process digital transformation to enhance efficiency, and continuously expand our smart home scenario-based solutions, thereby to maintain a strong development momentum.

- The Chinese market:** (1) The Casarte brand will expand its competitive edge in the high-end market through continuous product innovation, press ahead with digital transformation to achieve whole process efficiency enhancement, and achieve breakthrough in the air conditioning business through product upgrade, channel development and marketing innovation. (2) We will accelerate the development of the “Three-Winged Bird” scenario brand through expanding our touch point network, upgrading the collection of scenarios, and building capacity for 1+N services. (3) By focusing on the development of ecosystem brands such as the Food Network and the Internet of Clothing, we will achieve breakthroughs in the number of platform users, GMV and ecosystem revenue. (4) In terms of smart home construction, through developing the smart home perception and decision-making system, we shall create a Haier Smart Home brain system that can offer interactive, reliable, thoughtful home services that can be accessed anywhere. Through various gateways such as the Smart Home App, Three-Winged Bird App, distributed speech technology and the multi-screen feature, we will create a smart home interactive portal that attract users' attention.
- Overseas markets:** (1) create premium product portfolio, with comprehensive network and direct go to market approach in order to consolidate leadership in all markets; (2) improve the global supply chain infrastructure and provide immediate smart and healthy home solutions to our local users; (3) upgrade our hOn platform in Europe, EVO platform in Russia, Smart HQ platform in the US in order to provide users with superior experience leveraged on enhanced system capabilities.
- We will construct fully digitalized operation systems for interconnected factories globally, aiming at maximum efficiency throughout the whole process, and focus on hitting the targets of precision, efficiency, balanced lines and full production capacity. Through the mega-factories projects, we strive to develop top-selling products that are most competitive in the market with the most cost-effective production methods.

Section III Summary of the Company's Business

Potential Risk

1. Risk of decreasing market demand due to slowdown in macroeconomic growth. As white goods are durable consumer appliances, the level of users income and their expectations of future income growth will have an impact on their willingness to purchase products. A slowdown in macroeconomic growth causing the decline in the purchasing power of users would have a negative impact on industry growth. In addition, a slowdown in real estate market would also have some negative impact on market demand, which will indirectly affect end-user demand for home appliances.
2. Risk of price war due to intensify industry competition. The white goods industry is highly competitive with a high degree of product homogeneity and industry concentration has increased in recent years. However, the increase in industry inventory capacity in individual sub-sectors due to the imbalance between supply and demand may lead to risks such as price wars. Furthermore, due to rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation, it is becoming increasingly difficult for us to take advantage of the higher selling prices typically associated with new products, services and technologies while having to invest more in research and development. The Company will actively invest in research and development to attract more users through continuous innovation in products and services, so as to build a lasting brand awareness.
3. Risk of fluctuations in raw material prices. The raw materials that we mainly use in our products and core components are metal raw materials such as steel, aluminium and copper, as well as commodities raw materials such as plastics and foam. If the prices of raw materials supply continue to rise, it will put pressure on the Company's production and operations. In addition, the Company relies on third party suppliers for key raw materials, components and manufacturing equipment, as well as OEM suppliers, and any disruption in supply or significant price increases from these suppliers would have a negative impact on the Company's business. As a leader in the industry, the Company will take steps to reduce the risk of raw material fluctuations on its operations by using valuation adjustment mechanism on volume and price with suppliers and hedging tools.
4. Operational risks in overseas business. The Company has steadily developed its global business and has established production bases, research and development centres and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year-on-year. The overseas markets are subject to political and economic situations, legal systems and regulatory regimes of those countries and regions, and significant changes in these factors may pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impact, including actively discussing and working with suppliers and customers to mitigate the impact of additional tariffs imposed by the United States; improving production efficiency to offset the impact on the Company's overall cost of sales; and potentially expanding the Company's supply resources to other countries.

Section III Summary of the Company's Business

5. Risk of exchange rate fluctuations. As the Company's global footprint progresses, the import and export of the Company's products involves the exchange of foreign currencies such as the U.S. dollar, the Euro and the Japanese yen. If the exchange rates of the relevant currencies fluctuate, it will have a certain impact on the Company's financial position and increase its financial costs. In addition, the Company's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of the primary economic environment in which the entity operates, and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.
6. Risk of policy changes. The home appliance industry is closely related to the consumer goods market and the real estate market. Changes in macroeconomic policies, consumer investment policies, real estate policies and relevant laws and regulations will affect customer demand for the Company's products, which in turn will affect the sales of the Company's products. The Company will closely monitor changes in the relevant policies and laws and regulations, and make forecasts of market changes to ensure the further development of the Company.
7. Risk of uncertainties resulted from COVID-19. The COVID-19 outbreak, which gradually spread by the end of 2019, could lead to a further weakening of consumer demand for home appliances, which could in turn affect the Company's product sales. Firstly, lockdowns, social distancing measures and travel restrictions will reduce customer mobility and result in the closure of the retail sales sites, thereby reducing consumer demand for home appliances. Secondly, the epidemic may also lead to operational disruptions for customers, such as logistical disruptions in product deliveries, resulting in customer dissatisfaction with the Company's service and consequently reduced demand for the Company's products. The Company will leverage on its experience in the China market and make best use of the synergy of global resources to mitigate the impact of the epidemic on our operations.
8. Credit risk. There is possibility that we will be unable to fully recover our trade receivables from our customers or that they cannot settle our trade receivables in a timely manner, our business, financial condition and results of operations may be adversely affected. As to this risk, depending on the credit history of our customers and their transaction amounts with us, we allow the flexibility by offering a credit period of 30 to 90 days to certain customers.
9. Inventory risk. As the Company cannot accurately predict various trends and events and maintain adequate levels of inventory at all times. Therefore, it could lead to excessive inventory. Then, the Company may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory. On the other hand, we may experience insufficient inventory, which may cause us to lose sales. However, the Company will manage our inventories and make adjustments based on market conditions, and periodically assess impairment of inventories.

Section IV Discussion and Analysis on Operations

I. DISCUSSION AND ANALYSIS ON OPERATIONS

Management Discussion and Analysis

In 2020, the Company pressed ahead with our IoT smart home strategy and continued to expand our leading position in the global market, achieving an annual total revenue of RMB209.7 billion, an increase of 4.46%. Revenue for the fourth quarter was at RMB55.3 billion, an increase of 9.5%. As COSMOPlat business was disposed at the end of September 2020, revenue of the fourth quarter of 2020 no longer consolidates the business. If excluding the disposed business on the fourth quarters of 2019, revenue should have grown 8% annually and 20% in the fourth quarter. The revenue growth was driven by progress in both our domestic and overseas businesses. Breaking down by regions, the domestic market achieved a revenue of RMB107.7 billion, an increase of 6.6%, while the second half of the year increased by 18.5%. The growth was due to the Company's ongoing development of leading set products, Casarte's efforts in continuously expanding its high-end market share, deepening retail transformation and optimizing efficiency. Overseas markets achieved a revenue of RMB100.6 billion, an increase of 8.3%, while the second half of the year increased by 15.8%. The growth was attributed to the Company's premiumization strategy as well as our focus on operational capacity enhancement for localized R&D, production and sales. Under the challenges of the pandemic, our "Rendanheyi Model (人單合一)" has ensured swift response from our micro entrepreneur in various regions. Relying on our global procurement, supply chain and R&D platforms, we have also fully leveraged our edge in global resource deployment and overcome the adverse impacts from external environment, hence resulting in the achievement of sustainable business development.

The Company achieved a net profit of RMB11.3 billion for the year, an increase of 8.2%, while the continuing net profit recorded RMB11.3 billion with a growth rate of 25.31% and the net profit attributed to shareholders were RMB8.9 billion with a growth rate of 8.17%. The net profit in the fourth quarter reached RMB3.3 billion, a record high over the same period in previous years. Profit growth for the year was driven by growth in revenue and optimization of expenses. Our gross profit margin was 29.68%, a decrease of 0.15 percentage points year-on-year. The decrease was driven by the impact from COVID 19, which resulted in a 1.03 percentage points lower gross profit margin in the first half. With the rapid recovery of topline growth, the increased proportion of Casarte as well as the product mix optimization in oversea market, the gross profit margin in the second half rebounded by 0.46 percentage points. Total sales and management expenses dropped 0.98 percentage points, with a decrease of 2.8 in the second half of the year. In particular, China region has achieved an expense reduction through efficiency enhancement programs of four restructuring and six digital transformations. Overseas region has achieved expense ratio optimization by improving economies of scale and refining operations.

The Company's annual net cash flow from operating activities was RMB17.6 billion, an increase of 16.68%.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

During the reporting period, the business operations of the Company's segments were as follows:

(I) *Smart Home Business in China*

Under the dire challenge of a 11.9% retail sales decline in China's white goods and kitchen appliance industry, our smart home business in China has grown against the downward trend in 2020. Our competitiveness and industry-leading position have been further strengthened. Revenue from the domestic home appliance segment reached RMB98.9 billion, a year-on-year increase of 6.6%. Operating profit grew 8.65%. Our retail shares in various industries continued to rise. At the same time, our high-end brand Casarte achieved a net revenue of RMB8.7 billion, a year-on-year increase of 17%, among which the growth of the fourth quarter recorded 35%.

The Company's business growth has been driven by the introduction of smart set products that spearheaded innovations; the use of a unified warehousing and distribution system and the Yilihuo information tool that optimized inventory and improved channel efficiency; the active expansion of our high-end brand Casarte's product portfolio and market share; and the continuous deepening of our digital transformation efforts.

1. Household Food Solutions

(1) *Refrigerators and Freezers*

According to the retail data of CMM, the refrigerator industry had a retail volume of 32.6 million units in 2020, down 3.6% year-on-year; its retail value was at RMB91.2 billion, down 3.3% year-on-year. Looking back at the whole year, the refrigerator industry was heavily affected by the pandemic from the beginning of the year till May, and began to recover strongly in the second half of the year. Growth in retail sales has improved significantly in major domestic retail channels in the second half of the year. A surge in overseas orders also supported the rebound of domestic production. **Haier has continued to strengthen our position as a global leader in the refrigerator industry. Through continuous technology innovation and iteration of product features, we provided users with health-oriented, intelligent and stylish solutions for fresh food storage, thereby leading the consumption upgrades of the industry. In 2020, the Company's domestic refrigerator business achieved revenue of RMB34.4 billion, an increase of 5%;** During the period, according to CMM's report, the Company's shares of online and offline retail sales in the domestic market reached 36% and 39% respectively, representing increases of 2.2 and 1.9 percentage points; our shares of online and offline retail volume reached 30% and 36% respectively, representing increases of 3 and 3.6 percentage points.

Influenced by the pandemic, users have been increasingly conscious about healthy eating. At the same time, as users were spending more time at home, they had higher demands on the long-lasting freshness and storage capacity of refrigerators.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

1. Household Food Solutions (continued)

(1) *Refrigerators and Freezers (continued)*

Based on researches on the storage and nutrition of all kinds of food ingredients, the refrigerator business has accumulated big data of more than 1,000 kinds of ingredients and formulated a smart fresh-keeping algorithm, which could automatically calculate and adjust the temperature of the refrigerator according to the types of ingredients recorded by the user, so as to maintain maximum freshness. At the same time, we have established a variety of ways to manage food ingredients. Through multiple channels such as the refrigerator screen, smart voice, the Smart Home APP, etc. Users could manage ingredients in the refrigerator according to their own habits, and check the status of the ingredients in the refrigerator anytime and anywhere to ensure the freshness and timely use.

In terms of capacity expansion, the refrigerator business has integrated cabinet design to enable the full opening of refrigerator doors at 90° angles, which has greatly expanded the capacity of the refrigerator. In particular, Casarte's refrigerator introduced a new "seamless built-in model" with the innovative design of heat dissipation across the bottom of the fridge. Users no longer had to reserve space for heat dissipation, thus enabling the seamless fitting of the refrigerator into a cabinet with 0cm clearance space. This effectively fulfilled users' demand for the integration of furniture and home appliances, and instilled elegance and imagination into the kitchen space. It also greatly boosted the storage capacity of the refrigerator in a given space. Casarte's "seamless built-in model" has won international design awards including the iF Design Award and the Red Dot Design Award. This design also helped Casarte's refrigerator to achieve a total annual share of 12.3% in retail sales, which was an increase of 2.1 percentage points year-on-year. Specifically, its market share above 10,000 RMB has reached 37%, representing an increase of 5.4 percentage points.

The refrigerator business has built on the advantages of the global supply chain to achieve rapid growth in the export business. As the overseas supply chains were more heavily impacted by the pandemic, recovery was rather slow, leading to a supply shortage in the market. This coupled with the closure of offline sales outlets and users' extended time at home, the demand for refrigerators and freezers from overseas users has continued to surge. The domestic supply chain on the other hand has recovered swiftly after the pandemic was brought under control in Mainland China, which has led to a rapid growth in the export of refrigerators. According to demand changes in major regions in the overseas market, we have promptly adjusted channel strategies and partnership models as well as expanding collaboration channels, resulting in rapid growths in various regions. The refrigerator export business had an annual growth of close to 60%.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

1. Household Food Solutions (continued)

(1) Refrigerators and Freezers (continued)

During the year, the Company has continued to push forward a global and efficient system for synergies between production and sales. In terms of procurement, we have intensified the collaborative relationships with local strategic partners and optimized our supply chain systems, thereby efficiently responded to local demands. In terms of manufacturing, we have implemented smart production scheduling and flexible manufacturing systems, so as to maximize capacity utilization through continuously improving our manufacturing efficiency.

(2) Kitchen appliances

In 2020, China's kitchen appliance segment recorded a revenue of RMB2.8 billion, a year-on-year increase of 13.6%. Revenue from Casarte's kitchen appliances grew 79%, with the number doubling for four consecutive months from September to December, hence displaying strong momentum in development and growth potential. In terms of market share, our share of domestic retail sales reached 6% with an increase of 1 percentage point year-on-year; market share in the high-end segment (price range above RMB5,000) grew 0.9 percentage points.

The Company has created “smart and healthy” kitchen and living experience through continuously developing global collaborations. The kitchen appliance business has achieved market breakthrough with its original East meets West technology, bringing a variety of healthy cooking styles from around the world into Chinese kitchens, and building user reputation through experiential marketing. Leveraging our robust R&D capabilities and solid experience in kitchen appliances around the globe, the Company's kitchen appliance business has continued to integrate technology resources from GEA, Fisher & Paykel and Candy in the kitchen appliance field, and established the GFC global R&D alliance. During the period, the kitchen appliance business launched a series of smart kitchen appliance products that integrated leading technologies and modules from various regions around the world. **We released four pioneering standards**, including constant air volume, medical-grade disinfection technology, smart home and garbage disposal unit, which have effectively supported the rapid development of the smart air series of range hoods and the Casarte medical-grade disinfection cabinets.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

1. Household Food Solutions (continued)

(2) Kitchen appliances (continued)

At the same time, Casarte's kitchen appliances have achieved breakthrough in the high-end market, which has effectively strengthened the brand awareness for its kitchen appliances. By effectively solving users' pain points, creating differentiated experience, and accumulating user reputation, the newly launched Casarte C5+ set products and the Haier "double defense" set products have raised the bar for the industry's products and technologies. **Casarte C5+ Gourmet set products** have enhanced user experience through pioneering technologies in various product categories: ① The constant air volume range hood pioneers a smart 12-square technology, which is not restricted by the wind pressure in high-rise and is not affected by exhaust ducts, hence offering constant ventilation that creates a smoke-free cooking environment. ② Casarte's three-burner stove accounted for half of the three-burner stove market. It is equipped with features that enable one key control rice cooking, smart temperature control, linkage between stove and range hood, etc., thus providing convenient cooking experience. ③ As the industry's first medical-grade disinfection cabinet, the C5+ disinfection cabinet can kill 10 kinds of pathogenic bacteria with intelligent tracking and auto sterilization, thus exceeding the industry's two-star standard which can only kill 2 kinds of pathogens. It has also won the annual disinfection technology leadership award. ④ Combining GE Appliances' century-old dry-heat cooking technology and Fisher & Paykel's moist-heat cooking technology, the C5+ oven can achieve dual control of temperature and humidity, so as to create culinary delicacies that are evenly roasted and tenderly braised. ⑤ Building on Candy's water-steam separation technology, the C5+ steamer features an innovative water-steam dual-circulation system, which can achieve 110℃ high-temperature steaming and multi-layer steaming through pure steam, thereby preserving the freshness and flavor of ingredients, allowing users to eat fresh and healthy. ⑥ The C5+ integrated steam oven enables a fifth cooking method of simultaneous steaming and roasting, which can shorten cooking time and produce more tasteful dishes.

The Company's kitchen appliances recorded an export revenue growth of 51%, which was mainly due to the strong growth in the Haier brand of kitchen appliances in markets such as Russia and the Philippines.

By adopting large-scale centralized production, encouraging module manufacturers to build local factories, and implementing lean production and refinement upgrades of technologies, the kitchen appliance factories have effectively reduced procurement costs, improved delivery speed and enhanced production efficiency during the period.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

1. Household Food Solutions (continued)

(3) *The Food Ecosystem*

With the increasing consumer demand for food quality, convenience in cooking and food safety, the Food Ecosystem has built on its intelligent hardware platform and alliance resources, to provide users a healthy eating experience of pre-made products through IoT technologies, standardization of culinary skills & dishes and digitization of cooking algorithms,. The relationship between the Company and our users has gradually transformed from the previous one-off selling of tangible products to the high-frequency sharing of gourmet products. User loyalty has been greatly enhanced.

In terms of R&D of smart hardware products, the Food Network has upgraded the smart steam oven three times. The product is equipped with eight key functions such as dual temperature sensors and precise temperature control. It can take into account a variety of cooking modes and customization of ingredients. The smart cooking mode can be activated at the touch of a button. The smart refrigerator can offer recipe recommendation and purchase of ingredients. It can also be linked to the steam oven to bring out the genuine flavor of the food through digital precision in the cooking process.

In terms of alliance resources, the Company has partnered with partners including the Chinese Cuisine Association to set up the Haier Food Ecosystem Alliance. Together, we created a smart food ecosystem platform, turning recipes of famous chefs into “home cooked dishes”. The gourmet experience and user reputation gained from the platform also supported the sales of the Company’s smart products. For instance, the Company and resource partners have jointly developed the “Peking Roast Duck” recipe. After receiving the semi-finished product (duck embryo), users can scan the exclusive QR code to trace the breeding time, growth condition and quarantine status of the duck. All they have to do is to put the ingredients into the smart oven, and the oven would be automatically adjusted to the matching temperature and cooking time. No additional manual operation is required, and the resulting dish would be cooked to a higher standard. The duck embryos can also be purchased with a single click through the Smart Home App or the refrigerator screen. In response to the market demand from those who could not return home for New Year’s Eve dinner with family under the call for celebrating Chinese New Year in situ, the Company has launched the “Reunion Dinner” package, bringing together 18 dishes from six major cuisines, which has achieved retail sales of 15,000 package sets and 120,000 dishes during the Spring Festival.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

1. Household Clothing Solutions

(1) *Washing Machine Business*

As impacted by Covid-19 as well as the complex and volatile international environment, China's economy was put to severe tests in multiple aspects in 2020. According to the market research report published by CMM, the annual retail volume and retail value of China's domestic washing machine market dropped 9.3% and 6.5% respectively. **In view of the sluggish performance of the industry as a whole, the Company's washing machine business has reacted swiftly to market changes. By fully leveraging the strengths of our brand portfolio and actively pushing forward digital transformation throughout our entire process, we achieved strong growth against the downward trend and improved operational efficiency.** During the period, the Company's washing machine business achieved a net revenue of RMB26 billion, representing an increase of 6.3%. While maintaining our leading position, our market share continued to grow, reaching 40.22% in the offline market, representing a rise of 3.89 percentage points year-on-year; and a share of 39.9% in the online market, a year-on-year increase of 3.5 percentage points. According to statistics from Euromonitor International, Haier's washing machine has been the world's No. 1 brand for 12 consecutive years in terms of retail volume, which reached 16.3% of total market share, 1.2 percentage points higher than that of 2019. Casarte's domestic offline share reached 12.2%, an increase of 3 percentage points year-on-year, making it one of the top three brands in the washing machine market; Leader on the other hand reaped an online share of 5.1%, ranking among the top five washing machine brands in the online market.

During the period, people's demand for washing machine products continued to develop towards the direction of health-conscious, personalized, smart and scenario-based. As an industry leader, Haier washing machine continued to focus on user needs, promoting industry upgrades through technological innovation and product iterations.

The growing health consciousness fueled by the pandemic has driven an accelerated upgrade and evolution of products in the washing machine industry. Centered around health and care, partition washing products were favored by users and became one of the hottest trends in product upgrades; meanwhile, healthy laundry features with various sterilization methods such as high temperature, silver ions, ultraviolet rays and ozone also gained popularity rapidly. Haier washing machine continued to capture market share in partition washers through the Casarte Twin Tasker series. We also leveraged the trend of healthy laundry and developed the pioneering self-initiative disinfection technology. The Yunxi and Xianmu top-load washers would generate deep ultraviolet light automatically during the laundry process, thus achieving auto sterilization without additional electricity consumption. During the period, the shares of top-load and front-load washers in terms of offline retail volume have reached 43.5% and 39.4% respectively, representing increases of 3.3 and 4.3 percentage points year-on-year.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

1. Household Clothing Solutions (continued)

(1) *Washing Machine Business (continued)*

In view of the trend of demand segmentation, the Company has performed deep dive analysis on the market demand of different user groups. In response to the growing demand for care and color protection of high-end fabrics, the Company launched the BlingBling colored apparel washer, an innovative product programmed with various modes of detergent usage to facilitate the restoration of the original color of clothing in just one click. Since the launch of the colored apparel washer, our online market sales have increased rapidly and successfully drove a 9% year-on-year increase in our market share of washers priced over RMB6000. In addition, based on the waist protection needs of female users while doing housework, the washing machine business launched the Washer for mothers, which successfully led to a 2.9% year-on-year increase in the market share of top-load products in the price range of RMB2,700-4,000.

At the same time, **the washing machine business has spearheaded the growing trend of smart products.** The Casarte's Air Wash has upgraded from the initial variable-temperature steam Air Wash, to an Air Wash that integrated sterilization, wrinkle removal, odor removal, and humidity removal, as well as enhanced fluffiness in one machine. The Air Wash procedure could be customized precisely according to different fabric and needs, hence fulfilling user needs for high-end laundry in an intelligent way.

In terms of overseas exports, the growth of the washing machine business has slowed in the first half of the year due to the impact of the pandemic. However, benefiting from the Company's global strength of the 'three in one' localized deployment and our product competitiveness, our export revenue has achieved rapid growth in the second half of the year, thus leading to an annual revenue growth of 40% in overseas markets. In the U.S. market, the healthy laundry product first launched in the region was favored by users due to its differentiated features, resulting in an increase of 4 percentage points in the market share of front-load washers and enhanced our market position. In Japan, the AQUA ultrasonic project focused on mid-range to high-end products in the variable-frequency series, which were highly effective in cleaning collars and cuffs and unlikely to damage clothing fibers. Although the industry declined 4%, our variable-frequency series achieved growth against the negative trend and recorded a gain of 4 percentage points in market share. In the European market, we continued to focus on high-end brands, featuring high-end front-load washers and highly profitable products, and has enhanced our market scale and overall profitability.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

1. Household Clothing Solutions (continued)

(1) *Washing Machine Business (continued)*

During the period, **the washing machine business has achieved double breakthroughs in terms of production capacity and efficiency**, and continued to push forward our super-factories project. Through betting with suppliers as well as centralizing product models, production modules and manufacturing sites, we raised the efficiency of product models and reduced the whole-machine cost. In addition, the washing machine business has advanced operational efficiency and optimized organizational structure through the digitization of channels. We also reduced labor costs and improved production efficiency through self-made equipment and automation. With the implementation of the interconnected factories project, the automated, intelligent and visualized production capacities of our factories have been strengthened. Through the collection and modeling of big data from users, our production decision-making capability and efficiency have been further enhanced.

(2) *Internet of Clothing*

Haier's Internet of Clothing has actively promoted cross-sectoral collaborations with laundry detergent, apparel and footwear manufacturers, so as to create an ecosystem for the laundry industry.

During the period, to address users' needs for personalized care of high-end clothing fabrics, the Internet of Clothing has joint hands with leading resource brands in the laundry detergent market to create the first ink cartridge washing machine. This ecological solution of ink cartridge laundry has won the recognition of users for its advanced technology including personalized laundry programs, precise and smart detergent dispensing and detergent smart purchase, coupled with convenient service experience.

Besides, as there is an increased awareness on household disinfection after the outbreak of Covid-19, timely and effective disinfection, sterilization and storage of footwear have become users' pain points. The Internet of Clothing has collaborated with resource partners in footwear laundry services, sporting goods chain brands and footwear brands to co-create a complete-scenario experience for the washing, caring, storage and customization of footwear.

During the outbreak of Covid-19, the Internet of Clothing has provided a complete scenario for household pandemic prevention solutions, covering the scenarios of going home, staying at home and on commute, hence offering users a one-stop solution for health protection, which have greatly boosted user demand for upgrading related smart home appliances, and generated enthusiasm for shopping with ecosystem resource partners such as laundry detergent.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

6. Household Air Solutions

(1) *Household air conditioners*

The residential air conditioning business has focused primarily on health-conscious and intelligent products. It has led the industry to transform from distribution-based to retail-based, actively expanded the integration of offline networks and online channels, and pushed forward the construction of engineering channels, which have effectively increased growth in our retail shares. In terms of market share, both offline and online shares have achieved growths against negative trends, with offline share of retail sales standing at 14.7%, an increase of 2.2 percentage points; and online share of retail sales standing at 11.2%, an increase of 2.4 percentage points. Meanwhile, we have continued to expand Casarte's air conditioning product portfolio to stimulate structural upgrades and growth of scale.

The household air conditioning business has formulated a number of health-boosting air conditioning standards, such as sterilization cabin and air purification, and has applied for a total of 4,881 invention patents and 609 international patents. The residential air conditioning business has successively launched the "Thor" self-cleaning air conditioner with 56°C sterilization, the "3D sterilization cabin" series of whole-house healthy-air air conditioner, and the "New Species" air-washing air conditioner and purifier. In particular, the "sterilization cabin" series of air conditioners have adopted a triple sterilization technology with the use of water, heat and electricity. They provide a bacteria removal rate of 99%, thus completely solving the pain point of dirty air blow from air conditioners, and have received unanimous praise from users during the pandemic. The market share of sterilization air conditioners has reached 56.6%. Drawing on the principles of aero engines, the world's first air-washing air conditioner is installed with a high-speed centrifugal waterfall curtain system to achieve a differentiated experience of purification, humidification, oxygenation, sterilization, air blow positioning and voice interaction. It can achieve the effect of air washing once every hour, hence offering clean, fresh and healthy air to users. Since its launch in the market, the air-washing air conditioner has continuously captured the largest share in the price segment above RMB14,000.

Casarte's air conditioner has achieved revenue growth of 27% through expanding its product portfolio and touch-points. In 2020, set products for Casarte's residential air conditioner have increased the Galaxy series. In terms of market share, our share in the price segment above RMB15,000 has reached 46.9%, an increase of 6.27 percentage points year-on-year; our high-end market share of hanging machines priced above RMB4,000 and standing machines priced above RMB10,000 has reached 16.6%, representing an increase of 3.8 percentage points.

The Company's residential air conditioner had export revenue growth of 21%. In overseas markets, we have increased market share through continuous channel expansion and the launch of innovative products. We have also flexibly leveraged online marketing to propel enhancement of our localized competitiveness. At the same time, our domestic factories have resumed production in the first moments to ensure fulfillment of order demands in key markets as well as supporting the development of proprietary brand overseas.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

6. Household Air Solutions (continued)

(2) *Commercial air conditioners*

Benefiting from the swift control of the pandemic and the resumption of work and production in Mainland China, the commercial air conditioning industry has shown gradual recovery, and we outperformed the industry with double digit revenue growth.

With 61% market share in magnetic levitation products, we continue to lead the industry in energy efficiency solutions, we also launched the industry's first smart and energy efficient solution using IoT based VRF units developed clean energy products in anticipation of the surge in demand association with the switch from coal towards electricity.

Our air conditioning business has focused on featuring products that are health-boosting, energy saving and intelligent, thereby offering healthy and convenient experience for users. During the period, in response to users' continuous concern on health, the commercial air conditioning business has launched the Healthy Air Conditioner, and introduced the industry's first central conditioner with sterilization cabinet while continued the iteration of maglev units with a large cooling capacity. We also made breakthrough in smart air solution for commercial properties, developed identification technology for central air conditioners, IoT based control system that could potentially save users' cost by over 50%.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

4. Household Water Solutions

(1) *Water heater business*

The water heater and water purifier business has committed to providing users with safe, smart and comfortable whole-house water usage solutions. In 2020, although the pandemic situation has suppressed some offline consumer demand, the stay-at-home economy driven by social distancing has stimulated the growth of online traffic which further unlocked demands from lower tier markets. Haier's water heater and water purifier business has seized the opportunity and embraced the trend for health-boosting and intelligent home appliances. We continued to upgrade product features, and achieved a revenue of RMB10.2 billion, a growth of 6.5% year-on-year.

During the period, the water heater status in the industry has further enhanced, ranking first in the overall industry. Our market shares also further increased, reaching 23.9% and 27.3% for offline and online markets respectively, representing year-on-year growths of 3.4% and 3.2%. In the high-end market, Casarte achieved a revenue growth of 80%, its market share also further grew by 4.2%. The Leader brand developed momentum in both online and offline markets through the Yellow Duckling IP, which has successfully captured the hearts and minds of young users, and realized a substantial increase in market share.

As revenue grew rapidly, the water heater business has continued to optimize costs and expenses, including streamlining SKUs, focusing resources on projects with high input-output ratio, etc., so as to effectively improve profitability. During the period, although the level of profit margin was impacted by the pandemic in the first half of the year, it has shown significant improvement in the second half of the year.

As an industry-leading brand, Haier electric water heater has committed to solving user pain points and meeting user needs. According to information from CMM, the online and offline market shares of the Company's electric water heater in terms of retail value were 37.7% and 36.5% respectively, representing year-on-year growths of 4.7% and 8% respectively. During the period, Haier electric water heater launched three leading technologies: variable-frequency instantaneous heating technology, AI artificial intelligence technology and water purifying technology, thereby bringing users large-capacity, intelligent and healthy bathing experience. At present, products with water purification features have accounted for more than 70% of Haier's electric water heaters. In particular, Casarte's Tianmu SPA series even provided users with unlimited hot water and a relaxing bathing experience for the whole family. At the same time, backed by Haier's AI artificial intelligence technology and the U+ big data platform, Haier electric water heaters not only provided users with smart water usage, they could also serve as smart network devices connecting with the bathroom or the entire house, hence bringing users a future living experience. Haier electric water heater's outstanding product innovation capabilities and stylish designs also received international recognitions, with Casarte's electric heater Tianquan SPA winning the AWE Outstanding Product Award.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

4. Household Water Solutions (continued)

(1) *Water heater business (continued)*

Haier gas water heaters also achieved exceptional performance during the period.

Retail sales of the Company's gas water heaters skyrocketed by nearly 100% during the 618 Festival, and rose over 60% during the Double 11 Festival. According to information from CMM, the online and offline market shares of the Company's gas water heater in terms of retail value in 2020 were 16.3% and 15.6% respectively, representing year-on-year increases of 1.7 and 4 percentage points. During the period, the newly launched double-booster zero-cold-water product [TR7] has overturned users' concerns on gas heater products, such as poor at maintaining constant temperature, poor wind resistance and high safety concerns. The product has received unanimous praise from the industry and users upon its release, leading to a two-fold increase in our market share of products priced below RMB5,000. The closed and stable core combustion technology adopted by the product also received the China Patent Excellence Award, marking the only "Nobel-class" patent in the China's gas heating industry in the past 40 years. Besides, Haier formulated the "special requirements for domestic instantaneous gas water heater with preheating function", a group standard for zero-cold-water product, which has become the industry benchmark for zero-cold-water technology. On 8 June 2020, Haier gas water heater [CX3] was selected and certified by the China Household Electric Appliance Research Institute as the industry's "seven-star smart" gas water heater. As driven by industry-leading zero-cold-water waterfall washing products in the Casarte [CR6] series, growth of Casarte's gas heater products has doubled.

During the period, Haier air power has accelerated the pace of R&D for products with health-boosting features such as high water temperature and sterilization.

Meanwhile, it has dominated the industry's offline retail with an annual cumulative share of over 55%, and ranked first in the industry's online market with a 48% share. Its market share in the high-end product segment priced above RMB10,000 has grown 25%. Among the TOP10 best-selling model rankings of air-powered water heaters, Haier owned nine of them, thus completely dominated the industry.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

4. Household Water Solutions (continued)

(2) *Water purifier business*

According to CMM's retail monitoring report, growth in online retail sales for the overall industry has increased by 32.4%, Haier continued to lead the industry with an outperformed growth of 41.1%, which ranked first in the market and achieved a 0.8% year-on-year growth in market share; growth in offline retail sales for the overall industry has dropped by 22.8%, and Haier recorded a growth of 8.8% against the downward trend, which was the only brand among the five top-ranked brands to achieve positive retail growth, with a year-on-year increase of 3.8 percentage points in market share.

According to CMM, in terms of household point-of-use water purification, Haier water purification products recorded an online retail market share of 13.2% and took the first place in the industry; growth in offline market reached 7%, which was the only brand among the top five brands to achieve positive growth. In terms of whole-house water purification, through the provision of smart, differentiated set products of whole-house water solutions, Haier water purification achieved sales of over 11,000 sets of products under the whole-house centralized water purification and softening scenario, and over 46,000 sets of products under the living room water purification and drinking scenario. Meanwhile, building on BWT's brand reputation in the high-end whole-house water usage segment, the Haier and BWT joint venture company has successfully launched partnerships with renowned real estate developers in Mainland China on whole-house water usage engineering projects.

During the period, in response to users' demand for differentiated water quality, the water purification business has primarily focused on the promotion of high-end mineral water purifiers from the Casarte's Yunjing series. The product series provided solutions for mineral water that contains strontium to meet the health needs of users. The products have attracted widespread attention and user purchases once they were launched in the market.

(3) *Water-related Ecosystem*

In an effort to fulfil customers' aspiration for better water usage in everyday lives, Haier's whole-house smart water usage solution integrated whole-house water purification, water softening, water heating and home heating into a one-stop solution. In addition, Casarte's home heaters can be controlled remotely to preheat the room before the user comes home, heating times can also be scheduled according to the life rhythm of the user to avoid overuse, which is more energy efficient and environmental-friendly.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

5. Operating Platform in China

In the face of the challenges of the pandemic in 2020, the Company has strengthened collaborations with e-commerce platforms, upgraded our own Smart Home App, and intensified the integration of all channels. At the same time, we have integrated with multiple resources such as home furnishings and building materials to create the brand-new Smart Home experience store.

Smart Home experience stores offered displays and sales of complete sets of products that revolved around the scenarios of clothing, food, living and entertainment. The stores have evolved from focusing solely on product sales to one-stop shops that provide design services before sales, immersive experience during sales, and maintenance services after sales. Building on our increasingly strengthened capacities on smart scenario deployment, as well as the full integration of the above-mentioned resources, the Company has rolled out the new ecosystem scenario brand “Three-Winged Bird” during the year, which focuses on providing users whole-process smart home solutions, hence charting a new development path for the Company.

During the period, the Company has made significant progress in the following areas. In terms of e-commerce channel, the Company has responded to users’ growing demand for online consumption by actively expanding our product offerings on e-commerce channels and strengthening our brand-building strategies. At the same time, we have made use of digital tools to enhance content marketing and engage users in high-frequency interactions, which effectively improved user loyalty and conversions. During the period, the Company’s overall e-commerce retail sales have increased 39.2% to 52.2 billion, ranking first in the industry. Specifically, according to CMM’s monitoring data, Haier’s share of online retail sales has reached 22.4% during the Double 11 Shopping Festival, which ranked first in the large-format home appliance segment. In addition, the Company’s high-end products have attained an increasing proportion in the online market, user satisfaction also continued to improve, which maintained our leading standard in the market. In terms of commercial channel, the Company has focused on whole-house smart home projects and commercial projects. Building on our whole-process service capabilities, we established an operational system that ensured “zero missing demand, timely order delivery, and service without distance”, hence achieving rapid growths in multiple product categories. In particular, through the brand mix of Casarte and GEA, the kitchen appliance business has achieved rapid growth with project coverage in multiple price segments. In terms of franchise store channel, due to the impact of the pandemic in the overall consumer market, sales revenue dipped in the first half of the year with a clear rebound in the second half. Major categories such as freezer and refrigerator, washing machine and water heater have all achieved growth higher than the industry.

During the reporting period, the Company has continued the roll out of the “Three-Winged Bird” scenario brand, continuously enriched the Smart Home experience cloud, promoted the integration of online and offline channels, and enhanced our refined operational capabilities with the help of digital platforms.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

5. Operating Platform in China (continued)

First of all, we provided one-stop customized services based on the “Three-Winged Bird” scenario brand.

Building on our solid experience in the development of smart and high-end set products as well as our extensive network of ecosystem resources, the Company has redefined our consumption scenarios, and launched the new brand scenario “Three-Winged Bird” in September 2020 that revolved around the needs of a “home”, offering complete scenario-based smart home solutions to users for balconies, kitchens, living rooms, bathrooms and bedrooms. At the same time, through leveraging our extensive service network resources, we have established the 1+N service system. Through a single service steward and a project manager, the system enabled collaboration with numerous resource partners, including home appliance service personnel, set products service providers, distributors and home furnishing companies, hence providing an overall one-stop solution to users that covered the service needs of home appliances, home furnishings, HVAC and whole-house intelligence.

For example, the washing machine business has successfully developed 15 scenario-based solutions around the “theme of apparel wearing”, such as the smart balcony and smart walk-in closet, which have provided full life cycle garment solution services for users that integrated laundry, fabric caring, garment storage, fashion mix-and-match and apparel purchasing. Taking the construction of the smart balcony as an example, “Three Winged Bird” would provide personalized solutions of balcony scenarios based on the needs of different users, along with one-stop services that include design, construction, delivery and installations. The construction could be completed in as little as three days.

As of the end of the year, the Company has launched 325 Three-Winged Bird 001 stores by means of new construction or renovation, achieving full coverage in all core cities. The Three-Winged Bird scenario-based solutions has effectively stimulated the sales of the Company's set products and achieved sales volume of 3,454,785 sets, representing an increase of 41% year-on-year. Among which, the sales volume of high-end intelligent set products has reached 12,161,67 sets, an increase of 63.2% year-on-year.

Secondly, we created an experience cloud platform for the IoT era.

Through bringing together a rich collection of online content, the Haier Smart Home App, an online e-commerce platform built and developed by Haier, has attracted users to watch live-streaming of comprehensive scenarios of clothing, food, living and entertainment. It also enabled interaction with users to identify their ideal solutions of home furnishing and living scenarios, and aroused their interests in purchasing home appliances and peripheral products.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

5. Operating Platform in China (continued)

During the period, the Smart Home App received an average of 1.2 million daily active users and 24.8 million monthly active users, representing skyrocket increases of 546% and 803% year-on-year respectively. In particular, the experience cloud crowd live-streaming has provided users with scenario-based solutions through live streaming upon its launch. Throughout the year it has delivered over 1,000 live streaming sessions with a total of over 50 million views. In the App, the newly launched Living Home section has offered an interactive platform for users to learn smart tips on home appliances' usage and home living. The "1+N Smart Home Renovation" section on the other hand has enabled integration with service resources in the ecosystem, which transformed pure home appliance service into comprehensive household services for home appliances, family and home living. Through the Smart Home App, the Company has helped 30,000 brick and mortar stores to go online, thus enhanced users' online and offline shopping experience for all types of scenarios.

The Company used the Haier Smart Home App as a digital medium to develop our experience cloud platform, which was created based on the data we accumulated from the above-mentioned live streaming sessions, user services and user interactions. Users could share their purchasing and product usage tips, manage their smart home appliances through the remote system, and apply for after-sales services on the platform. Through the experience cloud, the Company could also optimize the design and development of our own products and services, focusing on the continuous upgrade of user experience. At the same time, the Smart Home experience cloud has undergone timely iterations to improve the experience of smart product usage. For example, in terms of scenario development, we have provided templates to collaborating manufacturer brands to facilitate swift service implementation. In terms of smart voice products, our experience cloud has established an industry-leading whole-house distributed speech standard, which could achieve distributed recognition on five major appliances at home, hence driving the progress of smart products towards the goal of "speak anytime, able to understand, smartly recognized, know you better".

Lastly, we fully integrated our information system to implement digital marketing and enhance capacities of our franchise stores.

At present, the Company's Jushanghui platform has full coverage of all franchise stores' customers, which enabled real-time visualized management of customers' purchases, sales and inventories. At the same time, the Yilihuo platform has also achieved 100% coverage of township stores, thus offering a digital system for the execution of store policy, product delivery, incentives and training directly at township levels. Through the popularization of the digitized channel systems, township management has become more transparent, which has greatly enhanced the effectiveness of marketing efforts and incentives. In addition, with the strengthening of the Company's digital management capability and the extensive coverage of unified warehousing and distributions at township stores, the proportion of customer-to-manufacturer orders from township customers have increased significantly, thereby optimized the number of SKUs in sinking channels and accelerated inventory turnover, which has made significant contributions to the enhancements of productivity and sales efficiency.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

5. Operating Platform in China (continued)

Meanwhile, the Company has leveraged the experience cloud platform to enhance the digitization of marketing resources. We also developed a digital platform that covered all channels and scenarios based on AI precision marketing techniques for identifying, outreaching, managing and tracking of users, which has substantially improved the efficiency of marketing operations. During the period, the “Potential Customer Radar” has identified around 2 million potential users through accurate analysis of data, thus effectively empowering user conversions.

6. Smart manufacturing

During the reporting period, the Company has spearheaded the industry with the implementation of the super-factories strategy, which has driven efficiency improvement throughout the whole process. First of all, the Company has deepened the application of cutting-edge technologies such as 5G and edge computing, and rolled out more than 200 projects for in-depth integration of advanced manufacturing technologies and new-generation artificial intelligence technologies. Secondly, we established a strategic operation system for super-factories to foster collaboration and interaction throughout the entire process before production, and to enable processes to be digitally driven during operation, so as to ensure the achievement of production goals. Smart manufacturing in super-factories could effectively improve production efficiency, and create opportunities for cost optimization.

During the period, the Company has constructed 16 interconnected factories. In September 2020, the Haier Sino-German Industrial Park won the world’s only “Industry 4.0 Award” in Germany, which symbolized the transformation of Haier’s smart manufacturing from lighthouse factories to becoming a lighthouse base. In October, three factories, including one for central air conditioning, have passed the Ministry of Industry and Information Technology’s Intelligent Manufacturing Capability Maturity Level 4 certification. In December, Haier won the honor of the National Intelligent Manufacturing Benchmark Enterprise due to its central air conditioning interconnected factories, and was the only enterprise that has two factories being awarded under the National Intelligent Manufacturing Benchmark.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

6. Smart manufacturing (continued)

(II) *Overseas home appliances and smart home businesses*

Faced with the pandemic in 2020, the Company relied on our “3-in-1” localized deployment in overseas markets, pressed ahead with our high-end brand strategy and scenario ecosystem transformation, and grew sales revenue to over RMB100 billion and profit to RMB4 billion against headwind with growth rate of 8% and 26.79% respectively. Market shares have increased across all product segments. The growth in business performance was mainly attributed to the following factors:

1. With comprehensive premium product line-ups, an extensive distribution network and direct to end user sales coverage, we achieved above market average growth across regions.
2. Localized operations supported by the global platform does not only safeguard new product launches, but also maintained steady supply throughout the period, contributing to overall resilience in our performance.
3. We made several breakthrough in the implementations of scenario brands strategy globally, including Randori community laundry in Japan, Wash pass ink cartridge laundry units in the UK, similar progress was made under eco brand strategy including hOn Experience Cloud Platform in Western Europe and Smart HQ platform in the US, all of accelerated our development in products, scenario based solutions and ecosystem applications with enhanced users experience.

1. US

Despite the extraordinary challenges of pandemic outbreak, continued efforts have been made in user centric strategic implementation, brand premiumization, supply chain optimization and omni-channel integration, making 2020 one of the most remarkable years in our history. In north America, sales revenue grew by 10% reaching RMB63.7 billion, with over 30% growth in mass premium brands. Meanwhile, core appliance market share went up by 1.4 percentage points with expansion in all categories, we also launched new product lines in small appliances and water heaters. Furthermore, online presence has been strengthened and eco-system related revenue also increased significantly.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

1. US (continued)

On manufacturing front, swift and assertive actions were taken to ensure the health and safety of our employees and maintain continued service to our consumers. Measures implemented including mandatory temperature check for all employees, flexibility shifts and locations, cleaning and sanitization in all facilities to ensure the safety of our service technicians, 1,000 of our salaried employees volunteered a total of 150,000 hours on our factory assembly lines to make essential appliances for our users at a time when they needed us the most. Despite all the difficulties, GEA's production volume grew by 10% over the same period in 2019, with 20% increase in the second half. The largest assembly line from our kitchen appliance factory in Roper completed software upgrade of Proficy system, accelerating its transformation towards lean production under Industrial 4.0 framework.

On R&D front, we work closer with colleagues in Singapore, Israel etc on HOPE innovation platform for more inspiration and solutions on projects including new impeller design in AC, temperature control units in microwave, data safety from smart home system; in the launch of new large size front load washing machine, global collaboration and unified platform helped reduce development time by 55% with 33% fewer people involved.

We fully understood the concern for protection and safety when consumers are using our appliances to store foods and medicine, make meals for the family and fight germs on their clothes and dishes, thus new front load washing machines are made with UltraFresh Vent System and Microban antimicrobial technology to eliminate excess moisture & odours. Meanwhile, the new multi door refrigerators are equipped with humidity control system to extend the freshness of vegetables. In addition, new lines of small appliances products have been successfully launched under GE, GE Profile and Cafe brands, with GE Profile Opal ice maker topped home appliance and ice maker categories on Amazon' member's day; we have also re-entered water heater category by becoming Costco's exclusive partner and forming partnership with plumbing industries.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

1. US (continued)

We're focused on increasing the connectivity of our appliances. Through our SmartHQ digital platforms, our owners are able to control their environment, whether it's their home or office. Our advances in promoting connectivity and smart home also received recognition from the appliances industry and consumers, including 2020 IoT CyberSecurity Breakthrough Award for Device Security Solution of the Year; IoT Breakthrough Award Winner for Smart Appliance Company of the Year consecutively from 2019 to 2021. The First Household Appliance Brand to Achieve Golden Security Rating from UL and our UltraFresh Front Load Washers earned the Good Housekeeping Seal in 2020.

On distribution front, leveraging on the Company's prior experience of doing business online, swift actions were taken to capture new growth opportunities with ecommerce platforms. More importantly, the professionalism and commitment demonstrated by our people during the pandemic strengthen partnership with our most important distribution partners, which does not only contribute to our solid performance in 2020, but also to enhance trust and closer cooperation to our sustained growth in the future. We also set up a new business unit specializing in commercial clients with particular focus on air conditioners and water heaters.

2. Europe

During the reporting period, the European business of Haier achieved revenue of RMB16.5 billion, an increase of 8.7% year-on-year. The Company's above industry growth was driven by 1) Fully leverage on prior pandemic containment and prevention experience from China, the European team promptly accelerated our expansion on ecommerce platforms with raised profile on social media, followed by accelerated online/offline integration including opening flagship stores, brand walls and shop-in-shops, while setting up online specialty stores to enhance brand recognition. 2) In response to the demand generated by the pandemic, a series of products that brought convenience to everyday living were rolled out, including a full-space refrigerator with added capacity, washing machines with steam disinfection and sterilization features, large-capacity freezers, full range of smart kitchen appliances, and 56℃ air conditioners. 3) With early pandemic prevention measures that were in strict accordance with local government requirements, we took the lead in resuming work and production. 4) We also strengthened alliances with our partners, i.e., launched silence and steam cleansing washing machines together with detergent manufacturers; enhanced user choices and experiences of our ovens with grocers and online liquor platforms.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

3. Australia & New Zealand

Australian and New Zealand's revenue was RMB6 billion, an increase of 11.71% year-on-year, and Haier brand grew by 69% by capturing new user demands for health and sterilization products with timely launch of new products including T-door refrigerator and dishwasher; while online revenue doubled with our initiatives in experience enhancement, product upgrade and premiumization.

Strict lockdown measures have affected consumption in the first half of 2020. During the period from March to May, retail sales offline in New Zealand tumbled by 70-80% on average; market momentum started to recover as the pandemic eased off in the second half, leveraging on global supply chain platform, the Company seized the growth opportunity from implementing comprehensive integration, strengthened collaboration with upstream and downstream partners, sufficient supply and flexible go to market strategies.

Covid-19 has generated demand for large storage, sterilization, and long-lasting fresh keeping. In response, the headquarters and local teams worked closely and accelerated the launch of upgraded HRF565 T-door refrigerators and innovative RF605 series. We promoted wellbeing scenarios in TGG/HNV channel, while launching the "Social Kitchen" dialogue on social media such as Facebook and Instagram, by sharing tips in new product, healthy living and cooking with users, who are drawn to the new features of our T-door refrigerator, including temperature controlled zones, separated storage, and smart freshness, all of which contributed to 13% revenue growth from refrigerator segment for the year.

4. South Asia

During the reporting period, revenue reached RMB5.5 billion, down 13.69% year-on-year.

(1) In India, the lockdown from the end of March to the end of June lasted through the traditional peak season for appliances sales, resulting in an industry decline of 35%. In response to the new demand from the pandemic, the Company focused on products with wellbeing and sterilization features, and enhanced the competitiveness with large sizes and capacities, while network coverage increased by 70% and we started to produce front load washing machines locally, further contributed to our brand and products competitiveness. (2) Amid industry wide decline in Pakistan, our revenue grew over 17% in local currency, this was mainly attributed ① the continuous expansion of offline network and the rapid development of e-commerce channels, which grew 300% during the year; ② enhancement of our product portfolio that catered to the demand at different consumption levels, in particular fully automatic washing machines continued to lead the market, while purifying air conditioner provided users with healthy air solutions and the share of smart products also increased; ③ our market share in refrigerator, household freezer, air conditioner and washing machine all reached No. 1.

I. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

Management Discussion and Analysis (continued)

5. Southeast Asia

During the reporting period, revenue of RMB4.1 billion was recorded, a year-on-year increase of 11.26%. The Company has focused on brand differentiation marketing, expanded network coverage, improve aftersales services and reduce call centre response time. We also implemented sales and PC management system to improve our go to market strategies while accelerating reforms towards mid to higher products on a more retail oriented network, leveraging on global supply chain, we continued to launch new products and upgrade existing products order to capture pandemic inspired demand, promote scenario based solutions and fulfil our users' demand.

6. Japan

Revenue was RMB3.6 billion, up 11.2% year-on-year, it was driven by 1) Ongoing high-end brand building and optimization of product mix including the successful launch of the AQUA full-cabinet Delie refrigerators and our unique ultrasonic washing machine. (2) in response to users' demand to keep food fresh form prolonged time at home, we promptly developed industry's largest 280L freezer and 3IN2 temperature adjusted refrigerators and gained premium market recognition; 3. Despite the difficulty, AQUA community laundry unit consolidated its 70% market share through collaborating with a variety of partners, making significant progress towards scenario and ecosystem market leadership.

II. PRINCIPAL 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	209,725,821,099.44	200,761,983,256.57	4.46
Operating cost	147,475,181,245.03	140,868,398,722.26	4.69
Selling expenses	33,641,711,147.72	33,682,126,291.31	-0.12
Administrative expenses	10,052,645,415.72	10,113,263,329.25	-0.60
R&D expenses	6,860,161,572.42	6,266,936,518.17	9.47
Financial expenses	1,196,217,735.43	893,017,558.86	33.95
Net cash flow generating from operating activities	17,599,111,715.51	15,082,630,942.73	16.68
Net cash flow generating from investing activities	-5,264,150,809.37	-10,961,583,141.21	51.98
Net cash flow generating from financing activities	-1,025,923,097.55	-6,012,963,226.41	82.94
Impairment losses on assets	-1,335,630,451.94	-860,578,700.61	-55.20
Gain from disposal of assets	-12,812,837.06	485,727,628.01	-102.64
Non-operating income	197,444,051.06	390,971,548.74	-49.50

Analysis of the reasons for the indicators with significant changes:

- 1) Financial expenses increased by 33.95% when compared to the corresponding period of last year, which was mainly due to the recognition of exchange losses arising from exchange fluctuation for the current period;
- 2) Impairment losses on assets increased by 55.20% when compared to the corresponding period of last year, which was mainly due to the increase of impairment losses on inventories provided for the current period;
- 3) Gain from disposal of assets decreased by 102.64% when compared to the corresponding period of last year, which was mainly due to the gain from disposal of assets by subsidiaries for the current period;
- 4) Non-operating income decreased by 49.50% when compared to the corresponding period of last year, which was mainly due to the decrease of penalty income when compared to the corresponding period of last year for the current period;

II. PRINCIPAL OPERATING CONDITIONS DURING THE REPORTING PERIOD (continued)

(I) Analysis of principal business (continued)

2. Analysis of income and cost

☐ Applicable ☐ Not Applicable

(1). Principle operating activities by sector, product and region

Unit and Currency: RMB0,000

Principal operating activities by product						
By product	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	2,999,886	2,177,581	27.41	2.99	8.69	Decreased by 3.81 percentage points
Refrigerator	6,153,804	4,156,775	32.45	5.31	5.03	Increased by 0.18 percentage point
Kitchen appliances	3,136,132	2,142,057	31.70	6.28	5.40	Increased by 0.57 percentage point
Water appliances	985,673	534,906	45.73	2.42	2.63	Decreased by 0.11 percentage point
Washing machines	4,845,243	3,240,256	33.12	8.36	7.71	Increased by 0.40 percentage point
Parts and components and integrated pipeline service	2,738,589	2,461,406	10.12	-2.39	-2.25	Decreased by 0.13 percentage point

Principle operating activities by region						
By region	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased/decreased yoy (%)
Domestic	10,724,136	7,416,614	30.84	1.03	3.03	Decreased by 1.34 percentage points
Overseas	10,135,191	7,296,368	28.01	8.61	6.63	Increased by 1.33 percentage points

II. PRINCIPAL OPERATING CONDITIONS DURING THE REPORTING PERIOD (continued)

(I) Analysis of principal business (continued)

2. Analysis of income and cost (continued)

(2). Table of production and sales analysis

√ Applicable □ Not Applicable

Main products	Unit	Production volume	Sales volume	Inventory	Production volume increased/decreased yoy (%)	Sales volume increased/decreased yoy (%)	Inventory increased/decreased yoy (%)
Home appliances	10,000 units/set	8,579	10,028	1,982	11.75	8.51	20.90

II. PRINCIPAL OPERATING CONDITIONS DURING THE REPORTING PERIOD (continued)

(I) Analysis of principal business (continued)

2. Analysis of income and cost (continued)

Explanation of production and sales

(3). Table of cost analysis

Unit: RMB0,000

By sector							Explanation
By sector	Cost component	Amount for the current period	Percentage of the amount for the current period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Percentage of change of the amount for the current period compared to the corresponding period of last year (%)	
	Principal operation income	12,251,576	100.00	10,503,713	100	16.64	
Household electrical appliances industry	Raw materials	10,190,414	83.2%	8,817,249	83.94	15.57	
	Labor services	776,334	6.3%	588,073	5.60	32.01	
	Depreciation	240,106	2.0%	174,804	1.66	37.36	
	Energy	63,633	0.5%	60,780	0.58	4.69	
	Others	981,089	8.0%	862,807	8.21	13.71	

(4). Major distributors and major suppliers

√ Applicable ☐ Not Applicable

Revenue from the top five distributors was RMB45,199.19 million, representing 21.55% of the total sales for the year; among the revenue from the top five distributors, the revenue from related parties was RMBNil million, representing 0% of the total sales for the year.

The purchase amount from the top five suppliers amounted to RMB39,106.29 million, representing 20.46% of the total purchase amount for the year; among the purchase amount from the top five suppliers, the purchase amount from related parties was RMB22,660.43 million, representing 11.85% of the total purchase amount for the year.

II. PRINCIPAL OPERATING CONDITIONS DURING THE REPORTING PERIOD (continued)

(I) Analysis of principal business (continued)

Other explanations

3. Expenses

☒ Applicable ☐ Not Applicable

- 1) Financial expenses increased by 33.95% when compared to the corresponding period of last year, which was mainly due to the recognition of exchange losses arising from exchange fluctuation for the current period;

4. R&D expenditure

(1). Table of R&D expenditure

☒ Applicable ☐ Not Applicable

Unit: RMB

Expensed R&D expenditure for the current period	6,860,161,572
Capitalized R&D expenditure for the current period	359,861,728
Total R&D expenditure	7,220,023,300
Total R&D expenditure as a percentage in operating revenue (%)	3.44
Number of R&D personnel	18,014
Number of R&D personnel as a percentage of total employees (%)	18.14
Proportion of capitalization of R&D expenditure (%)	4.98

(2). Explanation

☒ Applicable ☐ Not Applicable

By centering on user experience, in 2020, the Company mainly focused on achieving original technological breakthrough by launching a series of industry pioneer technology innovations, such as water air-cleaning air conditioner and smart 12 square-shape hood. For scenario application dimension, we achieved breakthrough in products and technologies driven by smart home experience, including smart home cloud brain, Internet-of-Things (IoT) sensing and toner cleansing. For instance, to form a generational leader of original technology and achieve core technology breakthrough of smart home such as smart home cloud brain, we drawing the layout of four major technology sectors focusing on entity, intelligence, safety, scenario of smart home, taking patent applications and patent standardization as its main line, and leveraging complementary advantages, convergence and collaboration of respective global research and development centres; and at the same time upgrade medium and long-term technology road map with advance layout based on national industry strategy and taking core Internet-of-Things (IoT) technology as key point for the purpose of achieving continuous leadership of future smart home scenario application technology.

II. PRINCIPAL OPERATING CONDITIONS DURING THE REPORTING PERIOD (continued)

(I) Analysis of principal business (continued)

Other explanations (continued)

5. Cash flow

☒ Applicable ☐ Not Applicable

- 1) Net cash flows from investing activities increased by 51.98% when compared to the corresponding period of last year, which was mainly due to the cash inflows arising from the disposal of subsidiaries and redemption of wealth management products as well as the expenses spent on mergers and acquisitions of Candy for the same period;
- 2) Net cash flows from financing activities increased by 82.94% when compared to the corresponding period of last year, which was mainly due to the additional borrowings and issuance of super-short-term financing;

(II) Major changes in profit caused by non-principal businesses

☐ Applicable ☒ Not Applicable

Section IV Discussion and Analysis on Operations

II. PRINCIPAL OPERATING CONDITIONS DURING THE REPORTING PERIOD (continued)

(III) Analysis of assets and liabilities

√ Applicable □ Not Applicable

1. Assets and liabilities

Unit: RMB0,000

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	216,519	1.06	30,814	0.16	602.68	Mainly due to the increase of short-term wealth management products
Derivative financial assets	7,784	0.04	1,916	0.01	306.30	Mainly due to the increase of forward foreign exchange contracts for the current period
Accounts receivable	1,593,002	7.83	1,101,587	5.88	44.61	Mainly due to the increase of income and the decrease of factoring for the current period
Prepayments	76,543	0.38	127,292	0.68	-39.87	Mainly due to the disposal of subsidiaries
Contract assets	26,341	0.13	42,274	0.23	-37.69	Mainly due to the disposal of subsidiaries
Other current assets	328,389	1.61	698,597	3.73	-52.99	Mainly due to the decrease of wealth management products measured at amortized cost
Investments in other equity instruments	265,913	1.31	139,596	0.74	90.49	During the reporting period, the Company disposed of the 54.50% equity interest of COSMOPlat. Thereafter, COSMOPlat is no longer accounted for on a consolidated basis in the combined statements of the Company. The 18.75% of equity interest still held by the Company was transferred to other equity instrument investments upon the completion of the transaction
Other non-current financial assets	—	0.00	29,455	0.16	-100.00	Mainly due to expiration of wealth management products
Construction in progress	359,690	1.77	239,136	1.28	50.41	Mainly due to the increase in plant under construction and equipment
Deferred income tax assets	220,830	1.09	157,890	0.84	39.86	Mainly due to the increase of deductible future income tax arising from time difference
Financial liabilities held for trading	2,695	0.01	4,280	0.02	-37.03	Mainly due to the expiration of lock tools
Derivative financial liabilities	23,958	0.12	9,955	0.05	140.67	Mainly due to the increase of interest rate swap agreements and forward foreign currency contract

II. PRINCIPAL OPERATING CONDITIONS DURING THE REPORTING PERIOD (continued)

(III) Analysis of assets and liabilities (continued)

1. Assets and liabilities (continued)

Unit: RMB0,000

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
Other current liabilities	611,205	3.00	49,407	0.26	1,137.09	Mainly due to the issuance of super-short-term financing bonds of the Company
Long-term payables	9,820	0.05	14,234	0.08	-31.01	Mainly due to the repurchase of the investment of CDB Development Fund Co., Ltd. (國開發基金有限公司) in the subsidiaries by the Company
Deferred income tax liabilities	190,040	0.93	115,441	0.62	64.62	Mainly due to the changes on shareholdings of subsidiaries
Other non-current liabilities	2,703	0.01	7,007	0.04	-61.42	Mainly due to the repurchase obligation of the non-controlling interests at the beginning of the year
Share capital	902,785	4.44	657,957	3.51	37.21	Mainly due to the issuance of H-shares by the Company as the consideration for cancelling the Scheme Shares accordingly to the privatisation proposal and the additional issuance of H-shares by the Company as a result of the conversion of H-shares convertible bonds
Other equity instruments	236,420	1.16	43,142	0.23	448.00	Mainly due to the increase of the equity portion of exchangeable bonds of the Company
Capital reserve	1,500,903	7.38	443,589	2.37	238.35	Mainly due to the changes in share premium
Other comprehensive income	-104,622	-0.51	131,799	0.70	-179.38	Mainly due to the translation difference of foreign currency statements

Other explanations.

Nil

II. PRINCIPAL OPERATING CONDITIONS DURING THE REPORTING PERIOD (continued)

(III) Analysis of assets and liabilities (continued)

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

II. PRINCIPAL OPERATING CONDITIONS DURING THE REPORTING PERIOD (continued)

(V) Analysis of investment

1. Overall analysis on external equity investment

☒ Applicable ☐ Not Applicable

In 2020, the Company completed the privatization of HEG, a Hong Kong listed company controlled by the Company, through the issuance of H-shares. This project constitutes a significant asset reorganization of the Company. As of the end of the reporting period, such matter has been completed. For details, please refer to the Report on Implementation of Significant Asset Acquisition and Connected Transactions of Haier Smart Home Co., Ltd. (《海爾智家股份有限公司重大資產購買暨關聯交易實施情況報告書》) disclosed by the Company on 26 December 2020.

(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

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		429,109.38	-1,566,589.80
BAILIAN (600827)	154,770.00	Self-owned			221,360.56
Eastsoft (300183)	18,713,562.84	Self-owned			1,680,624.90
Wealth management products	1,846,012,857.28	Self-owned	1,356,569,266.55	67,813,452.04	4,019,028.18
Investment funds	105,408,639.01	Self-owned	105,408,639.01		8,351,206.56
Interest rate swap agreement		Self-owned			23,728,474.73
Forward commodity contract		Self-owned		72,218,956.78	55,464,778.78
Other derivative financial instruments	29,450,000.00	Self-owned	-36,094,747.43		5,869,913.46
Others	2,900,738,991.13	Self-owned	1,440,383,537.73	18,446,699.37	-111,515,275.63
Total	4,902,282,589.76		2,866,266,695.87	158,908,217.57	-13,746,478.26

Note: As of 31 December 2020, the aggregate balance of foreign exchange derivative transaction amounted to approximately US\$ 2.27 billion.

II. PRINCIPAL OPERATING CONDITIONS DURING THE REPORTING PERIOD (continued)

(VI) Sale of material assets and equity

☒ Applicable ☐ Not Applicable

During the reporting period, the Company assigned the 54.50% equity interest of Haier COSMOPlat IOT Ecosystem Technology Co., Ltd. at RMB4.06 billion, and the transaction was completed as of the end of the reporting period. For details, please refer to the Announcement on Assignment of 54.50% Equity Interests of Haier COSMOPlat IOT Ecosystem Technology Co., Ltd. and Related Party Transactions (L2020-036) and the relevant announcements disclosed by the Company on 30 July 2020.

(VII) Analysis on major subsidiaries and Investees

☒ Applicable ☐ Not Applicable

RMB0,000

Name of company	Business Scope	Total assets	Net asset	Net profit
Haier Shares (Hong Kong) Co., Ltd. (海爾股份(香港)有限公司)	Investment holding	4,128,619	3,376,074	705,358

(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) Corporate development strategies

☒ Applicable ☐ Not Applicable

Through continuous innovation, the Company will customize a better life for users and strive to build an Internet-of-Things (IoT) smart home ecological brand, so as to become a pioneer in the Internet-of-Things (IoT) era. The Company endeavours to become a global leading smart home solution provider by leveraging the following strategies, ① continuing to strengthen the platform construction of [Haier Smart Experiential Cloud] linking users, products and full-process services; ② persisting in the advancement of global operation synergies and brand creation leading position in overseas market; ③ persevering in the enhancement of high-end oriented leadership; ④ driving the improvement of efficiency by facilitating digitalisation reform; and ⑤ promoting continuous innovation and long-term development leveraging on RenDanHeYi (人單合一) management model.

(III) Business plan

☒ Applicable ☐ Not Applicable

In 2021, the Company will focus on the building of high-end, scenario and ecosystem brands, continuing to leverage our strengths in market-leading set products, global synergies, high-end brands and the Smart Home experience cloud platform. We will drive forward the whole process digital transformation to enhance efficiency, and continuously expand our smart home scenario-based solutions, thereby to maintain a strong development momentum.

1. **The Chinese market:** (1) The Casarte brand will expand its competitive edge in the high-end market through continuous product innovation, press ahead with digital transformation to achieve whole process efficiency enhancement, and achieve breakthrough in the air conditioning business through product upgrade, channel development and marketing innovation. (2) We will accelerate the development of the "Three-Winged Bird" scenario brand through expanding our touch point network, upgrading the collection of scenarios, and building capacity for 1+N services. (3) By focusing on the development of ecosystem brands such as the Food Network and the Internet of Clothing, we will achieve breakthroughs in the number of platform users, GMV and ecosystem revenue. (4) In terms of smart home construction, through developing the smart home perception and decision-making system, we shall create a Haier Smart Home brain system that can offer interactive, reliable, thoughtful home services that can be accessed anywhere. Through various gateways such as the Smart Home App, Three-Winged Bird App, distributed speech technology and the multi-screen feature, we will create a smart home interactive portal that attract users' attention.

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (continued)

(III) Business plan (continued)

2. **Overseas markets:** (1) create premium product portfolio, with comprehensive network and direct go to market approach in order to consolidate leadership in all markets; (2) improve the global supply chain infrastructure and provide immediate smart and healthy home solutions to our local users; (3) upgrade our hOn platform in Europe, EVO platform in Russia, Smart HQ platform in the US in order to provide users with superior experience leveraged on enhanced system capabilities.
3. We will construct fully digitalized operation systems for interconnected factories globally, aiming at maximum efficiency throughout the whole process, and focus on hitting the targets of precision, efficiency, balanced lines and full production capacity. Through the mega-factories projects, we strive to develop top-selling products that are most competitive in the market with the most cost-effective production methods.

(IV) Potential risks of the Company

√ Applicable ☐ Not Applicable

1. Risk of decreasing market demand due to slowdown in macroeconomic growth. As white goods are durable consumer appliances, the level of users income and their expectations of future income growth will have an impact on their willingness to purchase products. A slowdown in macroeconomic growth causing the decline in the purchasing power of users would have a negative impact on industry growth. In addition, a slowdown in real estate market would also have some negative impact on market demand, which will indirectly affect end-user demand for home appliances.
2. Risk of price war due to intensify industry competition. The white goods industry is highly competitive with a high degree of product homogeneity and industry concentration has increased in recent years. However, the increase in industry inventory capacity in individual sub-sectors due to the imbalance between supply and demand may lead to risks such as price wars. Furthermore, due to rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation, it is becoming increasingly difficult for us to take advantage of the higher selling prices typically associated with new products, services and technologies while having to invest more in research and development. The Company will actively invest in research and development to attract more users through continuous innovation in products and services, so as to build a lasting brand awareness.

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (continued)

(IV) Potential risks of the Company (continued)

3. Risk of fluctuations in raw material prices. The raw materials that we mainly use in our products and core components are metal raw materials such as steel, aluminium and copper, as well as commodities raw materials such as plastics and foam. If the prices of raw materials supply continue to rise, it will put pressure on the Company's production and operations. In addition, the Company relies on third party suppliers for key raw materials, components and manufacturing equipment, as well as OEM suppliers, and any disruption in supply or significant price increases from these suppliers would have a negative impact on the Company's business. As a leader in the industry, the Company will take steps to reduce the risk of raw material fluctuations on its operations by using valuation adjustment mechanism on volume and price with suppliers and hedging tools.
4. Operational risks in overseas business. The Company has steadily developed its global business and has established production bases, research and development centres and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year-on-year. The overseas markets are subject to political and economic situations, legal systems and regulatory regimes of those countries and regions, and significant changes in these factors may pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impact, including actively discussing and working with suppliers and customers to mitigate the impact of additional tariffs imposed by the United States; improving production efficiency to offset the impact on the Company's overall cost of sales; and potentially expanding the Company's supply resources to other countries.
5. Risk of exchange rate fluctuations. As the Company's global footprint progresses, the import and export of the Company's products involves the exchange of foreign currencies such as the U.S. dollar, the Euro and the Japanese yen. If the exchange rates of the relevant currencies fluctuate, it will have a certain impact on the Company's financial position and increase its financial costs. In addition, the Company's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of the primary economic environment in which the entity operates, and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.
6. Risk of policy changes. The home appliance industry is closely related to the consumer goods market and the real estate market. Changes in macroeconomic policies, consumer investment policies, real estate policies and relevant laws and regulations will affect customer demand for the Company's products, which in turn will affect the sales of the Company's products. The Company will closely monitor changes in the relevant policies and laws and regulations, and make forecasts of market changes to ensure the further development of the Company.

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT (continued)

(IV) Potential risks of the Company (continued)

7. Risk of COVID-19 outbreak. The COVID-19 outbreak, which gradually spread by the end of 2019, could lead to a further weakening of consumer demand for home appliances, which could in turn affect the Company's product sales. Firstly, lockdowns, social distancing measures and travel restrictions will reduce customer mobility and result in the closure of the retail sales sites, thereby reducing consumer demand for home appliances. Secondly, the epidemic may also lead to operational disruptions for customers, such as logistical disruptions in product deliveries, resulting in customer dissatisfaction with the Company's service and consequently reduced demand for the Company's products. The Company will leverage on its experience in the China market and make best use of the synergy of global resources to mitigate the impact of the epidemic on our operations.
8. Credit risk. There is possibility that we will be unable to fully recover our trade receivables from our customers or that they cannot settle our trade receivables in a timely manner, our business, financial condition and results of operations may be adversely affected. As to this risk, depending on the credit history of our customers and their transaction amounts with us, we allow the flexibility by offering a credit period of 30 to 90 days to certain customers.
9. Inventory risk. As the Company cannot accurately predict various trends and events and maintain adequate levels of inventory at all times. Therefore, it could lead to excessive inventory. Then, the Company may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory. On the other hand, we may experience insufficient inventory, which may cause us to lose sales. However, the Company will manage our inventories and make adjustments based on market conditions, and periodically assess impairment of inventories.

(V) Others

√ Applicable ☐ Not Applicable

Future capital expenditure planning: the capital expenditure in Chinese market mainly focuses on the intelligent factory layout and the improvement of employees' working environment, so as to promote the rapid development of relevant industries of the Company. The capital expenditure in overseas market mainly focuses on the global supply chain layout and industrial park reconstruction, new product R&D, informationised construction, etc., so as to continuously improve the overseas operation ability and ensure the leading position and rapid development of the market in the future. 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 SECRETES

☐ Applicable ☒ Not Applicable

Section V Significant Events

I. PROPOSAL FOR PROFIT DISTRIBUTION OF ORDINARY SHARES OR CAPITAL RESERVE CONVERSION INTO SHARE CAPITAL

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

√ Applicable ☐ Not Applicable

The Company's 2019 profit distribution plan was passed on its 2019 Annual General Meeting held on 3 June 2020: based on the Company's total existing shares of 6,579,566,627 (including 6,308,552,654 A-shares and 271,013,973 D shares), it was proposed that the Company would distribute cash dividends of RMB3.75 (tax inclusive) per 10 shares to all shareholders, with a total amount before tax of RMB2,467,337,485.12. The plan was implemented and completed in July 2020. Details were set out in the Announcement on Implementation of Rights and Interests Distribution of A-shares for 2019 of *Haier Smart Home Co., Ltd.* (No: L2020-032) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 10 July 2020 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. During the reporting period, the Company launched the new shareholder return plan for the next three years (2021-2023), which will further improve the cash dividend of the Company and increase shareholders' returns.

The dividend distribution plan of 2020 of the Company: based on the total shares after deducting the repurchased shares from the repurchase account on equity interest record date for future profit distribution, it is proposed that the Company will distribute cash dividend of RMB3.66 per 10 shares (tax inclusive) with expected cash dividend of not less than RMB3,397,277,612.09. 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 38.27% of the net profit attributable to parent company of the Company in 2020. The 100% dividend of this scheme is paid in cash.

I. PROPOSAL FOR PROFIT DISTRIBUTION OF ORDINARY SHARES OR CAPITAL RESERVE CONVERSION INTO SHARE CAPITAL (continued)

(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 (%)
2020	0	3.66	0	3,397,277,612.09	8,876,593,208.19	38.27
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

(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 stringent way
Undertaking related to significant asset reorganization	Eliminate the right defects in land property etc.	Haier Group Corporation	During the period from September 2006 to May 2007, the Company issued shares to Haier Group Corporation ("Haier Group") to purchase the controlling equity in its four subsidiaries, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海爾空調器有限公司), Wuhan Haier Electronics Co., Ltd. (武漢海爾電器股份有限公司), Guizhou Haier Electronics Co., Ltd. (貴州海爾電器有限公司). With regard to the land and property required in the operation of Qingdao Haier Air-Conditioner Electronics Co., Ltd., Hefei Haier Air-conditioning Co., Limited, Wuhan Haier Electronics Co., Ltd. (the "Covenantees"), Haier Group made an undertaking (the "2006 Undertaking"). According to the content of 2006 Undertaking and current condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the unavailability of such land and property.	27 September 2006, long-term	Yes	Yes
	Resolve horizontal competition	Haier Smart Home Co., Ltd.	Before this transaction (i.e. the transaction involving in the matters of HSH's proposed privatization of HEG, the same as below), HEG was the holding subsidiary of the Company, and there was no horizontal competition between HEG and the Company; after the completion of this transaction, HEG will become the wholly-owned or holding subsidiary of the Company, and there is no or new horizontal competition between HEG and the Company. There is no new or potential horizontal competition between the Company and its controlling shareholder and other related parties controlled by its actual controller.	31 July 2020, long-term	Yes	Yes
	Undertaking related to share reduction	Directors, supervisors and senior management of HSH	The directors, supervisors and senior management of Haier Smart Home Co., Ltd. undertake: in this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, I have no plan to reduce HSH Shares (if applicable). If I violate the aforesaid undertaking so as to cause any loss to HSH or other investors, I undertake to be liable for compensation to HSH or other investors according to laws.	31 July 2020, completion of this transaction	Yes	Yes

II. PERFORMANCE OF UNDERTAKINGS (continued)

(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 (continued)

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 stringent way
	Reduce connected transactions	Haier COSMO Co., Ltd.	1. This transaction constitutes a connected transaction. The connected transaction procedures completed for this transaction are in compliance with relevant regulations, the connected transaction is priced fairly, and there are no circumstances that harm the interests of the Listed Company and non-connected shareholders. 2. After the completion of this transaction, the Company and its affiliated enterprises will take legal and effective measures to minimize and regulate the connected transactions with the Listed Company and consciously safeguard the interests of the Listed Company and all shareholders, and will not take advantage of connected transactions for improper benefits. 3. Without prejudice to laws and regulations, if there are any unavoidable or well-grounded connected transactions between the Company and its affiliated enterprises and the Listed Company, the Company and its affiliated enterprises will enter into transaction agreements with the Listed Company according to laws to ensure they will strictly complete the connected transaction procedures specified in laws, regulations, regulatory documents and the Articles of Association, conduct transactions at a fair price in accordance with market-oriented principles to ensure the fairness and compliance of connected transactions, and will not take advantage of such connected transactions to engage in any act that harms the interests of the Listed Company or its minority shareholders, and at the same time, they will perform the information disclosure obligations in accordance with relevant regulations.	29 July 2020, long-term	Yes	Yes
	Undertaking related to share reduction	Haier COSMO Co., Ltd.	In this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, the Company has no plan to reduce HSH Shares. If the Company violates the aforesaid undertaking so as to cause any loss to HSH or other investors, the Company undertakes to be liable for compensation to HSH or other investors according to laws.	29 July 2020, completion of this transaction	Yes	Yes

II. PERFORMANCE OF UNDERTAKINGS (continued)

(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 (continued)

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date and term of undertakings	Any deadline for a timely and performance	Whether performed in a timely and stringent way
	Reduce connected transactions	Haier Group Corporation	1. This transaction constitutes a connected transaction. The connected transaction procedures completed for this transaction are in compliance with relevant regulations, the connected transaction is priced fairly, and there are no circumstances that harm the interests of the Listed Company and non-connected shareholders. 2. After the completion of this transaction, the Company and its affiliated enterprises will take legal and effective measures to minimize and regulate the connected transactions with the Listed Company and consciously safeguard the interests of the Listed Company and all shareholders, and will not take advantage of connected transactions for improper benefits. 3. Without prejudice to laws and regulations, if there are any unavoidable or well-grounded connected transactions between the Company and its affiliated enterprises and the Listed Company, the Company and its affiliated enterprises will enter into transaction agreements with the Listed Company according to laws to ensure they will strictly complete the connected transaction procedures specified in laws, regulations, regulatory documents and the Articles of Association, conduct transactions at a fair price in accordance with market-oriented principles to ensure the fairness and compliance of connected transactions, and will not take advantage of such connected transactions to engage in any act that harms the interests of the Listed Company or its minority shareholders, and at the same time, they will perform the information disclosure obligations in accordance with relevant regulations.	29 July 2020, long-term	Yes	Yes

II. PERFORMANCE OF UNDERTAKINGS (continued)

(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 (continued)

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 stringent way
	Resolve horizontal competition	Haier Group Corporation	1. The Company and the holding subsidiary Haier Electric Appliances Internationals Co., Ltd. were mainly engaged in investment business during the reporting period. The Company and the holding subsidiary Haier Electric Appliances International Co., Ltd. (including their subsidiaries and entities holding more than 30% of its shares) are not involved in any existing or potential horizontal competition with HSH; 2. The domestic and overseas white goods businesses and assets held by the Company (including its subsidiaries and entities holding more than 30% of its shares) have been injected in HSH by way of asset integration and equity transfer in accordance with the undertakings made by the Company in January 2011 and the requirements for adjustment of such undertakings considered and approved at the annual general meeting for 2014 of HSH; 3. Since the closing of acquisition of 100% shares of Haier New Zealand Investment Holding Company Limited, which holds 100% shares of Fisher & Paykel Appliances Holdings Limited, by Haier Singapore Investment Holding Co., Ltd., an overseas subsidiary of HSH in July 2018, there has been no horizontal competition between the Company (including its subsidiaries and entities holding more than 30% of its shares) and HSH in respect of any business at home and abroad. During the reporting period, there was no new horizontal competition between the Company (including its subsidiaries and entities holding more than 30% of its shares) and HSH; 4. After the completion of this transaction, there is no new or potential horizontal competition between the Company (including its subsidiaries and entities holding more than 30% of its shares) and its affiliated enterprises and HSH; 5. During the period when the Company is the controlling shareholder of HSH and HSH Shares are listed on the Hong Kong Stock Exchange, the Company and other subsidiaries thereof and entities holding more than 30% of its shares will not engage in any businesses which are in competition with those engaged in by HSH or run into existing or potential horizontal competition with HSH.	29 July 2020, long-term	Yes	Yes

II. PERFORMANCE OF UNDERTAKINGS (continued)

(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 (continued)

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date and term of undertakings	Any deadline for a timely and performance	Whether performed in a timely and stringent way
	Maintain the independence of the Listed Company	Haier Group Corporation	After the completion of this transaction, the Company will equally exercise shareholders' rights and fulfill shareholders' obligations without seeking improper benefits by taking advantage of its shareholder status in strict accordance with the Company Law, Securities Law, relevant provisions of China Securities Regulatory Commission and Shanghai Stock Exchange as well as the Articles of Association of HSH, etc. to keep the Listed Company completely separate from the Company and other enterprises under the control or significant influence of the Company in management, personnel, assets, finance, institution, and business operations so as to maintain the independence of the Listed Company in management, personnel, assets, finance, institution and business operations. After the completion of this transaction, the Company will regulate the external guarantees of the Listed Company and its subsidiaries without illegally occupying the funds thereof in compliance with the Notice on Several Issues concerning Regulating Fund Transactions between Listed Companies and Their Related Parties and the External Guarantees of Listed Companies《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》and the Circular of China Securities Regulatory Commission and China Banking Regulatory Commission on Regulating the External Guarantees Provided by Listed Companies《中國證券監督管理委員會、中國銀行業監督管理委員會關於規範上市公司對外擔保行為的通知》. The Company undertakes to strictly fulfill the above undertaking. If the Company and other enterprises under the control or significant influence of the Company violate the above undertaking so as to cause any damage to the rights and interests of the Listed Company, the Company will bear corresponding compensation liability according to laws.	29 July 2020, long-term	Yes	Yes
	Undertaking related to share reduction	Haier Group Corporation	In this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, the Company has no plan to reduce HSH Shares. If the Company violates the aforesaid undertaking so as to cause any loss to HSH or other investors, the Company undertakes to be liable for compensation to HSH or other investors according to laws.	29 July 2020, completion of this transaction	Yes	Yes
	Undertaking related to share reduction	Qingdao Haier Venture & Investment Information Co., Ltd.	In this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, the Company has no plan to reduce HSH Shares. If the Company violates the aforesaid undertaking so as to cause any loss to HSH or other investors, the Company undertakes to be liable for compensation to HSH or other investors according to laws.	29 July 2020, completion of this transaction	Yes	Yes

II. PERFORMANCE OF UNDERTAKINGS (continued)

(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 (continued)

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 stringent way
	Undertaking related to share reduction	Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	In this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, the Company has no plan to reduce HSH Shares. If the Company violates the aforesaid undertaking so as to cause any loss to HSH or other investors, the Company undertakes to be liable for compensation to HSH or other investors according to laws.	29 July 2020, completion of this transaction	Yes	Yes
	Others	HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	1. The Company legally holds the underlying shares and has complete ownership of the underlying shares, which are not subject to any right restrictions or involved in any circumstance which may affect the offer or closing of this transaction. 2. The Company has complete right to participate in this transaction and is entitled to accept offer for this transaction and sign and perform all agreements and documents involved in this transaction. 3. The Company intends to participate in this transaction as a shareholder in the scheme of arrangement. 4. Unless the privatisation of HEG is completed or HSH announces termination of privatisation, except for the transaction with HSH and its designated subject, the Company will not sell underlying shares, or reach any arrangement with any third party on disposing of relevant underlying shares or interests thereof, or set any pledge and other right restrictions on the underlying shares after issue of the letter of confirmation. 5. Unless the privatisation of HEG is completed or HSH announces termination of privatisation, except for participating in and promoting this transaction, the Company will not additionally hold HEG Shares, or reach any arrangement with other HEG Shareholders on disposing of the relevant underlying shares or interests thereof, or set any pledge and other right restrictions on the HEG Shares held by other HEG Shareholders. 6. The Company will comply with the relevant restrictions on the sale of HSH Shares in accordance with Rule 10.07 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as amended from time to time: from the date of disclosure of the shareholdings of the Company in the Listing Document of HSH H-shares involved in this transaction to the 6th month after HSH H-shares are traded on the Hong Kong Stock Exchange, the Company will not sell HSH H-shares acquired by the Company through this transaction, or enter into any agreement on selling such shares, or set any option, right, interest or encumbrance for such shares; in addition, within six months after the expiry of the aforementioned 6-month period, the Company's selling HSH H-shares, entering into any agreement on selling such shares, or exercising or executing relevant options, rights, interests or encumbrances for such shares will not cause Haier Group Corporation and its concerted parties to lose their status as controlling shareholders of HSH.	29 July 2020, six months after termination of privatisation/listing of H-shares	Yes	Yes

II. PERFORMANCE OF UNDERTAKINGS (continued)

(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 (continued)

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date and term of undertakings	Any deadline for a timely and performance	Whether performed in a timely and stringent way
	Reduce connected transactions	HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	1. This transaction constitutes a connected transaction. The connected transaction procedures completed for this transaction are in compliance with relevant regulations, the connected transaction is priced fairly, and there are no circumstances that harm the interests of the Listed Company and non-connected shareholders. 2. After the completion of this transaction, the Company and other enterprises controlled by it will take legal and effective measures to minimize and regulate the connected transactions with the Listed Company and consciously safeguard the interests of the Listed Company and all shareholders, and will not take advantage of connected transactions for improper benefits. 3. Without prejudice to laws and regulations, if there are any unavoidable or well-grounded connected transactions between the Company and other enterprises controlled by it and the Listed Company, the Company and other enterprises controlled by it will enter into transaction agreements with the Listed Company according to laws to ensure they will strictly complete the connected transaction procedures specified in laws, regulations, regulatory documents and the Articles of Association, conduct transactions at a fair price in accordance with market-oriented principles, and will not take advantage of such connected transactions to engage in any act that harms the interests of the Listed Company or its minority shareholders, and at the same time, they will perform the information disclosure obligations in accordance with relevant regulations. 4. Any agreement and arrangement on connected transactions made by the Company and other enterprises controlled by it with the Listed Company will not prevent the other party from conducting business or transaction with any third party for its own sake and under the same market competition conditions.	29 July 2020, long-term	Yes	Yes
	Undertaking related to share reduction	Haier International Co., Limited	In this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, the Company has no plan to reduce HSH Shares. If the Company violates the aforesaid undertaking so as to cause any loss to HSH or other investors, the Company undertakes to be liable for compensation to HSH or other investors according to laws.	29 July 2020, completion of this transaction	Yes	Yes

II. PERFORMANCE OF UNDERTAKINGS (continued)

(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 (continued)

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 stringent way
Undertaking related to refinancing	Eliminate the right defects in land property etc.	Haier Group Corporation	Haier Group Corporation undertakes that it will assure HSH and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that HSH 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 HSH 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 HSH and its subsidiaries of the constant, stable, free and unobstructed use of self-built property and land of the Group. In the event that HSH or any of its subsidiaries fails to continue to use self-built property according to its own will or in original way due to the fact that self-built property has no relevant ownership certificate, Haier Group Corporation will take all reasonable and practicable measures to eliminate obstruction and impact, or will support HSH or its affected subsidiary to obtain alternative property as soon as possible, if Haier Group Corporation anticipates it is unable to cope with or eliminate the external obstruction and impact with its reasonable effort. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L2014-005) published by the Company on the four major securities newspapers and the website of SSE on 29 March 2014.	24 December 2013, long-term	Yes	Yes

II. PERFORMANCE OF UNDERTAKINGS (continued)

(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 (continued)

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 stringent way
	Eliminate the right defects in land property etc.	Haier Smart Home Co., Ltd.	The Company undertakes that it will eliminate the property defects of the Company and main subsidiaries within five years with reasonable business effort since 24 December 2013, to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L2014-005) published by the Company on the four major securities newspapers and the website of SSE on 29 March 2014. As of the end of 2018, 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. After the approval of the board meeting held by the Company on 5 November 2018 and the general meeting held on 21 December 2018, the term of the above undertakings was extended for three years based on the original deadline. At present, property defects of the five major subsidiaries have been solved properly by applying the real estate ownership certificate, transferring the defective property into land reserve after relocation, and stripping the defective property together with the equity of the subsidiaries. The Company has completed this undertaking.	24 December 2013, eight years	Yes	Yes
Other undertakings	Asset injection	Haier Group Corporation	Inject the assets of Haier Photoelectric to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2025. For more details, please refer to the Announcement of Haier Smart Home Co., Ltd. on the Changes of Some Undertakings on Asset Injection of Haier Group Corporation (L2020-024) published on the four major securities newspapers and the website of SSE on 30 April 2020.	December 2015 to June 2025	Yes	Yes

II. PERFORMANCE OF UNDERTAKINGS (continued)

(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 (continued)

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 stringent way
	Profit forecast and compensation	Haier COSMO Co., Ltd.	In August 2018, Guanmei (Shanghai) Enterprise Management Company Limited (貫美(上海)企業管理有限公司) (hereinafter referred to as "Guanmei"), an indirect holding subsidiary of the Company replaced the 55% equity interests of Bingji (Shanghai) Enterprise Management Company Limited (冰敬(上海)企業管理有限公司) held by it with the 51% equity interests of Qingdao Haishi Water Equipment Co., Ltd. (hereinafter referred to as "Water Equipment") 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 Equipment 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 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 SSE on 31 August 2018.	As of 30 April 2021	Yes	Yes

II. PERFORMANCE OF UNDERTAKINGS (continued)

(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 (貫美(上海)企業管理有限公司) (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)企業管理有限公司) 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 of RMB470.5 million 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.

According to the Special Audit Report on the Satisfaction of Performance Commitment of Haier Smart Home Co., Ltd. issued by Hexin Certified Public Accountants LLP (Report No.: He Xin Zhuan Zi (2021) No. 000101), 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) amounted to RMB 472,515,700. The net profit recorded exceeded the forecasted net profit and the performance commitment has been satisfied.

(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

(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

Section V Significant Events

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit and Currency: RMB million

Current appointment		
Name of domestic accounting firm	Hexin Certified Public Accountants LLP	
Remuneration of domestic accounting firm	7.15	
Audit period of domestic accounting firm	8 years	
Name of overseas accounting firm	HLB Hodgson Impey Cheng Limited	
Remuneration of overseas accounting firm	3.99	
Audit period of overseas accounting firm	1 year	

Name		Remuneration
Internal firm control	Hexin Certified Public Accountants LLP	2.85
audit accounting		
Sponsor	China International Capital Corporation Limited	0
Independent financial advisor	Zheshang Securities Co., Ltd.	0.7

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 SITUATION 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

Employee Stock Ownership Plan

☒ Applicable ☐ Not Applicable

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

XIII.THE COMPANY'S SHARE OPTION INCENTIVE SCHEME, EMPLOYEE SHAREHOLDING PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND ITS INFLUENCE (continued)

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

2. **Partial allocation of ESOPs:** During the reporting period, the Company's Phase III ESOPs under Core Employee Stock Ownership Plan of Qingdao Haier Co., Ltd. (Draft) and Summary (hereinafter referred to as "Phase III ESOPs") was allocated for the second time, and the allocation condition of the Phase IV ESOPs under Core Employee Stock Ownership Plan of Qingdao Haier Co., Ltd. (Draft) and Summary (hereinafter referred to as "Phase IV ESOPs") was satisfied for the first time: On 20 July 2020, the ESOPs Management Committee held a meeting and determined that: (1) for Phase III ESOPs, according to the Auditing Report of Haier Smart Home Co., Ltd. (He Xin Shen Zi (2020) No. 000287) issued by Hexin Certified Public Accountants LLP, the Company's audited net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss in 2019 increased by 2.51% as compared to that of 2017. The directors, supervisors, senior managers, and employees of the Company had not satisfied the allocation conditions, and no allocation for this time; the other 428 holders should allocate 4,640,815 shares according to the results of the 2019 annual performance and personal assessment, and the corresponding shares of the remaining holders will not be allocated for the time being or their allocated shares will be adjusted due to failing to reach the assessment standard or resignation. (2) for Phase IV ESOPs, based on a comprehensive assessment of the holders, a total of 589 holders having 5,386,118 shares allocatable this time, and the corresponding shares of the remaining holders will not be allocated for the time being or their allocated shares will be adjusted due to failing to reach the assessment standard or resignation. The directors, supervisors and senior management of the Company can allocate a total of 995,043 shares on this occasion. Any change in the shares held by them must comply with the relevant provisions of the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management of Listed Companies and the Changes Thereof (《上市公司董事、監事和高級管理人員所持本公司股份及其變動管理規則》).

According to the aforesaid resolution, the Company has handled the transfer of relevant shares at the Shanghai branch of the China Securities Depository and Clearing Corporation Limited on 28 July 2020, with a total of 10,026,933 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 2020 at the 7th meeting of the 10th session of Board Meeting held on 29 April 2020. For details, please refer to the Announcement of *Haier Smart Home Co., Ltd.* regarding the Anticipation on the Daily Related-party Transactions for 2020 and relevant announcement on the resolutions of the Board disclosed on 30 April 2020.

For the actual implementation of the Related-party transaction of 2020, please refer to 'XII. Related parties and related-party transactions' under section X — Financial and Accounting Report set out in this regular report.

3. **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 of matters	Query index
Related-party transactions related to the issuance of H-shares and privatisation of HEG: For details, please refer to "(VI) Sales of Material Assets and Equity" in "Section IV Discussion and Analysis on Operations" in this report.	For details, please refer to the Report on Significant Asset Acquisition and Connected Transactions of Haier Smart Home Co., Ltd. (Draft) disclosed by the Company on 1 August 2020, and the Report on the Implementation of Material Asset Purchase and Related Transactions of Haier Smart Home Co., Ltd. disclosed on 26 December 2020 and the related announcements disclosed in other dates.
Related party transactions involving the assignment of subsidiary equity interests: For details, please refer to "(VI) Disposal of Material Assets and Equity Interests in Section IV Discussion and Analysis of Operation of this report.	For details, please refer to Announcement on Assignment of 54.50% Equity Interests of Haier COSMOPlat IOT Ecosystem Technology Co., Ltd. and Related Party Transactions of the Company on 30 July 2020 and other relevant announcements disclosed on that day.

Section V Significant Events

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 RMB1 million custodian fee to the Company each year during the period of custody.

2. Contracting

☐ Applicable ☒ Not applicable

3. Leasing

☐ Applicable ☒ Not applicable

Section V Significant Events

XV. SIGNIFICANT CONTRACTS AND THEIR EXECUTION (continued)

(II) Guarantee

√ Applicable ☐ Not applicable

Unit and Currency: RMB0'000

External guarantees provided by the Company (excluding guarantees for subsidiaries)												
Guarantor	Relationship between the guarant or and the listed company	Secured party	Amount of guarantee	Date of occurrence of the guarantee (date of agreement)	Commen cement date of guarantee	Expiration date of guarantee	Type of guarantee	Whether the guarantee has been fulfilled	Whether the guarantee is over due	Over due amount of the counter-guarantee	Whether there is a counter-guarantee	Whether related party 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												4,461,868
Total balance of guarantees for subsidiaries at the end of the reporting period (B)												2,943,165
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)												
Total guarantee (A + B)												2,943,165
Ratio of total amount of guarantees to net assets of the Company (%)												44.0
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)												1,285,881
The amount of total amount of guarantee in excess of 50% of net assets (E)												0
Total amount of the above three guarantees (C + D + E)												1,285,881
Explanation of possibly bearing related discharge duty for premature guarantees												Nil
Explanation of guarantee status												

The total amount of the aforementioned guarantees consists of two parts:

- 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 amount of guarantee was approximately RMB9.322 billion with the balance was nil 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;
- In June 2020, the resolution on the Expected Provision of Guarantee for subsidiaries in 2020 was passed on the 2019 Annual General Meeting of the Company, according to which, the Company had provided guarantee in respect of the application for comprehensive facility made by certain subsidiaries to financial institutions. During the reporting period, the accumulated amount of guarantee offered by the Company to subsidiaries was approximately RMB35.297 billion. As of the end of the reporting period, the balance guaranteed was RMB29.432 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	2,322,018,078	2,322,018,078	0

XV. SIGNIFICANT CONTRACTS AND THEIR EXECUTION (continued)

(III) Entrusted others to manage cash assets (continued)

1. Entrusted wealth management (continued)

(1) Overall of entrusted wealth management (continued)

Others

√ Applicable ☐ Not applicable

By the end of the reporting period, the balance of the Company's entrusted wealth management amounted to RMB2.322 billion, including two parts: ① **temporarily-idle fundraising wealth management:** at the end of December 2018, the Company's proceeds for the issuance of convertible corporate bonds were fully landed. In order to improve the yield of temporarily-idle funds, the Company intended to carry out cash management with the amounts not exceeding RMB0.7 billion after approved by the Board of Directors. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB464 million; ② **Temporary-idle funds wealth management by certain subsidiaries of the Company:** Under the premise of ensuring sufficient capital required by the principal operating activities and daily operations, some subsidiaries of the company purchased some short-term principal-guaranteed wealth management products and structured deposits from major commercial banks to improve the yield of temporarily-idle funds and the return for shareholders within the authority of the general manager's office meeting and under the condition of ensuring fund safety. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB1.859 billion.

Section V Significant Events

XV. SIGNIFICANT CONTRACTS AND THEIR EXECUTION (continued)

(III) Entrusted others to manage cash assets (continued)

1. Entrusted wealth management (continued)

(2) Individual entrusted wealth management

√ Applicable □ Not applicable

Unit and Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Commencement date of entrusted wealth management	Expiration date of entrusted wealth management	Sources of funds	Investment	Determination of return	Annualized yield	Expected return (if any)	Actual gains or losses	Collection	Whether approved by due process	Any future plan for entrusted wealth management	Amount of provision for impairment (if any)
Haier Road sub-branch of Construction Bank	Wealth management	231,000,000.00	2020/10/12	2021/3/29	Self-owned funds			3.15%	3,349,184		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			1.7%~2.7%			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			1.7%~2.7%			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			1.7%~2.7%			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			1.7%~2.7%			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			1.7%~2.7%			Not expired	YES	YES	
Qingdao branch of Bank of Communications	Wealth management	304,000,000.00	2020/9/30	2021/1/8	Self-owned funds			2.82%	2,348,712		Not expired	YES	YES	
Qingdao branch of Bank of Communications	Wealth management	549,000,000.00	2020/11/13	2021/1/22	Self-owned funds			2.82%	2,969,112		Not expired	YES	YES	
Qingdao branch of Bank of Communications	Wealth management	60,000,000.00	2020/11/13	2021/1/22	Self-owned funds			2.82%	324,493		Not expired	YES	YES	
Qingdao branch of Bank of China	Wealth management	560,000,000.00	2020/10/12	2021/1/28	Self-owned funds			3.50%	5,799,452		Not expired	YES	YES	
Construction Bank	Principal-unguaranteed and floating proceeds wealth management products	4,500,000.0	2019/7/3	Available when needed	Self-owned funds			Based on investment days			Not expired	YES	YES	
Haier Consumer Finance Co., Ltd.	Fixed income products	8,000,000.0	2020/10/15	2021/4/15	Self-owned funds			3.65%			Not expired	YES	YES	
Road sub-branch of China Construction Bank	Qianyan-Zhou Zhoubi Open-end Principal Guaranteed Wealth Management Product (乾元-周周利開放式保本理財產品)	197,100,000.00	2019/8/14	On-demand	Raised funds			2.20%			Not expired	YES	YES	
Qingdao branch of Bank of China Co., Ltd.	Principal guaranteed wealth management-linked structured deposit of Bank of China	92,000,000.00	2020/11/23	2021/5/17	Raised funds			3.25%			Not expired	YES	YES	
Road sub-branch of China Construction Bank	Linked structured deposit	140,000,000.00	2020/12/17	2021/6/15	Raised funds			3.25%			Not expired	YES	YES	
Qingdao branch of Bank of China Co., Ltd.	Certificate of deposit	34,418,078.00	2019/1/29	On-demand	Raised funds			3.00%			Not expired	YES	YES	

XV. SIGNIFICANT CONTRACTS AND THEIR EXECUTION (continued)**(III) Entrusted others to manage cash assets (continued)****1. Entrusted wealth management (continued)****(2) Individual entrusted wealth management (continued)****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

XV. SIGNIFICANT CONTRACTS AND THEIR EXECUTION (continued)

(III) Entrusted others to manage cash assets (continued)

3. Others

√ Applicable ☐ Not Applicable

RMB0,000

Operator name of derivatives investment	Type of derivatives investment	Initial investment amount of derivatives investment	Starting date	Ending date	Opening investment amount	Amount purchased during the reporting period	Amount sold during the reporting period	Provision for impairment (if any)	Proportion of closing investment	
									Closing investment amount	Actual profit or loss for the reporting period
Bank	Forward foreign exchange contract	1,062,613	1 Jan 2020	31 Dec 2020	1,062,613				1,250,593	8,833
Bank	Interest rate/exchange rate swap	428,824	1 Jan 2020	31 Dec 2020	428,824				230,366	-4,279

Funding sources of derivatives investments
Owned funds of the Company

For changes in the market price or fair value of the invested derivatives products during the reporting period, the specific methodology used and the settings of relevant assumptions and parameters should be disclosed in the fair value analysis of the derivatives.

Changes in market prices or fair value of products,

1. The profit or loss of the foreign exchange forward contracts amounted to RMB88.33 million during the reporting period;
2. The profit and loss arising from the interest rate/exchange rate swap was -RMB42.79 million during the reporting period.

The specific methodology used and the related assumptions and parameter settings are according to the forward quotations of foreign exchange and interest rate swaps of the financial institutions.

(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
Indicative Announcement of Haier Smart Home Co., Ltd. on Publication of Joint Announcement by the Company and Haier Electronics Group Co., Ltd.	Page B012, China Securities Journal; Page 137, Shanghai Securities News; Page B66, Securities Times; Page D72, Securities Daily	17 January 2020
Announcement on the Resolutions of 6th Meeting of the Tenth Session of the Board of Directors of Haier Smart Home Co., Ltd.	Page B009, China Securities Journal; Page 33, Shanghai Securities News; Page B032, Securities Times; Page C23, Securities Daily	15 February 2020
Announcement on the Resolutions of 6th Meeting of the Tenth Session of the Supervisory Committee of Haier Smart Home Co., Ltd.	Page B009, China Securities Journal; Page 33, Shanghai Securities News; Page B032, Securities Times; Page C23, Securities Daily	15 February 2020
Notice of the 2020 First Extraordinary General Meeting of Haier Smart Home Co., Ltd.	Page B009, China Securities Journal; Page 33, Shanghai Securities News; Page B032, Securities Times; Page C23, Securities Daily	15 February 2020
Announcement of Haier Smart Home Co., Ltd. on the Extension of Phase II of the Core Employee Stock Ownership Plan	Page B009, China Securities Journal; Page 33, Shanghai Securities News; Page B032, Securities Times; Page C23, Securities Daily	15 February 2020
Indicative Announcement of Haier Smart Home Co., Ltd. on the Process Update of Potential Privatisation of Haier Electronics Group Co., Ltd.	Page B009, China Securities Journal; Page 33, Shanghai Securities News; Page B032, Securities Times; Page C23, Securities Daily	15 February 2020
Announcement of Haier Smart Home Co., Ltd. on the Delay of the Plan to Increase the Holding of the Company's Overseas Shares by the Person Acting in Concert with the Actual Controller	Page B071, China Securities Journal; Page 81, Shanghai Securities News; Page B3, Securities Times; Page C26, Securities Daily	14 March 2020

Section V Significant Events

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Indicative Announcement of Haier Smart Home Co., Ltd. on the Process Update of Potential Privatisation of Haier Electronics Group Co., Ltd.	Page B001, China Securities Journal; Page 89, Shanghai Securities News; Page B72, Securities Times; Page C80, Securities Daily	17 March 2020
Indicative Announcement of Haier Smart Home Co., Ltd. on the Publication of 2019 Annual Results by its Holding Subsidiary Haier Electronics Group Co., Ltd.	Page B008, China Securities Journal; Page 108, Shanghai Securities News; Page B37, Securities Times; Page C87, Securities Daily	27 March 2020
Announcement on the Resolutions of the 2020 First Extraordinary General Meeting of Haier Smart Home Co., Ltd.	Page B008, China Securities Journal; Page 73, Shanghai Securities News; Page B75, Securities Times; Page C39, Securities Daily	1 April 2020
Indicative Announcement of Haier Smart Home Co., Ltd. on the Process Update of Potential Privatisation of Haier Electronics Group Co., Ltd.	Page B029, China Securities Journal; Page 156, Shanghai Securities News; Page B82, Securities Times; Page C106, Securities Daily	17 April 2020
2019 Annual Report of Haier Smart Home Co., Ltd.	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
The 2020 First Quarterly Report of Haier Smart Home Co., Ltd._text	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Announcement on the Resolutions of 7th meeting of the Tenth session of the Board of Directors of Haier Smart Home Co., Ltd.	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Announcement on the Resolutions of 7th meeting of the Tenth session of the Supervisory Committee of Haier Smart Home Co., Ltd.	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on 2019 Annual Profit Distribution Plan	Page B278, China Securities Journal; Page 121-123, Shanghai Securities News; Page B385-388, Securities Times; Page C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on Re-appointment of an Accounting Firm	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on the Expected Guarantees for Subsidiaries in 2020	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on the Carrying out of Foreign Exchange Capital Derivatives Business	Page B278, China Securities Journal; Page 121-123, Shanghai Securities News; Page B385-388, Securities Times; Page C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on Carrying out the Bulk Raw Materials Hedging Business	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on the Proposed Registration and Issuance of Debt Financing Instruments	Page B278, China Securities Journal; Page 121-123, Shanghai Securities News; Page B385-388, Securities Times; Page C469-474, Securities Daily	30 April 2020

Section V Significant Events

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Announcement of Haier Smart Home Co., Ltd. on the Estimated Daily Connected Transactions in 2020	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on Election of Independent Directors	Page B278, China Securities Journal; Page 121-123, Shanghai Securities News; Page B385-388, Securities Times; Page C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on the Closing of Some Investment Projects and Allocation of the Surplus Proceeds as Supplementary Working Capital on a Permanent Basis	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on the Use of Idle Proceeds for Cash Management	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on Haier Group Corporation's Change of Part of its Asset Injection Undertakings	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on Continual Entrusted Management of Qingdao Haier Optoelectronics Co., Ltd.*(青岛海尔光电有限公司) and Connected Transactions	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Announcement of Haier Smart Home Co., Ltd. on Amendment to the Articles of Association	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Notice of 2019 Annual General Meeting of Haier Smart Home Co., Ltd.	Page B278, China Securities Journal; Pages 121-123, Shanghai Securities News; Pages B385-388, Securities Times; Pages C469-474, Securities Daily	30 April 2020
Indicative Announcement of Haier Smart Home Co., Ltd. on the Process Update of Potential Privatisation of Haier Electronics Group Co., Ltd.	Page B029, China Securities Journal; Page 108, Shanghai Securities News; Page B129, Securities Times; Page C33, Securities Daily	16 May 2020
Announcement on the Resolutions of 2019 Annual General Meeting of Haier Smart Home Co., Ltd.	Page B053, China Securities Journal; Page 116, Shanghai Securities News; Page B6, Securities Times; Page C20, Securities Daily	4 June 2020
Announcement on the Resolutions of 8th Meeting of the Tenth Session of the Board of Directors of Haier Smart Home Co., Ltd.	Page B053, China Securities Journal; Page 116, Shanghai Securities News; Page B6, Securities Times; Page C20, Securities Daily	4 June 2020
Indicative Announcement of Haier Smart Home Co., Ltd. on the Process Update of Potential Privatisation of Haier Electronics Group Co., Ltd.	Page B020, China Securities Journal; Page 73, Shanghai Securities News; Page B083, Securities Times; Page C66, Securities Daily	17 June 2020
Announcement on the Implementation of the Distribution of A-shares in 2019 of Haier Smart Home Co., Ltd.	Page B021, China Securities Journal; Page 161, Shanghai Securities News; Page B070, Securities Times; Page B3, Securities Daily	10 July 2020
Announcement of Haier Smart Home Co., Ltd. on the Approval and Registration of Debt Financing Instruments by the National Association of Financial Market Institutional Investors	Page B005, China Securities Journal; Page 100, Shanghai Securities News; Page B052, Securities Times; Page C50, Securities Daily	16 July 2020

Section V Significant Events

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Indicative Announcement of Haier Smart Home Co., Ltd. on Planning a Significant Asset Reorganization and the Process Update of Potential Privatisation of Haier Electronics Group Co., Ltd.	Page B030, China Securities Journal; Page 100, Shanghai Securities News; Page B009, Securities Times; Page C67, Securities Daily	17 July 2020
Announcement of Haier Smart Home Co., Ltd. on the Results of the Issuance of the 2020 First Tranche of Super-short-term Bonds	Page B020, China Securities Journal; Page 100, Shanghai Securities News; Page B034, Securities Times; Page C60, Securities Daily	21 July 2020
Announcement of Haier Smart Home Co., Ltd. on the Transfer of 54.50% Equity Interests in Haier COSMO Plat IOT Ecosystem Technology Co., Ltd. and Connected Transactions	Page B051, China Securities Journal; Page 44, Shanghai Securities News; Page B075, Securities Times; Page C96, Securities Daily	30 July 2020
Announcement on the Resolutions of 8th Meeting of the Tenth Session of the Supervisory Committee of Haier Smart Home Co., Ltd.	Page B051, China Securities Journal; Page 44, Shanghai Securities News; Page B075, Securities Times; Page C72, Securities Daily	30 July 2020
Announcement of Allocation Amount and Equity Allocation of Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd.	Page B051, China Securities Journal; Page 44, Shanghai Securities News; Page B075, Securities Times; Page C72, Securities Daily	30 July 2020
Suspension Announcement of Haier Smart Home Co., Ltd.	Page B078, China Securities Journal; Page 88, Shanghai Securities News; Page B108, Securities Times; Page C84, Securities Daily	31 July 2020
Announcement on the Resolutions of 10th Meeting of the Tenth Session of the Board of Directors of Haier Smart Home Co., Ltd.	Pages A08–14, China Securities Journal; Pages 93–98, Shanghai Securities News; Pages B2–3/B93–97, Securities Times; Pages C32–39, Securities Daily	1 August 2020

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Announcement on the Resolutions of 9th Meeting of the Tenth Session of the Supervisory Committee of Haier Smart Home Co., Ltd.	Pages A08-14, China Securities Journal; Pages 93-98, Shanghai Securities News; Pages B2-3/B93-97, Securities Times; Pages C32-39, Securities Daily	1 August 2020
Announcement of Haier Smart Home Co., Ltd. on Risk Warnings and Remedial Measures for Asset Restructuring and Diluting Immediate Return	Pages A08-14, China Securities Journal; Pages 93-98, Shanghai Securities News; Pages B2-3/B93-97, Securities Times; Pages C32-39, Securities Daily	1 August 2020
Notice of Haier Smart Home Co., Ltd. on Convening of the 2020 Second Extraordinary General Meeting and the 2020 First A-shares Class Meeting	Pages A08-14, China Securities Journal; Pages 93-98, Shanghai Securities News; Pages B2-3/B93-97, Securities Times; Pages C32-39, Securities Daily	1 August 2020
Announcement of Haier Smart Home Co., Ltd. on Amendment to the Articles of Association	Pages A08-14, China Securities Journal; Pages 93-98, Shanghai Securities News; Pages B2-3/B93-97, Securities Times; Pages C32-39, Securities Daily	1 August 2020
Announcement of Haier Smart Home Co., Ltd. on Signing of the Framework Agreement for Daily Connected Transactions for 2020-2022	Pages A08-14, China Securities Journal; Pages 93-98, Shanghai Securities News; Pages B2-3/B93-97, Securities Times; Pages C32-39, Securities Daily	1 August 2020
Indicative Announcement of Haier Smart Home Co., Ltd. on Publication of Joint Announcement by the Company and Haier Electronics Group Co., Ltd.	Pages A08-14, China Securities Journal; Pages 93-98, Shanghai Securities News; Pages B2-3/B93-97, Securities Times; Pages C32-39, Securities Daily	1 August 2020
Indicative Announcement of Haier Smart Home Co., Ltd. on the Resumption of Trading of Shares	Pages A08-14, China Securities Journal; Pages 93-98, Shanghai Securities News; Pages B2-3/B93-97, Securities Times; Pages C32-39, Securities Daily	1 August 2020

Section V Significant Events

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Announcement of Haier Smart Home Co., Ltd. on Receiving of the Inquiry Letter from the Shanghai Stock Exchange on the Information Disclosure of the Company's Report on Significant Asset Acquisition and Connected Transaction	Page B085, China Securities Journal; Page 108, Shanghai Securities News; Page B102, Securities Times; Page A4, Securities Daily	15 August 2020
Indicative Announcement of Haier Smart Home Co., Ltd. on the Publication of 2020 Half Yearly Results by Haier Electronics Group Co., Ltd.	Page B012, China Securities Journal; Page 156, Shanghai Securities News; Page B067, Securities Times; Page B4, Securities Daily	21 August 2020
Announcement on the Resolutions of 11th Meeting of the Tenth Session of the Board of Directors of Haier Smart Home Co., Ltd.	Pages A15-16, China Securities Journal; Pages 106-107, Shanghai Securities News; Pages B002/B137-138, Securities Times; Page C67, Securities Daily	22 August 2020
Announcement on the Resolutions of 10th Meeting of the Tenth Session of the Supervisory Committee of Haier Smart Home Co., Ltd.	Pages A15-16, China Securities Journal; Pages 106-107, Shanghai Securities News; Pages B002/B137-138, Securities Times; Page C67, Securities Daily	22 August 2020
Announcement of Haier Smart Home Co., Ltd. on Addition of Provisional Proposals for 2020 Second Extraordinary General Meeting, 2020 First A-shares Class Meeting and 2020 First D-shares Class Meeting	Pages A15-16, China Securities Journal; Pages 106-107, Shanghai Securities News; Pages B002/B137-138, Securities Times; Page C67, Securities Daily	22 August 2020
Announcement of Haier Smart Home Co., Ltd. on the Suspension of the Preparation and Disclosure of the Target Company's Auditing Report and Pro Forma Consolidated Financial Report in accordance with the PRC Accounting Standards for Business Enterprises	Pages A15-16, China Securities Journal; Pages 106-107, Shanghai Securities News; Pages B002/B137-138, Securities Times; Page C67, Securities Daily	22 August 2020

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Announcement of Haier Smart Home Co., Ltd. on Delaying Reply to Inquiry Letter from Shanghai Stock Exchange	Pages A15–16, China Securities Journal; Pages 106–107, Shanghai Securities News; Pages B002/B137–138, Securities Times; Page C67, Securities Daily	22 August 2020
2020 Half Yearly Report of Haier Smart Home Co., Ltd.	Page B189, China Securities Journal; Page 252, Shanghai Securities News; Page B251, Securities Times; Page C129, Securities Daily	29 August 2020
Announcement on the Resolutions of 12th Meeting of the Tenth Session of the Board of Directors of Haier Smart Home Co., Ltd.	Page B189, China Securities Journal; Page 252, Shanghai Securities News; Page B251, Securities Times; Page C129, Securities Daily	29 August 2020
Announcement on the Resolutions of 11th Meeting of the Tenth Session of the Supervisory Committee of Haier Smart Home Co., Ltd.	Page B189, China Securities Journal; Page 252, Shanghai Securities News; Page B251, Securities Times; Page C129, Securities Daily	29 August 2020
Announcement of Haier Smart Home Co., Ltd. on Delaying Reply to Inquiry Letter from Shanghai Stock Exchange	Page B189, China Securities Journal; Page 252, Shanghai Securities News; Page B251, Securities Times; Page C129, Securities Daily	29 August 2020
Indicative Announcement of Publication of Joint Announcement by Haier Smart Home Co., Ltd. and Haier Electronics Group Co., Ltd.	Page B189, China Securities Journal; Page 252, Shanghai Securities News; Page B251, Securities Times; Page C129, Securities Daily	29 August 2020
Announcement of Haier Smart Home Co., Ltd. on Reply to the Inquiry Letter on the Information Disclosure of the Report of Haier Smart Home Co., Ltd. on Significant Asset Acquisition and Connected Transaction from Shanghai Stock Exchange	Page A109, China Securities Journal; Page 181, Shanghai Securities News; Pages B083–084, Securities Times; Page D42, Securities Daily	1 September 2020

Section V Significant Events

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Indicative Announcement of Haier Smart Home Co., Ltd. on the Update of Condensed Report on the Change in Shareholding	Page A109, China Securities Journal; Page 181, Shanghai Securities News; Pages B083–084, Securities Times; Page D42, Securities Daily	1 September 2020
Announcement of Haier Smart Home Co., Ltd. on the Results of the Issuance of the 2020 Second Tranche of Super-short-term Bonds	Page A109, China Securities Journal; Page 181, Shanghai Securities News; Pages B083–084, Securities Times; Page D42, Securities Daily	1 September 2020
Notice of Haier Smart Home Co., Ltd. on the Resolutions of the 2020 Second Extraordinary General Meeting, 2020 First A-shares Class Meeting and 2020 First D-shares Class Meeting	Page A72, China Securities Journal; Page 125, Shanghai Securities News; Page B075, Securities Times; Page D34, Securities Daily	2 September 2020
Indicative Announcement of Publication of Joint Announcement by Haier Smart Home Co., Ltd. and Haier Electronics Group Co., Ltd.	Page A72, China Securities Journal; Page 125, Shanghai Securities News; Page B075, Securities Times; Page D34, Securities Daily	2 September 2020
Notice of Haier Smart Home Co., Ltd. on Receiving of the Acceptance Notice of China Securities Regulatory Commission	Page B004, China Securities Journal; Page 97, Shanghai Securities News; Page B001, Securities Times; Page D2, Securities Daily	11 September 2020
Announcement of Haier Smart Home Co., Ltd. on Submitting a Listing Application to the Hong Kong Stock Exchange and Publishing Application Proof Information Pack	Page B033, China Securities Journal; Page 41, Shanghai Securities News; Page B048, Securities Times; Page C40, Securities Daily	12 September 2020
Announcement of Haier Smart Home Co., Ltd. on Participating in the Online Investors Collective Reception Day	Page B004, China Securities Journal; Page 65, Shanghai Securities News; Page B050, Securities Times; Page D46, Securities Daily	22 September 2020

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Indicative Announcement of Haier Smart Home on Publication of Joint Announcement by the Company and Haier Electronics Group Co., Ltd.	Page B005, China Securities Journal; Page 65, Shanghai Securities News; Page A027, Securities Times; Page D44, Securities Daily	13 October 2020
The 2020 Third Quarterly Report of Haier Smart Home Co., Ltd.	Page B186, China Securities Journal; Page 132, Shanghai Securities News; Page B054, Securities Times; Page D14, Securities Daily	30 October 2020
Announcement on the Resolutions of 12th Meeting of the Tenth Session of the Supervisory Committee of Haier Smart Home Co., Ltd.	Page B186, China Securities Journal; Page 132, Shanghai Securities News; Page B054, Securities Times; Page D14, Securities Daily	30 October 2020
Announcement of Haier Smart Home Co., Ltd. on Receiving of the Approval from the China Securities Regulatory Commission	Page B026, China Securities Journal; Page 196, Shanghai Securities News; Page B243, Securities Times; Page C49, Securities Daily	31 October 2020
Announcement of Haier Smart Home Co., Ltd. on the Resignation of Directors	Page B034, China Securities Journal; Page 44, Shanghai Securities News; Page A008, Securities Times; Page D12, Securities Daily	4 November 2020
Announcement on the Resolutions of 14th Meeting of the Tenth Session of the Board of Directors of Haier Smart Home Co., Ltd.	Page B012, China Securities Journal; Page 32, Shanghai Securities News; Page B092, Securities Times; Page D9, Securities Daily	10 November 2020
Indicative Announcement of Haier Smart Home Co., Ltd. on Publication of Joint Announcement by the Company and Haier Electronics Group Co., Ltd.	Page B063, China Securities Journal; Page 64, Shanghai Securities News; Page B088, Securities Times; Page C34, Securities Daily	14 November 2020
Announcement of Haier Smart Home Co., Ltd. on Publication of H Share Listing Documents and Plan Documents	Page B005, China Securities Journal	17 November 2020

Section V Significant Events

XVI.OTHER MAJOR EVENTS (continued)

Subject matter	Name of Newspaper and Page	Date of publication
Indicative Announcement of Haier Smart Home Co., Ltd. on the Expiration of Phase III ESOPs under Core Employee Stock Ownership Plan	Page B013, China Securities Journal; Page 76, Shanghai Securities News; Page B051, Securities Times; Page D29, Securities Daily	2 December 2020
Announcement of Haier Smart Home Co., Ltd. on the Progress of the Privatisation of Haier Electronics Group Co., Ltd. and the Listing of H-shares of the Company by way of Introduction	Page B004, China Securities Journal; Page 124, Shanghai Securities News; Page B077, Securities Times; Page B3, Securities Daily	10 December 2020
Announcement of Haier Smart Home Co., Ltd. on the Progress of the Privatisation of Haier Electronics Group Co., Ltd. and the Listing of H-shares of the Company by way of Introduction	Page B001, China Securities Journal; Page 76, Shanghai Securities News; Page B029, Securities Times; Page D1, Securities Daily	21 December 2020
Announcement of Haier Smart Home Co., Ltd. on the Effectiveness of the Plan for the Privatisation of Haier Electronics Group Co., Ltd. and the Related Arrangements for the Listing of H-shares of the Company by way of Introduction	Page A27, China Securities Journal; Page 116, Shanghai Securities News; Page B067, Securities Times; Page D27, Securities Daily	23 December 2020
Announcement of Haier Smart Home Co., Ltd. on the Listing of Overseas Listed Foreign Shares (H-shares) and Share Changes	Page A27, China Securities Journal; Page 116, Shanghai Securities News; Page B067, Securities Times; Page D27, Securities Daily	23 December 2020
Announcement of Haier Smart Home Co., Ltd. on Amendment to the Articles of Association	Page B012, China Securities Journal; Page 132, Shanghai Securities News; Page B082, Securities Times; Page D36, Securities Daily	24 December 2020
Announcement of Haier Smart Home Co., Ltd. on the Change of the Controlling Shareholder's Name and Business Scope	Page B004, China Securities Journal; Page 52, Shanghai Securities News; Page B053, Securities Times; Page D2, Securities Daily	25 December 2020

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY**(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).

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

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

2. Summary of targeted measures in poverty alleviation during the year√ Applicable ☐ Not Applicable

In 2020, the Company's expenditures on targeted measures in poverty alleviation was approximately RMB40.58 million, which was mainly utilized in supporting the epidemic-disastrous regions to fight against the COVID-19 and developing agriculture and improving the health of farmers in poverty alleviation, contributing active response to the government and the performance of its social responsibilities.

3. Results of targeted measures in poverty alleviation√ Applicable ☐ Not Applicable

Unit and Currency: RMB0,000

Indicator	Amount and the status
I. General information	
Including: 1. Funds	4,058
II. Breakdown of the use of funds	

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)

(I) Information on poverty alleviation of the listed companies (continued)

3. Results of targeted measures in poverty alleviation (continued)

Indicator	Amount and the status
1. Poverty alleviation through education	
Including: 1.1 Amount of investment in improving the educational resources in poverty-stricken areas	719
2. Poverty alleviation through health enhancement	
Including: 2.1 Amount of investment in medical and health resources in poverty areas	35
3. Poverty alleviation in the society	
Including: 3.2 Amount of investment in targeted poverty alleviation works	34
3.3 Charity funds for poverty alleviation	3,270

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)**(I) Information on poverty alleviation of the listed companies (continued)****4. Subsequent targeted measures in poverty alleviation plans**

☒ Applicable ☐ Not Applicable

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

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)

(II) Performance of social responsibilities

√ Applicable ☐ Not Applicable

For details, please refer to the 2020 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

(1) Information on pollutant discharge

√ Applicable ☐ Not Applicable

Zhengzhou Haier Air-conditioning Co., Ltd. (referred to as “Zhengzhou Air-conditioning”), Foshan Haier Freezer Co., Ltd. (referred to as “Foshan Freezer”, Hefei Haier Refrigerator Co., Ltd. (referred to as “Hefei Refrigerator”), Wuhan Haier Water Heater Co., Ltd. (referred to as “Wuhan Water Heater”), as well as Chongqing Haier Precision Plastic Co., Ltd., Chongqing Haier Air-conditioning Co., Ltd., Chongqing Haier Drum Washing Machine Co., Ltd, Chongqing Haier Washing Machine Co., Ltd, Chongqing Haier Intelligent Electronics Co., Ltd. and Chongqing Haier Water Heater Co., Ltd (the aforesaid six companies in Chongqing collectively referred to as the “Chongqing Industrial Park Companies”), subsidiaries indirectly held by the Company, are are key emission units announced by the environmental protection department.

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)

(III) Environmental Information (continued)

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

(1) Information on pollutant discharge (continued)

The main information on pollutant discharge is as follows:

(1) Zhengzhou Air-conditioning

- ① Main pollutants:

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

- ② Way of discharge: indirect discharge

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

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

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

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	34.80mg/L	1.75 tons	6.25 tons	No
2	Ammonia nitrogen	5.27mg/L	0.27 ton	0.63 tons	No

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

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)

(III) Environmental Information (continued)

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

(1) Information on pollutant discharge (continued)

(2) Foshan Freezer

- ① Main pollutants:

Wastewater. According to the Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial) (HJ 978–2018), it shall apply for a pollutant discharge permit and detect 6 types of pollutants (including specific pollutants), namely, COD, ammonia nitrogen, total zinc, PH, SS, suspended particles, and petroleum.

- ② Way of discharge: indirect discharge

- ③ Number and distribution of discharge outlets: one, on the southern side of the wastewater treatment plant in the southeast of Foshan Sanshui Haier Park (佛山三水海爾園區), pipeline discharge

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

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

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	15.52 mg/L	10.06 tons	25.92t/a	No
2	Ammonia nitrogen	0.46mg/L	0.3 ton	2.88t/a	No

- ⑤ Pollutant discharge standards implemented: primary standard of the second period set forth in the local standard of Guangdong Province, the Emission Limits of Water Pollutants (《水污染物排放限值》) (DB44/26–2001)

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)

(III) Environmental Information (continued)

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

(1) Information on pollutant discharge (continued)

(3) Hefei Refrigerator

① Main pollutants:

Wastewater. According to the Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial) (HJ 978–2018), it shall apply for a pollutant discharge permit and detect 9 types of pollutants (including specific pollutants), namely, COD, ammonia nitrogen, total phosphorus, total nitrogen, PH, suspended particles, rate of flow, chemical oxygen demand, BOD.

Waster gas: According to the Volatile Organic Unorganized Emission Control Standard GB 37822–1–2019 (《揮發性有機無組織排放控制標準 GB 37822–1–2019》), it shall apply for and implement a pollutant discharge permit. Types of major air pollutants: non-methane total hydrocarbons

② Way of discharge: indirect discharge

③ Number and distribution of discharge outlets: one for wastewater, at the north gate of the refrigerator park; 16 for waste gas, above the plants A and B of refrigerator park

④ Concentration and standard of discharge:

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

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	103.6 mg/L	0.058 ton	165 tons	No
2	Ammonia nitrogen	9.31mg/L	0.0052 ton	10 tons	No

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

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)

(III) Environmental Information (continued)

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

(1) Information on pollutant discharge (continued)

(4) Wuhan Water Heater

- ① Main pollutants:

Wastewater. According to the Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial) (HJ 978–2018), it shall apply for a pollutant discharge permit and detect 9 types of pollutants (including specific pollutants), namely, COD, total zinc, suspended particles, ammonia nitrogen (NH₃-N), BOD, pH value, anionic surfactant, total phosphorus, animal and vegetable oils.

- ② Way of discharge: indirect discharge

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

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

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

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	500 mg/L	0.751 ton	0.751 ton	No
2	Ammonia nitrogen	45 mg/L	0.075 ton	0.075 ton	No

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

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)

(III) Environmental Information (continued)

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

(1) Information on pollutant discharge (continued)

(5) Chongqing Industrial Park Companies

- ① Main pollutants:

Wastewater. According to the pollution discharge permitted in the PRC, it shall register and declare, and detect 7 types of pollutants (including specific pollutants), namely, COD, ammonia nitrogen, PH, suspended particles, petroleum, animal and vegetable oils and rate of flow.

- ② Way of discharge: indirect discharge

- ③ Number and distribution of discharge outlets: three, in the phase I wastewater treatment plant, phase II wastewater treatment plant and apartment wastewater treatment station, pipeline discharge

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

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

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	72.88 mg/L	76.73 tons	228.1 tons	No
2	Suspended particles	29.54 mg/L	31.1 tons	177.2 tons	No
3	Animal and vegetable oils	2.55mg/L	2.683 tons	34 tons	No
4	Petroleum	0.51 mg/L	0.534 ton	1.32 tons	No

- ⑤ Pollutant discharge standards implemented: Grade 3 of the Comprehensive Discharge Standard for Wastewater (《污水綜合排放標準》)(GB8978-1996)

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)

(III) Environmental Information (continued)

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

(2) Construction and operation of pollution control facility

√ Applicable ☐ Not Applicable

Each of Zhengzhou Air-conditioning, Foshan Freezer and Wuhan Water Heater has one, one and two wastewater treatment plants respectively with a designed processing capacity of 500 tons/day, 1,800 tons/day, 550 tons/day and 260 tons/day. Haier Park in Chongqing has three wastewater treatment plants, responsible for the collection and treatment of production wastewater generated by the Chongqing Industrial Park Companies, with a designed processing capacity of 3,600 tons/day. The construction, maintenance and daily operations of all 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. In addition, all of the Chongqing Industrial Park Companies have installed all waste gas treatment facilities, and all the equipment is under normal operation, and all waste gas generated is discharged after being treated by the treatment facilities, and regular monitoring is organized.

(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.

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)**(III) Environmental Information (continued)**

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

(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.

XVII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY (continued)

(III) Environmental Information (continued)

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 27 October 2020, the China Securities Regulatory Commission issued the Reply to the Approval of Issuance of Overseas Listed Foreign Shares and Convertible Corporate Bonds by Haier Smart Home Co., Ltd. (《關於核准海爾智家股份有限公司發行境外上市外資股及可轉換公司債券的批復》) (Zheng Jian Xu Ke [2020] No. 2768) (hereinafter referred to as the “Reply from CSRC”), which approved that: (1) HSH issued no more than 2,856,526,138 overseas listed foreign shares (including additional shares issued by holders of convertible corporate bonds not exceeding HK\$8.0 billion or equivalent in foreign currencies upon the exercise of the convertible rights), with a par value of RMB1 each, all of which are ordinary shares. After the completion of this issuance, HSH can be listed on the main board of the Hong Kong Stock Exchange; (2) the issuance of corporate bonds not exceeding HK\$8.0 billion or equivalent in foreign currencies that can be converted into the issuer’s overseas listed foreign shares by the overseas wholly-owned subsidiaries guaranteed by HSH. Pursuant to which and with the approval of relevant parties, the convertible bonds of HK\$8.0 billion (convertible into the H-shares of the Company) (HK\$8.0 billion exchangeable bonds issued in November 2017 may converted into convertible bonds and the actual effective convertible bonds were HK\$7.993 billion) issued by Harvest International Company, a wholly-owned subsidiary of the Company, were listed on 23 December 2020.

XVIII. CONVERTIBLE CORPORATION BONDS (continued)**(II) Information on holders and guarantors of convertible bonds during the reporting period**

☒ Applicable ☐ Not Applicable

Name of convertible corporate bonds	Harvest International Company HK\$8,000,000,000 Zero Coupon Guaranteed Convertible Bonds due 2022
Guarantors of convertible bonds of the Company	Haier Smart Home Co., Ltd.

Information on top ten holders of convertible bonds is as follows:

Name of convertible corporate bonds	Amount of	
	bonds held at the end of the period (RMB)	Holding percentage (%)
HSBC Nominees (Hong Kong) Limited	7,993,000,000	100

Note: (1) The currency of the aforesaid closing amount of convertible bonds is in HKD; (2) The convertible bonds of H-shares of the Company are held by HSBC Nominees (Hong Kong) Limited on its behalf as the sole legal holder and does not represent the ultimate shareholders. The information of the ultimate bondholder is only stored in the clearing system, and the clearing system cannot directly provide any third party with a detailed list of the ultimate bondholder without the authorization of the ultimate bondholder.

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

XVIII. CONVERTIBLE CORPORATION BONDS (continued)

(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 RMB135,348.4887 million in total, including current liabilities of RMB109,392.8503 million and non-current liabilities of RMB25,955.6384 million.

The Company has stable operating conditions in all aspects, reasonable asset structure and good credit standing, which can provide stable and sufficient working capital for the payment of interests of convertible corporate bonds and bond repayment in future years.

(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

	Prior to the change		Increase and decrease of the change (+,-)					After the change	
	Number	Percentage (%)	New shares issued	Bonus shares	Shares converted from reserve	Others	Subtotal	Number of shares	Percentage (%)
I. Shares with selling restrictions									
1. Shares held by the state									
2. Shares held by the state-owned legal entities									
3. Shares held by other domestic investors									
Including: shares held by domestic non-state-owned legal entities									
Shares held by domestic individuals									
4. Shares held by foreign investors									
Including: shares held by foreign legal entities									
Shares held by foreign individuals									
II. Tradable shares without selling restrictions									
1. RMB ordinary shares	6,579,566,627	100.00	2,448,279,814				2,448,279,814	9,027,846,441	100.00
2. Domestic listed foreign shares	6,308,552,654	95.88						6,308,552,654	69.88
3. Overseas listed foreign shares	271,013,973	4.12	2,448,279,814				2,448,279,814	2,719,293,787	30.12
4. Others									
III. Total ordinary shares	6,579,566,627	100.00	2,448,279,814				2,448,279,814	9,027,846,441	100.00

I. CHANGES IN ORDINARY SHARE CAPITAL (continued)

(I) Table of Changes in ordinary shares (continued)

2. Statement on the changes in ordinary shares

☒ Applicable ☐ Not Applicable

During the reporting period, the Company proposed the scheme in relation to the privatisation of Haier Electronics by way of issuing H-shares, and fulfilled all conditions precedent to enable the scheme to become effective during the reporting period. On 23 December 2020, the 2,448,279,814 new H-shares issued by the Company were listed on the Hong Kong Stock Exchange and the aforesaid privatisation was completed at the same time with the total share capital of the Company changed to 9,027,846,441 shares from 6,579,566,627 shares.

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 2020, the Company achieved net profit attributable to shareholders of the Parent Company of RMB8,876,593,208.19, equity attributable to owners of the Parent Company of RMB66,816,422,614.55, in terms of total share capital of 6,579,566,627 H-shares before the listing of the Company at the end of the reporting period, profit was RMB1.349 per share and net asset was RMB10.155 per share accordingly; in terms of total share capital of 9,027,846,441 H-shares after the listing of the Company, profit per share was RMB0.983 and net asset was RMB7.401 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: shares Currency: HK\$

Type of shares and its derivative securities	Date of issue	Issuing price (or interests rate)	Number of issuance	Date of listing	Number of shares under listing approval	Date of termination
Ordinary Shares						
H-shares	23 December 2020	/	2,448,279,814	23 December 2020	2,448,279,814	/
Convertible corporation bonds, convertible bonds with warrants and corporate bonds						
Corporate bonds convertible into H-shares	23 December 2020	/	7,993,000,000	23 December 2020	7,993,000,000	21 November 2022

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

On 27 October 2020, China Securities Regulatory Commission (CSRC) issued the Reply on Approval of the Foreign Public Issuance of Convertible Bonds by Qingdao Haier Co., Ltd.” (Zheng Jian Xu Ke [2020] No. 2768, hereinafter referred to as “CSRC Reply”), which approved: (1) Haier Smart Home shall issue not more than 2,856,526,138 overseas listed foreign capital shares (including not more than HK\$8 billion or the equivalent in foreign currencies of shares issued for the holders of convertible corporate bonds upon the exercise of conversion rights), with a par value of RMB1 each and all of which are ordinary shares. Upon the completion of this issue, Haier Smart Home can be listed on the Main Board of The Stock Exchange of Hong Kong Limited; (2) the overseas wholly-owned subsidiary guaranteed by Haier Smart Home can issue corporate bonds of not exceeding HK\$8 billion or equivalent in foreign currencies that can be converted into overseas listed foreign capital shares of the issuer. Pursuant to which and with the approval of the relevant parties, the Company and Harvest International Company, a wholly-owned subsidiary of the Company, issued 2,448,279,814 H-shares and convertible bonds respectively on Hong Kong Stock Exchange on 23 December 2020 (the exchangeable bonds of HK\$8 billion issued in November 2017 were converted into convertible bonds, and the convertible bonds in effect amounted to HK\$7,993 million, which can be converted into H-shares of the Company). For details, please refer to the prospectus and other relevant documents disclosed in Hong Kong market during the reporting period of the Company and the Report on the Implementation of Material Asset Purchase and Related Party Transactions and other relevant documents disclosed on 26 December 2020.

II. ISSUANCE AND LISTING OF SECURITIES (continued)

(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 explanations 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 SHAREHOLDERS AND ULTIMATE CONTROLLERS

(I) Total number of shareholders

Total number of ordinary shareholders up to the end of the reporting period	160,301
Total number of ordinary shareholders as at the end of the last month prior to the disclosure day of the annual report	193,236

III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLERS (continued)

(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							
Name of shareholder (full name)	Changes during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Status of shares pledged or frozen	Nature of shareholder	
					Status	Number	
HKSCC NOMINEES LIMITED (Note)		1,820,935,022	20.17		Unknown		Foreign legal entity
Haier Electric Appliances International Co., Ltd. (currently named as Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司))		1,258,684,824	13.94		Nil		Domestic non-state-owned legal entity
Haier Group Corporation		1,072,610,764	11.88		Nil		Domestic non-state-owned legal entity
HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED		538,560,000	5.97		Nil		Foreign legal entity
Hong Kong Securities Clearing Co., Ltd.		472,115,774	5.23		Nil		Unknown
China Securities Finance Corporation Limited		182,592,697	2.02		Nil		Unknown
Qingdao Haier Venture & Investment Information Co., Ltd. (青島海爾創業投資諮詢有限公司)		172,252,560	1.91		Nil		Domestic non-state-owned legal entity
ALIBABA INVESTMENT LIMITED		83,823,993	0.93		Unknown		Foreign legal entity
CLEARSTREAM BANKING S.A. (注)		74,465,750	0.82		Unknown		Foreign legal entity
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青島海創智管理諮詢企業(有限合夥))		73,011,000	0.81		Nil		Domestic non-state-owned legal entity

Section VI Changes in Ordinary Shares and Information about Shareholders

III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLERS (continued)

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

Shareholdings of top ten shareholders not subject to selling restrictions			
Name of shareholder	Number of tradable shares without selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	1,820,935,022	Overseas listed foreign shares	1,820,935,022
Haier Electric Appliances International Co., Ltd.	1,258,684,824	RMB ordinary	1,258,684,824
Haier Group Corporation	1,072,610,764	RMB ordinary	1,072,610,764
HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	538,560,000	Overseas listed foreign shares	538,560,000
Hong Kong Securities Clearing Co., Ltd.	472,115,774	RMB ordinary	472,115,774
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
ALIBABA INVESTMENT LIMITED	83,823,993	Overseas listed foreign shares	83,823,993
CLEARSTREAM BANKING S.A.	74,465,750	Overseas listed foreign shares	74,465,750
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	73,011,000	RMB ordinary	73,011,000
Related-parties or parties acting in concert among the aforesaid shareholders	(1)	Haier Electric Appliances International Co., Ltd. (currently named as Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)) is a holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Qingdao Haier Venture & Investment Information Co., Ltd.(青島海爾創業投資諮詢有限公司) and Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青島海創智管理諮詢企業 (有限合夥)) is a party acting in concert with Haier Group Corporation;	
	(2)	The Company is not aware of the existence of any connections of other shareholders.	
Explanation of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable		

Note:

- ① HKSCC NOMINEES LIMITED, CLEARSTREAM BANKING S.A. are the Banking Collection Account for the shareholders of the Company's H-shares and D-shares respectively, which is the original data provided by China Hong Kong, 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 The 58,135,194 shares in CLEARSTREAM BANKING S.A. are held by Haier International Co., Limited, the concerted actor of the Company's ultimate controller Haier Group Corporation, accounting for 0.64% of the Company's total share capital.

III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLERS (continued)

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

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 COSMO Co., Ltd. (海爾卡奧斯股份有限公司) (former name "Haier Electric Appliances International Co., Ltd.") (海爾電器國際股份有限公司)
Person in charge of the Company or legal representative	Zhang Ruimin (張瑞敏)
Establishment date	1988-06-30
Principal business	Information technology integration and Internet of Things technology services; industrial automation technology research and development, technical consulting; research and development and manufacturing of electrical appliances, electronic products, mechanical products, communication equipment and related accessories, industrial automation control equipment, computer hardware and software and auxiliary equipment; import and export business (operated within the scope approved by MOFCOM); wholesale and retail: domestic commerce (except for merchandises prohibited by the state); investment in medical industry; investment advisory services; enterprise management consulting. (For projects subject to approval, business activities can only be carried out after the approval by relevant departments)

IV. CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER (continued)

(I) Status of controlling shareholder (continued)

1 Legal person (continued)

Shareholding of other controlling and participating domestic and overseas listed companies in the reporting period

Indirect controlling/participating Company: 'Qingdao Haier Biomedical Co., Ltd.' (青島海爾生物醫療股份有限公司)(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.' (青島銀行股份有限公司)(stock name: 'Bank of Qingdao', stock code: 002948 and 3866.HK), 'China International Capital Corporation Limited' (stock name: 'CICC', stock code: 601995 and 3908.HK) etc.

Other explanation Nil

2 Natural person

☐ Applicable ☒ Not Applicable

3 Explanation on the absence of controlling shareholders of the Company

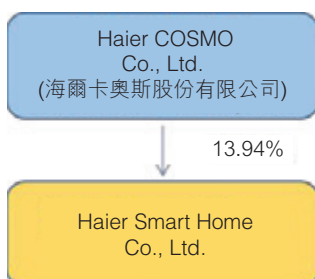
☐ Applicable ☒ Not Applicable

4 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



IV. CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER (continued)

(II) Status of the ultimate controller

1 Legal person

☒ Applicable ☐ Not Applicable

Name	Haier Group Corporation
Person in charge of the Company or legal representative	Zhang Ruimin (張瑞敏)
Establishment date	1980-03-24
Principal business	Technology development, technology consultation, technology transfer and technology services (including industrial Internet, etc.); data processing; digital technology, intelligent technology, software technology; research and development, sales and after-sales service of robots and automation equipment products; logistics information service; research and development and sales of software technology for smart home products and solutions systems; manufacturing of household appliances, electronic products, communication equipment, electronic computers and accessories, general machinery, kitchen utensils, industrial robots; wholesale and retail of domestic commerce (except for the national dangerous prohibition franchise exclusive control merchandises); import and export business (see the foreign trade enterprise finalized certification for details); economic and technological consultation; research and development and transfer of technological achievements; rental of owned properties. (For projects subject to approval, business activities can only be carried out after the approval by relevant departments)
Shareholding of other controlling and participating domestic and overseas listed companies in the reporting period	Indirect controlling/participating Company: 'Qingdao Haier Biomedical Co., Ltd.' (青島海爾生物醫療股份有限公司) (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.' (青島銀行股份有限公司) (stock name: 'Bank of Qingdao', stock code: 002948 and 3866.HK), China International Capital Corporation Limited' (stock name: 'CICC', stock code: 601995 and 3908.HK)
Other explanation	Nil

IV. CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER (continued)

(II) Status of the ultimate controller (continued)

2 Natural person

☐ Applicable ☒ Not Applicable

3 Explanation on the absence of ultimate controller of the Company

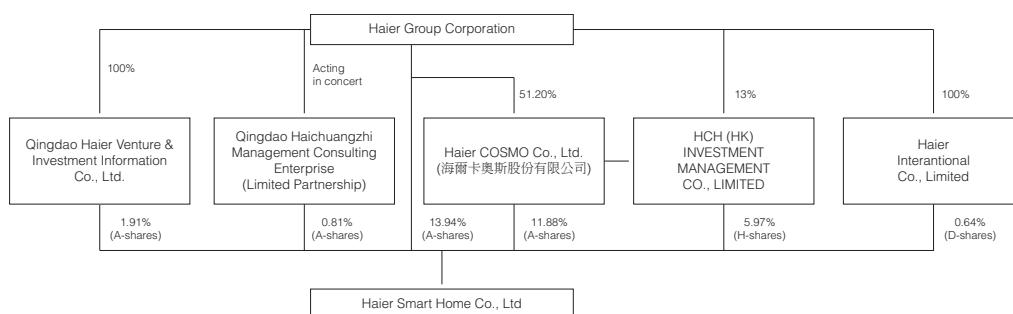
☐ Applicable ☒ Not Applicable

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

HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED (referred to as “HCH”), the shareholder of H-shares of the Company, has undertaken that, from the date of disclosure of the shareholdings of the Company in the Listing Document of HSH H-shares involved in this transaction (which refers to the transaction relating to the issuance of H-shares by the Company to privatise HEG, same as below) to the 6th month after HSH H-shares are traded on the Hong Kong Stock Exchange, the Company will not sell HSH H-shares acquired by the Company through this transaction, or enter into any agreement on selling such shares, or set any option, right, interest or encumbrance for such shares. In addition, within six months after the expiry of the aforementioned 6-month period, the selling of HSH H-shares, entering into any agreement on selling such shares, or exercising or executing relevant options, rights, interests or encumbrances for such shares by the Company will not cause Haier Group Corporation and its concerted parties to lose their status as controlling shareholders of HSH. The H-shares of the Company have already listed on 23 December 2020, and the aforesaid undertaking is currently still within the undertaking period. During the reporting period, HCH has strictly fulfilled such undertaking.

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, General manager	Male	55	2019-06-18	2022-06-17	14,483,466	14,923,047	439,581	Employee shareholding scheme vested	256	NO
Tan Lixia	Vice president	Female	51	2019-06-18	2022-06-17	8,136,260	8,535,920	399,660	Employee shareholding scheme vested	Received no remuneration from the Company	YES
Li Huagang	Director, General manager	Male	52	2019-06-18	2022-06-17	653,306	694,607	41,301	Employee shareholding scheme vested	180	NO
Wu Changqi	Director	Male	66	2019-06-18	2022-06-17					20	NO
Lin Sui	Director	Male	65	2019-06-18	2022-06-17					20	NO
Dai Deming	Independent director	Male	59	2019-06-18	2021-06-09					20	NO
Qian Daqun	Independent director	Male	68	2019-06-18	2022-06-17					20	NO
WONG Hak Kun	Independent director	Male	65	2020-06-03	2022-06-17					7.5	NO
Shi Tiantao(retired)	Independent director	Male	59	2019-06-18	2020-05-19					13.75	NO
Yan Yan (retired)	Director	Male	64	2019-06-18	2022-06-17					18.75	NO
Wang Peihua	Chairman of the Supervisory Committee	Male	64	2016-05-31	2019-05-30	144,764	161,067	16,303	Employee shareholding scheme vested	Received no remuneration from the Company	YES
Ming Guoqing	Supervisor	Male	61	2016-05-31	2019-05-30	94,505	105,511	11,006	Employee shareholding scheme vested	Received no remuneration from the Company	YES
Yu Miao	Employee supervisor	Male	39	2019-01-08	2019-05-30					28.3	NO
Gong Wei	Chief financial officer, deputy general manager	Male	48	2016-05-31	2019-05-30	1,671,903	1,724,315	52,412	Employee shareholding scheme vested	88	NO
Ming Guozhen	Secretary to the board of directors, deputy general manager	Female	57	2016-05-31	2019-05-30	1,240,515	1,275,295	34,780	Employee shareholding scheme vested	60	NO
Total	/	/	/	/	/	26,424,719	27,419,762	995,043	/	732.3	/

Note: All of the above shares are A-shares. In addition to the contents of the above table, Li Huagang, a director and the president, held a total of 812,145 H-shares of the Company at the end of the period.

Section VIII Directors, Supervisors, Senior Management and Employees

I. CHANGES OF SHAREHOLDING AND REMUNERATION (continued)

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

Name	Major working 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 (全國輕工業企業信息化優秀領導獎), 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 (海爾空調電子進出口公司), 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 (中國十大品牌女性), 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.

I. CHANGES OF SHAREHOLDING AND REMUNERATION (continued)

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

Name	Major working experience
LI Huagang	<p>Male, born in 1969. He graduated from Huazhong University of Technology in 1991 with a Bachelor's degree of Economics, and from China Europe International Business School in 2014 with a degree of Executive Master of Business Administration (EMBA). He served as the chief operating officer and executive director of Haier Electric Group Co., Ltd. (HEG), the holding subsidiary of the Company, and is currently a director, general manager and chief marketing officer of Haier Smart Home Co., Ltd. Mr. Li has vigorously promoted the brand upgrade and channel optimisation strategy to facilitate the revenue growth of the online business and offline domestic business of the Company, enhanced product brand image, and established a seamless and well-functioning all-channel system. Mr. Li Huagang is committed to building the Experience Cloud Platform of Haier Smart Home, realizing online and offline integrated operation, improving the enterprise operation efficiency and creating differentiat-ed experience for users, and providing users with a one-stop full-scene seamless ecosystem experience of smart home.</p>
WU Changqi	<p>Male, born in 1955. He is currently a professor of strategic management and doctoral supervisor of Guanghua School of Management, Peking University. He graduated from Shandong University with a Bachelor's degree of Economics in 1982, and Katholieke Universiteit Leuven in Belgium with a Master's degree of Business Administration and a Doctoral degree in applied economics in 1990. He served as an assistant professor and associate professor in the Department of Economics of School of Business and Management of Hong Kong University of Science and Technology, a professor and head of the Department of Strategic Management of Guanghua School of Management of Peking University, a deputy dean of the Guanghua School of Management of Peking University, and a director of the EM-BA degree programme center. He is currently the president of the Academy of Development Strategy for National High-tech Industry Zones, Peking University, the director of Guanghua Leadership Institute of Peking University, the dean of the School of Management of Shandong University, and the director of the Tenth Session of the Board of Directors of Haier Smart Home Co., Ltd.</p>

I. CHANGES OF SHAREHOLDING AND REMUNERATION (continued)

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

Name	Major working experience
LIN Sui	<p>Male, born in 1956. He was a partner of Deloitte Touche Tohmatsu China (re-tired on 31 May 2019). He has been engaged in international tax consultancy work in USA and China for nearly 30 years. He participated in multinational investment transactions, mergers and acquisitions, initial public offerings, financing projects, supply chain taxation optimization, internal tax risk control and other aspects of professional tax consultancy of many PRC international enterprises, and has abundant experience in restructuring, acquisition, equity arrangement, tax accounting and business transformation related to enterprise listing. In recent years, he has been mainly engaged in the consulting of digital transformation of corporate financial and tax management. In 1989, he pursued his studies in USA and obtained a Master's degree in Business Administration and a Master's degree of Science in Taxation. He joined Deloitte Touche Tohmatsu USA in 1993 and was transferred to Deloitte Touche Tohmatsu China in 2002. He is a Certified Public Accountant in USA. Prior to his return to China, he was employed by Ministry of Science and Technology of China as a member of the overseas scholars' advisory committee of the National High-tech Development Torch Program and an expert on the United Nations development projects in China. At present, he has been invited as an external lecturer of China Europe International Business School and Shanghai National Institute of Accounting, a part-time master degree tutor of Fudan University and Shanghai University of Finance and Economics, Deputy Director of the Advisory Committee of China Tax Institute of Large Business (TILB), a council member of the Shanghai branch of China Association for Fiscal and Tax Law, and a director of the Tenth Session of the Board of Directors of Haier Smart Home Co., Ltd.</p>
DAI Deming	<p>Male, born in 1962. He is currently a professor and doctoral supervisor of the department of accounting of the Renmin Business School, concurrently holding the position of vice president of Accounting Society of China, and is an independent director of the 10th Board of Directors of Haier Smart Home. He once served as an independent director of Beijing Capital Development Co., Ltd.</p>

I. CHANGES OF SHAREHOLDING AND REMUNERATION (continued)

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

Name	Major working experience
CHIEN Da-chun	Male, born in 1953. He served as Chairman of IBM Greater China region, CEO of IBM Greater China region, etc. He graduated from the Department of Mathematics of Tamkang University of Taiwan, and studied advanced management courses in the Institute of Business Administration of Harvard University, as well as the global senior manager courses of International Business Machines Corporation (IBM). He is currently an independent director of the 10th Board of Directors of Haier Smart Home Co., Ltd.
Wang Keqin or Wong Hak Kun	Male, born in 1956. He received a Bachelor's degree in social science from the University of Hong Kong. He has over 36 years of experience in auditing, assurance and management in Deloitte China. He has been a partner of Deloitte China since 1992 and served as a member of the board of directors of Deloitte China from 2000 to 2008. Prior to his retirement in May 2017, he was Deloitte China's National Managing Partner of Audit & Assurance. Mr. WONG is an associate of the Hong Kong Institute of Certified Public Accountants (HKICPA), an associate of the Association of Chartered Certified Accountants (ACCA), an associate of the Chartered Institute Management Accountants (CIMA), an associate of The Institute of Chartered Secretaries and Administrators. He currently serves as an independent non-executive director of Yue Yuen Industrial Holdings (Limited) (551HK), Lung Kee (Bermuda) Holdings Limited (255HK) and Zhejiang Cangnan Instrument Group Company Limited (1743HK).
Shi Tiantao (retired)	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. 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. He served on the 10th session of the Board of Directors of Haier Smart Home as an independent director.

Section VIII Directors, Supervisors, Senior Management and Employees

I. CHANGES OF SHAREHOLDING AND REMUNERATION (continued)

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

Name	Major working experience
Yan Yan (retired)	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.
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 (海爾集團空調本部), Washing Machine Head Office (洗衣機本部), and Haier Group Freezer & Heater Head Office (海爾集團冷櫃電熱本部), 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 the president of the 10th session of the Supervisory Committee 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 (青島海爾運輸公司), 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 (海爾冰箱產品本部), chairman of the labor union (retired at the end of 2020). He is the chairman of the labor union of Haier Group, and the supervisor of the 10th session of the Supervisory Committee 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 Supervisory Committee of Haier Smart Home Co., Ltd. since April 2012.

I. CHANGES OF SHAREHOLDING AND REMUNERATION (continued)

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

Name	Major working experience
Gong Wei	Male, born in 1973, graduated from the University Of International Business and Economics with a senior executive master degree in business administration in 2011. Mr. Gong Wei 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 海爾空調本部), chief financial officer of White Goods Group, he is currently the vice president and chief financial officer of the Company, possessing rich financial management experience. Mr. Gong Wei 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 several awards, such as Top Ten CFO in China as appraised by 'New Money' Magazine (《新理財雜誌》)in 2011, 2020 International Finance Leaders of the Year in China.
Ming Guozhen	Female, born in 1964, graduated from Southwestern University of Finance and Economics with a master's degree in economics in 1986. She is a 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 (執業標準委員會) 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

Section VIII Directors, Supervisors, Senior Management and Employees

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 COSMO Co., Ltd.	Director	1997-11	
Liang Haishan	Haier Group Corporation	Director		
Liang Haishan	Haier COSMO Co., Ltd.	Director	2014-9	
Tan Lixia	Haier Group Corporation	Director, Executive vice president	2016-2	
Wang Peihua	Haier Group Corporation	Head of Organizational Department		
Ming Guoqing	Haier Group Corporation	Chairman of the Labor Union		
Li Huagang	Haier COSMO Co., Ltd.	Director		
Clarification about Positions in Shareholders Entities	Nil			

II. POSITIONS HELD BY CURRENT AND RETIRED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD (continued)

(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 Group (Qingdao) Financial Holdings Ltd.	Director		
Liang Haishan	Qingdao Haier multimedia Co., Ltd.	President		
Tan Lixia	Haier Group Finance Co., Ltd.	Supervisor		
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. (萬鏈(重慶)物聯網科技有限公司)	President	May 2018	
Tan Lixia	Yingkang Life Technology Co., Ltd.	President	16 May 2019	
Tan Lixia	Qingdao Haier Biomedical Co., Ltd.	President	July 2018	
Li Huagang	Qingdao Haier Cultural Industry Development Co., Ltd. (青島海爾文化產業發展有限公司)	Director		
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	CSC Financial Co., Ltd.	Independent Non-executive director	August 2016	
Dai Deming	Power Construction Corporation of China, Ltd.	Independent Non-executive director	March 2018	
Dai Deming	Poly Developments and Holdings Corporation Limited	Independent Non-executive director	September 2018	
WONG Hak Kun	Yue Yuen Industrial (Holdings) Limited	Independent director	June 2018	
WONG Hak Kun	Lung Kee (Bermuda) Holdings Limited	Independent director	June 2018	
WONG Hak Kun	Zhejiang Cangnan Instrument Group Company Limited	Independent director	June 2018	
WONG Hak Kun	Guangzhou Automobile Group Co., Ltd.	Independent director	May 2020	

Section VIII Directors, Supervisors, Senior Management and Employees

II. POSITIONS HELD BY CURRENT AND RETIRED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD (continued)

(II) Positions held in other entities (continued)

Name	Company	Position	Appointment date	End date of appointment
Wu Changqi	Peking University	Professor		
Wu Changqi	China Hua Xia Bank Co., Ltd.	Supervisor	12 May 2015	12 May 2021
Wu Changqi	Yijiahe Technology Co., Ltd.	Independent Director	24 August 2018	24 August 2021
Wu Changqi	Shandong University	Dean of School of Management	October 2019	
Shi Tiantao	Tsinghua University	Professor	2000	
Shi Tiantao	Jiayayue Group Co Ltd	Independent Director		
Shi Tiantao	Beijing Zhenghe Henderson Waterfront Ecological Environment Management Co., Ltd. (北京正和恒基濱水生態環境治理股份有限公司)	Independent Director		
Shi Tiantao	Rongtong Fund Management Co., Ltd. (融通基金管理有限責任公司)	Independent Director		
Yan Yan	SAIF Partners	Principal 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 BlueFocus Data Technology Co., Ltd. (北京藍色游標數據科技股份有限公司)	Independent Director	March 2014	To date
Yan Yan	TCL Group Limited	Independent Director	March 2015	To date
Yan Yan	ATA Inc.	Director	March 2005	To date
Yan Yan	Shanghai Welltech Automation Co., Ltd.	Director	June 2019	To date
Yan Yan	360 Finance, Inc	Independent Director	October 2019	To date
Yan Yan	Appotronics Corporation Limited	Director	June 2019	To date
Ming Guozhen	Qingdao Huaqiao Industrial Co., Ltd.	Director	July 2008	
Clarification about Positions in Shareholders 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 decision-making process of the Company for the remuneration of directors, supervisors and senior management personnel is to establish a platform, define standards, communicate and negotiate, and make objective decisions. The Remuneration Committee of the Company shall formulate the remuneration standards, adjust principles, and assess and implement the principles and submit to the Board of Directors for consideration and approval to form a system platform. Based on the principle of customer-paid salary, the actual remuneration for the year is determined according to the evaluation results such as the ecosystem micro-community contract, Rendanheyi scorecard, vertical and horizontal matching table and win-win value appreciation table.

Basis for determining the remuneration of directors, supervisors and senior management

The 2020 remuneration system of the management personnel of the Company reflects the ecosystem micro-community contract, high value-adding and high sharing, which is linked with win-win value appraisal table and Rendanheyi scorecard, etc. Vertically, the Rendanheyi scorecard represents strategic undertaking and ecosystem micro-community contract, which is linked with the ecosystem micro-community upgrade initiation and platform leading, and horizontally, it embodies the global leadership and ecosystem achievements of the market competitiveness, which leads to the upgrading from “high-end brand” to “scenario brand” and “ecosystem brand”. The maximum allowance for the director of the Tenth Session of the Board of Directors is RMB200,000/year before tax, of which fixed allowance is RMB150,000/year, and the maximum performance allowance is RMB50,000/year. The specific amount of performance allowance will be determined according to the comprehensive consideration of directors’ contribution to the decision-making of the Board of Directors of the Company, effectiveness of resolutions and suggestions to the Board of Directors, participation of the Board of Directors, attendance rate of previous board meetings and other factors. The travelling expenses of directors attending the Board of Directors meetings and general meetings and the expenses required for exercising their functions and authorities according to the Articles of Association of the Company will be reimbursed.

Section VIII Directors, Supervisors, Senior Management and Employees

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (continued)

Remuneration payables of directors, supervisors and senior management Paid as prescribed

Total actual remuneration of all the directors, supervisors and senior management at the end of the reporting period RMB7,323,000

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

☒ Applicable ☐ Not Applicable

Name	Position	Changes	Reasons
Yan Yan	Director	Retired	Retired due to personal reasons
Shi Tiantao	Independent director	Retired	Retired due to expiration of office term for 6 years
WONG Hak Kun	Independent director	Election	Newly elected

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

Number of staff of the parent company	3,265
Number of staff of Principal subsidiaries	96,034
Total number of staff	99,299
Number of employees whose retirement expenses are borne by the parent company and the principal subsidiaries	0

Breakdown by function

Function	Number
Production	58,444
Sales	18,754
Technical	18,014
Financial	1,647
Administrative	2,440
Total	99,299

Breakdown by education

Education	Number (person)
Bachelor's degree and above	26,874
Junior college graduate	26,963
Technical secondary school and below	45,462
Total	99,299

Note: China region has achieved 23% optimisation of operational efficiency through four restructuring and six digital transformations. During the period, the construction of overseas markets was further strengthened so the marketing personnel were increased by 49% as compared to the corresponding year.

(II) Remuneration policies

☒ Applicable ☐ Not Applicable

The Company implements a value-creation-centric, customer-paid, and Rendanheyi remuneration system, which takes customer value-added experience as a test and originates from the Haier strategic profit and loss statement. It assesses the creation of customer value, ecosystem micro-community initiation upgrade, target-oriented budget implementation, ecosystem results and continuous optimization based on ecosystem micro-community contracts, Rendanheyi scorecard and win-win value appreciation table. This incentive mechanism guides the customer-paid salary, makers for everyone, and sharing and win-win oriented, creates ecosystem value and leads the ecosystem brand of the Internet of Things.

VI. STAFF OF THE PARENT COMPANY AND PRINCIPAL SUBSIDIARIES (continued)

(III) Personnel training

☒ Applicable ☐ Not Applicable

Please also refer to relevant content set out in *2020 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 excised 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.

I. EXPLANATION OF CORPORATE GOVERNANCE (continued)

(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 Supervisory Committee 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, the self-procurement capability and scope of the self-procurement platforms matched its businesses, and constantly strengthened the procurement capability of the Company, which further optimized the 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 responsible and diligent attitude and protected the interests of the Company. During the reporting period, the Company has 5 external directors, of which 3 are independent directors, representing a larger proportion of the total number of the directors (8 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 development strategy.

I. EXPLANATION OF CORPORATE GOVERNANCE (continued)

(4) Supervisors and the Supervisory Committee:

During the reporting period, the Supervisory Committee 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 Supervisory Committee 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 Supervisory Committee and relevant laws and regulations.

(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 promoted to vest the Employees Stock Ownership Scheme and other matters 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 jointly promote the sustainable and sound development of the Company. For details, please refer to relevant information in 2020 Social Responsibility Report of Haier Smart Home Co., Ltd. published on the same date of this report.

I. EXPLANATION OF CORPORATE GOVERNANCE (continued)

(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 2020:

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 2020, trading volume of related-party transactions regarding procurement amounted to RMB22.8 billion, which accounted for 11.9% of the similar transactions, and stable year-on-year. Trading volume of related-party transactions regarding sales amounted to RMB2.8 billion, which accounted for 1.3% of the similar transactions and stable year-on-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 in China, German, China Hong Kong 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).

I. EXPLANATION OF CORPORATE GOVERNANCE (continued)

(8) Implementation of corporate governance campaign in 2020: (continued)

Leveraging on the further implementation of governance campaign and enhancing the establishment of fundamental systems, the Company further improved the corporate governance structure and enhanced the level of 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
2020 First Extraordinary General Meeting	31 March 2020	For details, please refer to the <i>Announcement on Resolutions of 2020 First Extraordinary General Meeting of Haier Smart Home Co., Ltd.</i> (L2020-010) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers.	1 April 2020
2019 Annual General Meeting	3 June 2020	For details, please refer to the <i>Announcement on Resolutions of 2019 Annual General Meeting of Haier Smart Home Co., Ltd.</i> (L2020-029) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers.	4 June 2020
2020 Second Extraordinary General Meeting	1 September 2020	For details, please refer to the <i>Announcement on Resolutions of 2020 Second Extraordinary General Meeting, 2020 First A-shares Class Meeting and 2020 First D-shares Class Meeting of Haier Smart Home Co., Ltd.</i> (L2020-062) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers.	2 September 2020
2020 First A-shares Class Meeting of Haier Smart Home Co., Ltd.			
2020 First D-shares Class Meeting of Haier Smart Home Co., Ltd.			

II. BRIEF INTRODUCTION TO THE GENERAL MEETING OF SHAREHOLDERS (continued)

Explanation of shareholders' general meetings

√ Applicable ☐ Not Applicable

- (1) **The 2020 First Extraordinary General Meeting** of the Company 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 31 March 2020 for deliberation of the proposals concerning the amendments to the articles of association and relevant issues. The Company had a total of 6,579,566,627 shares. Attendance of shareholders and proxies at the Meeting is as follows: there were 314 shareholders of the Company in attendance either in person or by proxy at the Meeting, holding a total of 3,718,197,212 shares, representing 56.51% of the total number of shares of the Company with voting rights. The directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the Meeting. The Meeting was convened by the Board of the Company. Mr. Liang Haishan, Chairman of the Board, presided over the Meeting. The Company had 9 Directors, of whom 1 Director attended the Meeting (Directors Tan Lixia, Li Huagang, Wu Changqi, Yan yan, Lin Sui, Qian Daqun, Dai Deming and Shi Tiantao were unable to attend the meeting due to personal engagement); the Company had 3 Supervisors, all of whom attended the Meeting. The secretary to the Board of the Company attended the Meeting and other members of senior management of the Company were invited to attend the Meeting.
- (2) **The 2019 Annual General Meeting of the Company** was held by way of on-site voting and online voting by poll at Room B101, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 3 June 2020 for deliberation of the proposals concerning the annual report of the Company and other issues. The Company had a total of 6,579,566,627 shares capital. Attendance of shareholders and proxies at the meeting is as follows: there were 517 shareholders of the Company in attendance either in person or by proxy at the meeting, holding a total of 4,144,404,424 shares, representing 62.99% of the total number of shares of the Company with voting rights. The directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the meeting. The meeting was convened by the Board of the Company. Mr. Liang Haishan, Chairman of the Board, presided over the meeting. The Company had 9 Directors, of whom 4 Directors attended the meeting (Directors Shi Tiantao, Qian Daqun, Wu Changqi, Lin Sui and Yan Yan were unable to attend the meeting due to personal engagement); the Company had 3 Supervisors, all of whom attended the meeting. The secretary to the Board of the Company attended the meeting and other members of senior management of the Company were invited to attend the meeting.

II. BRIEF INTRODUCTION TO THE GENERAL MEETING OF SHAREHOLDERS (continued)

Explanation of shareholders' general meetings (continued)

- (3) **The 2020 Second Extraordinary General Meeting, 2020 First A-shares Class Meeting and 2020 First D-shares Class Meeting** were held sequentially by way of on-site voting and online voting by poll at Room B101, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 1 September 2020 for deliberation of the proposals concerning the matters on significant asset reorganization of the Company. The Company had a total of 6,579,566,627 shares capital. Attendance of shareholders and proxies at the meetings is as follows: there were 827 shareholders of the Company in attendance either in person or by proxy at the meetings, holding a total of 4,408,418,171 shares, representing 67.00% 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 meetings. The meetings were convened by the Board of the Company. Mr. Liang Haishan, Chairman of the Board, presided over the meetings. The Company had 9 Directors, of whom 1 Director attended the meetings (Directors Tan Lixia, Li Huagang, Wu Changqi, Yan Yan, Lin Sui, Dai Deming, Qian Daqun and Wang Keqin were unable to attend the meetings due to personal engagement); the Company had 3 Supervisors, all of whom attended the general meeting. The secretary to the Board of the Company attended the general meeting and other members of senior management of the Company were invited to attend the general meeting.

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	Required attendances of Board meetings	Attendance in person	Attendance by telecommunication	Attendance by proxy	Attendance of Board meetings			Attendances at general meetings
						Absence	Absence from two consecutive meetings in person or not	Number of attendance of general meetings	
Liang Haishan	NO	9	8	1	1	0	NO	5	
Tan Lixia	NO	9	9	2	0	0	NO	1	
Li Huagang	NO	9	9	2	0	0	NO	1	
Wu Changqi	NO	9	9	9	0	0	NO	0	
Dai Deming	YES	9	9	9	0	0	NO	1	
Shi Tiantao	YES	2	2	2	0	0	NO	0	
Lin Sui	NO	9	9	9	0	0	NO	0	
Qian Daqun	YES	9	9	9	0	0	NO	0	
Yan Yan	NO	8	8	8	0	0	NO	0	
WONG Hak Kun	YES	7	7	7	0	0	NO	0	

III. PERFORMANCE OF DUTIES BY DIRECTORS (continued)

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

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	9
Of which: Number of on-site meetings	0
Number telecommunication of meetings held by	1
Number of meetings held both on site and by telecommunication	8

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

☐ Applicable ☒ Not Applicable

(III) Others

☐ 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 8 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 2019 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 2019 and operating results and cash flow for the year 2019. 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, related transactions involving the transfer of equity interest in subsidiaries, and the first quarterly report/the semi-annual report/the third quarterly report of 2020. The Audit Committee agreed the above resolutions and submitted the same to the Board for consideration.

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 (continued)

- (2) Remuneration and Appraisal Committee: during the reporting period, the Company convened 2 meeting of the Remuneration and Appraisal Committee to consider the postponement of the Phase II 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 postponement is in compliance with the relevant laws and regulations as well as the requirements described under the 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 re-election of independent director candidates as well as annual performance of duties by directors, supervisors and senior management. The Nomination Committee believes that there are no independent director who are not allowed to serve as independent directors of the Company, and their qualifications meet the requirements for being an independent 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 and proposed relevant resolutions to the Board of directors for consideration.
- (4) Strategy Committee: during the reporting period, the Company convened 3 meetings of the Strategy Committee to consider and approve the privatisation of Haier Electronics, the shareholders return scheme in next 3 years, annual performance of duties. The Strategy Committee believes that this privatisation 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 privatisation 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. SUPERVISORY COMMITTEE' 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

The 2020 remuneration system of the management personnel of the Company reflects the ecosystem micro-community contract, high value-adding and high sharing, which is linked with win-win value appraisal table and Rendanheyi scorecard, etc. Vertically, the Rendanheyi scorecard represents strategic undertaking and ecosystem micro-community contract, which is linked with the ecosystem micro-community upgrade initiation and platform leading, and horizontally, it embodies the global leadership and ecosystem achievements of the market competitiveness, which leads to the upgrading from "high-end brand" to "scenario brand" and "ecosystem brand". The remuneration competitiveness is determined based on such elements as "strategic undertaking", "market-leading target competitiveness", "micro-community initiation, platform leading" and "ecosystem achievements". The senior management personnel receive an annual assessment of performance for the year, which is a key factor in determining performance bonuses and development. On one hand, the overall customer-paid, and Rendanheyi remuneration system forms a diversified combination of the management's remuneration incentives, which is oriented towards creating customer value and ecosystem value. On the other hand, it also makes the remuneration mechanism of the management more flexible, which provides impetus for the innovation of the management and embodies the maximization of people value.

At the same time, the Company implements measures such as the core employee stock-holding plan to further improve the remuneration incentive system, enhances the incentive and restraint mechanisms, and establishes a benefits and risk sharing mechanism between the Company and the operational and managerial personnel based on the principle of the customer-paid salary.

VIII. WHETHER TO DISCLOSE THE SELF-ASSESSMENT REPORT ON INTERNAL CONTROL

☒ Applicable ☐ Not Applicable

For details, please refer to the 2020 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 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 (2021) No. 000175).

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

Whether to disclose the audit report on internal control: Yes

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

X. OTHERS

☐ Applicable ☒ Not Applicable

Section X Relevant Information on Corporate Bonds

√ Applicable ☐ Not Applicable

I. OVERVIEW OF CORPORATE BONDS

Unit and Currency: HK\$

Name of bonds	Abbreviation	Code	Issuing date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Places of transaction
Harvest International Company HK\$8,000,000,000 Zero Coupon Guaranteed Convertible Bonds due 2022	/	ISIN XS1716796641	2020.12.23	2022.11.23	7,993,000,000	5.11	One time repayment of the principal and interest when due	Hong Kong Stock Exchange

Interest payment and repayment of corporate bonds

☒ Applicable ☐ Not Applicable

During the reporting period, the above-mentioned convertible bonds issued by Harvest International Company, a subsidiary of the Company (hereafter referred to as the “H-share Convertible Bonds”), which are still in the subsistence period, repaid 105.11% of the remaining par value of the bonds at maturity by way of one time repayment of principal and interest.

Other notes of the corporate bonds

√ Applicable ☐ Not applicable

On 23 November 2017, the first 2017 Extraordinary General Meeting of the Company adopted the Resolution of Qingdao Haier Co., Ltd. on the Scheme for Public Offering of Convertible Corporate Bonds (the “A-share Convertible Bonds”) upon consideration. Pursuant to the resolution at this general meeting and the approval documents of the China Securities Regulatory Commission and others, the Company completed the issue of convertible corporate bonds in December 2018, with a total issue amount of RMB3,007.49 million. The bonds were listed on 18 January 2019, which is referred to as “Haier Convertible Bonds” and its bond code is 110049. For details, please refer to the Prospectus for the Public Offering of A-share Convertible Corporate Bonds by Qingdao Haier Co., Ltd. as disclosed on 14 December, 2018, and the Announcement on the Listing of Convertible Corporate Bonds by Qingdao Haier Co., Ltd. as disclosed on 16 January, 2019 and other relevant documents. As the convertible bonds in 2019 met the redemption conditions and the Board of Directors of the Company decided to exercise the redemption right after consideration and approval, the Company redeemed the balance of the convertible bonds in full up to the registered amount on redemption registration date. After the redemption, the convertible bonds of the Company were delisted on 17 December, 2019. At present, the A-share convertible bonds no longer exist, but the funds raised from the issuance of the bonds have not been fully utilized.

II. CONTACT PERSON AND CONTACT INFORMATION FOR THE ENTRUSTED MANAGER OF CORPORATE BONDS, AND CONTACT INFORMATION OF CREDIT RATING AGENCY

Bond entrusted manager	Name	The Hongkong and Shanghai Banking Corporation Limited
	Office Address	L24 HSBC Main Building, 1 Queen's Road Central, Hong Kong

Other explanations:

☐ Applicable ☒ Not applicable

III. Utilization of funds raised from corporate bonds

☒ Applicable ☐ Not applicable

The H-share convertible bonds are converted from the exchangeable bonds issued by Harvest International Company, a subsidiary of the Company, in November 2017. The funds raised from the bond issue are used to repay the foreign debts of the Company, and have all been utilized as agreed in the proposal. For details of the utilization of funds, please refer to the Announcement of Qingdao Haier Co., Ltd. on Issuance of Exchangeable Corporate Bonds by Overseas Wholly-owned Subsidiaries (L2017-041) disclosed by the Company on 8 November, 2017.

As of 31 December 2020, RMB2,397.57 million of the funds raised from A-share convertible bonds has been utilized, with a balance of RMB633.20 million (the account balance includes the income generated from the purchase of wealth management products, interest on demand deposits, foreign exchange gains and losses and the not-yet-invested capital raised). For details of the use of funds, please refer to the Special Audit Report of Haier Smart Home Co., Ltd. on the Deposit and Actual Utilization of Funds Raised in 2020, which was disclosed on the same date as this report.

Section X Relevant Information on Corporate Bonds

IV. INTRODUCTION OF CORPORATE BONDS RATING

☐ Applicable ☒ Not Applicable

V. CORPORATE BONDS CREDIT ENHANCEMENT MECHANISM, SOLVENCY PLAN AND OTHERS DURING THE REPORTING PERIOD

☐ Applicable ☒ Not Applicable

VI. MEETING OF CORPORATE BONDHOLDERS

☐ Applicable ☒ Not Applicable

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

Unit and Currency: RMB

Key indicators	2020	2019	Yoy change (%)	Reasons for change
EBITDA	19,967,111,801.70	21,042,832,181.06	-5.11	
Liquidity ratio	1.04	1.05	-0.54	
Quick ratio	0.78	0.76	2.00	
Debt to assets ratio (%)	66.52	65.33	1.83	
Total liabilities ratio of EBITDA	31.80	33.53	-5.16	
Interest coverage ratio	11.21	9.37	19.62	
Cash interest coverage ratio	13.26	8.63	53.61	
EBITDA interest coverage ratio	15.05	12.04	24.92	

IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

☒ Applicable ☐ Not Applicable

The H-share convertible bonds will be repaid by way of repayment of principal and interest as and when they fall due, accounting for 105.11% of the remaining par value of the bonds.

X. BANKING FACILITIES GRANTED BY THE COMPANY DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

The banking facilities amounted to RMB130,727.97 million during the reporting period of the Company.

XI. IMPLEMENTATION OF THE RELEVANT AGREEMENTS OR UNDERTAKINGS IN THE PROSPECTUS OF CORPORATE BONDS BY THE COMPANY DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

The H-share convertible bonds have been fully utilized. For the utilization of funds in related projects raised from A-share convertible bonds, please refer to the Special Audit Report of Haier Smart Home Co., Ltd. on the Deposit and Actual Use of Raised Funds in 2020 disclosed on the same date as this announcement.

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

Qingdao, 30 March 2020

The Board of Haier Smart Home Co., Ltd

Liang Haishan _____

Tan Lixia _____

Li Huagang _____

Wu Changqi _____

Xie Juzhi _____

Lin Sui _____

Yu Handu _____

Li Jinfen _____

Section XII Financial Report

I. AUDIT REPORT

√ Applicable ☐ Not Applicable

Audit Report

He Xin Shen Zi. (2021) No.000176

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 2020, 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 2020, 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 2020, and the Consolidated and the Company's financial performance and cash flow for the year 2020 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:

Section XII Financial Report

Key Audit Matters	Audit Response
<p>(I) Provision for impairment of goodwill and intangible assets with indefinite useful lives</p> <p>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.</p> <p>As of 31 December 2020, the book value of goodwill was RMB22.518 billion, and the book value of intangible assets with indefinite useful lives was RMB2.713 billion, without any provision for asset impairment. Whether the provision for impairment of long-term assets was sufficient had great influence to the financial statements.</p> <p>Significant management judgments are involved in calculation of asset group's recoverable amount, such as revenue growth rate, gross margin, discount rate, etc.</p> <p>Provision for impairment of goodwill and intangible assets with indefinite useful lives is considered as the key audit matter due to the significant amount and management judgement involved in calculation.</p>	<p>We mainly implemented the following audit procedures on the provisions for the impairment of goodwill and intangible assets with indefinite useful life:</p> <ol style="list-style-type: none">(1) Compared the actual operating results of the related assets group with previous year's forecasted figures, to assess the reliability of the management forecast on cash flow;(2) Compared the input of cash flow forecast with historical data, approved budget and business plan;(3) Tested the calculation accuracy of the discounted cash flow model;(4) Assessed the appropriateness of parameters in the cash flow conversion model, such as the discount rate and the perpetual growth rate. The assessment is based our understanding of the Company's businesses and the industry.

Key Audit Matters	Audit Response
<p>(II) Provision for impairment of inventory</p> <p>Relevant disclosures are included in note VII.8 Inventory to the financial statements.</p> <p>The Company's inventories are measured at the lower of cost and net realizable value. As of 31 December 2020, the inventory balance was RMB30.736 billion, and the provision for impairment of inventory was RMB1,289 million and the book value was RMB29.447 billion. Whether the provision for the impairment of inventories was sufficient and accurate had great influence to the financial statements.</p> <p>The Company determines the net realizable value of inventory based on the estimated selling price minus the estimated selling expenses and related taxes.</p> <p>Management estimates the selling price based on the status of inventory. The estimation process involves significant management judgments such as inventory status, repair rate, discount rate, etc.</p> <p>Provision for inventories is considered as the key audit matter due to the significant amount and management judgement involved in calculation.</p>	<p>We mainly implemented the following audit procedures on the provision for impairment of inventories:</p> <ol style="list-style-type: none"> (1) Obtained the calculation table for provision for impairment of inventory of the Company, and reviewed the conditions and aging of the products models stated in the table to see whether they are consistent with the information obtained through physical inventory on a sample basis; (2) Compared the major parameters estimated by management with historical data, and assessed the appropriateness; (3) Assessed the selling price estimated by the management, and checked the inventory against the actual selling price after the balance sheet date on a sample basis; (4) Assessed selling expenses and related tax estimated by management and compared with actual amounts incurred.

Section XII Financial Report

Key Audit Matters	Audit Response
<p>(III) Product warranty</p> <p>Relevant disclosures are included in Note VII. 33 Non-current liabilities due within one year and Note VII. 40 Estimated liabilities to the financial statements.</p> <p>Estimated liabilities of the Company are mainly accrued due to current obligations arising from product warranty. As of 31 December 2020, the balance of the estimated liabilities and non-current liabilities due within one year related to product warranty was RMB2.911 billion, and whether the provision for warranty was sufficient and accurate had great influence to the financial statements.</p> <p>Estimated liabilities for product warranty of the Company were measured in accordance with the best estimate of the cost to fulfill the relevant current obligations.</p> <p>Calculation of the product warranty involves management's significant judgments based on historical experience, such as: replacement rate, repair rate, and loss due to disassemble product.</p> <p>Estimated liabilities are considered as the key audit matters due to the significant amount and management judgement involved in calculation.</p>	<p>We mainly implemented the following audit procedures on the estimated liabilities:</p> <ol style="list-style-type: none">(1) Obtained the calculation table on provisions of the management;(2) Compared the main parameters estimated by management with historical data;(3) Tested the accuracy of the calculation on estimated liabilities;(4) Compared and analyzed the calculation results of the estimated liabilities and the Company's actual operation;

IV. OTHER INFORMATION

The management of Haier Smart Home Co., Ltd. (hereinafter referred to as the “Management”) is responsible for other information. Other information includes the information covered in the 2020 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.

Section XII Financial Report

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: Zhaobo (Engagement Partner)
Certified Public Accountant: Wang Lin
Jinan, China
30 March 2021

Section XII Financial Report

II. FINANCIAL STATEMENTS

Consolidated Balance Sheet

31 December 2020

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	31 December 2020	31 December 2019
Current assets:			
Monetary funds	VII.1	46,461,329,426.91	36,178,815,683.25
Provision of settlement fund			
Funds lent			
Financial assets held for trading	VII.2	2,165,192,497.83	308,135,007.05
Derivative financial assets	VII.3	77,839,006.63	19,158,132.45
Bills receivable	VII.4	14,136,349,754.34	13,951,419,893.96
Accounts receivable	VII.5	15,930,024,286.67	11,015,871,060.09
Financing receivables			
Prepayments	VII.6	765,427,571.70	1,272,921,546.72
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VII.7	1,717,152,945.65	2,163,517,802.50
Including: Interest receivables		322,473,254.91	273,009,954.80
Dividends receivables		4,915,409.42	4,524,472.84
Financial assets purchased under resale agreements			
Inventories	VII.8	29,446,973,404.75	28,228,600,971.61

Section XII Financial Report

Items	Notes	31 December 2020	31 December 2019
Contract assets	VII.9	263,412,927.58	422,738,398.42
Assets held for sale			
Non-current assets due in one year			
Other current assets	VII.10	3,283,888,900.58	6,985,966,115.46
Total current assets		114,247,590,722.64	100,547,144,611.51
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables		330,588,978.97	307,588,203.00
Long-term equity investments	VII.11	21,567,658,450.89	20,460,763,915.68
Investments in other equity instruments	VII.12	2,659,125,265.54	1,395,959,878.92
Other non-current financial assets	VII.13		294,547,364.47
Investment properties	VII.14	28,387,002.81	29,402,691.38
Fixed assets	VII.15	20,895,504,722.21	21,180,057,212.01
Construction in progress	VII.16	3,596,902,447.07	2,391,364,659.97
Biological assets for production			
Oil and gas assets			
Right-of-use assets	VII.17	2,839,858,259.27	2,755,066,601.59
Intangible assets	VII.18	10,017,867,645.93	10,687,071,783.07
Development cost	VII.19	167,746,724.13	193,285,777.10
Goodwill	VII.20	22,518,460,337.64	23,351,729,813.35
Long-term prepaid expenses	VII.21	455,742,504.13	437,586,912.58
Deferred income tax assets	VII.22	2,208,301,258.25	1,578,901,892.73
Other non-current assets	VII.23	1,925,761,560.17	1,843,764,965.81
Total non-current assets		89,211,905,157.01	86,907,091,671.66
Total assets		203,459,495,879.65	187,454,236,283.17
Current liabilities:			
Short-term borrowings	VII.24	7,687,908,165.88	8,585,049,237.18
Borrowings from central bank			
Funds borrowed			
Financial liabilities held for trading	VII.25	26,952,508.66	42,799,173.35
Derivative financial liabilities	VII.26	239,582,532.90	99,548,853.97
Bills payable	VII.27	21,236,057,053.67	19,308,538,776.92
Accounts payables	VII.28	36,302,971,944.48	33,750,567,046.28
Receipts in advance			
Contract liabilities	VII.29	7,048,637,659.48	5,583,008,412.49
Disposal of repurchased financial assets			

Section XII Financial Report

Items	Notes	31 December 2020	31 December 2019
Absorbing deposit and deposit in inter-bank market			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Payables for staff's remuneration	VII.30	3,760,099,978.82	3,155,572,417.30
Taxes payable	VII.31	2,399,705,460.12	2,117,056,381.04
Other payables	VII.32	17,056,156,167.28	15,156,392,521.82
Including: Interest payables			
Dividends payables			
Fees and commissions payable			
Reinsurance Accounts payables			
Liabilities held for sale			
Non-current liabilities due within one year	VII.33	7,522,724,913.40	7,317,138,918.02
Other current liabilities	VII.34	6,112,053,944.63	494,065,707.54
Total current liabilities		109,392,850,329.32	95,609,737,445.91
Non-current liabilities:			
Deposits for insurance contracts			
Long-term borrowings	VII.35	11,821,416,259.81	13,276,452,935.56
Bonds payable	VII.36	6,713,501,050.27	7,004,585,761.43
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VII.37	2,072,702,352.68	1,980,271,767.35
Long-term payables	VII.38	98,203,261.27	142,342,718.45
Long-term payables for staff's remuneration	VII.39	1,245,775,024.35	1,122,350,237.36
Estimated liabilities	VII.40	1,442,844,036.73	1,398,877,746.33

Items	Notes	31 December 2020	31 December 2019
Deferred income	VII.41	633,761,669.48	705,272,617.10
Deferred income tax liabilities	VII.22	1,900,401,265.97	1,154,413,295.72
Other non-current liabilities	VII.42	27,033,458.13	70,071,490.03
Total non-current liabilities		25,955,638,378.69	26,854,638,569.33
Total liabilities		135,348,488,708.01	122,464,376,015.24
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII.43	9,027,846,441.00	6,579,566,627.00
Other equity instruments	VII.44	2,364,195,333.79	431,424,524.07
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII.45	15,009,027,407.40	4,435,890,845.47
Less: treasury stock		28,896,550.65	
Other comprehensive income	VII.46	-1,046,216,729.06	1,317,988,619.66
Special reserve			
Surplus reserve	VII.47	3,045,334,539.60	2,655,327,405.46
General risk provisions			
Undistributed profits	VII.48	38,445,132,172.47	32,468,121,744.26
Total equity attributable to owners (or shareholders) of the Parent Company		66,816,422,614.55	47,888,319,765.92
Minority shareholders' interests		1,294,584,557.09	17,101,540,502.01
Total owners' equity (or shareholders' equity)		68,111,007,171.64	64,989,860,267.93
Total liabilities and owners' equity (or shareholders' equity)		203,459,495,879.65	187,454,236,283.17

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Section XII Financial Report

Balance Sheet of the Parent Company

31 December 2020

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	31 December 2020	31 December 2019
Current Assets:			
Monetary funds		8,286,549,909.64	5,624,406,816.79
Financial assets held for trading			
Derivative financial assets			
Bills receivable			
Accounts receivable	18.1	5,491,536,070.42	1,182,234,481.49
Financing receivables			
Prepayments		295,050,991.15	30,749,459.11
Other receivables	18.2	3,906,373,387.61	5,885,752,905.74
Including: Interest receivables		38,582,434.11	16,753,860.49
Dividends receivables			3,836,055,151.41
Inventories		73,974,562.87	233,688,207.38
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		459,309,301.58	705,958,670.28
<hr/>			
Total current assets		18,512,794,223.27	13,662,790,540.79
<hr/>			
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	18.3	52,290,227,070.21	35,566,480,370.20
Investments in other equity instruments		804,334,894.58	5,147,131.28
Other non-current financial assets			
Investment properties			
Fixed assets		196,529,502.16	180,807,176.98
Construction in progress		8,319,418.36	65,367,920.02
Biological assets for production			
Oil and gas assets			
Right-of-use assets		2,076,376.95	
Intangible assets		62,103,457.66	15,779,108.14
Development cost			
Goodwill			
Long-term prepaid expenses		4,208,602.97	5,405,209.80

Items	Notes	31 December	31 December 2019
		2020	
Deferred income tax assets		154,335,216.49	97,384,845.46
Other non-current assets		26,894,836.99	3,792,624.04
Total non-current assets		53,549,029,376.37	35,940,164,385.92
Total assets		72,061,823,599.64	49,602,954,926.71
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable			
Accounts payables		248,172,640.78	3,412,291,778.06
Receipts in advance			
Contract liabilities		8,716,599.17	16,562,259.31
Payables for staff's remuneration		86,872,482.44	76,513,196.33
Taxes payable		55,756,358.98	86,856,453.32
Other payables		29,642,219,320.03	26,900,844,668.74
Including: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		20,840,106.80	
Other current liabilities		5,538,254,928.01	2,149,745.37
Total current liabilities		35,600,832,436.21	30,495,218,101.13
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		877,995.63	
Long-term payable			20,000,000.00
Long-term payables for staff's remuneration			
Estimated liabilities			
Deferred income		24,250,000.00	59,820,000.00
Deferred income tax liabilities		219,544,771.62	43,325,120.18
Other non-current liabilities			
Total non-current liabilities		244,672,767.25	123,145,120.18
Total liabilities		35,845,505,203.46	30,618,363,221.31

Section XII Financial Report

Items	Notes	31 December	
		2020	31 December 2019
Owners' equity (or Shareholders' equity):			
Paid-in capital (or share capital)		9,027,846,441.00	6,579,566,627.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		20,408,352,380.95	7,036,531,178.83
Less: treasury stock			
Other comprehensive income		-10,030,704.15	11,077,477.45
Special reserve			
Surplus reserve		2,440,188,314.15	2,050,181,180.01
Undistributed profits		4,349,961,964.23	3,307,235,242.11
<hr/>			
Total owners' equity (or shareholders' equity)		36,216,318,396.18	18,984,591,705.40
<hr/>			
Total liabilities and owners' equity (or shareholders' equity)		72,061,823,599.64	49,602,954,926.71

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Profit Statement

January-December 2020

Unit and Currency: RMB

Items	Notes	2020	2019
I. Total operating revenue	VII.49	209,725,821,099.44	200,761,983,256.57
Including: Operating revenue		209,725,821,099.44	200,761,983,256.57
Interest income			
Insurance premiums earned			
Fee and commission income			
II. Total cost of operations		199,886,424,033.65	192,625,787,459.73
Including: Operating cost	VII.49	147,475,181,245.03	140,868,398,722.26
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.50	660,506,917.33	802,045,039.88
Selling expenses	VII.51	33,641,711,147.72	33,682,126,291.31
Administrative expenses	VII.52	10,052,645,415.72	10,113,263,329.25
R&D expenses	VII.53	6,860,161,572.42	6,266,936,518.17
Financial expenses	VII.54	1,196,217,735.43	893,017,558.86
Including: Interest expenses		1,327,091,393.08	1,747,107,740.65
Interest income		486,179,773.00	550,224,661.04
Add: Other income	VII.55	1,150,647,821.03	1,282,213,029.53
Investment income (losses are represented by '-')	VII.56	4,060,104,212.78	5,479,539,484.34
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.57	62,629,747.80	76,716,967.53
Loss on credit impairment (losses are represented by '-')	VII.58	-166,380,605.76	-150,370,315.60
Loss on assets impairment (losses are represented by '-')	VII.59	-1,335,630,451.94	-860,578,700.61
Gain from disposal of assets (losses are represented by '-')	VII.60	-12,812,837.06	485,727,628.01

Section XII Financial Report

Items	Notes	2020	2019
III. Operating profit (losses are represented by '-')		13,597,954,952.64	14,449,443,890.04
Add: non-operating income	VII.61	197,444,051.06	390,971,548.74
Less: non-operating expenses	VII.62	240,918,538.91	209,806,640.82
IV. Total profit (total losses are represented by '-')		13,554,480,464.79	14,630,608,797.96
Less: income tax expense	VII.63	2,231,864,187.51	2,296,216,280.86
VII. Net profit (net losses are represented by '-')		11,322,616,277.28	12,334,392,517.10
(1) Classification by continuous operation			
(I) Classification by continuous operation			
1. Net profit from continuous operation (net losses are represented by '-')		11,322,616,277.28	9,021,527,220.76
2. Net profit from discontinued operation (net losses are represented by '-')			3,312,865,296.34
(2) Classification by ownership of the equity			
(II) Classification by ownership of the equity			
1. Net profit attributable to shareholders of the Parent Company (net losses are represented by '-')		8,876,593,208.19	8,206,247,105.96
2. Profit or loss attributable to minority shareholders (net losses are represented by '-')		2,446,023,069.09	4,128,145,411.14
VI. Other comprehensive income, net of tax	VII.64	-2,576,197,838.54	569,276,732.12
(I) Other comprehensive income attributable to owners of the Parent Company, net of tax		-2,537,334,822.50	545,356,272.31
1. Other comprehensive income that cannot be reclassified into the profit or loss		-73,070,215.55	-12,605,115.57
(1) Changes arising from re-measurement of defined benefit plans		-23,030,495.09	-9,515,689.78
(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		-50,039,720.46	-3,089,425.79
(4) Changes in fair value of credit risks of the enterprise			
2. Other comprehensive income to be reclassified into the profit or loss		-2,464,264,606.95	557,961,387.88
(1) Other comprehensive income that can be transferred into profit or loss under equity method		-368,885,317.13	83,635,935.11
(2) Changes in fair value of other debt investments			

Items	Notes	2020	2019
(3) Reclassified financial assets that are credited to other comprehensive income			
(4) Credit impairment provision for other debt investments			
(5) Reserve for cash flow hedging		-104,122,543.00	-36,169,378.90
(6) Exchange differences on translation of financial statements denominated in foreign currencies		-1,991,256,746.82	510,494,831.67
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax		-38,863,016.04	23,920,459.81
VII. Total comprehensive income		8,746,418,438.74	12,903,669,249.22
(I) Total comprehensive income attributable to the owners of Parent Company		6,339,258,385.69	8,751,603,378.27
(II) Total comprehensive income attributable to the minority shareholders		2,407,160,053.05	4,152,065,870.95
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	18.1	1.337	1.286
(II) Diluted earnings per share (RMB/share)	18.1	1.306	1.191

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Section XII Financial Report

Profit Statement of the Parent Company

January-December 2020

Unit and Currency: RMB

Items	Notes	2020	2019
I. Operating income	18.4	7,367,641,013.39	6,637,855,488.62
Less: operating cost	18.4	6,067,653,816.35	5,160,746,140.20
Taxes and surcharges		25,848,932.07	20,131,277.44
Selling expenses		395,396,033.18	387,604,103.39
Administration expenses		308,014,697.80	498,482,577.37
R&D expenses		301,514,824.27	319,939,911.68
Financial expenses		40,412,640.04	122,106,293.64
Including: interest expenses		96,677,861.04	166,897,467.02
Interest income		60,291,871.74	45,009,504.16
Add: other income		57,446,351.54	94,265,388.14
investment income (losses are represented by '-')	18.5	4,283,510,237.79	3,536,864,902.60
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 '-')		363,022.59	383,369.58
Loss on assets impairment (losses are represented by '-')		-41,019,305.94	-51,400,268.37
Gain from disposal of assets (losses are represented by '-')			61,268.03
II. Operating profit (losses are represented by '-')		4,529,100,375.66	3,709,019,844.88
Add: non-operating income		816,497.38	9,474,684.80
Less: non-operating expenses		1,544,188.81	3,019,024.42
III. Total profit (total losses are represented by '-')		4,528,372,684.23	3,715,475,505.26
Less: income tax expenses		628,301,342.84	45,214,621.71
IV. Net profit (net losses are represented by '-')		3,900,071,341.39	3,670,260,883.55
(I) Net profit from continuous operations (net losses are represented by '-')		3,900,071,341.39	3,670,260,883.55
(II) Net profit from discontinued operations (net losses are represented by '-')			
VII. Other comprehensive income, net of tax		-21,108,181.60	3,286,132.98

Items	Notes	2020	2019
(I) Other comprehensive income that cannot be reclassified into the profit or loss		-954,819.46	-98,047.20
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		-954,819.46	-98,047.20
4. Changes in fair value of credit risks of the enterprise			
(II) Other comprehensive income to be reclassified into the profit or loss		-20,153,362.14	3,384,180.18
1. Other comprehensive income that can be transferred into profit or loss under equity method		-20,153,362.14	3,384,180.18
2. Changes in fair value of other debt investments			
3. Reclassified financial assets that are credited to other comprehensive income			
4. Credit impairment provision for other debt investments			
5. Reserve for cash flow hedging (effective portion of profit or loss arising from cash flow hedging)			
6. Exchange differences on translation of financial statements denominated in foreign currencies			
7. Others			
VI.Total comprehensive income		3,878,963,159.79	3,673,547,016.53
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

Section XII Financial Report

Consolidated Cash Flow Statement

January-December 2020

Unit and Currency: RMB

Items	Notes	2020	2019
I. Cash flow from operating activities:			
Cash received from the sale of goods and rendering services		207,933,660,841.94	204,152,920,970.07
Net increase in distributor and inter-bank deposits			
Net increase in borrowing from the central bank			
Net cash increase in borrowing from other financial institutes			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Cash received from interest, fee and commissions			
Net increase in cash borrowed			
Net increase in cash received from repurchase operation			
Net cash received from customer deposits for trading in securities			
Refunds of taxes		1,028,615,379.56	898,183,873.66
Cash received from other related operating activities	VII.65	1,538,344,487.10	2,134,070,599.27
Sub-total of cash inflows from operating activities		210,500,620,708.60	207,185,175,443.00
Cash paid on purchase of goods and services		141,706,941,807.74	141,035,818,536.96
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		22,084,658,004.57	22,281,126,153.50
Cash paid for all types of taxes		8,018,680,088.18	8,909,484,821.52
Cash paid to other operation related activities	VII.66	21,091,229,092.60	19,876,114,988.29
Sub-total of cash outflows from operating activities		192,901,508,993.09	192,102,544,500.27
Net cash flow from operating activities	VII.69	17,599,111,715.51	15,082,630,942.73

Items	Notes	2020	2019
II. Cash flow from investing activities:			
Cash received from recovery of investments		7,645,625,690.38	1,922,506,706.23
Cash received from return on investments		616,767,534.63	587,572,407.11
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		324,276,028.59	261,126,967.93
Net cash received from disposal of subsidiaries and other operating entities		861,212,858.63	
Other cash received from investment activities	VII.67	187,717,849.30	4,628,544.73
Sub-total of cash inflows from investing activities		9,635,599,961.53	2,775,834,626.00
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		7,773,724,013.64	6,194,093,049.63
Cash paid for investments		6,816,360,337.69	3,891,482,546.25
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities		309,348,956.95	2,700,119,610.58
Other cash paid on investment activities	VII.68	317,462.62	951,722,560.75
Sub-total of cash outflows from investing activities		14,899,750,770.90	13,737,417,767.21
Net cash flow from investing activities		-5,264,150,809.37	-10,961,583,141.21
III. Cash flow from financing activities:			
Cash received from capital contributions		1,331,296,569.70	440,579,441.68
Including: cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		28,732,212,245.36	18,468,949,110.20
Other cash received from financing activities	VII.69	14,082,437.17	2,751,630.60
Sub-total of cash inflows from financing activities		30,077,591,252.23	18,912,280,182.48
Cash paid on repayment of loans		23,508,653,041.48	19,027,731,485.58
Cash paid on distribution of dividends, profits or repayment of interest expenses		4,290,278,773.42	4,204,473,167.16
Including: dividend and profit paid to minority shareholders by subsidiaries			
Other cash paid to financing activities	VII.70	3,304,582,534.88	1,693,038,756.15
Sub-total of cash outflows from financing activities		31,103,514,349.78	24,925,243,408.89
Net cash flow from financing activities		-1,025,923,097.55	-6,012,963,226.41
IV. Effect of fluctuations in exchange rates on cash and cash equivalents			
		-636,852,569.96	293,937,069.64
VII. Net increase in cash and cash equivalents			
		10,672,185,238.63	-1,597,978,355.25
Add: balance of cash and cash equivalents at the beginning of the period	VII.71	34,962,947,399.85	36,560,925,755.10
VI. Balance of cash and cash equivalents at the end of the period			
	VII.71	45,635,132,638.48	34,962,947,399.85

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Section XII Financial Report

Cash Flow Statement of the Parent Company

January-December 2020

Unit and Currency: RMB

Items	Notes	2020	2019
I. Cash flow from operating activities:			
Cash received from the sale of goods and rendering of services		3,603,881,541.71	1,740,547,441.74
Refunds of taxes		24,537,663.34	10,340,498.97
Other cash received from operating activities		75,205,449.89	152,431,584.44
Sub-total of cash inflows from operating activities		3,703,624,654.94	1,903,319,525.15
Cash paid on purchase of goods and services		10,101,283,560.88	619,607,241.38
Cash paid to and on behalf of employees		515,906,240.68	734,773,203.47
Cash paid for all types of taxes		235,780,589.82	170,125,689.18
Other cash paid to operation activities		141,423,832.28	235,966,622.43
Sub-total of cash outflows from operating activities		10,994,394,223.66	1,760,472,756.46
Net cash flow from operating activities		-7,290,769,568.72	142,846,768.69
II. Cash flow from investing activities:			
Cash received from recovery of investments		4,234,131,825.64	1,800,977,000.00
Cash received from return on investments		4,203,101,788.48	1,533,550,644.96
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		8,437,233,614.12	3,334,527,644.96
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		107,123,777.09	38,846,142.08
Cash paid for investments		2,159,770,900.00	4,122,089,854.72
Net cash paid on acquisition of subsidiaries and other operating entities			
Other cash paid on investment activities		217,500,000.00	320,291,379.00
Sub-total of cash outflows from investing activities		2,484,394,677.09	4,481,227,375.80
Net cash flow from investing activities		5,952,838,937.03	-1,146,699,730.84
III. Cash flow from financing activities:			
Cash received from capital injections			
Cash received from borrowings		10,000,000,000.00	
Other cash received from financing activities		1,071,070,663.49	3,585,075,242.08

Items	Notes	2020	2019
Sub-total of cash inflows from financing activities		11,071,070,663.49	3,585,075,242.08
Cash paid on repayment of borrowings		4,500,000,000.00	1,509,142,243.50
Cash paid on distribution of dividends, profits or repayment of interest expenses		2,528,459,679.57	2,506,226,703.49
Other cash paid on financing activities		42,665,759.89	8,547,229.30
Sub-total of cash outflows from financing activities		7,071,125,439.46	4,023,916,176.29
Net cash flow from financing activities		3,999,945,224.03	-438,840,934.21
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		128,500.51	-1,798,861.81
VII. Net increase in cash and cash equivalents		2,662,143,092.85	-1,444,492,758.17
Add: balance of cash and cash equivalents at the beginning of the period		5,624,406,816.79	7,068,899,574.96
VI. Balance of cash and cash equivalents at the end of the period		8,286,549,909.64	5,624,406,816.79

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Section XII Financial Report

Consolidated Statement of Changes in Owner's Equity

January-December 2020

Unit and Currency: RMB

Items	2020														Total owners' equity
	Equity attributable to owners of the Parent Company														
	Paid-in capital (or share capital)	preference shares	Other equity instruments perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others	Sub-total	Minority equity	
I. Closing balance for the previous year	6,579,566,627.00			431,424,524.07	4,435,690,845.47		1,317,988,619.66		2,655,327,405.46		32,468,121,744.26		47,888,319,765.92	17,101,540,502.01	64,989,860,267.93
Add: changes in accounting policies															
Error correction for prior period															
Business combination under common control															
Others															
II. Opening balance for the current year	6,579,566,627.00			431,424,524.07	4,435,690,845.47		1,317,988,619.66		2,655,327,405.46		32,468,121,744.26		47,888,319,765.92	17,101,540,502.01	64,989,860,267.93
III. Increase/decrease for the current period (decrease is represented by "-")	2,448,279,814.00			1,932,770,809.72	10,573,136,561.93	28,896,550.65	-2,384,205,348.72		390,007,134.14		5,977,010,428.21		18,928,102,848.63	-15,806,955,944.92	3,121,146,903.71
(i) Total comprehensive income							-2,537,334,822.50				8,678,593,208.19		8,339,258,385.69	2,407,160,053.05	8,746,418,438.74
(ii) Capital injection and reduction by owners	2,448,279,814.00			1,932,770,809.72	10,732,277,435.61	28,896,550.65						13,988,600.10	15,099,420,108.78	-17,488,531,204.72	-2,390,111,095.94
1. Ordinary shares invested by owners	2,448,279,814.00				12,696,000,281.09	28,896,550.65							15,115,386,544.44	-17,488,531,204.72	-2,373,144,660.28
2. Capital contribution by holders of other equity instruments				1,932,770,809.72	-1,936,596,159.16								-3,815,349.44		-3,815,349.44
3. Share-based payment included in owners' equity															
4. Others					-27,139,686.32		13,988,600.10						-13,151,086.22		-13,151,086.22
(iii) Profit distribution								390,007,134.14		-2,857,344,619.27		-2,467,337,485.13	-725,594,793.25	-3,192,922,278.38	
1. Withdrawal of surplus reserves								390,007,134.14							
2. Withdrawal of provisions for general risks															
3. Distribution to owners (or shareholders)										-2,467,337,485.13		-2,467,337,485.13	-725,594,793.25	-3,192,922,278.38	
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					-159,140,873.68		159,140,873.68				-42,238,160.71		-42,238,160.71		-42,238,160.71
IV. Closing balance for the period	9,027,846,441.00			2,364,195,333.79	15,009,027,407.40	28,896,550.65	-1,046,216,729.06		3,045,334,539.60		38,445,132,172.47		66,816,422,614.55	1,294,584,557.09	68,111,007,171.64

Section XII Financial Report

Unit and Currency: RMB

Items	2019												
	Equity attributable to owners of the Parent Company												
	Paid-in capital (or share capital)	Other equity instruments	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others	Sub-total	Minority equity
I. Closing balance for the previous year	6,368,416,700.00		904,485,786.71	2,208,773,474.57		772,632,347.35		2,288,301,317.10	-	26,659,741,163.95		39,402,950,791.68	15,727,508,145.82
Add: changes in accounting policies													
Error correction for prior period													
Business combination under common control				242,893,583.08						97,501,518.66		340,385,101.74	337,173,479.67
Others													
II. Opening balance for the current year	6,368,416,700.00		904,485,786.71	2,451,667,057.65		772,632,347.35		2,288,301,317.10	-	26,957,242,682.61		39,742,745,883.42	16,065,101,625.49
III. Increase/decrease for the current period (decrease is represented by "-")	211,148,927.00		-473,061,264.64	1,984,223,787.82		545,566,272.31		367,026,088.36	-	5,510,879,091.65		8,145,573,872.50	1,036,438,876.52
(I) Total comprehensive income						545,566,272.31				8,206,247,116.96		8,751,803,378.27	4,152,065,870.95
(II) Capital contribution and reduction by owners	211,148,927.00		-473,061,264.64	1,984,223,787.82		-		-				1,722,312,450.18	-2,522,706,368.51
1. Ordinary shares invested by owners	211,148,927.00		-473,061,264.64	2,030,725,374.42								1,771,814,088.78	-2,522,706,368.51
2. Capital contribution by holders of other equity instruments													
3. Share-based payment included in owners' equity													
4. Others				-48,501,586.60								-48,501,586.60	
(III) Profit distribution						-		367,026,088.36	-	-2,602,360,649.09		-2,235,334,560.73	-578,689,908.63
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	-578,689,908.63
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										-93,007,385.22		-93,007,385.22	-14,220,716.29
IV. Closing balance for the period	6,579,565,627.00		431,424,524.07	4,435,890,845.47		1,317,988,619.66		2,655,327,405.46	-	32,468,121,744.26		47,886,319,765.92	17,101,540,532.01

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Section XII Financial Report

Statement of Changes in Owners' Equity of the Parent Company

January-December 2020

Unit and Currency: RMB

Items	2020										
	Paid-in capital (or share capital)	Preference shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
I. Closing balance for the previous year	6,579,566,627.00				7,036,531,178.83		11,077,477.45		2,050,181,180.01	3,307,235,242.11	18,984,591,705.40
Add: changes in accounting policies											
Error correction for prior period											
Others											
II. Opening balance for the current year	6,579,566,627.00				7,036,531,178.83		11,077,477.45		2,050,181,180.01	3,307,235,242.11	18,984,591,705.40
III. Increase/decrease for the current period (decrease is represented by "-")	2,448,279,814.00				13,371,821,202.12		-21,108,181.60		390,007,134.14	1,042,726,722.12	17,231,726,690.78
(I) Total comprehensive income							-21,108,181.60			3,900,071,341.39	3,878,963,159.79
(II) Capital injection and reduction by owners	2,448,279,814.00				13,371,821,202.12						15,820,101,016.12
1. Ordinary shares invested by owners	2,448,279,814.00				13,371,821,202.12						15,820,101,016.12
2. Capital contribution by holders of other equity instruments											
3. Share-based payment included in owners' equity											
4. Others											
(III) Profit distribution									390,007,134.14	-2,857,344,619.27	-2,467,337,485.13
1. Withdrawal of surplus reserves									390,007,134.14	-390,007,134.14	
2. Distribution to owners (or shareholders)										-2,467,337,485.13	-2,467,337,485.13
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4. Changes in defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others											
IV. Closing balance for the period	9,027,846,441.00				20,408,352,380.95		-10,030,704.15		2,440,188,314.15	4,349,961,964.23	36,216,318,386.18

Section XII Financial Report

Items	2019										
	Paid-in capital (or share capital)	Preference shares	Other equity instruments		Capital reserve	Less:		Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
			Perpetual bonds	Others		treasury stock	Other comprehensive income				
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		1,683,155,081.65	2,239,335,007.65	14,954,565,081.39
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		1,683,155,081.65	2,239,335,007.65	14,954,565,081.39
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	4,000,006,624.01
(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	2,889,688,684.61						2,627,967,346.97
1. Ordinary shares invested by owners	211,149,927.00			-473,061,264.64	2,889,688,684.61						2,627,967,346.97
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	-2,602,360,646.09	-2,235,334,557.73
1. Withdrawal of surplus reserves									367,026,088.36	-367,026,088.36	
2. Distribution to owners (or shareholders)											
3. Others										-2,235,334,560.73	-2,235,334,560.73
(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

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 RMB150 million. In March and September 1993, as approved by the document of Qing Gu Ling Zi [1993] No. 2 and No. 9 issued by the pilot leading team of Qingdao joint stock company, the Company was converted from a directional offering company to a public subscription company and issued additional 50 million shares to the public and listed with trading on Shanghai Stock Exchange in November 1993. In October 2018, D-shares in issue of the Company were listed on the China Europe International Exchange AG. In December 2020, H-shares in issue of the Company were listed on the Stock Exchange of Hong Kong Limited by way of introduction.

The Company's registered office is located at the Haier Industrial Park of Laoshan District, Qingdao, Shandong Province, and the 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 30 March 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 2020, operation result of 2020 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

(1) Business combinations under common control (continued)

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

(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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

(2) Business combinations involving entities not under common control (continued)

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Preparation method of consolidated financial statements (continued)

(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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Foreign currency businesses and translation of foreign currency statements (continued)

(2) Translation of foreign currency financial statements (continued)

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:

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

① *Classification and measurement (continued)*

a. Debt instrument (continued)

(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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

① *Classification and measurement (continued)*

a. Debt instrument (continued)

- (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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

② *Impairment (continued)*

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

② *Impairment (continued)*

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

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

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

③ *Derecognition*

A financial asset is derecognized when any of the below criteria is met: a. the contractual rights to receive the cash flow from the financial asset have been 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(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 judgment

① *Significant accounting estimates and underlying key assumptions* **Measurement of expected credit loss ("ECL")**

The Company measures ECL through default risk exposure and the ECL rate, which is determined based on the default probability rate and default loss rate. In determining the ECL rate, the Company uses data such as internal historic credit loss experience and adjusts the historic data taking into consideration current conditions and prospective information. When considering prospective information, indicators adopted by the Company include the risk of economic downside, expected growth in unemployment rate, and changes in external market conditions, technical conditions and customer conditions. The Company monitors and reviews the assumptions relating to ECL computation on a regular basis. There was no significant change to aforesaid estimation technique and key assumptions during the year.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(4) Significant accounting estimates and judgment (continued)

② *Key judgment made in the adoption of accounting policies*

a. Classification of financial assets

The determination of the classification of financial assets involves significant judgment, including analysis of the business model and characteristics of contract cash flow.

The Company determines the business model for managing financial assets at the level of financial asset groups. Factors considered include the methods by which the performance of financial assets are assessed and reported to key management members, risks affecting the performance of financial assets and how such risks are managed and the method in which related business management personnel are remunerated.

In assessing whether the contract cash flow of financial assets is consistent with the basic loan arrangement, the Company exercises the following principal judgments: whether the time distribution or amount of principal during the period could change as a result of early repayment or other reasons; whether interest include only the time value of the currency, cost of credit risk and other basic risk and consideration for profit. For example, whether the early repayment amount reflects only the outstanding principal amount and interests accrued thereon, and reasonable compensation paid for premature termination of contract.

b. Judgment of significant increase in credit risk

The Company's principal criteria for the judgment that credit risk has significantly increased is an overdue for more than 30 days, or significant change in one or more of the following indicators: significant change in the business environment in which the debtor operates, its internal and external credit ratings, and its actual or expected operating results, and significant decrease in the value of collaterals or the credit rating of the guarantor, among others.

The Company's principal criteria for the judgment that a credit impairment has occurred is an overdue for more than 90 days (namely, default has occurred), or fulfillment of one or more of the following conditions: the debtor experiences significant financial difficulties, is undergoing other debt restructuring or is likely to go into bankruptcy.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventory

√ Applicable ☐ Not Applicable

(1) Classification of inventory

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

(2) Pricing of dispatch of inventory

An inventory item is accounted for using the weighted average method upon dispatch.

(3) Impairment provision for inventory

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

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

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

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

(4) Inventory system

The Company adopts the perpetual inventory system.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventory

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

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

12. Long-term equity investments

√ Applicable ☐ Not Applicable

Long-term equity investments hereunder refer long-term equity investments in which the Company exercises control, joint control or significant influence over the investee. Long-term equity investments in which the Company does not exercises control, joint control or significant influence over the investee are classified as available-for-sale financial assets.

(1) Determination of initial investment cost

- ① The initial cost of long-term equity investments acquired through business combination involving parties under common control should be recognised as the share of the carrying value of the owner's equity of the acquired party; the initial cost of long-term equity investments acquired through business combination involving parties not under common control should be recognised as the combination costs determined at the date of acquisition;
- ② For equity investment other than long-term equity investments acquired through business combination, the initial investment cost of long-term equity investments acquired with cash payment is the acquisition price actually paid; the initial investment cost of long-term equity investments acquired with the issuance of equity-based securities is represented by the fair value of equity-based securities; the initial investment cost of long-term equity investments acquired through debt restructuring should be determined in accordance with relevant provisions under "ASBE 12 — Debt Restructuring"; the initial investment cost of long-term equity investment acquired in exchange for non-monetary assets shall be determined in accordance with relevant provisions of the standard.

(2) Subsequent measurement and recognition of profit or loss

① **Cost method**

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

(2) Subsequent measurement and recognition of profit or loss (continued)

② *Equity method*

The equity method is used to account for long-term equity investments in associates and joint ventures. If a part of the equity investment in an associate is held indirectly through risk investment institutions, mutual funds, trust companies or similar principals (including investment-cum-insurance funds), the investor may elect to measure such indirectly held investment at fair value through profit or loss and measure the remaining portions using the equity method, in accordance with relevant provisions of “ASBE 22- Recognition and Measurement of Financial Instruments”, whether or the aforesaid principals are exercising significant influence over this part of the investment

Under the equity method, the initial investment cost is not adjusted for any excess of the initial investment cost over the share of the net fair value of the investee's identifiable assets. When the initial investment cost is less than the share of the fair value of the investment's identifiable net assets, the difference is recognised in current profit or loss and the cost of long-term equity investment is adjusted accordingly.

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

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

- ① Change from fair value measurement to the equity method: If an equity investment in the investee not previously affording control, joint control or significant influence and accounted for in accordance with the standard for recognition and measurement of financial instruments becomes capable of affording joint control or significant influence over the investee as a result of increased shareholding following additional investment, the accounting method should be changed to the equity method, and the fair value of the original equity investment determined according to the standard for recognition and measurement of financial instruments plus the fair value of consideration paid for the acquisition of the new investment shall be changed the initial investment cost under the equity method.
- ② Change from fair value measurement or equity method to cost method: if an equity investment previously held in the investee not previously affording control, joint control or significant influence and accounted for in accordance with the standard for recognition and measurement of financial instruments, or a long-term equity investment previously held in associates or joint ventures becomes capable of affording control over the investee, it is accounted for long-term equity investment formed through business combination.
- ③ Change from equity method to fair value measurement: if a long-term equity investment previously held in the investee affording joint control or significant influence ceases to afford joint control or significant influence as a result of decrease in shareholding percentage following partial disposal, the remaining equity investment is recognised in accordance with the standard for recognition and measurement of financial instruments, and the difference between the fair value at the date of loss of joint control or significant influence and the carrying value is included in current profit or loss.
- ④ Change from cost method to equity method: If control over an investee is changed to or significant influence or joint control with other investors as a result of disposal of investment, the cost of long-term equity investment to be derecognised should first of all be transferred according to the percentage of disposal. Then a comparison is made between the cost of the remaining long-term equity investment and the share of fair value of the identifiable net assets of the investee measured according to the remaining shareholder percentage. If the former is higher than the latter, it is accounted for as goodwill realised in investment pricing and the carrying value of long-term equity investment is not adjusted; if the former is lower than the latter, long-term equity investment cost and retained earnings are both adjusted.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

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

- ① Basis for determining joint control over an investee: decisions on activities having a significant impact on the reward of a certain arrangement must be made with unanimous approval of parties sharing the joint control, such as the sale and purchase of commodities or labour services, management of financial assets, asset acquisition and disposal, R&D activities and financing activities.
- ② Basis for determining significant influence over an investee: holding of capital with more than 20% and up to 50% voting rights is deemed to be having significant influence. Or even though it is less than 20%, fulfillment of one of the following conditions is also deemed as having significant influence:
 - 1) Representation at the board or similar authority of the investee;
 - 2) Participation in the decision-making process of the investee;
 - 3) Posting of management personnel at the investee;
 - 4) Dependence of the investee on the investing party's technology and technical data;
 - 5) Having important transactions with the investee.
- (5) Methods for impairment test and impairment provision

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

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

(6) Disposal of long-term equity investments

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Investment properties

The Company's investment properties included leased land-use rights and leased buildings.

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Fixed assets

(1) Recognition criteria

√ Applicable ☐ Not Applicable

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

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

(2) Classification and depreciation of fixed assets

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

Type of fixed assets	Useful life	Estimated residual value
Land ownership	—	—
Buildings	8-40 years	0%-5%
Machinery equipment	4-20 years	0%-5%
Transportation equipment	5-10 years	0%-5%
Office equipment and others	3-10 years	0%-5%

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Fixed assets (continued)

(4) Bases for recognition and pricing of fixed assets under finance leases

☒ Applicable ☐ Not Applicable

Basis for the recognition of fixed assets under finance leases: Leases that substantially transfer all risks and rewards associated with asset ownership. The specific basis for recognition is fulfilment of one or more of the following conditions: ① the ownership of the leased assets is transferred to the lessee upon expiry of the lease; ② the lessee has the option to purchase the leased assets, and the purchase price agreed is expected to be significantly lower than the fair value of the leased assets at the time when the option is exercised, such that it can be reasonably ascertained at the inception date of the lease that the lessee will exercise such option; ③ even though the ownership of the assets is not transferred, the lease term accounts for a significant portion of the useful life of the leased assets; ④ the present value of the minimum lease payment made by the lessee at the inception date of the lease is almost equivalent to the fair value of the leased assets at the inception date of the lease; ⑤ the nature of the leased assets is exceptional, such that without significant modification, it will not be useful to any party other than the lessee.

Pricing measurement of fixed assets under finance leases: the initial pricing of fixed assets under finance leases is recorded in the book as the lower of the fair value of the leased assets at the inception date of the lease and the present value of the minimum lease payment;

The subsequent measurement of fixed assets under finance leases is based on the same depreciation policy adopted for owned fixed assets in relation to depreciation and impairment provision.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Construction in progress

√ Applicable ☐ Not Applicable

(1) Types of construction in progress

The Company's construction in progress is self-operated construction.

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Borrowing costs

√ Applicable ☐ Not Applicable

(1) Principle for recognition of capitalisation of borrowing cost

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

(2) Computation of capitalised amounts

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Right-of-use assets

√ Applicable ☐ Not Applicable

Right-of-use assets are the rights of the Company as lessee to use leased assets during the lease period. At the inception date of the lease, the Company as lessee should recognise right-of-use assets and lease liabilities in respect of the lease, other than short-term leases and leases of low-value assets which are subject to simplified treatment. The inception date of the lease means the date on which the provision of the leased asset by the lessor for use by the lessee is started.

The Company's right-of-use assets are initially measured at cost, which includes:

- (1) The amount of lease liability under initial measurement;
- (2) The lease payment made on or before the inception date of the lease term, less the relevant amount of lease incentive received if such incentive is available;
- (3) The initial direct cost of the Company as lessee;
- (4) Estimated cost to be incurred for the demolishing and removal of leased assets, restoration of venues where the leased assets are located or restoration of the leased assets to the conditions agreed under the lease terms.

The Company charges depreciation in respect of right-of-use assets in accordance with "ASBE 4 — Fixed Assets". Where the acquisition of ownership of the leased asset at the end of the lease period can be reasonably ascertained by the Company, depreciation is charged over the remaining useful life of the leased assets. If the acquisition of ownership of the leased asset at the end of the lease period cannot be reasonably ascertained, depreciation is charged during the lease term or the remaining useful life of the leased assets, whichever is shorter.

The Company shall determine whether impairment of right-of-use assets has occurred and account for impairment loss which has been identified in accordance with the provisions of "ASBE 8 — Asset Impairment".

When the Company remeasures lease liabilities in accordance with the accounting standard, the carrying value of the right-of-use assets is adjusted accordingly. If the carrying value of the right-of-use assets is reduced to zero but the lease liabilities still require further adjustment, the remaining amount is charged to current profit or loss.

Where lease modification results in a reduced scope of lease or shortened lease term, the carrying value of the right-of-use assets is reduced accordingly, and the relevant gain or loss resulting from the partial or full termination of the lease is included in current profit or loss. For other lease modifications resulting in the remeasurement of lease liabilities, the carrying value of the right-of-use assets is adjusted accordingly.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets

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

(1) Measurement of intangible assets

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

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

(2) Criterion of determining indefinite useful life

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

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

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Impairment of long-term assets

√ Applicable ☐ Not Applicable

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Long-term prepaid expense

☒ Applicable ☐ Not Applicable

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

21. Staff's remuneration

(1) Accounting treatment of short-term remuneration

☒ Applicable ☐ Not Applicable

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

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

(2) Accounting treatment of post-employment benefits

☒ Applicable ☐ Not Applicable

Post-employment benefits mainly include the basic pension insurance, enterprise annuity, etc., In accordance with the risks and obligations undertaken by the Company, the post-employment benefits are classified as defined contribution plans and defined benefit plans. Defined contribution plans: the Company shall recognize the sinking funds paid on the balance sheet date to individual entities in exchange for services from employees in the accounting period as liabilities, and shall credit such funds into the profit or loss or the cost of relevant assets in accordance with the benefit objects. Defined benefit plans: the cost for providing benefits is determined using the expected cumulative welfare unit method, with actuarial valuations being carried out by independent actuary at the interim and annual balance sheet date. The costs for staff's remunerations incurred by the defined benefit plans of the Group are categorized as follows: (1) service cost, including current period service cost, past service cost and settlement profit or loss. Specifically, current period service cost means the increase of the present value of defined benefit obligations resulted from the current period services offered by employees. Past service cost means the increase or decrease of the present value of defined benefit obligations resulted from the revision of the defined benefit plans related to the prior period services offered by employees; (2) interest expenses of defined benefit plans; (3) changes caused by the remeasurement of liabilities for defined benefit plans. Unless other accounting standards require or permit the credit of the costs for employee welfare into the cost of assets, the Company will credit (1) and (2) above into the profit or loss; and recognize (3) above as other comprehensive income and will not transfer it back to the profit or loss in subsequent accounting periods.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Staff's remuneration

(3) Accounting treatment of termination benefits

☒ Applicable ☐ Not Applicable

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

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

☐ Applicable ☒ Not Applicable

22. Lease liabilities

☒ Applicable ☐ Not Applicable

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Lease liabilities (continued)

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

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

After the commencement date of the lease term, in the event that the future lease payment changes

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

23. Estimated liability

☒ Applicable ☐ Not Applicable

(1) Criterion for determining of estimated liability

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

(2) Measurement of estimated liability

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Share-based payments

√ Applicable ☐ Not Applicable

For equity-settled share-based payment transaction in return for services from employees, it shall be measured at the fair value of equity instruments granted to the employees at the grant date. For the payment of such fair value that may only be exercised if services are fulfilled during the vesting period or the specified performance condition is achieved, the amount of such fair value shall, based on the best estimate of the number of exercisable equity instruments during the vesting period, be recognized in relevant costs or expenses in straight-line method with the increase in the capital reserve accordingly.

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Revenue

(1). Accounting policies used in revenue recognition and measurement

☒ Applicable ☐ Not Applicable

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Revenue (continued)

(1). Accounting policies used in revenue recognition and measurement (continued)

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Revenue (continued)

(1). Accounting policies used in revenue recognition and measurement (continued)

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

(1) *Sale of goods*

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

(2) *Construction contract income*

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

(3) *Warranty obligations*

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Government grants

√ Applicable ☐ Not Applicable

(1) Types of government grants

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

(2) Accounting treatment of government grants

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Government grants

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

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

- (5) **Recognition of government grants**

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

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

27. Deferred tax assets/deferred tax liabilities

√ Applicable ☐ Not Applicable

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

- (1) Based on the difference between the carrying amount and the tax base amount of an asset or a liability (items not recognized as assets and liabilities but their tax base is ascertained by the tax laws and regulations, the tax base is the difference), deferred income tax asset or deferred income tax liability is calculated using the applicable tax rate prevailing at the expected time of recovering the asset or discharging the liability.
- (2) Deferred income tax asset is recognized to the extent that there is enough taxable income for the deduction of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there will be enough taxable income in the future for the deduction of the deductible temporary difference, the deferred income tax asset not recognized in previous accounting period is recognized. If there is no sufficient evidence that there will be enough taxable income in the future for the deduction of the deferred income tax asset, the carrying value of the deferred income tax asset is reduced.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Deferred tax assets/deferred tax liabilities (continued)

- (3) Deferred income tax liability is recognized for taxable temporary difference arising from investments in subsidiaries and associated companies, unless the Company could control the time of reversal of the temporary differences and the temporary differences would not be probably reversed in the foreseeable future. For deductible temporary differences arising from investments in subsidiaries and associated companies, deferred income tax asset is recognized if the temporary difference will be very probably reversed in the foreseeable future and it is highly probable that taxable income will be available in the future to deduct the deductible temporary difference.
- (4) No deferred income tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable income (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that apply to the period when the asset is expected to be recovered or the liability is expected to be settled.

28. Other significant accounting policies and accounting estimates

☒ Applicable ☐ Not Applicable

(1) Asset securitisation

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

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

- ① When the Company has transferred substantially all risk and reward relating to the ownership of a financial asset, such financial asset is derecognised;
- ② When the Company retains substantially all risk and reward relating to the ownership of a financial asset, the Company continues to recognise such financial asset;

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Other significant accounting policies and accounting estimates (continued)

(1) Asset securitisation (continued)

- ③ If the Company neither transfers nor retains substantially all risk and reward relating to the ownership of a financial asset, the Company considers whether it has control over the financial asset. If the Company does not retain control, the financial asset is derecognised, and the rights and obligations arising from or retained the transfer are recognised as assets and liabilities, respectively. If the Company retains control, the financial asset is recognised according to the extent of continued involvement in the financial assets.

(2) Hedge accounting

Hedge refers, in respect of the risk exposure arising from the company's management of specific risks such as foreign exchange risks, interest rate risks, price risks and credit risks, to risk management activity of designating financial instruments as hedging instruments such that the change in the fair value or cash flow of the hedging instruments can be expected to set off the change in the fair value or cash flow of the hedged item.

The hedged item refers to an item designated for hedge against the risk of change in fair value or cash flow that can be reliably measured.

Hedging instruments are financial instruments designated for hedge, the change in fair value or cash flow of which is expected to set off the change in the fair value or cash flow of the hedged item.

The Company assesses whether the hedge relationship fulfills the requirement for hedge effectiveness at the inception date of the hedge and continuously in subsequent periods. The effectiveness of hedge refers to the extent to which the change in the fair value or cash flow of the hedging instruments can offset the change in the fair value or cash flow of the hedged item caused by the risk against which the hedge is made. The change in the fair value or cash flow of a hedging instrument in excess or shortfall of the change in the fair value or cash flow of the hedging instruments can offset the change in the fair value or cash flow of the hedged item represents the ineffective portion of the hedge.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Other significant accounting policies and accounting estimates (continued)

(3) Significant accounting estimates

In the course of applying accounting policies, the Company is required to make judgements, estimations and assumptions on the carrying values of statement items that cannot be accurately measured owing to uncertainties to which operating activities are subject. Such judgements, estimations and assumptions are made based on the past experience of the management and taking into consideration of other relevant factors. Such judgements, estimations and assumptions affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities as at the balance sheet date. However, the actual outcome resulting from the uncertainty of such estimates could be different from the current estimates of the management, thereby resulting in significant adjustments to the carrying value of the future assets or liabilities affected. The Company regularly reviews such judgements, estimations and assumptions on a going concern basis. If the change in accounting estimates affects only the current period in which the change occurs, the affected amount is recognised for the period in which the change occurs; if both the current period and future periods are affected, the affected amount is recognised for the current period and the future periods.

At the balance sheet date, important aspects in which the Company is required to make judgements, estimations and assumptions on the amount of items on the financial statements are as follows:

① *Estimated liabilities*

The Company estimates and makes provision for product warranty and estimated contract loss according to contract terms, existing knowledge and historical experience. When such contingencies have given rise to a present obligation, and the performance of such present obligation is likely to result in the outflow of economic benefit from the Company, the Company recognises estimated liabilities for the contingencies based on the best estimates of expenses required for the performance of relevant present obligations. The recognition and measurement of estimated liabilities is dependent to a large extent on management judgement. In the course of judgement, the Company is required to assess factors such as risks, uncertainties and the time value of currency relating to such contingencies. In particular, the Company recognises estimated liabilities in respect of after-sales undertaking to customers for return and replacement, maintenance and installation of goods sold. The recognition of estimated liabilities has taken into account the maintenance experience and data of the Company for recent years, although past experience in maintenance may not reflect maintenance in the future. Any increase or decrease in this provision might affect the profit or loss of future years.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Other significant accounting policies and accounting estimates (continued)

(3) Significant accounting estimates (continued)

② *Provision for ECL*

The Company measures ECL through default risk exposure and the ECL rate, which is determined based on the default probability rate and default loss rate. In determining the ECL rate, the Company uses data such as internal historic credit loss experience and adjusts the historic data taking into consideration current conditions and prospective information. When considering prospective information, indicators adopted by the Company include the risk of economic downside, expected growth in unemployment rate, and changes in external market conditions, technical conditions and customer conditions. The Company monitors and reviews the assumptions relating to ECL computation on a regular basis. There was no significant change to aforesaid estimation technique and key assumptions during the year.

③ *Impairment provisions for inventory*

The Company makes impairment provisions for inventory of which cost is higher than net realisable value and obsolete and slow-moving inventory based on the lower of cost and net realisable value according to its inventory accounting policy. The impairment of inventory to its net realisable value is based on assessment of the sellability of inventory and its net realisable value. The authentication of inventory impairment requires the management to obtain conclusive evidence and make judgment and estimates taking into consideration factors such as the purpose of inventory and post-balance sheet date events. Any difference between the actual outcome and the previous estimate will affect the carrying value of inventory and the charge or reversal of impairment provisions for inventory during the period in which the estimates are modified.

④ *Fair value of financial instruments*

For financial instruments without an active trading market, the Company determines its fair value using valuation techniques. Such valuation techniques include discounted cash flow model analysis and others. During the assessment, the Company is required to make estimates on future cashflow, credit risk, market volatility rate and relevance and select an appropriate discount rate. Such relevant assumptions are subject to uncertainty, and any change will affect the fair value of financial instruments.

⑤ *Impairment of other equity instrument investments*

The Company's determination of impairment for other equity instrument investments is largely dependent on the management's judgment and assumptions to determine whether impairment should be recognised. In the course of making judgments and assumptions, the Company is required to assess the extent and duration of the fair value of the investment being lower than cost, as well as the financial conditions and short-term business prospects of the investee, including industry conditions, technological revolution, credit rating, default rate and counterparty risks.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Other significant accounting policies and accounting estimates (continued)

(3) Significant accounting estimates (continued)

⑥ *Impairment provision for long-term assets*

At the balance sheet date, the Company assesses whether there are indications of possible impairment of non-current assets other than financial assets. In addition to the annual impairment test, intangible assets with indefinite useful life are also tested for impairment when there are indications of the same. Impairment tests on non-current assets other than financial assets are conducted when there are indications that its carrying value may not be recoverable. An impairment has occurred when the carrying value of an asset or asset group is higher than the recoverable amount (the higher of net fair value less disposal cost and the present value of estimated future cash flow). The net fair value less disposal cost is determined with reference to the agreed selling price of similar assets in a fair transaction or observable market prices less incremental costs attributable directly to the disposal of such asset. In estimating the present value of future cashflow, significant judgement is required to be made in respect of the production volume and selling price of the asset or (asset group), relevant operating cost and discount rate for the computation of present value. The Company takes into consideration all available relevant information when making estimates on the recoverable amount, including forecasts on production volume, selling price and relevant operating costs based on reasonable and justifiable assumptions. The Company conducts goodwill impairment tests at least annually. This requires estimates on the present value of future cashflow of asset group or portfolio of asset groups to which goodwill has been allocated. When making estimates on the present value of future cashflow, the Company is required to make estimates on cashflow generated from future asset group or portfolio of asset groups, and at the same time select an appropriate discount rate to determine the present value of future cashflow.

⑦ *Depreciation and amortisation*

Depreciation and amortisation of investment properties, fixed assets and intangible assets is charged on a straight-line basis over their useful life after taking their residual values into account. The Company reviews the useful life on a regular basis to determine the amount of depreciation and amortisation charge to be allocated to each reporting period. The useful life is determined based on past experience relating to similar assets taking into consideration expected technological upgrades. If there are significant changes in previous estimates, the depreciation and amortisation charge for future periods will be adjusted.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Other significant accounting policies and accounting estimates (continued)

(3) Significant accounting estimates (continued)

⑧ *Deferred income tax assets*

The Company recognises deferred income tax assets in respect of all unutilised tax losses, to the extent that it is probable that sufficient taxable profit will be available to offset the loss. This requires the exercise of significant judgement by the Company's management to estimate the timing and amount of future taxable profit, taking into account its tax planning strategy, to determine the amount of deferred income tax assets to be recognised.

⑨ *Income tax*

In the Company's usual operating activities, the final tax treatment and computation of certain transactions are subject to uncertainty. Whether certain items can be presented on a pretax basis is subject to approval of the competent taxation authority. If the final confirmed outcome of such taxation matters is different from the amount of the initial estimates, such difference will affect the current income tax and deferred income tax for the period of final confirmation.

⑩ *Provision for sales rebate*

The Company and its subsidiaries adopt a sales rebate policy for sales agent customers. Based on relevant provisions of the sales agreements, vetting of specific transactions, market conditions, channel inventory level and past experience with reference to the status of completion of agreed appraisal indicators by sales agent customers, the Company and its subsidiaries makes estimates on and provision for sales rebate on a regular basis. The provision of sales rebate involves judgment and estimation by the management. In the event of any material change in previous estimates, the aforesaid difference will affect the sales rebate for the period for which the estimates are changed.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

29. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☐ Applicable ☒ Not Applicable

(2) Changes in significant accounting estimates

☐ Applicable ☒ Not Applicable

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

29. Main Changes on significant accounting policies and accounting estimates
(continued)

- (3) Status in relation to the adjustments of the first implementation of relevant items in financial statements at the beginning of the year for implementation of New Income Standards and New Lease Standards for the first time since 2020

☐ Applicable ☒ Not Applicable

- (4) Explanation on the retrospective adjustments of previously comparative data for the implementation of New Income Standards and New Lease Standards for the first time since 2020

☐ Applicable ☒ Not Applicable

30. Others

☐ 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%, 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 Special Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Dishwasher Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

VI. TAXATION (continued)

2. Preferential tax (continued)

Company	Tax rate	Preferential tax
Hefei Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Limited	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Zhengzhou Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shenyang Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hai Gao Design and Manufacture Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hairi 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
Qingdao Haier Intelligent Technology Development Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Central Air Conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air Conditioner Gen Corp., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Zero Micro Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

VI. TAXATION (continued)

2. Preferential tax (continued)

Company	Tax rate	Preferential tax
[Tianjin Haier Cleaning Electrical Appliances Co., Ltd.] (天津海爾洗滌電器有限公司)	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
Qingdao Haier Washing Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Ririshun Lexin Cloud Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Electronic Plastic Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Wei Xi Intelligent Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air Conditioning Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Lingwei Technology Co., Ltd. (北京零微科技有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
[Qingdao Hairuijiejing Electronics Co., Ltd.] (青島海瑞潔淨電子有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shanghai Haier Medical Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Yunshang Yuyi IOT Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

VI. TAXATION (continued)

2. Preferential tax (continued)

Company	Tax rate	Preferential tax
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier (Shenzhen) R&D Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
[Qingdao Ririshun Lejia IOT Technology Co., Ltd.] (青島日日順樂家物聯科技有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
[Qingdao Haier Smart Electrical Equipment Limited] (青島海爾智慧電器設備有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Technology Co., Ltd.	10%	entitled to half deduction the preferential taxation policies as a key software enterprise
Wuhan Haier Energy and Power Co., Ltd.	10%	entitled to the preferential policies as a small/micro enterprise
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	10%	entitled to the preferential policies as a small/micro enterprise
Qingdao Haimeihui Management Consulting Co., Ltd. (青島海美匯管理諮詢有限公司)	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
[Qingdao Ririshun Lejia IOT Technology Co., Ltd.] (青島日日順樂家物聯科技有限公司)	5%	entitled to the preferential policies as a small/micro enterprise
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	5%	entitled to the preferential policies as a small/micro enterprise
[Haier Smart Home (Qingdao) Network Co., Ltd.] (海爾智家(青島)網路有限公司)	5%	entitled to the preferential policies as a small/micro enterprise
[Haier Smart Home (Qingdao) Network Operations Co., Ltd.] (海爾智家(青島)網路運營有限公司)	5%	entitled to the preferential policies as a small/micro enterprise

VI. TAXATION (continued)

2. Preferential tax (continued)

Company	Tax rate	Preferential tax
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
Chongqing Haier Refrigeration Appliance Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Guizhou Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Washing Machine Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Water Heater Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Drum Washing Machine Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	2,257,666.98	7,556,892.38
Cash in bank	45,306,078,417.59	34,502,656,877.99
Other cash balances	1,152,993,342.34	1,668,601,912.88
Total	46,461,329,426.91	36,178,815,683.25
Include: — total amount of overseas deposits	10,409,047,820.91	8,787,573,078.32

Other explanation

The cash in the monetary funds deposited in Haier Finance Co., Ltd. was RMB24,957,736,213.04 at the end of the period, the balance of which included time deposit of RMB12,483,115,560.99. The investment fund in the closing balance of other monetary funds was RMB213,694,084.38, deposit on third party payment platforms was RMB113,102,469.53 and the security deposit was RMB822,191,427.65, the frozen fund was RMB191,918.23, and the restricted fund was RMB3,813,442.55.

2. Financial assets held for trading

Unit and Currency: RMB

Items	Closing balance	Opening balance
forward foreign exchange contracts	105,446,693.00	84,934,313.67
short-term wealth management products	1,862,036,322.21	198,614,361.33
Investment funds	113,759,845.57	
Investments in other equity instruments	83,949,637.05	24,586,332.05
Total	2,165,192,497.83	308,135,007.05

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Derivative financial assets

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
forward foreign exchange contracts	52,194,232.55	17,241,833.10
Forward commodity contract	25,644,774.08	1,916,299.35
Total	77,839,006.63	19,158,132.45

4. Bills receivable

(1). Bills receivable presented by types

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance notes	3,091,631,183.91	462,888,721.91
Commercially acceptance notes	11,056,075,267.03	13,503,587,868.65
Balance of bills receivable	14,147,706,450.94	13,966,476,590.56
Allowance for bad debts	11,356,696.60	15,056,696.60
Bills receivable, net	14,136,349,754.34	13,951,419,893.96

Provision for bad debts is made on a portfolio basis:

☐ Applicable ☒ Not Applicable

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Bills receivable (continued)

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

Unit and Currency: RMB

Items	Opening Balance	Increase for the current period		Decrease for the current period		Closing Balance
		Provision for the current period	Other movement	Reversal	Write-off/ other movement	
Allowance for bad debts	15,056,696.60			3,700,000.00		11,356,696.60
Total	15,056,696.60			3,700,000.00		11,356,696.60

The bills receivable pledged by the Company at the end of the period was RMB12,561,829,391.13.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable

- ① Accounts receivable are disclosed by aging as follow:

Unit and Currency: RMB

Aging	Closing Balance	Opening Balance
Within one year	15,866,291,515.38	10,948,682,641.60
1-2 years	229,618,450.58	274,136,141.64
2-3 years	91,669,887.74	98,672,021.59
Over 3 years	184,125,877.54	139,300,727.01
Balance of accounts receivable	16,371,705,731.24	11,460,791,531.84
Allowance for bad debts	441,681,444.57	444,920,471.75
Accounts receivable, net	15,930,024,286.67	11,015,871,060.09

- ② The total amount of the top 5 accounts receivable at the end of the period is RMB4,959,526,641.14, accounting for 30.29% of the book balance of accounts receivable.

- ③ 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 for the current period	Other movement	Reversal	Write-off/ other movement	
Allowance for bad debts	444,920,471.75	180,883,544.99		45,931,896.24	138,190,675.93	441,681,444.57

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

The amount of accounts receivable actually written off in the current period is RMB91,294,954.56 and there is no important bad debt write-off of accounts receivable.

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

In the current period, the amount of accounts receivable that the company terminated due to the transfer of financial assets was RMB4,223,734,660.24 and the transfer method was outright sale factoring/asset securitization.

- ⑥ Restricted accounts receivable in the current period

The amount of accounts receivable mortgaged and pledged at the end of the period is RMB1,833,513,050.03.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Prepayments

- (1). Prepayments are presented by aging:

Aging	Closing Balance	Opening Balance
Within one year	697,975,595.05	1,226,300,431.60
1-2 years	30,590,250.54	14,275,907.31
2-3 years	4,580,733.23	6,036,100.01
Over 3 years	32,280,992.88	26,309,107.80
Total	765,427,571.70	1,272,921,546.72

- (2). The total amount of the top 5 in the prepayments at the end of the period is RMB243,113,477.73, which accounts for 31.76% of the prepayment balance.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other receivables

Presented by item:

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	322,473,254.91	273,009,954.80
Dividend receivable	4,915,409.42	4,524,472.84
Other receivables	1,389,764,281.32	1,885,983,374.86
Total	1,717,152,945.65	2,163,517,802.50

Interest receivable (1) Interest receivable

Aging	Closing Balance		Opening Balance	
	Book value balance	Proportion	Book value balance	Proportion
Within one year	230,234,039.92	71.40%	224,873,084.17	82.36%
1-2 years	82,575,210.18	25.61%	26,470,812.60	9.70%
2-3 years	8,925,141.80	2.77%	21,666,058.03	7.94%
Over 3 years	738,863.01	0.23%		
Total	322,473,254.91	100.00%	273,009,954.80	100.00%

Dividend receivable

Aging	Closing Balance		Opening Balance	
	Book value balance	Proportion	Book value balance	Proportion
Within one year	4,915,409.42	100.00%		
1-2 years				
2-3 years				
Over 3 years			4,524,472.84	100.00%
Total	4,915,409.42	100.00%	4,524,472.84	100.00%

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other receivables (continued)

Other receivables

- ① Other receivables are disclosed by aging as follows:

Items	Closing balance	Opening balance
Within one year	931,454,573.77	1,801,028,378.02
1-2 years	417,514,929.49	65,979,912.86
2-3 years	61,251,809.96	26,319,826.19
Over 3 years	75,201,513.32	64,449,296.31
Balance of other receivables	1,485,422,826.54	1,957,777,413.38
Allowance for bad debts	95,658,545.22	71,794,038.52
Other receivables, net	1,389,764,281.32	1,885,983,374.86

- ② The total amount of the top 5 other receivables at the end of the period is RMB658,654,422.04, which accounts for 44.34% 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 for the current period	Other movement	Reversal	Write-off/ other movement	
Allowance for bad debts	71,794,038.52	36,606,052.37		1,477,095.36	11,264,450.31	95,658,545.22

- ④ Other receivables written off during the period

The amount of other receivables actually written off in the current period is RMB7,241,607.86 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.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventories

(1). Category of inventories

Items	Closing Balance		Opening Balance	
	Book value balance	Impairment Provision	Book value balance	Impairment Provision
Raw materials	2,785,611,125.08	115,958,355.70	3,068,331,798.61	115,668,613.58
Work in progress	336,866,878.61		408,055,609.14	425,020.38
Finished goods	27,613,569,305.90	1,173,115,549.14	25,720,392,258.54	852,085,060.72
Total	30,736,047,309.59	1,289,073,904.84	29,196,779,666.29	968,178,694.68

(2). Impairment provision of inventories

Items	Opening Balance	Increase for the current period		Decrease for the current period		Closing Balance
		Provision for the current period	Other movement	Reversal	Write-off/ other movement	
Raw materials	115,668,613.58	89,809,536.45	2,956,989.70	1,630,433.16	90,846,350.87	115,958,355.70
Work in progress	425,020.38				425,020.38	
Finished goods	852,085,060.72	1,027,888,913.50	169,936.18	101,540,691.47	605,487,669.79	1,173,115,549.14
Total	968,178,694.68	1,117,698,449.95	3,126,925.88	103,171,124.63	696,759,041.04	1,289,073,904.84

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Contractual assets

(1). Details

Items	Closing Balance		Opening Balance	
	Book value balance	Impairment Provision	Book value balance	Impairment Provision
Relating to construction service contract	263,412,927.58		426,392,594.69	3,654,196.27
Total	263,412,927.58		426,392,594.69	3,654,196.27

(2). Impairment Provision of Assets

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

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Other current assets

(1). Details

Items	Closing Balance		Opening Balance	
	Book value balance	Impairment Provision	Book value balance	Impairment Provision
Bank deposit for wealth management products	554,131,037.76		3,981,314,321.50	
Deductible taxes	2,438,982,829.14	2,907,303.98	2,578,384,287.03	3,276,161.33
Returns cost receivables	418,107,603.27	242,502,616.01	374,052,448.32	218,016,000.42
Others	118,077,350.40		273,507,220.36	
Total	3,529,298,820.57	245,409,919.99	7,207,258,277.21	221,292,161.75

(2). Impairment Provision

Items	Opening Balance	Increase for the current period		Decrease for the current period		Closing Balance
		Provision for the current period	Other movement	Reversal	Write-off/ other movement	
Deductible input tax	3,276,161.33			368,857.35		2,907,303.98
Returns cost receivables	218,016,000.42	230,393,423.98			205,906,808.39	242,502,616.01
Total	221,292,161.75	230,393,423.98		368,857.35	205,906,808.39	245,409,919.99

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term equity investments

√ Applicable □ Not Applicable

Investees	Opening Balance	Increase/decrease for the current period				Declaration of cash dividends or profits
		Investment increase	Investment profit recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	
Associate :						
Haier Group Finance Co., Ltd.	6,010,611,728.26		651,381,998.74	-9,756,456.33		-126,000,000.00
Bank of Qingdao Co., Ltd.	2,586,957,693.97		162,070,662.78	-54,374,791.43		-77,995,640.00
Wolong Electric (Jinan) Motor Co., Ltd.	123,555,578.44		20,292,292.26			
Qingdao Hegang New Material Technology Co., Ltd. (青島河鋼新材料科技股份有限公司)	280,063,773.80		17,091,162.05			
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	434,540,103.12		13,247,135.49			-61,990,201.88
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	643,056,436.86		83,525,524.98			-72,000,000.00
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	395,933,487.26		19,364,678.67			
Qingdao Haier Multimedia Co., Ltd.	432,386,801.26		-103,399,596.19			
Qingdao Haier Software Investment Co., Ltd.	19,636,136.75					
Hefei Feier Smart Technology Co., Ltd.	758,188.30	5,000,000.00	-4,267,163.58			
Qingdao Xinaohaizhi Energy Co., Ltd.	25,966,044.95					
Qingdao Zhongzaihaina Environmental Services Co., Ltd. (青島中再海納環境服務有限公司)	2,261,258.70					

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

√ Applicable □ Not Applicable

Investees	Opening Balance	Investment increase	Increase/decrease for the current period			Declaration of cash dividends or profits
			Investment profit recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	
Shandong Haibida Big Data Co., Ltd. (山東海必達大資料有限公司)	5,332,640.10					
Beijing Mr. Hi Network Technology Company Limited	3,757,759.75	3,750,000.00				
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82					
Beijing ASU Tech Co., Ltd.	5,862,115.78		-14,598,048.47		41,101,902.14	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	6,914,487.73					
Qingdao Haimu Investment Management Co., Ltd.	2,198,276.46		150,964.05			
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	48,046,197.64		-175,500.98			
Guangzhou Heying Investment Partnership (Limited Partnership)	219,198,634.81			69,010,562.77		
Qingdao Home Wow Cloud Network Technology Co., Ltd.	3,168,859.99		-539,850.36			
[Qingdao Ririshun Service Co., Ltd.] (青島日日順服務有限公司)	29,970,000.00	3,040,000.00				
Bingji (Shanghai) Corporate Management Co., Ltd.(冰戟(上海)企業管理有限公司)	894,539,765.00		33,904,413.47			
Youjin (Shanghai) Corporate Management Co., Ltd.(優瑾(上海)企業管理有限公司)	1,625,617,754.55		61,644,388.12			

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

√ Applicable □ Not Applicable

Investees	Opening Balance	Increase/decrease for the current period				Declaration of cash dividends or profits
		Investment increase	Investment profit recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	
RRS (Shanghai) Investment Co., Ltd. (日日順 (上海) 投資有限公司)	2,954,850,462.82		112,080,705.67			
Haier Best Water Technology Co., Ltd. (倍世海爾飲水科技有限公 司)	21,725,345.26	15,213,128.49	-3,483,314.16			
[Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)](匯智翔順 股權投資基金(青島)合夥企業 (有 限合夥)		120,000,000.00				
[Qingdao Ririshun Huizhi Investment Co., Ltd.] (青島日日順匯智投資 有限責任公司)		2,100,000.00				
Meiling CandyWashing Machine Co., Ltd (美菱卡迪洗衣機有限公司)	23,222,136.38		-687,845.65	24,016.37		
Qingdao Haier Moulds Co., Ltd.		255,500,000.00	4,196,084.44			
Konan Electronic Co., Ltd.	71,196,748.97		7,475,640.32	-1,110,836.42		
HNR Company (Private) Limited	104,557,145.65		8,783,554.33	-21,198,812.71		
HPZ LIMITED	78,149,551.49		-5,002,825.72	-6,318,980.11		
HaierRayaElectricS.A.E		11,252,981.12	-511,747.02			
CONTROLADORAMABES.A.deC.V.	3,497,668,453.45		570,365,197.50	-300,689,172.86	-19,854,505.87	-80,179,730.91
Middle East Air conditioning Company,Limited	19,002,595.66					
Total	20,543,423,504.98	442,786,109.61	1,635,948,510.74	-324,414,470.72	21,247,396.27	-418,165,572.79

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

√ Applicable □ Not Applicable

Investees	Increase/decrease for the current period		Closing Balance	Impairment Provision Closing Balance
	Other movement	The disposal of the investment		
Associate :				
Haier Group Finance Co., Ltd.			6,526,237,270.67	
Bank of Qingdao Co., Ltd.		-153,561,357.40	2,463,096,567.92	
Wolong Electric (Jinan) Motor Co., Ltd.			143,847,870.70	
Qingdao Hegang New Material Technology Co., Ltd (青島河鋼新材料科技有限公司)			297,154,935.85	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)			385,797,036.73	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			654,581,961.84	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			415,298,165.93	21,000,000.00
Qingdao Haier Multimedia Co., Ltd			328,987,205.07	88,300,000.00
Qingdao Haier Software Investment Co., Ltd.		-19,636,136.75		
Hefei Feier Smart Technology Co., Ltd.			1,491,024.72	
Qingdao Xinaohaizhi Energy Co., Ltd.		-25,966,044.95		
Qingdao Zhongzaihaina Environmental Services Co., Ltd. (青島中再海納環境服務有限公司)		-2,261,258.70		
Shandong Haibida Big Data Co., Ltd. (山東海必達大資料有限公司)		-5,332,640.10		
Beijing Mr. Hi Network Technology Company Limited			7,507,759.75	7,507,759.75
Beijing Xiaobei Technology Co., Ltd.			2,687,341.82	2,687,341.82
Beijing ASU Tech Co., Ltd.			32,365,969.45	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.			6,914,487.73	6,914,487.73
Qingdao Haimu Investment Management Co., Ltd.			2,349,240.51	
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)			47,870,696.66	

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

√ Applicable □ Not Applicable

Investees	Increase/decrease for the current period		Closing Balance	Impairment Provision Closing Balance
	Other movement	The disposal of the investment		
Guangzhou Heying Investment Partnership (Limited Partnership)			288,209,197.58	
Qingdao Home Wow Cloud Network Technology Co., Ltd. [Qingdao Ririshun Service Co., Ltd.] (青島日日順服務有限公司)			2,629,009.63	
			33,010,000.00	
Bingji (Shanghai) Corporate Management Co., Ltd.			928,444,178.47	
Youjin (Shanghai) Corporate Management Co., Ltd.			1,687,262,142.67	
RRS (Shanghai) Investment Co., Ltd. (日日順 (上海) 投資有限公司)			3,066,931,168.49	
Haier Best Water Technology Co., Ltd. (倍世海爾飲水科技有限公司)			33,455,159.59	
[uizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)] 匯智翔順股權投資基金(青島)合夥企業 (有限合夥)			120,000,000.00	
[Qingdao Ririshun Huizhi Investment Co., Ltd.] 青島日日順匯智投資有限責任公司			2,100,000.00	
Meiling Candy Washing Machine Co., Ltd. (美菱卡迪洗衣機有限公司)			22,558,307.10	
Qingdao Haier Moulds Co., Ltd.			259,696,084.44	
Konan Electronic Co., Ltd.			77,561,552.87	
HNR Company (Private) Limited			92,141,887.27	
HPZ LIMITED			66,827,745.66	
Haier Raya Electric S.A.E			10,741,234.10	
CONTROLADORAMABES.A.deC.V.			3,667,310,241.31	
Middle East Air conditioning Company,Limited			19,002,595.66	
Total		-206,757,437.90	21,694,068,040.19	126,409,589.30

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Investments in other equity instruments

(1) Details of investments in other equity instruments:

Items	Closing balance	Opening balance
SINOPEC Fuel Oil Sales Corporation Limited (中國石化銷售股份有限公司)	1,117,637,000.00	1,242,930,000.00
Haier COSMO IOT Ecosystem Technology Co., Ltd.	1,396,555,521.94	
Other	144,932,743.60	153,029,878.92
Total	2,659,125,265.54	1,395,959,878.92

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

Items	Amount for the current period
SINOPEC Fuel Oil Sales Corporation Limited (中國石化銷售股份有限公司)	19,752,940.62
Other	1,613,783.10
Total	21,366,723.72

13. 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
Total		294,547,364.47

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. 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	46,415,383.99	2,128,550.51	48,543,934.50
2. Increase for the period			
(1) External acquisition			
(2) Inventories/fixed assets/construction in progress transferred in	1,971,634.23		1,971,634.23
(3) Increase in business combinations			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			
(3) Other transferring out			
4. Translation difference of foreign currency statement	-1,408,439.39		-1,408,439.39
5. Closing balance	46,978,578.83	2,128,550.51	49,107,129.34
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	18,591,095.18	550,147.94	19,141,243.12
2. Increase for the period			
(1) Provision or amortization	1,824,786.53	40,236.22	1,865,022.75
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			
(3) Other transferring out			
4. Translation difference of foreign currency statement	-286,139.34		-286,139.34
5. Closing balance	20,129,742.37	590,384.16	20,720,126.53
III. Provision for impairment			
1. Opening balance			
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			
(3) Other transferring out			
4. Translation difference of foreign currency statement			
5. Closing balance			
IV. Book value			
1. Closing book value	26,848,836.46	1,538,166.35	28,387,002.81
2. Opening book value	27,824,288.81	1,578,402.57	29,402,691.38

(2) The depreciation and amortization amount charge for the period is RMB1,865,022.75.

(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.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets

Presented by item

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Fixed assets	20,878,516,949.39	21,159,138,731.39
Disposals of fixed assets	16,987,772.82	20,918,480.62
Total	20,895,504,722.21	21,180,057,212.01

Other explanations:

☐ Applicable ☒ Not Applicable

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets (continued)

Fixed assets

Unit and Currency: RMB

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value:			
1. Opening balance	9,989,544,831.06	24,245,714,440.91	174,044,711.29
2. Increase for the period			
(1) Acquisition	140,984,748.15	1,228,153,866.51	2,570,556.39
(2) Construction in progress transferred in	940,692,793.47	1,843,363,621.02	14,958,597.91
(3) Increase in business combinations		322,355,185.01	755,209.24
3. Decrease for the period			
(1) Disposal or written-off	49,867,379.50	1,071,980,546.05	8,512,747.07
(2) Disposal or subsidiaries	597,145,933.92	1,150,026,699.79	11,291,650.37
(3) Transferred in and held for resale			
4. Translation difference of foreign currency statements	-261,833,453.99	-998,189,889.47	-3,396,468.16
5. Closing balance	10,162,375,605.27	24,419,389,978.14	169,128,209.23
II. Accumulated depreciation			
1. Opening balance	3,419,949,048.61	11,017,050,073.01	96,937,625.18
2. Increase for the period			
(1) Provision	497,310,982.13	2,400,036,490.94	20,208,501.12
(2) Increase in business combinations		145,073,532.93	372,442.10
3. Decrease for the period			
(1) Disposal or written-off	17,818,039.93	691,148,068.91	6,397,925.68
(2) Disposal or subsidiaries	321,376,248.28	816,642,066.26	9,947,210.58
(3) Transferred in and held for resale			
4. Translation difference of foreign currency statements	-64,250,415.06	-441,335,487.64	-2,128,599.01
5. Closing balance	3,513,815,327.47	11,613,034,474.07	99,044,833.13
III. Provision for impairment			
1. Opening balance	34,461,480.76	14,555,443.55	80,617.22
2. Increase for the period			
(1) Provision			107,438.94
(2) Increase in business combinations		127,167,231.67	
3. Decrease for the period			
(1) Disposal or written-off			
(2) Disposal or subsidiaries		102,615,477.25	
(3) Transferred in and held for resale			
4. Translation difference of foreign currency statements	-822,483.13	577,786.42	-2,565.81
5. Closing balance	33,638,997.63	39,684,984.39	185,490.35
IV. Book value			
1. Closing book value	6,614,921,280.17	12,766,670,519.68	69,897,885.75
2. Opening book value	6,535,134,301.69	13,214,108,924.35	77,026,468.89

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets (continued)

Fixed assets (continued)

Items	Office furniture	Other	Total
I. Original book value:			
1. Opening Balance	863,015,378.72	2,266,565,579.67	37,538,884,941.65
2. Increase for the current period			
(1) Acquisition	49,404,812.49	75,819,693.83	1,496,933,677.37
(2) Construction in progress transferred in	156,215,205.57	282,974,158.81	3,238,204,376.78
(3) Increase in business combinations	247,050.24	7,966.39	323,365,410.88
3. Decrease for the current period			
(1) Disposal or write-off	51,576,744.11	191,819,251.37	1,373,756,668.10
(2) Disposal of subsidiary	44,996,957.56	125,958,155.42	1,929,419,397.06
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-20,933,758.87	-38,887,676.09	-1,323,241,246.58
5. Closing Balance	951,374,986.48	2,268,702,315.82	37,970,971,094.94
II. Accumulated depreciation			
1. Opening Balance	438,400,670.33	1,346,669,714.51	16,319,007,131.64
2. Increase for the current period			
(1) Provision	135,224,212.64	202,335,963.49	3,255,116,150.32
(2) Increase in business combinations	138,622.08	6,866.74	145,591,463.85
3. Decrease for the current period			
(1) Disposal or write-off	41,241,846.21	171,166,240.98	927,772,121.71
(2) Disposal of subsidiary	39,167,603.56	66,179,771.43	1,253,312,900.11
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-10,507,078.40	-7,248,050.89	-525,469,631.00
5. Closing Balance	482,846,976.88	1,304,418,481.44	17,013,160,092.99
III. Impairment Provision			
1. Opening Balance	68,672.62	11,572,864.47	60,739,078.62
2. Increase for the current period			
(1) Provision	305,640.73		413,079.67
(2) Increase in business combinations			127,167,231.67
3. Decrease for the current period			
(1) Disposal or write-off		5,942,709.97	108,558,187.22
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-7,303.72	-212,583.94	-467,150.18
5. Closing Balance	367,009.63	5,417,570.56	79,294,052.56
IV. Book Value			
1. Closing book value	468,160,999.97	958,866,263.82	20,878,516,949.39
2. Opening book value	424,546,035.77	908,323,000.69	21,159,138,731.39

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets (continued)

Fixed assets (continued)

- (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 RMB3,238,204,376.78.
- (3) There was no mortgage secured by the fixed assets mortgage at the end of the period.
- (4) Disposals of fixed assets

Items	Closing Balance	Opening Balance	Reason for transferring to disposal
Relocation of Qingdao Industrial Park	12,964,689.10	20,918,480.62	Demolition
Other	4,023,083.72		Scrap cleanup
Total	16,987,772.82	20,918,480.62	

16. Construction in progress

Presented by item

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Construction in progress	3,596,902,447.07	2,391,364,659.97
Construction materials		
Total	3,596,902,447.07	2,391,364,659.97

Other explanations:

☐ Applicable ☒ Not Applicable

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Construction in progress (continued)

Construction in progress

(1). Details of construction in progress

√ Applicable □ Not Applicable

Unit and Currency: RMB

Projects	Closing balance		Opening balance		
	Book balance	Impairment provision	Book Value	Book balance	Impairment provision Book Value
Europe CANDY Project	611,529,115.13		611,529,115.13	44,645,629.53	44,645,629.53
America GEA Project	518,260,493.01		518,260,493.01	301,439,928.75	34,061,569.61 267,378,359.14
Haier India Project	400,955,285.59		400,955,285.59	32,308,143.64	32,308,143.64
Smart home appliance technology project	291,584,097.58		291,584,097.58	17,586,162.11	17,586,162.11
Zhengzhou New Energy Project	134,884,592.49		134,884,592.49	339,598,483.94	339,598,483.94
Qingdao Haier Washing Machine Project	107,072,469.09		107,072,469.09	16,164,078.47	16,164,078.47
RRS Health Project	105,851,790.40		105,851,790.40	6,389,644.74	6,389,644.74
New Zealand FPA Project	96,050,392.73		96,050,392.73	83,150,746.03	83,150,746.03
Foshan freezer Project	89,437,456.94		89,437,456.94	18,922,781.80	18,922,781.80
Hefei Refrigerator Project	87,566,220.44		87,566,220.44	32,162,988.77	32,162,988.77
Haier Russian Project	76,966,572.40		76,966,572.40	14,781,092.08	14,781,092.08
Wuhan Water Heater Project	66,678,197.25		66,678,197.25	17,376,290.74	17,376,290.74
Haier Thailand Project	57,560,011.78		57,560,011.78	24,777,109.81	24,777,109.81
Haier Air Conditioning Electronics Project	56,560,330.52		56,560,330.52	61,168,160.86	61,168,160.86
Qingdao Washing Appliance Project	55,501,811.42		55,501,811.42	108,566,194.72	108,566,194.72
Jiaonan Washing Machine Project	48,681,689.86		48,681,689.86	38,432,444.33	38,432,444.33
Dalian Refrigerator Project	42,163,131.37		42,163,131.37	20,869,021.20	20,869,021.20
Chongqing Water Heater Project	39,668,198.53		39,668,198.53	3,039,596.13	3,039,596.13
Special Refrigeration Appliances Project	37,736,755.17		37,736,755.17	101,448,249.30	101,448,249.30
COSMO Project				63,804,127.26	63,804,127.26
Others	673,031,571.22	837,735.85	672,193,835.37	1,078,795,355.37	1,078,795,355.37
Total	3,597,740,182.92	837,735.85	3,596,902,447.07	2,425,426,229.58	34,061,569.61 2,391,364,659.97

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Construction in progress (continued)

Construction in progress (continued)

(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	Exchange differences	Closing balance	Source of fund
Europe CANDY Project	44,645,629.53	648,095,545.07	44,569,831.04		-36,642,228.43	611,529,115.13	Self-funding
America GEA Project	301,439,928.75	887,171,960.70	642,170,296.06		-28,181,100.38	518,260,493.01	Self-funding
Haier India Project	32,308,143.64	394,196,319.21	10,144,575.01		-15,404,602.25	400,955,285.59	Self-funding/fund raising
Smart Home Appliance Technology Project	17,586,162.11	273,997,935.47				291,584,097.58	Self-funding
Zhengzhou New Energy Project	339,598,483.94	66,819,421.55	271,533,313.00			134,884,592.49	Self-funding
Qingdao Haier Washing Machine Project	16,164,078.47	98,038,515.34	7,130,124.72			107,072,469.09	Self-funding
RRS Health Project	6,389,644.74	123,799,093.84	24,336,948.18			105,851,790.40	Self-funding
New Zealand							
FPA Project	83,150,746.03	111,530,697.50	96,888,856.92		-1,742,193.88	96,050,392.73	Self-funding
Foshan freezer project	18,922,781.80	88,230,528.35	17,715,853.21			89,437,456.94	Self-funding
Hefei Refrigerator Project	32,162,988.77	103,871,805.08	48,468,573.41			87,566,220.44	Self-funding
Haier Russian project	14,781,092.08	73,695,489.67	1,811,656.26		-9,698,353.09	76,966,572.40	Self-funding
Wuhan Water Heater Project	17,376,290.74	68,527,237.00	19,225,330.49			66,678,197.25	Self-funding
Haier Thailand project	24,777,109.81	53,564,953.60	23,889,086.13		3,107,034.50	57,560,011.78	Self-funding
Haier Air Conditioning Electronics Project	61,168,160.86	68,696,784.54	73,304,614.88			56,560,330.52	Self-funding
Qingdao Washing Appliance Project	108,566,194.72	67,820,921.76	120,885,305.06			55,501,811.42	Self-funding
Jiaonan Washing Machine Project	38,432,444.33	77,593,678.11	67,344,432.58			48,681,689.86	Self-funding
Dalian Refrigerator Project	20,869,021.20	96,811,917.01	75,517,806.84			42,163,131.37	Self-funding
Chongqing Water Heater Project	3,039,596.13	47,202,464.85	10,573,862.45			39,668,198.53	Self-funding
Special Refrigeration Appliances Project	101,448,249.30	46,251,900.34	109,963,394.47			37,736,755.17	Self-funding/ fund raising
COSMO Project	63,804,127.26	146,430,533.78	66,858,137.99	143,370,904.31	-5,618.74		Self-funding
Others	1,078,795,355.37	1,142,263,886.62	1,539,563,924.46	6,085,469.71	-2,378,276.60	673,031,571.22	Self-funding/ fund raising
Total	2,425,426,229.58	4,684,611,589.39	3,271,895,923.16	149,456,374.02	-90,945,338.87	3,597,740,182.92	

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Construction in progress (continued)

Construction in progress (continued)

(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	34,061,569.61		33,691,546.38		-370,023.23	
Total		837,735.85				837,735.85
Total	34,061,569.61	837,735.85	33,691,546.38		-370,023.23	837,735.85

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Right-of-use assets

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value:			
1. Opening balance	2,817,150,021.16	30,765,699.60	168,524,791.57
2. Increase for the current period			
(1) Increase	855,224,423.82	14,743,072.13	54,236,643.32
3. Decrease for the current period			
(1) Disposal	121,342,707.89	5,981,085.55	20,949,701.34
(2) Disposal of subsidiary	30,646,112.30	196,442.81	
4. Converted difference in foreign currency statements	-156,719,185.51	314,577.54	-7,303,900.52
5. Closing balance	3,363,666,439.28	39,645,820.91	194,507,833.03
II. Accumulated amortization			
1. Opening balance	470,357,728.65	4,559,852.96	54,622,784.52
2. Increase for the current period			
(1) Provision	534,683,686.24	9,392,036.65	59,540,619.07
3. Decrease for the current period			
(1) Disposal	72,518,726.56	84,382.05	16,642,206.48
(2) Disposal of subsidiary	11,422,732.30	52,384.78	
4. Converted difference in foreign currency statements	-35,419,267.10	-972,165.77	-8,277,197.13
5. Closing balance	885,680,688.93	12,842,957.01	89,243,999.98
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
4. Converted difference in foreign currency statements			
5. Closing balance			
IV. Book Value			
1. Closing book balance	2,477,985,750.35	26,802,863.90	105,263,833.05
2. Opening book balance	2,346,792,292.51	26,205,846.64	113,902,007.05

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Right-of-use assets (continued)

Items	Office furniture	Other	Total
I. Other			
1. Opening balance	60,995,358.04	309,577,979.06	3,387,013,849.43
2. Increase for the current period			
(1) Increase	468,786.29	73,029,749.81	997,702,675.37
3. Decrease for the current period			
(1) Disposal	849,426.94	3,107,063.59	152,229,985.31
(2) Disposal of subsidiary	89,426.44		30,931,981.55
4. Converted difference in foreign currency statements	-11,815,615.12	-23,794,031.33	-199,318,154.94
5. Closing balance	48,709,675.83	355,706,633.95	4,002,236,403.00
II. Accumulated amortization			
1. Opening balance	11,686,634.26	90,720,247.45	631,947,247.84
2. Increase for the current period			
(1) Provision	6,534,909.70	83,104,707.70	693,255,959.36
3. Decrease for the current period			
(1) Disposal	849,419.04	3,107,063.59	93,201,797.72
(2) Disposal of subsidiary	46,576.27		11,521,693.35
4. Converted difference in foreign currency statements	-3,229,534.73	-10,203,407.67	-58,101,572.40
5. Closing balance	14,096,013.92	160,514,483.89	1,162,378,143.73
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
4. Converted difference in foreign currency statements			
5. Closing balance			
IV. Book Value			
1. Closing book balance	34,613,661.91	195,192,150.06	2,839,858,259.27
2. Opening book balance	49,308,723.78	218,857,731.61	2,755,066,601.59

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Intangible assets

Items	Proprietary technology	Licenses and franchises	Land use rights
I. Original book value			
1. Opening balance	1,777,017,298.95	4,211,491,949.66	1,191,959,998.86
2. Increase for the current period			
(1) Purchase	2,047,992.39	47,790,393.14	244,923,712.86
(2) Internal research and development	107,279,565.53		
(3) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			188,438,500.00
(2) Disposal of subsidiary			43,972,030.39
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-44,339,194.34	-248,504,540.22	-4,334,715.40
5. Closing balance	1,842,005,662.53	4,010,777,802.58	1,200,138,465.93
II. Accumulated amortization			
1. Opening balance	735,680,465.49	451,771,449.40	145,020,102.09
2. Increase for the current period			
(1) Provision	169,293,518.42	134,423,095.79	20,964,409.16
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			4,710,962.50
(2) Disposal of subsidiary			21,295,782.60
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-33,769,691.74	-22,148,725.13	-812,123.32
5. Closing balance	871,204,292.17	564,045,820.06	139,165,642.83
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements			
5. Closing balance			
IV. Book Value			
1. Closing book balance	970,801,370.36	3,446,731,982.52	1,060,972,823.10
2. Opening book balance	1,041,336,833.46	3,759,720,500.26	1,046,939,896.77

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Intangible assets

Items	Trademark rights	Application management software and others	Total
I. Original book value			
1. Opening balance	2,721,643,301.47	3,604,814,269.91	13,506,926,818.85
2. Increase for the current period			
(1) Purchase		216,435,519.28	511,197,617.67
(2) Internal research and development		185,328,429.41	292,607,994.94
(3) Increase in business combination		54,992,058.74	54,992,058.74
3. Decrease for the current period			
(1) Disposal		33,673,815.82	222,112,315.82
(2) Disposal of subsidiary		94,341,417.91	138,313,448.30
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-8,198,601.88	-105,485,918.16	-410,862,970.00
5. Closing balance	2,713,444,699.59	3,828,069,125.45	13,594,435,756.08
II. Accumulated amortization			
1. Opening balance		1,477,417,910.84	2,809,889,927.82
2. Increase for the current period			
(1) Provision		625,804,227.11	950,485,250.48
(2) Increase in business combination		28,339.27	28,339.27
3. Decrease for the current period			
(1) Disposal		27,372,791.92	32,083,754.42
(2) Disposal of subsidiary		70,342,031.60	91,637,814.20
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements		-59,423,547.04	-116,154,087.23
5. Closing balance		1,946,112,106.66	3,520,527,861.72
III. Impairment provision			
1. Opening balance		9,965,107.96	9,965,107.96
2. Increase for the current period			
(1) Provision		46,077,744.47	46,077,744.47
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements		-2,604.00	-2,604.00
5. Closing balance		56,040,248.43	56,040,248.43
IV. Book Value			
1. Closing book balance	2,713,444,699.59	1,825,916,770.36	10,017,867,645.93
2. Opening book balance	2,721,643,301.47	2,117,431,251.11	10,687,071,783.07

At the end of the period, the intangible assets developed through the Company accounted for the 17.53% of the original value at the end of the period.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Development cost

Unit and Currency: RMB

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	Disposal of subsidiary		
91ABD. ERP IT Program	98,811,149.48	99,651,172.77	93,861,206.44			-6,707,314.82	97,893,800.99
Others	94,474,627.62	403,831,835.64	198,746,788.50	143,621,280.56	75,952,361.69	-10,133,109.37	69,852,923.14
Total	193,285,777.10	503,483,008.41	292,607,994.94	143,621,280.56	75,952,361.69	-16,840,424.19	167,746,724.13

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. 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	20,724,937,078.57			-1,342,334,712.31	19,382,602,366.26
Candy	2,032,029,984.37			54,469,999.58	2,086,499,983.95
Others	594,762,750.41	457,060,786.48	3,298,757.75	833,208.29	1,049,357,987.43
Total	23,351,729,813.35	457,060,786.48	3,298,757.75	-1,287,031,504.44	22,518,460,337.64

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

The recoverable amount of the asset group (including goodwill) is calculated with discounted estimated future cash flow method based on a management-approved 5-10 years budget. Future cash flows beyond the budget period are estimated using the estimated perpetual annual growth rate. The perpetual annual growth rate (mainly 2%-2.5%) adopted by the management is consistent with industry forecast data and does not exceed the long-term average growth rate of each product. The management determines the compound income growth rate (mainly 2.29%-11.89%) and the EBITDA profit margin (mainly 5.26%-27.34%) based on historical experience and market development forecasts, and adopts the pre-tax interest rate that can reflect the specific risks of the relevant asset group as the discount rate (mainly 10.41%-14.89%). 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.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Long-term amortized 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	172,232,866.44	126,259,574.45	126,952,030.69	2,157,808.33	-110,917.30	169,271,684.57
Improvement on leased property	196,714,339.48	21,211,980.06	27,174,443.94	17,944,458.85	-2,224,663.01	170,582,753.74
Others	68,639,706.66	87,367,970.37	34,494,757.08	4,580,166.33	-1,044,687.80	115,888,065.82
Total	437,586,912.58	234,839,524.88	188,621,231.71	24,682,433.51	-3,380,268.11	455,742,504.13

22. Deferred income tax assets/deferred income tax liabilities

(1). Deferred income tax assets before elimination

Items	Closing balance	Opening balance
Provision for assets impairment	374,373,978.37	330,149,872.25
Liabilities	1,745,260,196.51	1,638,698,620.85
Internal unrealized earnings eliminated due to combination	668,981,845.53	648,447,634.39
Government grants	124,822,115.15	104,843,341.38
Uncovered losses	806,710,012.75	644,817,113.91
Others	237,331,301.90	97,140,142.95
Total	3,957,479,450.21	3,464,096,725.73

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Deferred income tax assets/deferred income tax liabilities (continued)

(2). Deferred income tax liabilities before elimination

Items	Closing balance	Opening balance
Asset amortisation	2,371,032,689.77	2,063,021,233.00
Remeasurement of fair value of the reaming equity on the day when the control right was lost	878,623,804.46	664,918,329.45
Withholding income tax of oversea enterprises	93,629,113.00	77,190,532.32
Others	306,293,850.70	234,478,033.95
Total	3,649,579,457.93	3,039,608,128.72

- (3). The deferred income tax assets and the deferred income tax liabilities eliminated at the end of the period was RMB1,749,178,191.96.

23. Other non-current assets

Items	Closing balance	Opening balance
Prepayments for equipment and land	1,403,997,069.15	1,423,060,146.73
Other	521,764,491.02	420,704,819.08
Total	1,925,761,560.17	1,843,764,965.81

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Short-term borrowings

(1). Category of short-term borrowings

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings — secured by pledge	472,098,030.36	172,099,117.93
Borrowings — secured by mortgage		68,231,758.92
Borrowings — secured by guarantee		3,505,822,164.08
Borrowings — unsecured by credit	7,200,328,217.00	4,838,896,196.25
Interest payable for short-term borrowings	15,481,918.52	
Total	7,687,908,165.88	8,585,049,237.18

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Financial liabilities held for trading

Items	Closing balance	Opening balance
Forward foreign exchange trading contracts	26,952,508.66	42,799,173.35
Total	26,952,508.66	42,799,173.35

26. Derivative financial liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange trading contracts	188,695,788.30	85,557,428.14
Interest rate swap agreemen	50,886,744.60	13,991,425.83
Total	239,582,532.90	99,548,853.97

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Bills payable

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Categories	Closing balance	Opening balance
Commercial acceptance notes	2,710,903,499.32	2,237,116,468.45
Bank acceptance notes	18,525,153,554.35	17,071,422,308.47
Total	21,236,057,053.67	19,308,538,776.92

28. Accounts payables

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Accounts payables	36,302,971,944.48	33,750,567,046.28
Total	36,302,971,944.48	33,750,567,046.28

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

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Contractual liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Contractual liabilities	7,048,637,659.48	5,583,008,412.49
Total	7,048,637,659.48	5,583,008,412.49

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

30. Payables for staff remuneration

(1). Payables for staff remuneration

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Short-term remuneration	2,978,630,280.51	22,277,098,918.32	21,632,600,330.00	3,623,128,868.83
II. Post-employment benefits: defined contribution plan	27,079,985.45	764,851,958.42	770,896,585.26	21,035,358.61
III. Termination benefits	9,818,188.41	2,061,623.44	2,061,623.44	9,818,188.41
IV. Other benefits due within one year	140,043,962.93	76,088,297.10	110,014,697.06	106,117,562.97
Total	3,155,572,417.30	23,120,100,797.28	22,515,573,235.76	3,760,099,978.82

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Payables for staff remuneration (continued)

(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	1,956,628,751.50	16,306,815,361.99	15,740,285,948.86	2,523,158,164.63
II. Employee welfare	298,793,183.14	922,747,295.44	901,268,873.40	320,271,605.18
III. Social benefit	145,972,223.15	1,554,485,801.28	1,516,565,820.57	183,892,203.86
IV. Housing fund	1,739,030.08	430,450,146.22	427,160,413.85	5,028,762.45
VII. Labor union fee and education fund	1,249,039.97	94,701,643.50	94,627,566.57	1,323,116.90
VI. Short-term compensated leave	246,545,110.83	434,406,827.53	404,222,811.04	276,729,127.32
VII. Others	327,702,941.84	2,533,491,842.36	2,548,468,895.71	312,725,888.49
Total	2,978,630,280.51	22,277,098,918.32	21,632,600,330.00	3,623,128,868.83

(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	26,540,835.95	726,620,430.04	732,805,020.26	20,356,245.73
2. Unemployment insurance	268,380.08	8,034,104.26	8,132,179.64	170,304.70
3. Enterprise annuity payment	270,769.42	30,197,424.12	29,959,385.36	508,808.18
Total	27,079,985.45	764,851,958.42	770,896,585.26	21,035,358.61

(1). Termination benefits

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

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Taxes payable

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Value-added tax	645,144,199.35	606,034,986.30
Corporate income tax	1,371,458,516.07	1,278,004,157.85
Individual income tax	144,333,033.24	57,716,819.31
City maintenance and construction tax	13,992,816.15	12,703,998.50
Education surcharge	5,960,935.92	5,473,294.35
The electrical and electronic products waste treatment fund	88,989,555.00	102,288,068.00
Other taxes	129,826,404.39	54,835,056.73
Total	2,399,705,460.12	2,117,056,381.04

32. Other payables

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest payable		49,395,752.93
Dividends payable		145,851,115.28
Other payables	17,056,156,167.28	14,961,145,653.61
Total	17,056,156,167.28	15,156,392,521.82

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Other payables (continued)

(1) Interest payable:

Items	Closing balance	Opening balance
Interest on long-term borrowings		22,160,847.23
Interest on short-term borrowing		27,234,905.70
Total		49,395,752.93

(2) Dividends payable:

Name of unit	Closing balance	Opening balance
Brave Lion (HK) limited		122,756,874.10
Others		23,094,241.18
Total		145,851,115.28

(3) Other payables:

Items	Closing balance	Opening balance
Other payables	17,056,156,167.28	14,961,145,653.61
Total	17,056,156,167.28	14,961,145,653.61

The closing balance mainly included the incurred but unpaid costs.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Non-current liabilities due within one year

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within one year	4,950,555,670.08	4,730,070,447.82
Long-term payables due within one year	20,000,000.00	
Lease liabilities due within one year	670,863,763.75	594,930,209.58
Anticipated liabilities due within one year	1,881,305,479.57	1,992,138,260.62
Total	7,522,724,913.40	7,317,138,918.02

34. Other current liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Short-term payable bonds	5,535,262,500.00	
Payable refund	540,552,003.81	486,038,304.57
Tax amount to be written off	20,186,405.07	6,284,243.87
Others	16,053,035.75	1,743,159.10
Total	6,112,053,944.63	494,065,707.54

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Long-term borrowings

(1). Classification long-term borrowings

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings – secured by mortgage		12,663,597.65
Borrowings – secured by guarantor		2,343,619,509.01
Borrowings – unsecured	11,821,416,259.81	8,877,523,705.58
Borrowings – secured by guarantor and mortgage		2,042,646,123.32
Total	11,821,416,259.81	13,276,452,935.56

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.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Bonds payable

In November 2017, Harvest International Company, the Company's wholly-owned subsidiary, issued HK\$8 billion five-year exchangeable corporate bonds, with a coupon rate of zero and a rate on investment of 1%. In September 2020, the Company considered and approved the scheme to convert the exchangeable bonds into convertible bonds. The underlying shares of the original exchangeable bonds were changed from the shares of Haier Electronic to newly issued H-shares of Haier Smart Home (referred to as EB to CB Scheme). On 23 December 2020, H-shares of Haier Smart Home were listed and traded, and the EB-to-CB Scheme took effect. The outstanding principle amount of the original exchangeable bonds was HK\$7.993 billion. The maturity date, coupon rate and yield rate of the bond remain unchanged. The liability component and equity component of convertible bonds at the initial recognition:

Items	Convertible corporate bonds on 23 December 2020
Initial recognition:	9,105,660,619.93
Including :	
Equities of the convertible bond	2,364,195,333.79
Liabilities of the convertible bond	6,741,465,286.14

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	Redemption in the current period	Shares converted in the current period (EB converted into CB)	Exchange rate impact	Closing balance
Exchangeable bond (EB)	7,004,585,761.43		173,060,863.92	179,814.81	5,919,340.00	6,770,674,309.82	-400,873,160.72		
Exchangeable corporate bond (CB)		6,741,465,286.14	4,315,475.69				-32,279,711.56	6,713,501,050.27	
Total	7,004,585,761.43	6,741,465,286.14	177,376,339.61	179,814.81	5,919,340.00	6,770,674,309.82	-433,152,872.28	6,713,501,050.27	

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Lease liabilities

Unit and Currency: RMB

Items	Closing balance	Opening balance
Lease liabilities	2,743,566,116.43	2,575,201,976.93
Less: lease liabilities due within one year	670,863,763.75	594,930,209.58
Total	2,072,702,352.68	1,980,271,767.35

38. Long-term payables

Unit and Currency: RMB

Items	Closing balance	Opening balance
Investment from CDB development fund	56,500,000.00	93,000,000.00
Others	61,703,261.27	49,342,718.45
Less: long-term payables due within one year	20,000,000.00	
Total	98,203,261.27	142,342,718.45

Under the Investment Contract of China Development Fund executed by the Company and its subsidiaries including Qingdao Haier Refrigerator Co., Ltd., Qingdao Haier Air Conditioner Gen Corp., Ltd., Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited together with China Development Fund Co. Ltd. in 2015 and 2016, China Development Fund Co. Ltd. invested RMB20 million in Qingdao Haier Refrigerator Co., Ltd., and RMB73 million in Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited. China Development Fund Co. Ltd. obtained an annual return of 1.2% by means of dividends or buyback premium for the above investments. In 2020, the subsidiaries made buyback in amount of RMB36.5 million. From 2021 to 2027, the Company and its subsidiaries will repurchase the investments made by China Development Fund Co. Ltd. to the subsidiaries of the Company.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. 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	602,802,957.77	577,613,222.26
II. Termination benefits	429,651,733.32	324,191,428.30
III. Other long-term benefits		
IV. Provision for work-related injury compensation	213,320,333.26	220,545,586.80
Total	1,245,775,024.35	1,122,350,237.36

(2). Defined benefits plan

Some subsidiaries of the Company have set several defined benefit plans for the qualified staff. Under these plans, the employees are entitled to the retirement benefits agreed in such defined benefit plans.

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

The recent actuarial evaluation of the assets and the present value of defined benefit obligations under such plans are determined by using the projected unit credit method.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Long-term employee benefits payable (continued)

(2). Defined benefits plan (continued)

- 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	334,764,594.79
II. Defined benefit cost recognized in current profit or loss	10,759,701.57
1. Current service cost	9,069,397.92
2. Past service cost	
3. Settlement gains (loss indicated in ' - ')	
4. Interest cost	1,690,303.65
III. Defined benefit cost recognized in other comprehensive income	1,544,445.38
1. Actuarial loss (gain indicated in ' - ')	1,544,445.38
IV. Other changes	-22,693,200.83
1. The consideration paid at the time of settlement	
2. Benefit paid	-18,392,400.09
3. Exchange differences	-4,300,800.74
VII. Closing balance	324,375,540.91

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Long-term employee benefits payable (continued)

(2). Defined benefits plan (continued)

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

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	-33,960,733.88
II. Defined benefit cost recognized in current profit or loss	3,511,418.93
III. Defined benefit cost recognized in other comprehensive income	-3,834,624.95
IV. Other changes	-12,841,847.17
VII. Closing balance	-47,125,787.07

The average term for the defined benefit obligation is 11.79 years at the balance sheet date.

Fair value of plan assets

Items	Amount
I. Opening balance	368,725,328.67
II. Defined benefit cost recognized in current profit or loss	7,248,282.64
1. Interest income	7,248,282.64
III. Defined benefit cost recognized in other comprehensive income	5,379,070.33
1. Return on plan assets (except those included in net interests)	5,379,070.33
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-9,851,353.66
1. Employer contributions	6,344,950.20
2. Benefit paid	-11,126,189.87
3. Exchange differences	-5,070,113.99
VII. Closing balance	371,501,327.98

Neither the Company's ordinary shares or bonds, nor the properties occupied by the Company are included in the plan assets.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Long-term employee benefits payable (continued)

(2). Defined benefits plan (continued)

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	-33,960,733.88
II. Defined benefit cost recognized in current profit or loss	3,511,418.93
III. Defined benefit cost recognized in other comprehensive income	-3,834,624.95
IV. Other changes	-12,841,847.17
V. Closing balance	-47,125,787.07

The average term for the defined benefit obligation is 11.79 years at the balance sheet date.

- ② The defined benefit plan of Roper Corporation, a subsidiary of the Company

Roper Corporation, a subsidiary of the Company, has provided post-employment defined benefit plan of health care benefits to eligible employees.

Actuarial assumptions used in defined benefit plans

Items	Rate
Discount rate	2.47%

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Long-term employee benefits payable (continued)

(2). Defined benefits plan (continued)

Present value of defined benefit obligations

Items	Amount
I. Opening balance	138,607,020.37
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	10,240,125.86
1. Current service cost	6,134,939.35
2. Past service cost	
3. Settlement gains (loss indicated in ' — ')	
4. Interest cost	4,105,186.51
IV. Defined benefit cost recognized in other comprehensive incomes	11,637,987.81
1. Actuarial loss (gain indicated in ' — ')	11,637,987.81
VII. Other changes	-8,917,373.66
1. The consideration paid at the time of settlement	
2. Benefit paid	-8,198,889.19
3. Exchange differences	-718,484.47
VII. Closing balance	151,567,760.38

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Long-term employee benefits payable (continued)

(2). Defined benefits plan (continued)

- ② The defined benefit plan of Roper Corporation, a subsidiary of the Company (continued)

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	138,607,020.37
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	10,240,125.86
IV. Defined benefit cost recognized in other comprehensive incomes	11,637,987.81
V. Other changes	-8,917,373.66
VI. Closing balance	151,567,760.38

The average term for the defined benefit obligation is 10.05 years at the balance sheet date.

- ③ The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company

Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company, has provided post-retirement defined benefit plan of health care benefits for the eligible employees.

Actuarial assumptions used in defined benefit plans

Items	Rate
Discount rate	2.09%

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Long-term employee benefits payable (continued)

(2). Defined benefits plan (continued)

- ③ The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company (continued)

Present value of defined benefit obligations

Items	Amount
I. Opening balance	310,036,866.40
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	8,040,164.48
1. Current service cost	
2. Past service cost	
3. Settlement gains (loss indicated in ' — ')	
4. Interest cost	8,040,164.48
IV. Defined benefit cost recognized in other comprehensive incomes	3,100,710.78
1. Actuarial loss (gain indicated in ' — ')	3,100,710.78
VII. Other changes	-28,114,459.95
1. The consideration paid at the time of settlement	
2. Benefit paid	-24,006,014.06
3. Exchange differences	-4,108,445.89
VI. Closing balance	293,063,281.71

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Long-term employee benefits payable (continued)

(2). Defined benefits plan (continued)

- ③ The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company (continued)

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	310,036,866.40
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	8,040,164.48
IV. Defined benefit cost recognized in other comprehensive incomes	3,100,710.78
VII. Other changes	-28,114,459.95
VI. Closing balance	293,063,281.71

- ④ The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company

Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company, has provided defined benefit plan of pension for the eligible employees.

Actuarial assumptions used in defined benefit plans

Items	Rate
Discount rate	2.08%

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Long-term employee benefits payable (continued)

(2). Defined benefits plan (continued)

- ④ The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company (continued)

Present value of defined benefit obligations

Items	Amount
I. Opening balance	257,475,210.72
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	6,452,545.38
1. Current service cost	
2. Past service cost	
3. Settlement gains (loss indicated in ' — ')	
4. Interest cost	6,452,545.38
IV. Defined benefit cost recognized in other comprehensive incomes	9,842,028.66
1. Actuarial loss (gain indicated in ' — ')	9,842,028.66
VII. Other changes	-49,483,263.67
1. The consideration paid at the time of settlement	
2. Benefits paid out	-45,032,328.14
3. Exchange differences	-4,450,935.53
VI. Closing balance	224,286,521.09

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Long-term employee benefits payable (continued)

(2). Defined benefits plan (continued)

- ④ The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company (continued)

Fair value of plan assets

Items	Amount
I. Opening balance	184,922,772.57
II. Defined benefit cost recognized in current profit or loss	
1. Interest income	
III. Defined benefit cost recognized in other comprehensive incomes	9,666,097.78
1. Return on plan assets (except those included in net interests)	9,666,097.78
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-34,179,842.84
1. Employer contributions	14,086,065.04
2. Benefits paid out	-45,032,328.14
3. Exchange differences	-3,233,579.74
VII. Closing balance	160,409,027.51

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	72,552,438.15
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	6,452,545.38
IV. Defined benefit cost recognized in other comprehensive income	175,930.88
VII. Other changes	-15,303,420.83
V. Closing balance	63,877,493.58

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Long-term employee benefits payable (continued)

(3) Provision for work-related injury compensation

Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company, made a provision for work-related injury claims for the staff injured during the production accidents from 1 January 1991, which was used to pay for the claim made by the injured staff. The provision was calculated by Beechercarlson Insurance Services, LLC., based on actuarial method and a discount rate of 3.72%.

Items	Amount
I. Opening balance	220,545,586.80
II. Business combination not under common control	
III. Compensation recognized in current profit and loss	86,716,612.64
IV. Actual compensation paid	-51,636,464.63
VII. Other changes	-42,305,401.55
VI. Closing balance	213,320,333.26

Classification of the balance of defined benefit plan

Items	Closing balance	Opening balance
Short-term salary	38,202,187.93	84,527,455.18
Long-term salary	602,802,957.77	577,613,222.26
Total	641,005,145.70	662,140,677.44

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Estimated liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance
Active litigation	19,619,840.35	21,550,139.03
Others	192,441,718.48	238,570,708.44
Projection of three guarantees and installation fees	1,186,816,187.50	1,182,723,189.26
Total	1,398,877,746.33	1,442,844,036.73

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

41. Deferred income

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Government grants	705,272,617.10	296,297,021.72	367,807,969.34	633,761,669.48
Total	705,272,617.10	296,297,021.72	367,807,969.34	633,761,669.48

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Other non-current liabilities

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Obligation of repurchasing the minority equity rights		54,598,203.27
Others	27,033,458.13	15,473,286.76
Total	27,033,458.13	70,071,490.03

43. Share capital

Share category	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Restricted shares				
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic individuals				
4. Shares held by offshore non-state-owned legal entities				
II. Non-restricted shares	6,579,566,627	2,448,279,814		9,027,846,441
1. Ordinary shares in RMB	6,308,552,654			6,308,552,654
2. Domestic listed foreign Shares				
3. Offshore listed foreign Shares	271,013,973	2,448,279,814		2,719,293,787
4. Others				
III. Total shares	6,579,566,627	2,448,279,814		9,027,846,441

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. 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		2,364,195,333.79		2,364,195,333.79
Total	431,424,524.07	2,364,195,333.79	431,424,524.07	2,364,195,333.79

45. Capital reserve

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Capital premium (Share premium)	3,636,172,794.06	12,509,214,213.19	1,950,039,867.08	14,195,347,140.17
Other capital reserve	799,718,051.41	41,101,902.14	27,139,686.32	813,680,267.23
Total	4,435,890,845.47	12,550,316,115.33	1,977,179,553.40	15,009,027,407.40

The main reasons for the change in capital premium: acquisition of minority shareholding from subsidiaries in the current period and non-proportional capital injection in subsidiaries in the current period.

The main reasons for the change in other capital reserves: recognition of other capital reserves arising from changes in other equity accounted for under the equity method and transfer out of other capital reserves arising from the disposal of subsidiaries.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Other comprehensive income

Items	Opening balance	Amounts for the current period				Others	Closing balance
		Amount before current income tax	Less: income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax		
a	17,478,970.09	-324,414,470.72	-17,252,640.69	-368,885,317.13	27,218,205.72	58,758,930.80	-292,647,416.24
b	3,180,368.82	-146,442,438.62	49,062,064.71	-104,122,543.00	6,742,169.09	-297,721.09	-101,239,895.27
c	1,265,319,179.57	-2,004,075,955.42		-1,991,256,746.82	-12,819,208.60	195,412,332.50	-530,525,234.75
d	-28,644,680.35	-121,532,163.76	11,508,231.03	-50,039,720.46	-59,984,212.27	-80,744,068.43	-159,428,469.24
e	60,654,781.53	-31,009,731.41	7,959,266.34	-23,030,495.09	-19,969.98		37,624,286.44
Total	1,317,988,619.66	-2,627,474,759.93	51,276,921.39	-2,537,334,822.50	-38,863,016.04	173,129,473.78	-1,046,216,729.06

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.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Surplus reserve

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Statutory surplus reserve	2,607,670,603.87	390,007,134.14		2,997,677,738.01
Discretionary surplus reserve	26,042,290.48			26,042,290.48
Reserve fund	11,322,880.64			11,322,880.64
Enterprise expansion fund	10,291,630.47			10,291,630.47
Total	2,655,327,405.46	390,007,134.14		3,045,334,539.60

Pursuant to *the Company Law of the People's Republic of China* and the Articles of Association, the Company is required to appropriate the statutory surplus reserve at 10% of its net profit.

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Undistributed profits

√ Applicable ☐ Not Applicable

	Amounts
Undistributed profits at the end of previous year	32,468,121,744.26
Adjustment due to business combination under common control	
Undistributed profits at the beginning of the year	32,468,121,744.26
Add: net profit attributable to owners of the parent company	8,876,593,208.19
Other transfer in	-42,238,160.71
Adjustment due to implementation of enterprise accounting standard	
Profit available for appropriation for the year	41,302,476,791.74
Less: appropriation of statutory surplus reserve	390,007,134.14
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	2,467,337,485.13
Undistributed profits at the end of period	38,445,132,172.47

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

49. Operating income and operating cost

(1). Operating income

Items	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Primary business		208,593,269,178.46		199,470,697,570.75
Other Business		1,132,551,920.98		1,291,285,685.82
Total		209,725,821,099.44		200,761,983,256.57

(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	29,998,860,385.28	21,775,814,158.53	29,128,360,847.20	20,034,773,426.88
Refrigerator	61,538,038,448.75	41,567,754,922.29	58,437,548,582.46	39,576,846,618.02
Kitchen appliance	31,361,319,774.44	21,420,569,709.06	29,508,925,597.30	20,323,125,202.75
Water appliance	9,856,730,639.50	5,349,058,135.46	9,623,997,584.95	5,211,758,293.50
Washing machine	48,452,426,668.33	32,402,560,443.74	44,714,295,068.12	30,082,538,105.52
Equipment product and integrated channel services	27,385,893,262.16	24,614,064,561.89	28,057,569,890.72	25,180,488,578.94
Total	208,593,269,178.46	147,129,821,930.97	199,470,697,570.75	140,409,530,225.61

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Taxes and surcharge

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
City maintenance and construction tax	222,111,567.02	291,146,530.21
Education surcharge	158,073,704.03	177,513,807.70
Property tax	56,952,660.77	57,458,858.13
Land use tax	16,516,606.32	101,817,438.06
Stamp duty	159,650,610.68	121,945,873.71
Others	47,201,768.51	52,162,532.07
Total	660,506,917.33	802,045,039.88

51. Selling expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Selling expenses	33,641,711,147.72	33,682,126,291.31
Total	33,641,711,147.72	33,682,126,291.31

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

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

52. Administrative expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Administrative expenses	10,052,645,415.72	10,113,263,329.25
Total	10,052,645,415.72	10,113,263,329.25

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

53. R&D expenses

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
R&D expenses	6,860,161,572.42	6,266,936,518.17
Total	6,860,161,572.42	6,266,936,518.17

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

54. Financial expenses

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Interest expense	1,327,091,393.08	1,747,107,740.65
Less: interest income	486,179,773.00	550,224,661.04
Less: cash discount	143,826,274.59	162,248,119.74
Exchange gains and losses	385,014,983.81	-272,402,809.68
Others	114,117,406.13	130,785,408.67
Total	1,196,217,735.43	893,017,558.86

Interest expenditure in lease liabilities in the current period is RMB123,159,380.18.

55. Other income

Items	Amount for the current period	Amount for the previous period
Government grants	1,081,535,480.75	1,209,403,624.81
Government grants	69,112,340.28	72,809,404.72
Total	1,150,647,821.03	1,282,213,029.53

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. Investment income (losses are represented by '-')

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	1,619,755,825.37	1,409,211,965.00
Investment income from disposal of long-term equity investments	2,261,114,345.13	3,823,762,154.68
Investment income from other equity instrument investments during holding period	21,366,723.72	39,133,293.28
Income from wealth management products	88,139,276.75	168,169,628.59
Investment income from disposal of financial assets measured at fair value with changes included in current profit and loss	69,728,041.81	39,262,442.79
Total	4,060,104,212.78	5,479,539,484.34

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

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Change in fair value of forward foreign exchange trading contracts	40,882,087.10	72,176,324.08
Changes in fair value of wealth management products	4,019,028.18	19,675,848.00
Changes in fair value of investment funds	8,351,206.56	
Others	9,377,425.96	-15,135,204.55
Total	62,629,747.80	76,716,967.53

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

58. Credit impairment loss

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Bad debts losses on accounts receivable	-170,080,605.76	-131,659,422.73
Impairment losses on contractual assets		-3,654,196.27
Bad debts losses on bills receivable	3,700,000.00	-15,056,696.60
Total	-166,380,605.76	-150,370,315.60

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

59. Impairment loss on assets

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Impairment losses on inventory	-1,014,527,325.32	-576,400,805.50
Impairment losses on other current assets	-230,024,566.63	-218,016,000.43
Impairment losses on fixed assets	-413,079.67	-1,328,135.45
Impairment losses on intangible assets	-46,077,744.47	
Impairment losses on construction in progress	-837,735.85	-9,619,271.50
Impairment losses on long-term equity investment	-43,750,000.00	-55,214,487.73
Total	-1,335,630,451.94	-860,578,700.61

60. Gains on disposal of assets

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	33,992,005.52	501,274,953.38
Less: losses on disposal of non-current assets	46,804,842.58	15,547,325.37
Total	-12,812,837.06	485,727,628.01

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

61. Non-operating income

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	13,544,653.33	638,713.73
Quality claims and fines	42,910,128.73	278,824,898.94
Others	140,989,269.00	111,507,936.07
Total	197,444,051.06	390,971,548.74

62. Non-operating expenses

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Losses on disposal of non-current assets	112,009,363.05	89,405,090.32
Others	128,909,175.86	120,401,550.50
Total	240,918,538.91	209,806,640.82

63. Income tax expenses

(1) Statement of income tax expenses

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Current income tax expense	2,115,519,024.63	1,708,340,696.65
Deferred income tax expense	116,345,162.88	587,875,584.21
Total	2,231,864,187.51	2,296,216,280.86

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

63. Income tax expenses (continued)

(2) Reconciliation between accounting profit and income tax expenses

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Total profit	13,554,480,464.79
Income tax expense calculated pursuant to statutory/applicable tax rate(s)	3,388,620,116.20
Impact from different tax rates applicable to subsidiaries	-476,817,215.17
Impact from adjustment to income tax in prior periods	-460,426,528.21
Impact from non-taxable income	-581,537,475.46
Impact from non-deductible cost, expense and loss	269,427,976.15
Impact from deductible provisional differences or deductible losses of unrecognized deferred tax assets from this period	92,597,314.00
Income tax expense	2,231,864,187.51

Other explanations:

☐ Applicable ☒ Not Applicable

64. Other comprehensive income

☒ Applicable ☐ Not Applicable

Please refer to notes VII.46 for details

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

65. Other cash received from operating activities

Items	Amounts
Deposits and securities	36,789,663.37
Government grants	941,626,605.90
Non-operating income excluding government grants	108,560,778.77
Interest income	437,718,310.82
Others	13,649,128.24
Total	1,538,344,487.10

66. Other cash paid to operating activities

Items	Amounts
Cash paid on selling expenses	14,515,419,929.81
Cash paid on administrative and R&D expenses	6,286,961,784.16
Cash paid on financial expenses	147,769,900.77
Non-operating expenses	60,600,741.26
Others	80,476,736.60
Total	21,091,229,092.60

67. Other cash received from investing activities

Items	Amounts
Land grant refunded by government	182,950,000.00
Others	4,767,849.30
Total	187,717,849.30

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

68. Other cash paid to investing activities

Items	Amounts
Others	317,462.62
Total	317,462.62

69. Other cash received from financing activities

Items	Amounts
Dividend of treasury stock	13,362,610.74
Others	719,826.43
Total	14,082,437.17

70. Other cash paid to financing activities

Items	Amounts
Cash payment paid to scheme shareholders under the privatisation proposal	2,512,771,135.05
Cash paid to lease	727,823,360.61
Cash paid to withdrawal of Minority equity interests	15,199,860.00
Expenses from issuance of H-shares	48,788,179.22
Total	3,304,582,534.88

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

71. Net profit adjusted to cash flow of operating activities

Unit and Currency: RMB

Net profit adjusted to cash flow of operating activities	Amount for the current period	Amount for the previous period
1. Net profit	11,322,616,277.28	12,334,392,517.10
Add: impairment provision for assets	1,502,011,057.70	1,010,949,016.21
Depreciation of fixed assets	3,950,237,132.43	3,766,641,387.29
Amortization of intangible assets	950,485,250.48	786,513,629.57
Amortization of long-term prepaid expenses	188,621,231.71	110,134,513.81
Losses on disposal of fixed assets, intangible assets and other long-term assets ('-' represents 'gains')	111,277,546.78	-396,961,251.42
Loss and gains on change of fair value ('-' represents 'gains')	-62,629,747.80	-76,716,967.53
Financial expenses ('-' represents 'gains')	1,712,106,376.89	1,474,704,930.97
Loss on investments ('-' represents 'gains')	-4,060,104,212.78	-5,479,539,484.34
Decrease in deferred tax assets ('-' represents 'increase')	-495,054,794.76	631,902,444.76
Increase of deferred tax liabilities ('-' represents 'decrease')	611,399,957.64	-44,026,860.55
Decrease in inventories ('-' represents 'increase')	-3,118,305,579.15	-3,949,038,184.52
Decrease of operational account receivables ('-' represents 'increase')	-5,379,121,318.75	-908,459,449.72
Increase of operational account payables ('-' represents 'decrease')	9,954,754,491.97	5,705,533,226.59
Others	410,818,045.87	116,601,474.51
Net cash flow generated from operational activities	17,599,111,715.51	15,082,630,942.73
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	45,635,132,638.48	34,962,947,399.85
Less: cash balance at the beginning of the period	34,962,947,399.85	36,560,925,755.10
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	10,672,185,238.63	-1,597,978,355.25

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

72. Cash and cash equivalents

Unit and Currency: RMB

Items	Closing balance	Opening balance
I. Cash	45,635,132,638.48	34,962,947,399.85
Including: Cash on hand	2,257,666.98	7,556,892.38
Bank deposits always available for payment	45,306,078,417.59	34,502,656,877.99
Other monetary funds always available for payment	326,796,553.91	452,733,629.48
II. Cash equivalents		
Including: bond investments due within three months		
III. Closing balance of cash and cash equivalents	45,635,132,638.48	34,962,947,399.85
Including: restricted cash and cash equivalents the used by the parent or subsidiaries of the Group		

73. Monetary items in foreign currency

Items	Closing Balance			Opening Balance		
	Balance in foreign currency		Balance in RMB	Balance in foreign currency		Balance in RMB
		Exchange rate			Exchange rate	
Monetary funds						
USD	924,028,432.95	6.5249	6,029,193,122.15	730,666,614.19	6.9762	5,097,276,433.90
EUR	196,320,365.21	8.0250	1,575,470,930.80	151,676,201.42	7.8155	1,185,425,352.21
JPY	6,477,692,063.68	0.063236	409,623,335.34	3,356,863,028.27	0.064086	215,127,924.03
HKD	834,174,659.07	0.8416	702,041,393.07	745,289,079.40	0.8958	667,629,957.33
Others			3,237,415,723.48			2,043,389,309.90
Subtotal			11,953,744,504.84			9,208,848,977.37
Accounts receivables						
USD	670,644,124.35	6.5249	4,375,885,846.99	269,987,662.70	6.9762	1,883,487,932.50
EUR	416,947,689.18	8.0250	3,346,005,205.68	325,463,066.35	7.8155	2,543,656,595.07
JPY	2,804,117,973.89	0.063236	177,321,204.20	3,829,608,370.79	0.064086	245,424,282.05
Others			3,303,192,557.86			2,931,185,158.50
Subtotal			11,202,404,814.73			7,603,753,968.12

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

73. Monetary items in foreign currency (continued)

Items	Closing Balance			Opening Balance		
	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
Short-term borrowings						
USD	338,394,354.56	6.5249	2,207,989,324.04	521,126,042.56	6.9762	3,635,479,498.10
EUR	365,208,045.49	8.0250	2,930,794,565.08	320,772,912.41	7.8155	2,507,000,696.91
JPY	559,047,191.47	0.063236	35,351,908.20	6,656,569,078.27	0.064086	426,592,885.95
HKD	2,601,626,661.87	0.8416	2,189,528,998.63			
Others			17,716,918.41			66,592,438.54
Subtotal			7,381,381,714.36			6,635,665,519.50
Accounts payables						
USD	1,686,174,380.87	6.5249	11,002,119,217.74	1,219,489,898.22	6.9762	8,507,405,427.96
EUR	509,699,528.76	8.0250	4,090,338,718.32	421,042,022.97	7.8155	3,290,653,930.56
JPY	5,948,544,811.60	0.063236	376,162,179.71	5,988,441,245.39	0.064086	383,775,245.65
NZD	184,521,657.35	4.7050	868,174,397.82	147,674,519.27	4.6973	693,671,519.36
Others			2,331,300,734.45			1,735,111,878.01
Subtotal			18,668,095,248.04			14,610,618,001.54
Non-current liabilities due in one year						
USD	460,056,675.99	6.5249	3,001,823,805.15	692,201,069.75	6.9762	4,828,933,102.79
EUR	362,785,908.96	8.0250	2,911,356,919.41	104,804,376.00	7.8155	819,098,600.63
JPY	409,229,611.46	0.063236	25,878,043.71	1,923,050,313.62	0.064086	123,240,602.40
RUB	172,776,559.94	0.087700	15,152,504.31	183,707,445.72	0.112600	20,685,458.39
Others			347,591,362.24			278,535,431.52
Subtotal			6,301,802,634.82			6,070,493,195.73
Long-term borrowings						
USD	1,338,974,588.19	6.5249	8,736,675,290.48	876,451,371.56	6.9762	6,114,300,058.28
EUR	143,342,874.39	8.0250	1,150,326,567.02	712,443,399.37	7.8155	5,568,101,387.80
RUB	500,000,000.00	0.087700	43,850,000.00	500,000,010.04	0.112600	56,300,001.13
NZD	319,947,612.96	4.7050	1,505,353,518.98	319,915,612.92	4.6973	1,502,739,608.57
JPY	5,861,628,375.59	0.063236	370,665,931.96			
Others			14,544,951.38			22,348,282.12
Subtotal			11,821,416,259.82			13,263,789,337.90

VIII.CHANGES OF CONSOLIDATION SCOPE

1. Business combination not under common control

√ Applicable ☐ Not Applicable

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

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Name of acquiree	Time of equity acquisition	Equity acquisition cost	Interest acquired (%)	Equity acquisition method	Equity acquisition date	Recognition basis of acquisition	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
[Qingdao Ririshun Lejia IOT Technology Co., Ltd.] (青島日日順樂家物聯科技有限公司)	January 2020	578,514,747.42	79.82	Acquisition	January 2020	Shareholding transferred	236,315,323.00	40,005,633.26
[Guangdong Heilong Intelligent Technology Co. Ltd] (廣東黑龍智能科技有限公司)	January 2020	35,493,500.00	76.72	Acquisition	January 2020	Shareholding transferred	36,835,381.31	-4,228,240.28
[Qingdao Hairuijiejing Electronics Co., Ltd.] (青島海瑞潔淨電子有限公司)	July 2020	3,060,000.00	51.00	Acquisition	July 2020	Shareholding transferred	31,118,280.84	610,421.00

(2) Combination cost and goodwill

Items	[Qingdao Ririshun Lejia IOT Technology Co., Ltd.] (青島日日順樂家物聯科技有限公司)	[Guangdong Heilong Intelligent Technology Co. Ltd](廣東黑龍智能科技有限公司)	[Qingdao Hairuijiejing Electronics Co., Ltd.] (青島海瑞潔淨電子有限公司)
Cash	562,420,000.00	35,493,500.00	3,060,000.00
Contingent consideration	16,094,747.42		
Total combination cost	578,514,747.42	35,493,500.00	3,060,000.00
Less: fair value of identifiable net assets acquired	130,500,584.86	27,484,377.30	2,022,498.78
Amounts of goodwill	448,014,162.56	8,009,122.70	1,037,501.22

VIII.CHANGES OF CONSOLIDATION SCOPE (continued)

1. Business combination not under common control (continued)

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

Items	[Qingdao Ririshun Lejia IOT Technology Co., Ltd.] (青島日日順樂家物聯科技有限公司)	
	Fair value	Book Value
Monetary funds	223,974,917.72	223,974,917.72
Accounts receivables	15,398,428.75	15,398,428.75
Other receivables	8,407,600.82	8,407,600.82
Prepayments	20,000.00	20,000.00
Inventories	208,069.03	208,069.03
Fixed assets	49,800,195.00	4,908,266.00
Construction in progress	837,735.85	837,735.85
Intangible assets	45,965,425.27	23,584,905.66
Short-term borrowings	-800,000.00	-800,000.00
Accounts payables	-78,775,509.26	-78,775,509.26
Taxes payable	-874,611.20	-874,611.20
Payables for staff's remuneration	-3,916,546.24	-3,916,546.24
Other payables	-71,177,812.37	-71,177,812.37
Contract liabilities	-20,468,473.67	-20,468,473.67
Deferred income	-2,052,083.28	-2,052,083.28
Net asset	166,547,336.42	99,274,887.81
Less : Minority equity interests	-36,046,751.56	-22,474,228.14
Net assets obtained	130,500,584.86	76,800,659.67

VIII.CHANGES OF CONSOLIDATION SCOPE (continued)

1. Business combination not under common control (continued)

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

Items	[Guangdong Heilong Intelligent Technology Co. Ltd] (廣東黑龍智能科技有限公司)	
	Fair value	Book Value
Monetary funds	27,557,545.48	27,557,545.48
Bills receivable	200,000.00	200,000.00
Accounts receivable	47,300.87	47,300.87
Prepayments	815,329.43	815,329.43
Other receivables	425,636.25	425,636.25
Inventories	8,904,880.16	8,904,880.16
Other assets	1,430,452.30	1,430,452.30
Fixed assets	767,559.72	767,559.72
Intangible assets	8,998,294.20	79,794.20
Other current liabilities	221,425.59	221,425.59
Prepayments	-1,964,381.05	-1,964,381.05
Receipts in advance	-10,495,805.40	-10,495,805.40
Payables for staff's remuneration	-747,591.42	-747,591.42
Taxes payable	-155,049.94	-155,049.94
Other payables	-179,924.13	-179,924.13
Net asset	35,825,672.06	26,907,172.06
Less : Minority equity interests	-8,341,294.76	-6,264,799.52
Net assets obtained	27,484,377.30	20,642,372.54

VIII.CHANGES OF CONSOLIDATION SCOPE (continued)

1. Business combination not under common control (continued)

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

Items	[Qingdao Hairuijiejing Electronics Co., Ltd.] (青島海瑞潔淨電子有限公司)	
	Fair value	Book Value
Monetary funds	2,180,498.08	2,180,498.08
Accounts receivable	245,769.68	245,769.68
Prepayments	585,894.25	585,894.25
Other receivables	2,139,547.65	2,139,547.65
Inventories	345,575.28	345,575.28
Other current assets	29,000.00	29,000.00
Fixed assets	38,960.64	38,960.64
Prepayments	-991,460.73	-991,460.73
Contract liabilities	-244,897.66	-244,897.66
Payables for staff's remuneration	-244,854.04	-244,854.04
Taxes payable	-107,319.46	-107,319.46
Other payables	-11,029.81	-11,029.81
Net asset	3,965,683.88	3,965,683.88
Less : Minority equity interests	-1,943,185.10	-1,943,185.10
Net assets obtained	2,022,498.78	2,022,498.78

2. Business combination under common control

☐ Applicable ☒ Not Applicable

VIII.CHANGES OF CONSOLIDATION SCOPE (continued)

3. Disposal of subsidiary

Whether single disposal of investment in subsidiary will result in losing control power

Items	Haier COSMO IOT Ecosystem Technology Co., Ltd.	GREEN one TEC Solarindustrie GmbH	Qingdao Goodaymart Weilan Electromechanical Equipment Co., Ltd. (青島日日順蔚藍機電 設備有限公司)
Equity disposal price	5,712,055,521.94	32,959,727.61	690,000.00
Proportion of equity disposal	54.50%	51%	41.20%
Method of equity disposal	Disposal	Sale	Sale
Time of loss-of-control	2020.09.30	2020.12.14	2020.7.28
Basis for determination the time of loss-of-control	Transfer	Transfer	Transfer
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level	2,253,845,345.42	-6,313,363.61	178,087.73

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
Less: cost and others		4,710,367,482.14
Total profit		197,443,042.68
Less: income tax expense		46,936,990.15
Net profit		150,506,052.53

VIII.CHANGES OF CONSOLIDATION SCOPE (continued)**4. Disclosure of discontinued operation (continued)****(1) Profit or loss from discontinued operation (continued)****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
Cash flow of investing activities		19,567,060.81
Cash flow of financing activities		-283,463,745.83

(3) Net profit from discontinued operation

Items	For the current period	The corresponding period of the previous year
Net profit from discontinued operation (net losses are represented by '-')		3,312,865,296.34
Net profit attributable to shareholders of the Parent Company		1,491,299,457.32
Net profit attributable to minority shareholders		1,821,565,839.02

VIII.CHANGES OF CONSOLIDATION SCOPE (continued)

5. Changes of consolidation scope due to other reasons

Explain other reasons that result in the changes of consolidation scope (such as new establishment of subsidiary and liquidation of subsidiary) and its related conditions:

☒ Applicable ☐ Not Applicable

- (1) The Company established a wholly-owned subsidiary, Haier Smart Home Experience Cloud Ecological Technology Co., Ltd. (海爾智家體驗雲生態科技有限公司) for the period.
- (2) Haier Smart Home Experience Cloud Ecological Technology Co., Ltd. (海爾智家體驗雲生態科技有限公司), a subsidiary of the Company, established a wholly-owned subsidiary, Haier Smart Home (Qingdao) Network Co., Ltd. (海爾智家(青島)網絡有限公司) for the period.
- (3) Haier Smart Home Experience Cloud Ecological Technology Co., Ltd. (海爾智家體驗雲生態科技有限公司), a subsidiary of the Company, established a wholly-owned subsidiary, Haier Smart Home (Qingdao) Network Operation Co., Ltd. (海爾智家(青島)網絡運營有限公司) for the period.
- (4) Qingdao Haier Special Freezer Co., Ltd. (青島海爾特種電冰櫃有限公司), a subsidiary of the Company, established a wholly-owned subsidiary, Qingdao Internet of Wine Technology Co., Ltd. (青島酒聯網物聯科技有限公司) for the period.
- (5) The Company established a wholly-owned subsidiary, Qingdao Haidacheng Purchasing Service Co., Ltd. (青島海達誠採購服務有限公司) for the period.
- (6) Qingdao Haier Air-Conditioner Electronics Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary, Qingdao Linghai Air Conditioning Equipment Co., Ltd. (青島菱海空調設備有限公司) for the period.
- (7) Qingdao Haier Air Conditioner Gen Corp., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary, Beijing Haixianghui Technology Co., Ltd. (北京海享匯科技有限公司) for the period.
- (8) Qingdao Yunshang Yuyi IOT Technology Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary, Chongqing Yunshang Yilian Technology Co., Ltd. (重慶雲裳衣聯科技有限公司) for the period.
- (9) Qingdao Yunshang Yuyi IOT Technology Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary, Shenzhen Yunshang Yilian Technology Co., Ltd. (深圳雲裳衣聯科技有限公司) for the period.
- (10) The Company established a wholly-owned subsidiary, Qingdao Haixiangxue Human Resources Co., Ltd. (青島海享學人力資源有限公司) for the period.

Section XII Financial Report

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		
				Direct	Indirect	Method
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	68.26	31.74	Business combination under common control
Haier U.S. Appliance Solutions, Inc.	the United States	the United States	Group company, which mainly engage in home appliances production and distribution business		100.00	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	Business combination under common control
Haier New Zealand Investment Holding Company Limited	New Zealand	New Zealand	Group company, which mainly engage in home appliances production and distribution business		100.00	Business combination under common control
Candy S.p.A	Europe	Italy	Group company, which mainly engage in home appliances production and distribution business		100.00	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		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		Business combination under common control
Hefei Haier Air-conditioning Co., Limited	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air-conditioners	99.22		Business combination under common control
Wuhan Haier Electronics Holding Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air-Conditioners	60.00		Business combination under common control
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of air-conditioners	99.54		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		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		Business combination under common control
Hefei Haier Plastic Co., Ltd.	Hefei Economic & Technological Development Area	Hefei Economic & Technological Development Area	Manufacture and sale of plastic parts	77.36	4.83	Business combination under common control

IX. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Composition of the Group (continued)

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		
				Direct	Indirect	Method
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	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	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		Establishment
Qingdao Haier Refrigerator (International) Co., Ltd.	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	Manufacture of refrigerators	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		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		Establishment
Qingdao Haier Special Refrigerator Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00		Establishment
Qingdao Haier Dishwasher Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of dish washing machine and gas stove	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		Establishment
Dalian Haier Air-conditioning Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Air conditioner processing and manufacturing	90.00		Establishment
Dalian Haier Refrigerator Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Refrigerator processing and manufacturing	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		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	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	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	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	Establishment

Section XII Financial Report

IX. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Composition of the Group (continued)

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		
				Direct	Indirect	Method
Qingdao Haier Precision Products Co., Ltd.	Qianwang ang Road, Jiaonan City	Qianwang ang Road, Jiaonan City	Development and manufacture of precise plastic, metal plate, mold and electronic products for home appliances		70.00	Establishment
Qingdao Haier Air Conditioning Equipment Co., Ltd.	Jiaonan City, Qingdao	Jiaonan City, Qingdao	Manufacture of home appliances and electronics		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	Establishment
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		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	Establishment
Chongqing Haier Refrigeration Appliance Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Processing and manufacturing of refrigerator	84.95	15.05	Establishment
Hefei Haier Refrigerator Co., Ltd.	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Processing and manufacturing of refrigerator	100.00		Establishment
Wuhan Haier Energy and Power Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Energy service		75.00	Establishment
Qingdao Haier HVAC Engineering Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Air-conditioning engineer		100.00	Establishment
Chongqing Goodaymart Electric Appliance Sale Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of home appliances and electronics		51.00	Establishment
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air-conditioners		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	Establishment
Haier Shareholdings (Hong Kong) Limited	Hong Kong	Hong Kong	Investment	100.00		Establishment
Harvest International Company	Cayman Islands	Cayman Islands	Investment	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		Establishment
Foshan Haier Freezer Co., Ltd.	Sanshui District, Foshan City	Sanshui District, Foshan City	Manufacture and sales of freezer	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		Establishment
Qingdao Haidayuan Procurement Service Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Develop, purchase and sell electrical products and components	100.00		Establishment

IX. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Composition of the Group (continued)

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		
				Direct	Indirect	Method
Qingdao Haier Intelligent Technology Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and research of home appliance products	100.00		Establishment
Qingdao Hairi Hi-Tech Model Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, manufacture and sales of product model and mould		100.00	Business combination under common control
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Industrial design and prototype production		75.00	Business combination under common control
Beijing Haier Guangke Digital Technology Co., Ltd.	Beijing	Beijing	Development, promotion and transfer of technology		55.00	Business combination under common control
Shanghai Haier Medical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail of medical facility		100.00	Establishment
Qingdao Haier Technology Co., Ltd.	Qingdao	Qingdao	Development and sales of software and information product	100.00		Business combination under common control
Qingdao Haier Technology Investment Co., Ltd.	Qingdao	Qingdao	Entrepreneurship investment and consulting	100.00		Establishment
Qingdao Casarte Smart Living Appliances Co., Ltd.	Qingdao	Qingdao	Development, production and sales of appliances		100.00	Establishment
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Qingdao	Qingdao	Sales of home appliances and digital products		100.00	Establishment
Haier Overseas Electric Appliance Co., Ltd.	Qingdao	Qingdao	Sales of home appliances, international freight forwarding	100.00		Establishment
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Dalian	Dalian	Sales of home appliances, international freight forwarding	100.00		Business combination under common control
Qingdao Haier Central Air Conditioning Co., Ltd.	Qingdao	Qingdao	Production and sales of air and refrigeration equipment		100.00	Establishment
Beijing Haier Yun Kitchen Technology Co., Ltd.	Beijing	Beijing	Technology development promotion and transfer		95.77	Establishment
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Hefei	Hefei	Sales of home appliances		100.00	Establishment
Beijing Haier Zhongyou Netmedia Co., Ltd.	Beijing	Beijing	Radio and television program		51.00	Establishment
Qingdao Weixi Smart Technology Co., Ltd.	Qingdao	Qingdao	Intelligent sanitary ware		71.43	Establishment
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	Beijing	Beijing	Software development	100.00		Establishment
Haier (Shanghai) Electronics Co., Ltd.	Shanghai	Shanghai	Sales, research and development of home appliances	100.00		Establishment
Shanghai Haier Zhongzhi Fang Chuang Ke Management Co., Ltd.	Shanghai	Shanghai	Business management consulting, chuankge management	100.00		Establishment

IX. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Composition of the Group (continued)

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		
				Direct	Indirect	Method
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of kitchen smart home appliances		100.00	Establishment
GE Appliance (Shanghai) Co., Ltd.	Shanghai	Shanghai	Sales of home appliances		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	Establishment
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of home appliances		100.00	Establishment
Beijing Zero Micro Technology Co., Ltd.	Beijing	Beijing	Promotion of technological development		55.00	Establishment
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	Laiyang	Laiyang	Production and sales of home appliances		100.00	Establishment
Hefei Haier Air Conditioning Electronics Co., Ltd.	Hefei	Hefei	Production and sales of home appliances		100.00	Establishment
Taizhou Haier Medical Technology Co., Ltd.	Taizhou	Taizhou	Promotion of medical research and development		100.00	Establishment
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.	Shanghai	Shanghai	Research and development of home appliances		100.00	Establishment
Haier (Shenzhen) R&D Co., Ltd.	Shenzhen	Shenzhen	Development, research and technical services of household and commercial electrical		100.00	Establishment
Guangzhou Haier Air Conditioner Co., Ltd.	Guangdong	Guangdong	Manufacturing of refrigeration and air conditioning equipment		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	Establishment
Haiyu (Shanghai) Intelligent Technology Co., Ltd.	Shanghai	Shanghai	Rental of apartments, intelligent equipment, etc.		70.00	Establishment
Qingdao Haizhi Investment Management Co., Ltd.	Qingdao	Qingdao	Asset management, equity investment.		100.00	Establishment
Qingdao Jijia Cloud Intelligent Technology Co., Ltd.	Qingdao	Qingdao	R&D and sales of lighting appliances		80.00	Establishment
Qingdao Haimeihui Management Consulting Co., Ltd. (青島海美匯管理諮詢有限公司)	Qingdao	Qingdao	Leasing and business services		100.00	Establishment

IX. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Composition of the Group (continued)

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		
				Direct	Indirect	Method
Wuxi Yunshang Internet of Clothing Technology Co., Ltd. (無錫雲裳衣聯網科技有限公司)	Wuxi	Wuxi	Internet of Things technology R & D		100.00	Establishment
Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd. (青島國創智能家電研究院有限公司)	Qingdao	Qingdao	Scientific research and technical service		37.75	Establishment
Hangzhou Gandao Intelligent Technology Co., Ltd. (杭州甘道智能科技有限公司)	Hangzhou	Hangzhou	Technology development, service		52.58	Establishment
Qingdao Haidacheng Procurement Service Co., Ltd.	Qingdao	Qingdao	Develop, purchase and sell electrical products and components	100.00		Establishment
[Guangdong Heilong Intelligent Technology Co. Ltd](廣東黑龍智能科技有限公司)	Guangzhou	Guangzhou	Scientific research and technology service sector		76.72	Business combination not under common control
Beijing Haixianghui Technology Co., Ltd. (北京海享匯科技有限公司)	Beijing	Beijing	Scientific research and technology service sector		100.00	Establishment
[Qingdao Hairuijieing Electronics Co., Ltd.] (青島海瑞潔淨電子有限公司)	Qingdao	Qingdao	Instrument technology research, electronic equipment, semiconductor materials technology research, development, transfer, consulting and services		51.00	Business combination not under common control
Haier Smart Home Experience Cloud Ecological Technology Co., Ltd. (海爾智家體驗雲生態科技有限公司)	Qingdao	Qingdao	Technology development of smart home products, whole furniture customization, etc.	100.00		Establishment
Haier Smart Home (Qingdao) Network Co., Ltd.(海爾智家(青島)網絡有限公司)	Qingdao	Qingdao	Technical services, development, consulting, transfer, etc.		100.00	Establishment

IX. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Composition of the Group (continued)

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		
				Direct	Indirect	Method
Haier Smart Home (Qingdao) Network Operation Co., Ltd.(海爾智家(青島)網絡運營有限公司)	Qingdao	Qingdao	Residential interior decoration, professional construction operation, special equipment installation, upgrading and repair, etc.		100.00	Establishment
Qingdao Internet of Wine Technology Co., Ltd. (青島酒聯網物聯科技有限公司)	Qingdao	Qingdao	Urban distribution and transportation services, import and export of goods, technology import and export and food business, etc.		100.00	Establishment
Qingdao Linghai Air Conditioning Equipment Co., Ltd. (青島菱海空調設備有限公司)	Qingdao	Qingdao	Manufacture and production of air conditioner and refrigeration equipment		100.00	Establishment
Chongqing Yunshang Yilian Technology Co., Ltd. (重慶雲裳衣聯科技有限公司)	Chongqing	Chongqing	Food business, commodity import and export, technology import and export, Internet information services, etc.		100.00	Establishment
Shenzhen Yunshang Yilian Technology Co., Ltd. (深圳雲裳衣聯科技有限公司)	Shenzhen	Shenzhen	Import and export business, Internet, Internet of things, big data, AI, AR and technical services operation		100.00	Establishment
Qingdao Haixiangxue Human Resources Co., Ltd. (青島海享學人力資源有限公司)	Qingdao	Qingdao	Professional intermediary activities	100.00		Establishment
Microenterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd.	All over the country	All over the country	Sales of home appliances			Establishment

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 small companies like Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd, which were included into the scope of consolidated financial statements.

IX. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(2) Material non-wholly owned subsidiaries

Name of subsidiaries	Shareholding of minority shareholders	Profit or loss attributable to minority shareholders for the current period	Distribute dividends to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
Guizhou Haier Electronics Co., Ltd.	41.00%	6,817,457.62	12,300,000.00	106,640,019.90
Wuhan Haier Electronics Holding Co., Ltd.	40.00%	-14,260,238.49		250,923,005.84

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

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

Name of subsidiary	Opening Balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
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

IX. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

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

Name of subsidiary	Amount for the current period			
	Operating income	Net profit	Total comprehensive income	Cash flow of operating activities
Guizhou Haier Electronics Co., Ltd.	1,108,361,158.81	16,627,945.41	16,627,945.41	-182,379,402.95
Wuhan Haier Electronics Holding Co., Ltd.	1,226,979,947.42	-35,650,596.23	-35,650,596.23	-102,707,239.57

Name of subsidiary	Amount for the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow of operating activities
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 Holding Co., Ltd.	1,996,073,968.98	63,100,531.13	63,100,531.13	254,103,821.03

IX. INTERESTS IN OTHER ENTITIES (continued)**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

Minority shareholders' exercise of the subsidiary, Haier Electronics Group Co., Ltd., for the current period Section XII Financial Report led 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 minority interest and the equity attributable to shareholders of the Company:

Items	Haier Electronics Group Co., Ltd.	Others
Total Consideration for acquisition/disposal	4,961,050,949.05	156,758,850.97
Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed	17,468,756,530.27	544,730,801.95
Difference	12,507,705,581.22	387,971,950.98
Including: adjustment to increase capital reserve	12,507,705,581.22	387,971,950.98

IX. INTERESTS IN OTHER ENTITIES (continued)

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
Haier Group Finance Co., Ltd.	Qingdao	Qingdao	Financial services	42.00%	Equity method
Bank of Qingdao Co., Ltd.	Qingdao	Qingdao	Commercial Bank	8.13%	Equity method
Wolong Electric (Jinan) Motor Co., Ltd.	Jinan	Jinan	Motor Manufacturing	30.00%	Equity method
Qingdao Hegang New Material Technology Co., Ltd. (青島河鋼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
Qingdao Haier Multimedia Co., Ltd	Qingdao	Qingdao	R&D and sales of television	20.20%	Equity method
Hefei Feier Smart Technology Co., Ltd.	Hefei	Hefei	Technology development	40.00%	Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technology development	29.03%	Equity method
Beijing Xiaobei Technology Co., Ltd.	Beijing	Beijing	Sales of home appliances	42.75%	Equity method
Beijing ASU Tech Co., Ltd.	Beijing	Beijing	Technical service import and export business	42.61%	Equity method
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	Shenzhen	Shenzhen	Technical advisory services	18.77%	Equity method
Qingdao Haimu Investment Management Co., Ltd.	Qingdao	Qingdao	Investment management	49.00%	Equity method
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	Qingdao	Qingdao	Investment management	24.00%	Equity method
Guangzhou Heying Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Investment	50.00%	Equity method
Qingdao Home Wow Cloud Network Technology Co., Ltd	Qingdao	Qingdao	Home online service	24.93%	Equity method
Qingdao RRS Service Co., Ltd.	Qingdao	Qingdao	Water equipment technical service	24.02%	Equity method

IX. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures and associates (continued)

√ Applicable □ Not Applicable

(1). Associates

Name of joint venture	Principal place of business	Place of registration	Nature of business	Shareholding	Accounting treatment of investment
Bingji (Shanghai) Corporate Management Co., Ltd.	Shanghai	Shanghai	Investment management	45.00%	Equity method
Youjin (Shanghai) Corporate Management Co., Ltd.	Shanghai	Shanghai	Investment management	45.00%	Equity method
RRS (Shanghai) Investment Co., Ltd. (日日順(上海)Investment有限公司)	Shanghai	Shanghai	Investment management	45.00%	Equity method
Haier Best Water Technology Co., Ltd. (倍世海爾飲水科技有限公 司)	Qingdao	Qingdao	Water equipment technology development service	49.00%	Equity method
Huizhi Xiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)	Qingdao	Qingdao	Investment management	30.00%	Equity method
Qingdao RRS Huizhi Investment Co., Ltd.	Qingdao	Qingdao	Investment management	50.00%	Equity method
Meiling Candy Washing Machine Co., Ltd.(美菱卡迪洗衣機有限公 司)	Hefei	Hefei	Manufacturing of home appliances	40.00%	Equity method
Qingdao Haier Moulds Co., Ltd.	Qingdao	Qingdao	Mold processing and manufacturing	25.00%	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
Haier Raya Electric S.A.E	Egypt	Egypt	Manufacturing of home appliances	15.00%	Equity method
Controladora Mabe S.A.deC.V.	Mexico	Mexico	Manufacturing of home appliances	48.41%	Equity method
Middle East Air conditioning Company,Limited	Saudi Arabia	Saudi Arabia	Sales of home appliances	49.00%	Equity method

IX. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures and associates (continued)

(2). 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.

② Financial information of important associates:

Items	Finance company	
	Closing Balance/ Amount for the current period	Opening Balance/ Amount for the previous period
Current assets	62,750,087,810.02	61,570,216,228.62
Non-current assets	12,907,238,025.07	5,905,904,013.65
Total assets	75,657,325,835.09	67,476,120,242.27
Current liabilities	59,895,340,204.39	52,896,669,320.65
Non-current liabilities	223,325,462.63	268,470,616.43
Total liabilities	60,118,665,667.02	53,165,139,937.08
Minority equity interests		
Equity attributable to shareholders of the parent company	15,538,660,168.07	14,310,980,305.19
Including: share of net assets calculated per shareholding percentage	6,526,237,270.60	6,010,611,728.26
Operating income	2,225,723,222.45	2,540,718,904.25
Net profit	1,550,909,520.81	1,719,606,817.98
Other comprehensive income	-23,229,657.93	20,044,108.65
Total comprehensive income	1,527,679,862.88	1,739,650,926.63
Dividend received from associates for the year	126,000,000.00	126,000,000.00

IX. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures and associates (continued)

(2). Major financial information of important associates

② Financial information of important associates:

Items	MABE	
	Closing Balance/ Amount for the current period	Opening Balance/ Amount for the previous period
Current assets	7,027,493,472.30	6,554,356,162.20
Non-current assets	11,216,277,000.40	11,976,635,517.00
Total assets	18,243,770,472.70	18,530,991,679.20
Current liabilities	8,595,818,436.30	8,493,118,880.40
Non-current liabilities	4,994,869,674.10	5,735,182,853.40
Total liabilities	13,590,688,110.40	14,228,301,733.80
Minority equity interests		
Equity attributable to shareholders of the parent company	4,653,082,362.30	4,302,689,945.40
Including: share of net assets calculated per shareholding percentage	2,252,780,519.54	2,083,138,731.69
Operating income	22,635,962,656.46	22,678,063,972.00
Net profit	1,178,080,251.29	730,090,236.00
Other comprehensive income	-621,068,708.04	89,711,280.60
Total comprehensive income	557,011,543.25	819,801,516.60
Dividend received from associates for the year	80,179,730.91	66,718,276.58

IX. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures and associates (continued)

(3) Summarized financial information of insignificant associates

Investment in associates	Closing Balance/ Amount for the current period	Opening Balance/ Amount for the previous period
Bank of Qingdao Co., Ltd.	2,463,096,567.92	2,586,957,693.97
Wolong Electric (Jinan) Motor Co., Ltd.	143,847,870.70	123,555,578.44
Qingdao Hegang New Material Technology Co., Ltd. (青島河鋼新材料科技股份有限公司)	297,154,935.85	280,063,773.80
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	385,797,036.73	434,540,103.12
Mitsubishi Heavy Industries Haier (Qingdao) Air- conditioners Co., Ltd.	654,581,961.84	643,056,436.86
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	415,298,165.93	395,933,487.26
Qingdao Haier Multimedia Co., Ltd.	328,987,205.07	432,386,801.26
Qingdao Haier Software Investment Co., Ltd.		19,636,136.75
Hefei Feier Smart Technology Co., Ltd.	1,491,024.72	758,188.30
Qingdao Xinaohaizhi Energy Co., Ltd. (青島新奧海智能 源有限公司)		25,966,044.95
Qingdao Zhongzaihaina Environmental Services Co., Ltd. (青島中再海納環境服務有限公司)		2,261,258.70
Shandong Haibida Big Data Co., Ltd. (山東海必達大 數據有限公司)		5,332,640.10
Beijing Mr. Hi Network Technology Company Limited	7,507,759.75	3,757,759.75
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82	2,687,341.82
Beijing ASU Tech Co., Ltd.	32,365,969.45	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.	2,349,240.51	2,198,276.46
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	47,870,696.66	48,046,197.64
Guangzhou Heying Investment Partnership (Limited Partnership)	288,209,197.58	219,198,634.81
Qingdao Home Wow Cloud Network Technology Co., Ltd.	2,629,009.63	3,168,859.99
Qingdao RRS Service Co., Ltd.	33,010,000.00	
Bingji (Shanghai) Corporate Management Co., Ltd.	928,444,178.47	894,539,765.00
Youjin (Shanghai) Corporate Management Co., Ltd.	1,687,262,142.67	1,625,617,754.55
RRS (Shanghai) Investment Co., Ltd. (日順(上海) Investment有限公司)	3,066,931,168.49	2,954,850,462.82

IX. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures and associates (continued)

(3) Summarized financial information of insignificant associates

Investment in associates	Closing Balance/ Amount for the current period	Opening Balance/ Amount for the previous period
Haier Best Water Technology Co., Ltd. (倍世海爾飲水 科技有限公司)	33,455,159.59	21,725,345.26
Huizhi Xiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)	120,000,000.00	
Qingdao RRS Huizhi Investment Co., Ltd.	2,100,000.00	
Meiling Candy Washing Machine Co., Ltd.(美菱卡迪洗 衣機有限公司)	22,558,307.10	23,222,136.38
Qingdao Haier Moulds Co., Ltd.	259,696,084.44	
Konan Electronic Co., Ltd.	77,561,552.87	71,196,748.97
HNR Company (Private) Limited	92,141,887.27	104,557,145.65
HPZ LIMITED	66,827,745.66	78,149,551.49
Haier Raya Electric S.A.E	10,741,234.10	
MiddleEast Air conditioning Company,Limited	19,002,595.66	19,002,595.66
Total book value of investment	11,500,520,528.21	11,035,143,323.27
Total amount of the following financial data of associates calculated based on shareholding percentage		
Net profit	414,201,314.50	333,505,373.87
Other comprehensive income	-13,968,841.53	62,556,871.90
Total comprehensive income	400,232,472.97	396,062,245.77

X. SEGMENT INFORMATION

√ Applicable ☐ Not Applicable

The Company is principally engaged in manufacture and sales of home appliances and relevant services business, manufacture of upstream home appliances parts, distribution of products of third-party, logistics and after-sale business. 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, equipment components, small home appliance business and others.

Due to centralized management under the headquarters or exclusion from the assessment scope of segment management, the total assets of segments exclude monetary funds, financial assets held for trading, derivative financial assets, dividends receivable, held-for-sale financial assets, other current assets, other equity instruments investment, long-term accounts receivable, long-term equity investment, goodwill and deferred income tax assets; the total liabilities of segments exclude long-term and short-term borrowings, financial liabilities held for trading, derivative financial liabilities, dividends payable, taxes payable, held-for-sale liabilities, bonds payable, deferred income tax liabilities and other non-current liabilities; profits of segments exclude financial expenses, profit or loss in fair value changes, income from investment, and income on disposal of assets, Non-value-added tax refundable upon imposition component of other income, non-operating incomes and expenses and income tax.

X. SEGMENT INFORMATION (continued)

(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/	Kitchen appliances	Air conditioners	Washing machine	Water home appliances
	freezers				
Segment revenue	34,392,366,627.27	2,772,514,504.29	25,512,310,018.54	25,985,087,875.74	10,217,370,018.95
Including: external revenue	30,571,800,331.77	2,636,709,451.75	21,867,508,645.86	22,482,809,819.55	9,832,880,899.81
Inter-segment revenue	3,820,566,295.50	135,805,052.54	3,644,801,372.68	3,502,278,056.19	384,489,119.14
Total segment operating cost	32,050,102,593.72	2,732,391,511.07	25,412,035,059.34	23,785,181,115.90	9,051,888,737.91
Segment operating profit	2,342,264,033.55	40,122,993.22	100,274,959.20	2,199,906,759.84	1,165,481,281.04
Total segment assets	11,689,348,816.41	2,532,594,848.74	20,925,304,799.58	10,136,244,423.99	4,136,849,021.24
Total segment liabilities	29,205,929,335.98	1,538,646,245.07	13,440,305,435.84	8,218,924,225.44	5,108,347,965.67

Segment information	Overseas home appliance and smart home business	Other business	Inter-segment eliminations	Total
Segment revenue	100,622,879,428.15	92,630,833,819.87	-82,407,541,193.37	209,725,821,099.44
Including: external revenue	100,043,920,934.59	22,290,191,016.11	—	209,725,821,099.44
Inter-segment revenue	578,958,493.56	70,340,642,803.76	-82,407,541,193.37	—
Total segment operating cost	96,622,453,341.44	92,637,421,017.84	-82,404,978,118.43	199,886,495,258.79
Segment operating profit	4,000,426,086.71	-6,587,197.97	-2,563,074.94	9,839,325,840.65
Total segment assets	50,763,259,766.21	56,983,696,562.09	-54,985,101,891.27	102,182,196,346.99
Total segment liabilities	31,137,719,930.78	60,169,129,987.26	-54,845,121,209.94	93,973,881,916.10

X. SEGMENT INFORMATION (continued)

(1) Information of reportable segments (continued)

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	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

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	209,725,821,099.44
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

X. SEGMENT INFORMATION (continued)**(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	107,678,156,386.81	106,643,054,818.57
Other countries/regions	102,047,664,712.63	94,118,928,438.00
Among which:		
America	63,704,731,841.17	57,921,805,254.95
Australia	5,978,691,773.66	5,351,975,416.93
South Asia	5,471,774,634.45	6,339,528,301.47
Europe	16,512,783,759.03	15,194,566,954.73
Southeast Asia	4,122,964,419.05	3,705,563,558.54
Middle East and Africa	1,205,510,726.84	1,117,998,276.01
Japan	3,613,139,400.23	3,248,939,012.25
Others	1,438,068,158.20	1,238,551,663.12
Total	209,725,821,099.44	200,761,983,256.57

Total non-current assets

Items	Closing Balance	Opening Balance
Mainland China	14,715,132,308.86	14,257,835,282.97
Other countries/regions	25,212,638,556.86	25,259,765,320.54
Total	39,927,770,865.72	39,517,600,603.51

Total non-current assets exclude: other equity instrument investments, long-term receivable, long-term equity investments, goodwill, deferred tax assets, and other non-current financial assets.

XI. DISCLOSURE OF FAIR VALUE

1. Fair value of assets and liabilities measured at fair value

The level to which the fair value measurement result belongs is determined by the lowest level to which the input value is significant to the fair value measurement as a whole:

Level 1: Unadjusted quotes for the same asset or liability in an active market.

Level 2: Inputs that are directly or indirectly observable for related assets or liabilities, except for Level 1 inputs.

Level 3: Unobservable inputs of related assets or liabilities.

At the end of the period

Items	Input used for fair value measurement			Total
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	
Continuously measured at fair value				
Financial assets held for trading	113,759,845.57	1,967,483,015.21	83,949,637.05	2,165,192,497.83
Including: Bank wealth management products		1,862,036,322.21		1,862,036,322.21
Forward exchange contract		105,446,693.00		105,446,693.00
Investment fund	113,759,845.57			113,759,845.57
Investment in equity instruments			83,949,637.05	83,949,637.05
Derivative financial assets	77,839,006.63		77,839,006.63	
Including: Forward exchange contract	52,194,232.55		52,194,232.55	
Forward commodity contract		25,644,774.08		25,644,774.08
Other equity instruments	19,802,461.70		2,639,322,803.84	2,659,125,265.54
Including: Equity instruments measured at fair value and changes of which included in other comprehensive income	19,802,461.70		2,639,322,803.84	2,659,125,265.54
Other non-current assets		46,832,494.61		46,832,494.61
Including: Other non-current financial assets		46,832,494.61		46,832,494.61
Financial liabilities held for trading		26,952,508.66		26,952,508.66
Including: Forward exchange contract		26,952,508.66		26,952,508.66
Derivative financial liabilities		239,582,532.90		239,582,532.90
Including: Forward exchange contract		188,695,788.30		188,695,788.30
Interest rate swap agreement		50,886,744.60		50,886,744.60

XI. DISCLOSURE OF FAIR VALUE (continued)**1. Fair value of assets and liabilities measured at fair value (continued)****At the beginning of the period Items**

Items	Input used for fair value measurement			Total
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	
Continuously measured at fair value				
Financial assets held for trading	400,433.88	283,548,675.00	24,185,898.17	308,135,007.05
Including: Bank wealth management products		198,614,361.33		198,614,361.33
Forward foreign exchange contract		84,934,313.67		84,934,313.67
Investment in equity instruments	400,433.88		24,185,898.17	24,586,332.05
Derivative financial assets		19,158,132.45		19,158,132.45
Including: Forward exchange contract		17,241,833.10		17,241,833.10
Interest rate swap agreement		1,916,299.35		1,916,299.35
Other equity instruments	19,467,066.04		1,376,492,812.88	1,395,959,878.92
Including: Equity instruments measured at fair value and changes of which included in other comprehensive income	19,467,066.04		1,376,492,812.88	1,395,959,878.92
Other non-current financial assets		294,547,364.47		294,547,364.47
Including: Bank wealth management products		294,547,364.47		294,547,364.47
Other non-current assets		62,836,363.78	14,220,964.80	77,057,328.58
Including: Other non-current financial assets		62,836,363.78	14,220,964.80	77,057,328.58
Financial liabilities held for trading		42,799,173.35		42,799,173.35
Including: Forward foreign exchange contract		42,799,173.35		42,799,173.35
Forward foreign exchange options		99,548,853.97	99,548,853.97	
Derivative financial liabilities		85,557,428.14		85,557,428.14
Including: Forward foreign exchange contract		13,991,425.83		13,991,425.83
Other non-current liabilities			54,598,203.27	54,598,203.27
Including: Obligation of repurchasing the minority equity rights			54,598,203.27	54,598,203.27

For financial instruments traded in an active market, the Company determines its fair value based on its quotes in an active market; for financial instruments not traded in an active market, the Company uses valuation techniques to determine its fair value.

XI. DISCLOSURE OF FAIR VALUE (continued)

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	1,862,036,322.21	Discounted cash flow
Forward exchange contract	105,446,693.00	Bank quote for similar products
Derivative financial assets		
Including: Forward exchange contract	52,194,232.55	Bank quote for similar products
Forward commodity contract	25,644,774.08	Futures exchange quote for similar products
Other non-current assets		
Including: Other non-current financial assets	46,832,494.61	Recent transaction methods
Financial liabilities held for trading		Recent transaction methods
Including: Forward exchange contract	26,952,508.66	Bank quote for similar products
Derivative financial liabilities		
Including: Forward exchange contract	188,695,788.30	Bank quote for similar products
Interest rate swap agreement	50,886,744.60	Bank quote for similar products

XI. DISCLOSURE OF FAIR VALUE (continued)

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

Items	Fair value at the end of the period	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Other equity instruments					
Including:					
1. SINOPEC Fuel Oil Sales Corporation Limited (中國石化銷售股份有限公司)	1,117,637,000.00	Market approach	1. Average P/E multiple of peers 2. Discount for lack of marketability	1. 17.77-18.13 2. 11%-13%	1. 1% increase (decrease) in average P/E multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB11,177,000.00. 2. 1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value (EUR) by RMB12,701,000.00.
2. Haier COSMO IOT Ecological Technology Co., Ltd.(海爾卡奧斯物聯生態科技有限公司)	1,396,555,521.94	Market approach	1. Average P/E multiple of peers 2. Discount for lack of marketability	1. 2.93-2.99 2. 36%-38%	1. 1% increase (decrease) in average P/E multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB13,313,000.00. 2. 1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by RMB21,188,000.00

4. Financial instruments not measured at fair value

Items	Closing book value	Closing fair value
Bonds payable (convertible corporate bonds)	6,713,501,050.27	6,746,725,887.00

Financial assets and financial liabilities not measured at fair value include: monetary funds, bills receivable, accounts receivable, other receivables, other current assets, long-term and short-term borrowings, bills payable, accounts payable, other payables, long-term payables, bonds payable, etc. Except for the difference between the book value and the fair value of bonds payable disclosed above, the difference between the book value and the fair value of financial assets and financial liabilities not measured at fair value at the end of the period is small.

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Explanation for basis of identifying related party

According to Accounting Standards for Business Enterprises No. 36 — Related Party Disclosures, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party. Parties (two or more than two) are also considered to be related if they are subject to common control, joint control or significant influence from another party.

According to Management Practices for Information Disclosure of Listed Company (China Securities Regulatory Commission Order No. 40), related legal entity or individual will be identified as related parties in certain occasions.

(II) Relationships between related parties

1. Information about the parent company and other companies holding shares of the Company

Name	Type of enterprise	Registered place	Registered capital	Legal representative	Relationships with the Company	Interest in the Company	Voting rights to the Company
Haier Group Corporation	Collective ownership company	Qingdao High-tech Zone Haier Park	311,180,000	Zhang Ruimin	Parent Company	11.88	11.88
Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)	Joint-stock company	Qingdao High-tech Zone Haier Park	631,930,635	Zhang Ruimin	Subsidiary of Parent Company	13.94	13.94
HCH (HK) Investment Management Co., Limited	Private company with limited liability	Hong Kong	10,000HKD	/	Parties acting in concert of Parent Company	5.97	5.97
Qingdao Haier Venture & Investment Information Co., Ltd.	Company with limited liability	Qingdao Free Trade Zone	923,000,000	Zhou Yunjie	Parties acting in concert of Parent Company	1.91	1.91
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	0.81	0.81
Haier International Co., Limited	Company with limited liability	Hong Kong	10,000HKD	/	Parties acting in concert of Parent Company	0.63	0.63

XI. DISCLOSURE OF FAIR VALUE (continued)**2. Subsidiaries of the Company**

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

☐ Applicable ☒ Not Applicable

3. Associates and joint ventures of the Company

The details of major associates and joint ventures of the Company are detailed in Note V.11 and IX.3.

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

Other explanations

☐ Applicable ☒ Not Applicable

XII. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

4. Other related parties

√ Applicable □ Not Applicable

Other related parties	Relationship between other related parties and the Company
Chongqing Zhonglian Energy Technology Co., Ltd.	Subsidiary of Haier Group
Chongqing Haier Logistics Co., Ltd.	Subsidiary of Haier Group
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Subsidiary of Haier Group
Zhengzhou Haier New Energy Technology Co., Ltd.	Subsidiary of Haier Group
Brave Lion (HK) limited	Subsidiary of Haier Group
Shanghai Cotai Supply Chain Management Co., Ltd.	Subsidiary of Haier Group
Gooday Supply Chain Technologies Co., Ltd.	Subsidiary of Haier Group
Qingdao Goodaymart Supply Chains Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Brothers Animation Industry Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Special Plastic Development Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Parts Procurement Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Trading Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Industry and City Innovation Group Co., Ltd.	Subsidiary of Haier Group
Laiyang Haier Electrical Co. Ltd.	Subsidiary of Haier Group
Hefei Haier Logistics Co., Limited	Subsidiary of Haier Group
Haier Group Electric Appliance Industry Co., Ltd.	Subsidiary of Haier Group
Haier Group Finance Co., Ltd.	Subsidiary of Haier Group
Dalian Haier International Trade Co., Ltd.	Subsidiary of Haier Group
Qingdao Ding Xin Electronics Technology Co., Ltd.	Subsidiary of Haier Group
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	Subsidiary of Haier Group
Haier Digital Technology (Qingdao) Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier New Materials R & D Co., Ltd.	Associate of subsidiary of Haier Group
Qingdao Haier Moulds Co., Ltd.	Subsidiary of Haier Group
Wolong Electric (Jinan) Motor Co., Ltd.	Associate
Qingdao Haier Software Investment Co., Ltd.	Associate
HPZ Ltd	Associate
HNR Company (Private) Limited	Associate
Controladora Mabe S.A.deC.V.	Associate
Hefei Hegang New Material Technology Co., Ltd.	Subsidiary of associate
Qingdao HBIS Composite New Material	Subsidiary of associate

XII. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**4. Other related parties (continued)****(III). Related transactions****1. Details of the Company's procurement of goods and services from related parties are as follows:**

Related parties	Amount for the current period	Amount for the previous period
Controladora Mabe S.A.deC.V.	11,999,474,973.38	11,619,586,690.71
Qingdao Haier Parts Procurement Co., Ltd.	4,846,802,255.37	5,953,684,963.48
Gooday Supply Chain Technologies Co., Ltd.	4,738,194,290.17	2,578,446,466.54
Chongqing Haier Electrical Appliances Sales Co., Ltd.	3,551,418,241.21	3,898,627,675.37
HNR Company (Private) Limited	2,018,249,351.88	1,956,294,467.87
Chongqing Haier Logistics Co., Ltd.	1,877,957,019.48	1,907,965,982.80
Hefei Haier Logistics Co., Limited	1,690,523,334.50	1,942,921,087.20
Qingdao Haier International Trading Co., Ltd.	985,309,249.11	1,175,534,219.93
Hefei Hegang New Material Technology Co., Ltd.	906,960,612.06	828,466,593.38
Qingdao HBIS Composite New Material	778,581,344.26	634,888,355.57
Wolong Electric (Jinan) Motor Co., Ltd.	773,829,886.35	730,664,069.32
Qingdao Haier Special Plastic Development Co., Ltd.	684,474,886.19	666,523,746.13
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	555,538,358.70	
Haier Digital Technology (Qingdao) Co., Ltd.	451,153,566.88	
Dalian Haier International Trade Co., Ltd.	438,594,789.44	449,760,851.95
Other related parties	2,984,257,987.87	1,618,213,218.22
Total	39,281,320,146.85	35,961,578,388.47

XII. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**4. Other related parties (continued)****(III). Related transactions (continued)****2. Details of the Company's sales of goods to related parties are as follows:**

Related parties	Amount for the current period	Amount for the previous period
Qingdao Haier Special Plastic Development Co., Ltd.	623,502,863.63	594,580,472.70
Qingdao Haier International Trading Co., Ltd.	587,335,502.32	577,344,117.36
Controladora Mabe S.A.deC.V.	556,773,753.65	375,146,095.66
HNR Company (Private) Limited	434,316,420.93	436,216,032.46
Wolong Electric (Jinan) Motor Co., Ltd.	255,821,037.02	314,689,017.25
Qingdao Haier New Materials R & D Co., Ltd.	244,043,627.12	489,949,910.45
Qingdao Haier International Travel Agency Co., Ltd.	141,625,117.57	303,939,917.85
Chongqing Zhonglian Energy Technology Co., Ltd.	131,192,245.12	69,050,191.75
Zhengzhou Haier New Energy Technology Co., Ltd.	127,925,411.56	4,181,134.08
Qingdao HBIS Composite New Material	109,952,152.66	301,875,325.92
Other related parties	947,340,846.98	733,625,149.31
Total	4,159,828,978.57	4,200,597,364.78

XII. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**4. Other related parties (continued)****(III). Related transactions (continued)****3. Amount of unsettled items of related parties**

Items and name of customers	Closing Balance	Opening Balance
Bills receivable :		
Qingdao Haier New Materials R & D Co., Ltd.		5,000,000.00
Other related parties	1,106,165.28	18,658,821.43
Dividend receivable :		
Qingdao Haier Software Investment Co., Ltd.		4,524,472.84
Accounts receivable :		
HNR Company (Private) Limited	388,679,073.55	420,113,418.64
Qingdao Haier Special Plastic Development Co., Ltd.	187,101,398.95	32,485,794.84
Chongqing Haier Electrical Appliances Sales Co., Ltd.	144,072,335.03	108,719,296.71
Qingdao Haier International Travel Agency Co., Ltd.	113,933,378.64	112,821,150.93
Haier Group Electric Appliance Industry Co., Ltd.	113,495,244.55	96,399,344.74
Controladora Mabe S.A.deC.V.	81,498,939.68	86,399,338.60
Haier Digital Technology (Qingdao) Co., Ltd.	80,254,328.37	
Qingdao Haier International Trading Co., Ltd.	72,248,862.19	31,247,321.37
Other related parties	380,204,495.12	453,623,180.21
Prepayments :		
Qingdao Haier International Trading Co., Ltd.	80,759,659.73	23,318,702.14
HNR Company (Private) Limited	78,420,575.44	66,648,390.11
Qingdao Haier Moulds Co., Ltd.	32,695,754.10	
Qingdao Haier International Travel Agency Co., Ltd.	26,860,737.70	24,450,705.51
Other related parties	61,908,776.76	411,883,880.41
Interest receivable:		
Haier Group Finance Co., Ltd.	120,777,203.01	49,797,510.75
Other receivables :		
Qingdao Haier Industry and City Innovation Group Co., Ltd.	88,640,000.00	88,640,000.00
Other related parties	186,306,992.77	371,011,761.45
Bills payable:		
Laiyang Haier Electrical Co. Ltd.	49,720,701.09	39,208,909.70
Other related parties	56,956,689.86	28,684,896.03

XII. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**4. Other related parties (continued)****(III). Related transactions (continued)****3. Amount of unsettled items of related parties (continued)**

Items and name of customers	Closing Balance	Opening Balance
Accounts payable :		
Qingdao Haier Parts Procurement Co., Ltd.	1,647,724,215.65	1,968,841,996.69
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	671,426,347.70	
Chongqing Haier Electrical Appliances Sales Co., Ltd.	407,357,263.21	1,061,806,342.30
Controladora Mabe S.A.deC.V.	316,079,431.43	230,300,308.48
Qingdao Haier Special Plastic Development Co., Ltd.	295,609,746.74	69,159,088.68
Chongqing Haier Logistics Co., Ltd.	290,743,396.11	132,648,041.70
Qingdao Ding Xin Electronics Technology Co., Ltd.	249,323,037.13	
Hefei Haier Logistics Co., Limited	242,590,693.06	75,628,528.77
Dalian Haier International Trade Co., Ltd.	197,461,939.55	156,594,556.64
Other related parties	1,139,449,286.63	581,613,269.94
Contract liabilities :		
Chongqing Zhonglian Energy Technology Co., Ltd.	17,210,554.92	
HPZ Ltd	3,071,563.35	3,358,729.30
Qingdao Haier New Materials R & D Co., Ltd.	2,823,650.93	6,373,064.84
Wolong Electric (Jinan) Motor Co., Ltd.	520,294.42	15,580,146.24
Other related parties	13,764,755.25	19,171,412.42
Other payables :		
Gooday Supply Chain Technologies Co., Ltd.	790,674,332.08	571,867,437.60
Shanghai Cotai Supply Chain Management Co., Ltd.	183,123,979.68	103,450,224.91
Qingdao Haier Brothers Animation Industry Co., Ltd.	111,835,378.00	274,526,190.97
Qingdao Goodaymart Supply Chains Co., Ltd.	77,995,078.37	187,341,850.29
Other related parties	380,850,955.03	366,620,589.49
Interest payable :		
Haier Group Finance Co., Ltd.	2,808,989.55	11,288,860.64
Dividends payable :		
Brave Lion (HK) limited		122,756,874.10
Other related parties		14,040,737.31

XII. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**4. Other related parties (continued)****(III). Related transactions (continued)****(4) Other related transactions**

- (1) Certain of the Company's subsidiaries entered into loan contracts with Haier Group Finance Co., Ltd. The loan balance as of 31 December 2020 was RMB454 million and the interest expense payable by the Company to Haier Group Finance Co., Ltd. for the current period was RMB87 million.
- (2) The interest income of deposits received by the Company and subsidiaries from Haier Group Finance Co., Ltd. for the current period was RMB158 million.
- (3) The lease expense of the Company and its subsidiaries for production and operation leased from related parties for the current period was RMB114 million.
- (4) On 1 September 2020, the Company convened the Second Extraordinary General Meeting of 2020, the First A-shares Class Meeting of 2020 and the First D-shares Class Meeting of 2020 and approved the Proposal on the Company's Transfer of 54.50% of the Equity of Haier COSMO IOT Ecological Technology Co., Ltd. and Related Transactions (《關於公司轉讓海爾卡奧斯物聯生態科技有限 公司54.50%股權暨關聯交易的議案》). According to the Equity Transfer Agreement entered into between the Company and Qingdao Haier Ecological Investment Co., Ltd. (青島海爾生態投資有限公司), the Company transferred 54.50% of the equity of COSMO to Haier Ecological Investment with the consideration of RMB4,060,000,000.

XII. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

4. Other related parties (continued)

(IV) Pricing Policy (continued)

1. Related-party Sales

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

2. Related-party Procurement

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements of part of raw materials. Moreover, the Company entrusted Haier Group Corporation and its subsidiaries to provide the Company with logistics and distribution, energy and power, basic research and testing, equipment leasing, house leasing and maintenance, greening and cleaning, gift procurement, design, consulting, various ticket booking and other services. In November 2020, according to the implementation of connected transactions in the early stage and the relevant listing requirements in Hong Kong, the Company and Haier Group Corporation revised and signed the Product and Materials Sales Framework Agreement, the Service Provision Framework Agreement and the Property Leasing Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included that both parties should agree on the price which is not less favourable than those provided by the Company to the Independent Third Parties on arm's length to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement commenced from the listing date to 31 December 2022, which can be renewed for another three years upon expire.

XII. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**4. Other related parties (continued)****(IV) Pricing Policy (continued)****3. Financial aspect**

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation, its subsidiaries and other companies. According to the Financial Service Agreement entered among the Company, Haier Group Corporation and other parties, the price of financial services is determined by the principle of not less favourable than market value fair. The Company is entitled to decide whether to keep cooperation relationship with them with the knowledge of the price prevailing in the market and in combination with its own interests. While performing the agreement, the Company could also require other financial service institutions to provide related financial services basing on actual situation. In order to meet the Company's demands such as the avoidance of foreign exchange fluctuation risk, the Company may choose Haier Group Finance Co., Ltd. to provide some foreign exchange derivative business after comparing with comparable companies. The Company will uphold the safe and sound, appropriate and reasonable principle, under which all foreign exchange capital business shall have a normal and reasonable business background to eliminate speculative operation. At the same time, the Company has specified the examination and permission rights, management positions and responsibilities at all levels for its foreign exchange capital business to eradicate the risks of operation by persons and improved its response speed to risks on the premise that the risks are effectively controlled. In November 2020, according to the implementation of connected transactions in the early stage and the relevant listing requirements in Hong Kong, the Company and Haier Group Corporation revised and signed the Financial Services Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included the deposit interest rate not lower than the maximum interest rate of major banks listed and the loan interest rate not less favourable than the market price to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement commenced from the listing date to the 2020 annual general meeting of the Company held in 2021, which can be renewed for another three years upon expire.

XII. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

4. Other related parties (continued)

(IV) Pricing Policy (continued)

4. Others

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

XIII.SHARE-BASED PAYMENTS

1. Overall of share-based payments

☐ Applicable ☒ Not Applicable

XIV. CONTINGENCIES

As of 31 December 2020, 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 17th meeting of the 17th session of the Board of Directors of the Company held on 30 March 2021, the profit for the year is proposed to be distributed on the basis of the total number of shares on the record date after deducting the repurchased shares from the repurchased account when the plan is implemented in the future, the Company will declare cash dividend of RMB3.66 (including taxes) for every 10 shares to all shareholders.
2. On 5 March 2021, the Company convened the 16th meeting of the 10th session of the Board of Directors, which considered and approved the Resolution in Relation to the Repurchase Plan of a Portion of Public Shares of Haier Smart Home Co., Ltd. It approved the Company to use its own funds to repurchase a portion of shares of the Company by way of centralised bidding. The repurchase price is no more than RMB46 per share and the proposed repurchase amount is no more than RMB4.0 billion and no less than RMB2.0 billion. The period of this repurchase is within 12 months from the date the Board considered and approved the resolution of repurchase of shares. The source of capital is from the Company's owned funds and the category of the shares repurchased are the A-shares issued by the Company. Calculated at the upper limit for the share repurchase and the repurchase price, the upper limit of the number of shares proposed to be repurchased is 86,960,000 shares, accounting for approximately 0.94% of the current total share capital of the Company. The specific number of shares repurchased is the number of shares actually repurchased upon the expiry of repurchase period. As of the date of approval for the publication of these financial statements, the Company has repurchased 2,715,800 shares with a repurchase amount of RMB80,630,000.
3. As of 28 February 2021, a total of HKD4,842,000,000.00 of H-share convertible bonds have been converted into the shares of the Company. The number of shares from conversion was 257,048,627, accounting for 2.85% of the total shares issued of the Company before the conversion of H-share convertible bonds. As of 28 February 2021, the outstanding H-share convertible bonds amounted to HKD3,151,000,000.00, accounting for 39.42% of the total number of H-share convertible bonds issued.
4. 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			Total
	Financial assets measured at fair value and changes of which included in current profit and loss	Measured at amortized cost	Financial assets measured at fair value and changes of which included in other comprehensive income	
Monetary funds		46,461,329,426.91		46,461,329,426.91
Financial assets held for trading	2,165,192,497.83			2,165,192,497.83
Derivative financial assets			77,839,006.63	77,839,006.63
Receivable		14,136,349,754.34		14,136,349,754.34
Accounts receivable		15,930,024,286.67		15,930,024,286.67
Other receivables		1,717,152,945.65		1,717,152,945.65
Other current assets		554,131,037.76		554,131,037.76
Long-term receivables		330,588,978.97		330,588,978.97
Other equity instruments			2,659,125,265.54	2,659,125,265.54
Other non-current assets	46,832,494.61			46,832,494.61

Items	Opening Balance			Total
	Financial assets measured at fair value and changes of which included in current profit and loss	Measured at amortized cost	Financial assets measured at fair value and changes of which included in other comprehensive income	
Monetary funds		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

XVI.RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

Financial liabilities

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

Items	Opening Balance		Total
	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	
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 in one year		4,730,070,447.82	4,730,070,447.82
Long-term borrowings		13,276,452,935.56	13,276,452,935.56
Bonds payable		7,004,585,761.43	7,004,585,761.43
Long-term payables		142,342,718.45	142,342,718.45
Other non-current liabilities	54,598,203.27		54,598,203.27

Please refer to related items in Note VII for details on each of the financial instruments of the Company. Risks related to these financial instruments and the risk management policies taken by the Company to mitigate these risks are summarized below. The management of the Company manages and monitors these risk exposures to ensure the above risks are well under control.

XVI.RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)**1. Credit risk**

The credit risk of the Company mainly arises from bank deposits, bills receivable, accounts receivable, interest receivable, other receivables and wealth management products.

(1) The Company's bank deposits and wealth management products are mainly deposited in Haier Finance Co., Ltd., state-owned banks and other large and medium-sized listed banks. The interest receivables are mainly the accrued interests from fixed deposits which are deposited in the above banks. The Group does not believe there is any significant credit risk due to defaults of its counterparties which would cause any significant loss. (2) Accounts receivable and bills receivable: The Company only trades with approved and reputable third parties. All customers who are traded by credit are subject to credit assessment according to the policies of the Company, and the payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivable on an ongoing basis and purchases credit insurance for receivables of large-amount credit customers in order to ensure the Company is free from material bad debts risks. (3) Other receivables of the Company mainly include export tax refund, borrowings and contingency provision. The Company strengthened its management and continuous monitoring in respect of these receivables and relevant economic business based on historical data, so as to ensure that the Company's significant risk of bad debts is controllable and will be further reduced.

2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in fulfilling obligations associated with financial liabilities. To control such risk, the Company utilizes various financing methods such as notes settlement and bank loans to strive for a balance between sustainable and flexible financing. It also has obtained bank credit facilities from several commercial banks to satisfy its needs for working capital and capital expenditures.

3. Exchange rate risk

The Company's businesses are based in mainland China, USA, Japan, Southeast Asia, South Asia, central and east Africa, Europe, and Australia, etc. and are settled in RMB, USD, and other currencies.

The Company's overseas assets and liabilities denominated in foreign currencies as well as transactions to be settled in foreign currencies expose the Company to fluctuations in exchange rates. The Company's finance department is responsible for monitoring the size of transactions in foreign currencies and assets and liabilities denominated in foreign currencies to minimize the risk of exposure to fluctuation in exchange rate; the Company resorts the way of signing forward foreign exchange contracts to avoid the risk of exchange fluctuation.

4. Interest rate risk

The Company's interest rate risk arises primarily from its long- and short- term bank loans and bonds payables which are interest-bearing debts. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Group determines the relative proportion of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

XVII. OTHER SIGNIFICANT EVENTS

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

The privatization scheme took effect on 21 December 2020 (Bermuda time); Haier Electronics was delisted from the Hong Kong Stock Exchange at 9:00 a.m. (Beijing time) on 23 December 2020 and became a wholly-owned subsidiary of Haier Smart Home; H-shares of Haier Smart Home was listed and traded on the main board of the Hong Kong Stock Exchange by way of introduction at 9:00 a.m. (Beijing time) on 23 December 2020. Scheme Shareholders (other than non-qualified foreign shareholders) became H-share shareholders of Haier Smart Home, the number of H Share issued was 2,448,279,814; on 24 December 2020, Haier Electronic paid HK\$1.95 to Scheme Shareholders by cash cheque for each cancelled Scheme Share.

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	5,491,427,973.11	1,175,031,729.66
1-2 years	416,430.64	7,798,791.09
2-3 years		
Over 3 years		
Accounts receivable balance	5,491,844,403.75	1,182,830,520.75
Allowance for bad debts	308,333.33	596,039.26
Net receivables	5,491,536,070.42	1,182,234,481.49

The total amount of the top 5 accounts receivable at the end of the period was RMB5,476,236,719.34, accounting for 99.72% of book balance of the accounts receivable.

Changes in bad debt provision for accounts receivable in the current period :

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

2. Other receivables

Presentation

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing Balance	Opening Balance
Interest receivable	38,582,434.11	16,753,860.49
Dividend receivable		3,836,055,151.41
Other receivables	3,867,790,953.50	2,032,943,893.84
Total	3,906,373,387.61	5,885,752,905.74

XVIII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Other receivables (continued)

Presentation (continued)

(1) Interest receivable:

Aging	Closing Balance	Opening Balance
Within 1 year	38,582,434.11	16,753,860.49
More than 1 year		
Total	38,582,434.11	16,753,860.49

(2) Dividend receivable:

Aging	Closing Balance	Opening Balance
Within 1 year		3,836,055,151.41
More than 1 year		
Total		3,836,055,151.41

Other receivables

(3) Other receivables:

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

Aging	Closing Balance	Opening Balance
Within one year	3,501,616,045.85	2,033,022,986.42
More than one year	366,178,683.57	
Other receivables balance	3,867,794,729.42	2,033,022,986.42
Allowance for bad debts	3,775.92	79,092.58
Net other receivables	3,867,790,953.50	2,032,943,893.84

② The total amount of the top 5 other receivables at the end of the period is RMB2,323,889,275.75, accounting for 60.08% of book balance of other receivables.

XVIII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Other receivables (continued)

Other receivables (continued)

(3) Other receivables: (continued)

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		Write-off and other movement
		Closing Balance	Provision for the current period	Other increase	Reversal	
Allowance for bad debts	79,092.58			75,316.66		3,775.92

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	49,231,447,092.82	7,100,000.00	32,396,253,033.48	7,100,000.00
Long-term equity investments to associates	3,175,179,977.39	109,300,000.00	3,246,627,336.72	69,300,000.00
Total	52,406,627,070.21	116,400,000.00	35,642,880,370.20	76,400,000.00

XVIII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Long-term equity investment (continued)

(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	

XVIII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Long-term equity investment (continued)

(2) Long-term equity investments to subsidiaries (continued)

Investee	Opening Balance	Increase/Decrease for the period	Closing Balance	Impairment provisions at the end of the period
Guizhou Haier Electronics Co., Ltd.	96,904,371.71		96,904,371.71	
Hefei Haier Air-conditioning Co., Limited	67,110,323.85		67,110,323.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	238,758,240.85		238,758,240.85	
Qingdao Haier Air-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 Holding Co., Ltd.	100,715,445.04		100,715,445.04	
Chongqing Haier Air- conditioning Co., Ltd	100,000,000.00		100,000,000.00	
Hefei Haier Refrigerator Co., Ltd.	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.	91,750,000.00		91,750,000.00	
Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd.	2,000,000.00		2,000,000.00	
Haier COSMO IOT Ecosystem Technology Co., Ltd.	897,454,010.03	-897,454,010.03		

XVIII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Long-term equity investment (continued)

(2) Long-term equity investments to subsidiaries (continued)

Investee	Opening Balance	Increase/Decrease for the period	Closing Balance	Impairment provisions at the end of the period
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	100,000,000.00		100,000,000.00	
Haier Shareholdings (Hong Kong) Limited	25,076,411,626.24	946,370,900.00	26,022,782,526.24	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air-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.	302,105,635.00	65,400,000.00	367,505,635.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.	10,000,000.00		10,000,000.00	
Haier Overseas Electric Appliance Co., Ltd.	40,000,000.00	460,000,000.00	500,000,000.00	
Haier (Shanghai) Electronics Co., Ltd.	12,500,000.00		12,500,000.00	
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	143,000,000.00		143,000,000.00	
Haier Electronics Group Co., Ltd.	669,830,769.26	16,060,877,169.37	16,730,707,938.63	7,100,000.00

XVIII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Long-term equity investment (continued)

(2) Long-term equity investments to subsidiaries (continued)

Investee	Opening Balance	Increase/Decrease for the period	Closing Balance	Impairment provisions at the end of the period
Qingdao Haidarui Procurement Service Co., Ltd.	107,800,000.00		107,800,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	326,400,000.00		326,400,000.00	
Qingdao Haidacheng Procurement Service Co., Ltd.		100,000,000.00	100,000,000.00	
Haier Zhijia Experience Cloud Ecological Technology Co., Ltd.		100,000,000.00	100,000,000.00	
Total	32,396,253,033.48	16,835,194,059.34	49,231,447,092.82	7,100,000.00

XVIII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Long-term equity investment (continued)

(3) Long-term equity investments to associates

Name of investee	Opening Balance	Increase/Decrease for the current period			Closing Balance	Impairment provisions at the end of the period
		Increased/decreased amount for the current period	Investment income recognized under equity method	Others		
Wolong Electric (Jinan) Motor Co., Ltd.	115,907,764.18		20,802,146.55		136,709,910.73	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	434,540,103.12		13,247,135.49	-61,990,201.88	385,797,036.73	
Bank of Qingdao Co., Ltd.	963,844,234.82		61,124,634.14	-49,212,843.14	975,756,025.82	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	643,056,436.86		83,525,524.98	-72,000,000.00	654,581,961.84	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	395,933,487.26		19,364,678.67		415,298,165.93	21,000,000.00
Qingdao Haier Multimedia Co., Ltd.	432,386,801.25		-103,399,596.19		328,987,205.06	88,300,000.00
Qingdao Hegang New Material Technology Co., Ltd. (青島河鋼新材料科技股份有限公司)	260,958,509.23		17,091,162.05		278,049,671.28	
Total	3,246,627,336.72		111,755,685.69	-183,203,045.02	3,175,179,977.39	109,300,000.00

XVIII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Operating revenue and operating cost

(1). Basic information on 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	7,221,635,652.63	5,941,477,236.22	6,466,328,591.49	5,016,605,810.47
Other Business	146,005,360.76	126,176,580.13	171,526,897.13	144,140,329.73
Total	7,367,641,013.39	6,067,653,816.35	6,637,855,488.62	5,160,746,140.20

5. Investment income

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	111,755,685.69	187,969,031.39
Investment income generated from disposal of long-term equity investment	3,962,491,511.91	
Investment income from long-term equity investment accounted for using cost method	191,366,562.30	3,314,994,904.38
Income from wealth management products	17,628,284.37	33,645,544.43
Investment income from investment in other equity instrument during the holding period	268,193.52	255,422.40
Total	4,283,510,237.79	3,536,864,902.60

XIX. SUPPLEMENTARY INFORMATION

1. Basic earnings per share and diluted earnings per share

Items	Amount for the current period			Amount for the previous period		
	Earnings per share (RMB)			Earnings per share (RMB)		
	Weighted average return on net assets	Basic earnings per share	Diluted earnings per share	Weighted average return on net assets	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	17.67%	1.337	1.306	19.12%	1.286	1.191
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	12.85%	0.973	0.942	13.43%	0.903	0.866

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	8,876,593,208.19	8,206,247,105.96
Less: Extraordinary profit or loss	2,418,779,872.82	2,441,082,405.21
Net profit attributable to ordinary shareholders of the parent company after deduction of extraordinary profit or loss	6,457,813,335.37	5,765,164,700.75

XIX. SUPPLEMENTARY INFORMATION (continued)**2. Extraordinary profit or loss (continued)**

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	-111,277,546.78
Profit from disposal of long-term equity investments	2,261,114,345.13
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	844,925,723.90
Gains from the costs of investment in the acquisition of subsidiaries, associated companies and joint ventures being lower than the share of the fair value of the investee's identifiable net assets	
Profit or loss from fair value changes of financial assets/liabilities held for trading, as well as investment gains arising from disposal of financial assets/liabilities held for trading and financial assets available-for-sale, except the effective hedging related to the normal operations of the Company	132,357,789.61
Other non-operating income and expenses except the aforementioned items	54,990,221.87
Impact on minority interests	-389,539,423.67
Impact on income tax	-373,791,237.24
Impact on profit from business combination under common control	
Total	2,418,779,872.82

3. Difference on figures by domestic and foreign Accounting Standards☐ Applicable ☒ Not Applicable**4. Others**☐ Applicable ☒ Not Applicable

Section XIII Documents Available for Inspection

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: 30 March 2021

Revised information

☐ Applicable ☒ Not Applicable