

Stock Code: 600690 (SH) 、 690D (FSE)

Convertible Bond Code: 110049

Convertible Stock Code: 190049

Short Name: Haier Smart Home

Convertible Bond Name: Haier Convertible Bonds

Convertible Stock Name: Haier Converted Stocks

# Haier Smart Home Co., Ltd.

## 2019 Interim Report



**Haier**

海尔智慧家庭  
定制美好生活

## Important Notice

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

**II. All directors attend the Board of Directors.**

**III. The interim report is unaudited.**

**IV. Liang Haishan (legal representative of the Company), Gong Wei (chief financial officer of the Company) and Ying Ke (the person in charge of accounting department) hereby certify that the financial report set out in the interim report is true, accurate and complete.**

**V. Proposal of profit distribution or proposal of converting capital reserves into share capital for the reporting period examined and reviewed by the Board**

Not Applicable

**VI. Disclaimer in respect of forward-looking statements**

Applicable Not Applicable

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

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

No

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

No

**IX. Important risk warnings**

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

**X. Others**

Applicable  Not Applicable

Chairman of the Board: Liang Haishan  
Haier Smart Home Co., Ltd.  
29 August 2019

*(Note: This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.)*

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## SECTION I DEFINITIONS

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

Definition of frequently used terms	
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
The Company, Haier Smart Home	Haier Smart Home Co., Ltd, its original name is 'Qingdao Haier Co., Ltd.', and the original short name is 'Qingdao Haier'
Four Major Securities Newspapers	<i>China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily</i>
Haier Electrics, 1169	Haier Electronics Group Co., Ltd. (a company listed in Hong Kong, stock code: 01169.HK)
GEA	GE Appliances, namely household appliances assets and business of General Electric Group, has currently been acquired by the Company.
FPA	Fisher & Paykel Appliances Holdings Limited was established in 1934 and is known as the national appliance brand of New Zealand, the global top-level kitchen appliance brand and the famous luxury brand of the world. It has products including ventilator, gas stove, oven, dishwasher, microwave oven, freezer, washing machine, clothes dryer and etc. Its business covers over 50 countries/area across the world. In July 2018, the Company completed the acquisition of 100% equity interest in Haier New Zealand Investment Holding Company Limited, thus FPA became a wholly-owned subsidiary of the company.
Candy	Candy Group is an international professional appliances manufacturer from Italy. Since its establishment in 1945, it has been committed to enabling the global users to enjoy a higher quality of life through innovative technologies and quality services. Candy Group has been prestigious in the global market with users all over the world via its ten self-owned professional household appliance brands. In January 2019, Candy officially became a wholly-owned subsidiary of the Company.
CMM	China Market Monitor Co., Ltd., as 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.
13 Interconnected Factories	Shenyang Refrigerator Interconnected Factory, Foshan Front-Loading Washing Machine Interconnected Factory, Zhengzhou Air-conditioner

	Interconnected Factory, Qingdao Mold Interconnected Factory, Qingdao Water Heater Interconnected Factory, Qingdao FPA Electrical Machine Interconnected Factory, Jiaozhou Air-Conditioner Interconnected Factory, Huangdao Central Air-Conditioner Interconnected Factory, Huangdao Smart Kitchen Appliance Range Hood Interconnected Factory, Huangdao Smart Kitchen Appliance Stove Interconnected Factory, Qingdao Front-Loading Washing Machine Interconnected Factory, Qingdao Refrigerator Interconnected Factory, Laiyang Smart Kitchen Appliance Interconnected Factory
'5+7+N' smart full-scene customized full set program	'5' refers to five physical spaces where Haier keeps upgrading, including smart living room, smart kitchen, smart bathroom, smart bedroom and smart balcony. '7' represents seven whole-house solutions, namely whole-house air, whole-house water, whole-house cleansing and maintenance, whole-house security, whole-house interaction, whole-house health and whole-house internet, while N refers to variables, i.e. users may customize their own smart living scene freely based on their living habit, realizing unlimited possibilities.
Model of <i>RenDanHeYi</i>	'Ren' is an employee who has the spirit of two creations (entrepreneurship, innovation); 'Dan' is the value of users. Each employee creates value for the user in a different self-employed business, thereby realizing his own value, and the corporate value and shareholder value are naturally reflected.
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.

## SECTION II GENERAL INFORMATION OF THE COMPANY AND KEY FINANCIAL INDICATORS

### I. Information of the Company

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

### II. Contact person and contact Information

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

### III. Summary of the changes in general information

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

### IV. Movement of place for information disclosure and deposit

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

## V. Summarized information of shares of the Company

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

## VI. Other related information

Applicable  Not Applicable

During the reporting period, the Chinese name of the Company changed from '青岛海尔股份有限公司' to '海尔智家股份有限公司', the English name of the Company changed from 'Qingdao Haier Co., Ltd.' to 'Haier Smart Home Co., Ltd.', the stock short name of the Company changed from 'Qingdao Haier' to 'Haier Smart Home', and the English short name of the Company changed from 'Qingdao Haier' to 'Haier Smart Home'.

## VII. Key accounting data and financial indicators of the Company

### (I) Key accounting data

Unit and Currency: RMB

Key accounting data	For the reporting period (January-June)	The corresponding period of last year		Increase/decrease for the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before Adjustment	
Operating revenue	98,979,793,121.16	90,488,122,206.31	88,591,626,626.07	9.38
Net profit attributable to shareholders of the listed Company	5,150,869,558.02	4,787,943,825.16	4,858,795,529.42	7.58
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed Company	4,703,180,815.00	4,475,991,565.27	4,475,991,565.27	5.08
Net cash flows from operating activities	3,633,833,497.74	5,598,474,992.24	5,368,385,954.02	-35.09
	As at the end of the reporting period	As at the end of last year		Increase/decrease as at the end of the reporting period compared with the end of last year (%)
		After adjustment	Before adjustment	
Net assets attributable to shareholders of the listed Company	42,180,337,843.33	39,402,350,791.68	39,402,350,791.68	7.05

Total assets	181,141,384,287.40	166,699,544,243.79	166,699,544,243.79	8.66
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## (II) Key financial indicators

Key financial indicators	For the reporting period (January-June)	The corresponding period of last year		Increase/decrease for the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB / share)	0.809	0.785	0.797	3.06
Diluted earnings per share (RMB / share)	0.778	0.785	0.786	-0.89
Basic earnings per share after deducting non-recurring profit or loss (RMB / share)	0.739	0.734	0.734	0.68
Weighted average return on net assets (%)	12.29	13.49	14.10	Decrease by 1.20 pct pts
Weighted average return on net assets after deducting non-recurring profit or loss (%)	11.22	12.99	12.99	Decrease by 1.77 pct pts

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

Applicable  Not Applicable

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

Applicable  Not Applicable

## IX. Non-recurring profit or loss items and amount

Applicable  Not Applicable

Unit and Currency: RMB

Non-recurring profit or loss items	Amount
Profit or loss from disposal of non-current assets	4,303,058.02
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	279,256,033.50
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	156,198,964.91

Other non-operating income and expenses except the aforementioned items	164,885,043.50
Effect of minority equity interests	-94,052,101.37
Effect of income tax	-62,902,255.54
Total	447,688,743.02

**X. Others**

Applicable  Not Applicable

## **SECTION III SUMMARY OF THE COMPANY'S BUSINESS**

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

The Company mainly engages in research, development, production and sales of home appliances with product portfolios covering refrigerators/freezers, washing machines, air-conditioners, water heaters, kitchen appliance products, small home appliances, U-home smart home business, etc., offering complete sets of smart home solutions to our consumers through rich portfolio of product and brand to create a better life experience, and the Company's channel integration service business mainly provides customers with full-process services such as distribution, logistic and after-sale service of household appliances and other products, as well as other value-added services.

Since its establishment, the Company has been upholding the concept of 'regarding the user as right and ourselves as wrong', while adhering to the spirit of entrepreneurship, innovation and the strategy of keeping up with new developments of the era. The Company has always adhered to overseas independent brand building and through its persistent efforts and industry integration, it has successively acquired the white goods business of Sanyo of Japan, the household appliances business of GE, Fisher & Paykel business in New Zealand, held 48.41% of equity in MABE in Mexico, and acquired Italy-based company Candy, to construct the global competitiveness of the 3-in-1 layout of 'R&D, manufacturing and marketing'. Through continuous optimization of resource integration capabilities and global strategic synergies, the Company achieved global layout and operation by combining seven world-class brands, including Haier, Casarte, Leader, GE Appliances in the USA, Fisher & Paykel in New Zealand, AQUA in Japan and Italy-based Candy. In the first half of 2019, revenue from overseas operation represented 47% of the total revenue of the Company, while near 100% of the revenue was generated from self-owned brands.

According to 2018 global retail sales statistics on the large home appliances published by Euromonitor, a world's leading independent provider of strategic market research, sales volume of Haier large home appliances ranked No. 1 in the world for the 10th consecutive year. Meanwhile, global sales of Haier's refrigerators, washing machines, wine cellars and freezers continued to rank No. 1 in the world. Sales of Haier Health self-cleaning air-conditioner represented a global market share of 40.7% and ranked No. 1 in the world in the year of 2018.

Facing opportunities and challenges arising in the Internet of Things ('IoT') era, the Company, through strategic market moves, has initiated the transformation to embrace IoT, continuously focusing on iterations of the best user experience. By offering smart homes solutions and introducing full-range smart life experiences to consumers, Haier is dedicating itself to satisfy users' needs of a better and customized life .

#### **Industry summary for the first half of 2019**

In the first half of 2019, we could find that the global economic growth slowed down, the growth

motivation of developed countries was inadequate, and the growth momentum of emerging economies declined. Unilateral trade protectionism seriously interfered with the operation of global industrial chains. The global economic growth is facing more serious and uncertain external environment. The global manufacturing PMI index initiated by JP Morgan fell to 49.4% in June, the lowest since October 2012.

In terms of domestic economy, China's real GDP grew by 6.3% as compared with last year in the first half of 2019, and the overall operation was stable. Among them, real GDP in Q2 increased by 6.2% as compared with last year. Manufacturing boom declined in the first half of 2019, weak external demand and repeated Sino-US trade frictions have a negative impact on exports. It is expected that China's economic growth will still face a downturn pressure in the second half of 2019, but will remain within the target range of 6.0%-6.5% under the synergy of various counter-cyclical control policies.

### **(I) Domestic household appliances market**

**1. In the environment of constantly downward macro-economy, the domestic household appliances market remained depressed in the first half of 2019.** Influenced by many factors such as shrinking demanding scale, high inventory and penetration of E-commerce channels, price wars were more frequent and competition was further intensified. At the same time, the channel format, product technology and consumption trends are also undergoing profound changes. The industry transformation from 'mass manufacturing + mass distribution' to 'brand manufacturing + efficient retailing' is imperative, and enterprises must accelerate the transformation from selling single items to providing smart homes full set solutions.

According to the report of CMM, in the first half of 2019, the total retail sales volume of China's whole-category household appliances market (excluding 3C) was RMB465.6 billion, decreased by 4.9% from the same period last year, being a new low since 2012. Among them, ①**White goods industry.** Retail sales of refrigerators, washing machines and air conditioners decreased by 2.3%, 3.9% and 8.2% from the same period last year, respectively. ②**Kitchen and bathroom industry.** Retail sales of kitchen appliances and water heaters fell by 2.9% and 1.0%, respectively.

**2. Increases and decreases in average price varied from household appliances' categories.** ① The refrigerator and washing machine industry benefits from the leading companies' continuous efforts to launch innovative products, which promote structural optimization, industry upgrading and average prices increasing. According to China Market Monitor Co., Ltd (CMM), the average price of refrigerator and washing machine industry in the offline market increased by 4.7% and 5.0% respectively in the first half of 2019 as compared with last year; ② Affected by price wars, the average offline market price in the air-conditioning industry dropped by 1.7%; ③ The average offline market price of kitchen appliances and water heaters showed a negative growth of 2%.

**3. In the market structure, the concentration continued to improve in refrigerator, washing machine and air-conditioning industries, the concentration declined in kitchen appliances, and the Internet companies entered the home appliance industry to divert users.** According to CMM data, the

aggregate TOP3 (refrigerators, washing machines and air conditioners) retail sales shares in the offline market were 58.57%, 63.24% and 74.61% respectively, increased by 2.34, 1.57 and 0.53 pct pts over the same period of last year. Affected by the weak demand, continuous entry of new brands and lower prices of mid-to-high-end brands, the kitchen appliance market's leading brands share was diluted, TOP3 retail sales share decreased by 1.95 pct pts and market concentration was dispersed. Internet companies use 'smart connections' and 'low-cost products' as selling points to divert new users, especially younger users.

**4. Channel format changed significantly.** ①E-commerce channels broke the existing channel pattern by actively penetrating into third and fourth-tier markets and obtaining user traffic through low-cost products, and some small and medium-sized brands entered the township markets through commercial channels, thus the competition was intensified. ②The sales of household appliances increased significantly in the home market. Under the trend of full decoration and integrated design of household appliances, the characteristics of one-stop shopping and experiential consumption in home market are conducive to the whole-category enterprises to effectively transform traffic through 'scenario combination, whole-house program', thus improving the unit price and sales of outlets. With the rapid expansions of large-scale home market, such channel will take a larger proportion in the offline retail sales of household appliances.

## **(II) Overseas household appliances market**

Due to the level of economic development and holding quantity of household appliances in each region, the performance of overseas market varied. Among them: ①The US market continued to decline, with the sales volume of major household appliances falling by 5.6% (kitchen appliances, washing machines, dishwashers, refrigerators, freezers and home-use air conditioners falling by 5.5%, 1.3%, 3.2%, 3.6%, 8.6% and 20.3%, respectively) in the first half of 2019. ②The European market was affected by the slowdown in overall GDP growth, and the performance was weak. Among them, the sales volume of refrigerators and washing machines increased by 1.1% and 0.6% respectively over the same period of last year, and the sales volume of kitchen appliances decreased by 1% over the same period of last year. ③South Asia: The Indian market grew by 9% overall, with refrigerator, washing machine and air-conditioner increased by 9%, 6% and 12% respectively; the Pakistani market was affected by such factors as the sharp depreciation of exchange rate by nearly 25% and tax reform, the sales volume of which decreased by 5%. ④The Southeast Asia market grew steadily, in which washing machines grew by about 3%, and air conditioners increased by 15% due to the stable economic growth and strong demand in hot early summer. ⑤The Japanese market's sales volume of white goods were flat year-on-year, with sales volume of refrigerator increased by 1.4% and sales volume of washing machines flat. ⑥The Australian market, which was affected by factors such as economic slowdown, decline in consumer confidence index, falling consumer spending and house prices, witnessed a negative growth in household appliances market and the sales in New Zealand retail market fell by 2.3%.

## II. Significant changes of the Company's major assets during the reporting period

Applicable  Not Applicable

## III. Analysis on core competitiveness during the reporting period

Applicable  Not Applicable

Since incorporation in 1984, the Company has always adhered to the principle of driving the sustainable and healthy development with innovation system focusing on user's need, and it has successfully turned itself from a collectively owned small factory which had deficit and was on the verge of bankruptcy into one of the largest home appliances manufacturers in the world. The Company is committed to constantly realizing development across different cycles through continued innovations in corporate development strategy, management method, brand operation, technology R&D, smart manufacturing and expansion into foreign and domestic markets to achieve competitiveness regarding dynamic market changes.

### **(I) World-renowned brand competitiveness and leading capability for smart homes full set solutions**

**1. World-renowned brand competitiveness.** According to the data published by Euromonitor, Haier has been ranked No. 1 among global large home appliances brands for 10 consecutive years. In segments of refrigerators, washing machines, wine cellars and freezers, the Company continues to be No. 1 in the world. To meet the personalized and diversified product needs of users, the Company has broken down the global technical barriers in the household appliances industry and promoted the healthy development of the industry through the global strategic synergy among seven brands of household appliances, namely Haier, Casarte, Leader, GE Appliances in the U.S., Fisher&Paykel in New Zealand, AQUA in Japan and Candy in Italy, realizing a full coverage in global markets and user communities. The Company is leading the high-end market. From January to June of 2019, Casarte's market share of air conditioners above RMB10,000 is 50.4%, representing an increase of 1.9 pct pts; the market share of Fisher & Paykel, the world's top household appliance brand, is No. 1 in New Zealand and maintains its market leadership.

**2. Leading capability for smart homes full set solutions. Based on the all-round deployment and leadership of brand, research and development, intellectual building, channel, service, ecology and U+ smart home platform,** Haier has built up one of the world's leading white goods, kitchen and bathroom industry clusters, covering all types of full set products such as refrigerators and freezers, washing machines, air conditioners, water heaters and kitchen appliances, and provides consumers with 'Full set, Customized, Iterative '5+7+N' smart full set solutions. 'Full set' is a one-stop solution to solve the users' demands of whole-house appliances through a full set service that integrates smart home whole-house product solutions and household appliances. 'Customized' enables users to customize smart home whole-house scenes based on Haier's 8 business and 140 product categories. 'Iterative' refers to upgrade and iterate smart home technology, performance and experience by user's habits and scene requirements,

and constantly adapt to user's need by collecting and analyzing product use data with U+ smart platform.

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

**1. Global R&D resources deployment:** Relying on 10 R&D centers across the world and multiple (N) innovation centers that focus on user's pain point, Haier has built a '10+N' open innovation system to form a global network of resources and users, and attracted world-class resources to participate with its 'cooperation, win-win and sharing' mechanism. Haier therefore plays a leading role in the development of products and technologies in the industry, and realizes the goal that 'R&D of Haier goes to wherever user's need and innovations resources are', providing users with perfect experience.

**2. Leader in the development of international standards:** As of June 2019, Haier, as a household appliance enterprise proposed the most proposals for international standard in China, has participated in preparation and revision of 60 international standards and submitted 98 international standard preparation and revision proposals. At the same time, Haier is also the household appliance enterprise leading the most industry standards in China and has led and participated in 530 national / industrial standards preparation and revisions cumulatively. In addition, Haier is the only Chinese household appliance enterprise with a seat in the International Electrotechnical Commission's Market Strategy Bureau (IEC/MSB), and the only household appliance enterprise in China that undertakes the membership in International Standards Technical Subcommittee. Haier took the lead in setting up the IEC TC59/SC59M WG4 Refrigerator Preservation International Standard Working Group and led the development of new international standards for refrigerator preservation. Haier also led the development and official release of the world's first AI standard white paper. In addition, the Smart Home, Internet of Clothing, the Internet of Food and other international standard projects under the leadership of Haier were approved by IEEE.

**3. Leadership in technical patents:** As of 30 June 2019, Haier has applied for more than 48,000 patents cumulatively cover the world, of which over 60% are invention patents, representing a relatively high patent quality. With more than 10,000 overseas invention patents in 28 different countries, Haier is the household appliance enterprise with the most overseas invention patents in China. The Company ranked No. 1 in '2018 Hurun Report on IP Competitiveness' in China. In the 20th China Patent Awards in November 2018, Haier won 1 gold award for patent and 1 gold award for designing, and 12 excellence awards for patents. In terms of patent awards, Haier has won 7 gold awards cumulatively during past China Patent Awards and the total number of gold awards was the highest in the industry, among which, the gold awards for invention patents account for 60% within the industry. In addition, Haier has won 15 State Prizes for Progress in Science and Technology, the highest honor in China's science and technology sector, becoming the household appliance enterprise with the most such prizes, accounting for over half of the prizes within the industry.

**4. Innovative R&D mechanism through the HOPE platform:** In parallel to independent innovation, the Company opened its global resources, built HOPE (an innovation platform) to incorporate users, enterprises and resources into the same interactive ecosystem, to break down barriers between users

and resources. In addition, Haier continued to make cross-border and disruptive innovation achievements through the effective collaboration and zero-distance interaction of different roles within the community. Currently, the platform offers over 6,000 creative ideas each year, supporting leadership in products / technology of various industries and new fields.

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

The core competitiveness of Haier's smart manufacturing is its commitment to long-term value of users through its user-centered approach and the transition from large-scale manufacturing to large-scale customization. In practice, Haier has established 13 global-leading interconnected factory pilots, and the interconnected capabilities and ecological system cover the whole process. Such businesses cover refrigerators, washing machines, air-conditioners, water heaters, kitchen appliances, electric motors, molds and other fields, fulfilling user's demand for perfect experiences in high-end personalized products and services. Such initiatives resulted in notable effects: the orders from mass customization with full user involvement accounted for 19%, and the orders from mass customization with full client involvement accounted for 52%. This achieved a breakthrough, which eliminated or shortened the period of products in the warehouses. In addition, operational efficiency throughout the process has been enhanced (e.g. the new product R&D cycle has been shortened by more than 50%).

COSMOPlat platform combined Haier's interconnected factory model with the digitization and productization of knowledge to build an industrial Internet platform with independent intellectual property rights, which integrated Haier's existing functionalities, such as intelligent equipment, intelligent control, mold and research institutes, and has already collaborated with relevant companies in 15 industries, offered comprehensive solutions and value-added services by the combination of software and hardware as well as click-and-mortar for the enterprises' upgrading and smart manufacturing transformation.

### **(IV) The layout of efficient and in-depth distribution channels and logistics network**

1. Through an omni-channel distribution system, the Company has achieved full coverage of the first, second, third and fourth-tier domestic markets and provided convenient shopping experience anywhere, anytime. The Company also maintained strong strategic cooperation with professional chain stores for household appliances, such as Gome and Suning, as well as e-commerce platforms, such as Tmall and JD.com. In respect of self-owned channels, Haier has established more than 8,000 county-level exclusive stores, and more than 30,000 town-level stores. In the comprehensive store channel, the Company has established a number of clubs, such as V58 and V140 Clubs, to maintain close relationship with major regional distribution enterprises of household appliances. In addition, the Company has accelerated the construction of the front channel contact point including building materials and home improvement. Relying on the advantage of multi-brand and product, the Company will build smart complete-set scenario experience stores to provide a full set of displays, design, sales and services in the end-market.

2. A whole-process information system is constructed. 'Jushanghai'(巨商汇) platform covers the orders management of 100% of dealers' customers to achieve online procurement, sales and settlement

and reduce the management cost; 'Yilihuo' (易理货) platform covers purchase, sale and inventory management of over 30,000 township customers and their membership management. The Company has realized the direct distribution of logistics to the town through the cloud warehouse system, and has realized the provision of services, products, resources, goals, incentives and training to the town through Yilihuo.

3. By the end of June 2019, the storage area of Gooday Logistics occupies an area of 5.40 million square meters with 100,000 registered vehicles. Gooday Logistics offers all-weather 24/7 delivery and installation services, and it dedicated to provide users with comprehensive and timely services once and for all.

#### **(V) Excellent global operational capability**

Focusing on 'independent brand building', the Company has completed its deployment of a 3-in-1 layout comprising R&D, manufacturing and marketing in overseas markets, and targets to identify and meet local consumers' demand. The Company is succeeding in transforming from single-brand globalization to multi-brand cross-production lines cross-regional globalization. The Company targets a leap from 'going out, going in' to 'going up' through the integration of global resources. The Company has accelerated the implementation of the transformation of '*RenDanHeYi*' overseas, and continued to promote the ignition of leading smart home in the IoT era solutions overseas. In the first half of 2019, revenue from overseas operation represented 47% of the total revenue of the Company while near 100% of the revenue was generated from self-owned brands.

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

Integrity culture based on quality and service is the inherent gene of Haier's development and the core driver of Haier's continued success. Leveraging on 'user-oriented' and 'persistent honesty' values, Haier has turned itself from a collectively owned small factory which was on the verge of bankruptcy into the largest white goods manufacturers in the world, while keeping a leading position in world-wide innovation in the Internet era. Haier upholds a value of 'the user is always right', and this value stimulates the spirit of innovation, revolution and entrepreneurship of Haier and motivates Haier to follow the trend and continuously improve and challenge itself, in order to seize development opportunities. The value of 'win-win under *RenDanHeYi*' is the assurance of sustainable development of Haier. Haier is the Haier of all stakeholders, mainly including employees, users, shareholders, counterparties and the society. In the era of network, Haier has formed a networked organization jointly with the sub-suppliers and partners to establish communities of interests which would co-create and share the win-win value. Only if the continued win-win benefits of all stakeholders are made, Haier can achieve sustainable operation. In order to achieve this goal, Haier continues to carry out innovation on business model, developing and refining the win-win model under *RenDanHeYi* with Haier characteristics. 'Ren' refers to employees who have the spirit of entrepreneurship and innovation, and 'Dan' refers to the value of users. Each employee creates value for the users in a different self-employed business, thereby realizing their own value, and the

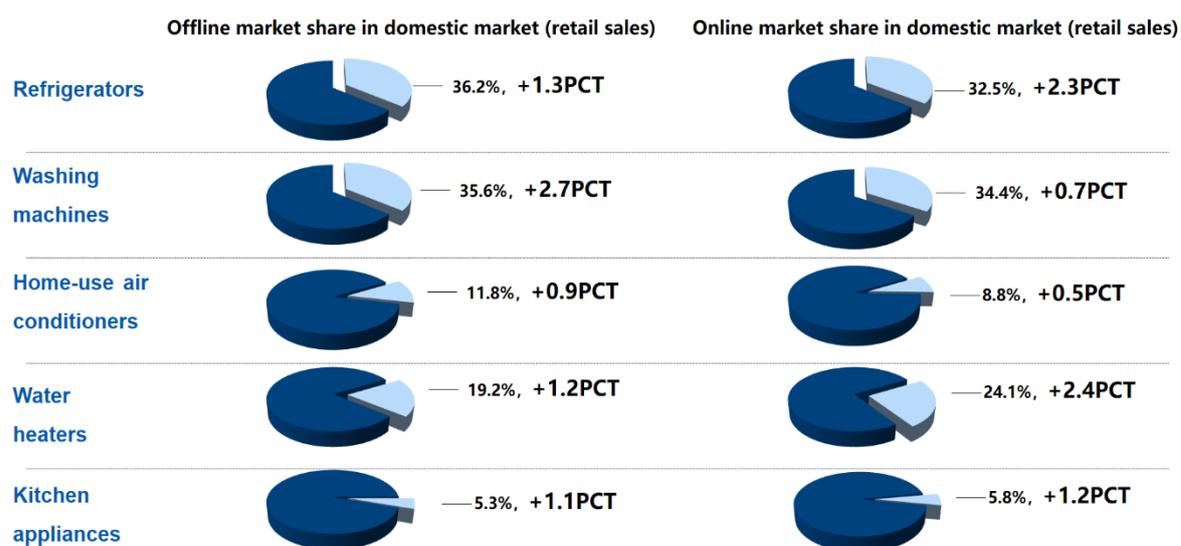
corporate's value and the shareholder's value are naturally realized.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATIONS

### I. Discussion and analysis on operations

The Company followed the strategy of smart home leadership. Driven by the *Rendanheyi* model, the Company promoted the development of the self-driven system of Ecosystem Micro-community (EMC). Through continued product solution guidance, deepened retail transformation, global operation and multi-brand operation, the Company managed to achieve continuous growth of the revenue and profit against the adverse economic situation and increase the market share. Facing deep changes of the new era in the needs of users and in the industry, the Company created competing edge catering to the era and the competing ability to confront the future through deep down revolution. The Company also accelerated the landing of '5+7+N' smart, all-scenario, customized and complete-set solutions; achieved the transformation from sale of individual goods to complete-set, smart solutions of household appliances; built efficient retailing system through the integration of 'four networks' and the adoption of unified warehousing and distribution system; and promoted the transformation from distribution to retail. In the first half of 2019, the revenue of the Company amounted to RMB98.98 billion, representing a year-on-year increase of 9.38%; and the net profit attributable to owners of the Parent Company amounted to RMB5.15 billion, representing a year-on-year increase of 7.58%.

**(I) Rising domestic market share of all products:** According to the data from China Market Monitor Co., Ltd (CMM), the Company's offline and online market shares of refrigerators, washing machines, home-use air conditioners, water heaters and kitchen appliances have maintained a continuous upward trend. In terms of refrigerators and washing machines, the Company continued to expand its leading advantages, with the offline market share of refrigerators being 3.1 and 2.0 times as high as that of the second place, while the online market share of washing machines being 2.0 and 2.1 times as high as that of the second place.



Remark: Offline market share is monitored by CMM for 1-6 months.

Remark: Online market share is monitored by CMM for 1-26 weeks.

**(II) Significant growth on revenue achieved by overseas market:** The Company always insists the strategy of independent brand building and the construction of a 3-in-1 layout operation ability of 'R&D, manufacturing, marketing' to accumulate the momentum for sustained growth and the contribution to the Company's result is gradually increased in the overseas market. In the first half of 2019, the Company's overseas revenue amounted to RMB46.7 billion, representing a year-on-year increase of 24% and accounting for 47%, up by 5 pct pts of the Company's overall revenue.

**(III) Full promotion of smart home strategy, and preliminary results of complete-set smart household appliance:**

By creating 'Complete-set', 'customized' and 'iterative' '5+7+N' smart home solutions, building smart home cloud with cloud brain, cloud chip, UhomeOS operating system and 'Xiaoyou' assistant, and constructing the experience store, the Company integrated the whole-industry and full-process advantages, proactively promoted the implementation of smart home network layout. In the first half of the year, the average retailing price of the Company's smart home channel whole-network package was RMB10,271, representing an increase of 9%; the complete-set sales of the Company's smart home products accounted for 28.3% of the overall sales, up by 2.7 pct pts, with sales of the high-end smart complete-set products achieving the most significant growth, registering an sequential growth of 24% in the second quarter; the registration number of intelligent household appliances increased by 54%, and the number of smart home users increased by 9.6%.

**(IV) Honors of the Company:** On 10 January 2019, the Company won the certificate of 'Global No. 1 Brand of Large Household Appliances for 10 Consecutive Years (2009-2018)' awarded by Euromonitor, a world well-known market research institute. On 22 January, the Company was listed in Fortune magazine as 'The Most Appreciated Enterprise in the World in 2019', and became the only Asian household appliances company on the list. On 6 May, the Company (as the only listed IOT eco brand) was listed in 'BrandZ™ Top 100 Most Valuable Chinese Brands in 2019'. On 22 July, the Company was re-listed in Fortune 500, ranking ascended by 51.

Main achievements in the first half of 2019:

**(I) Focusing on original technology, and creating mega-hit products**

The Company continuously promoted the collaboration between global R&D center and innovation center, maintained the global leading level in modular technology, products and R&D resources, and ensured its market and brand leadership in various regions. Focusing on the competitiveness of mega-hit products, the Company enhanced the efficiency of R&D platform, reduced the procurement and manufacturing costs through modular design, streamlining the number of SKUs and creating mega-hit products.

**1. Refrigerator/freezer business**

**As the global leader in the refrigerator industry, the Company genuinely provided users with**

**healthy, smart and artistic high-quality delicacy solutions through comprehensive and sustained technological innovation and product iteration, thus leading the industry development and trend revolution in an all-round way.** (1) **Healthy and fresh-keeping technology was upgraded constantly.** Casarte MSA oxygen-controlling and fresh-keeping technology doubled the preservation time by reducing the oxygen concentration in a specific room, and the nutrient loss rate was less than 1/10 of that in an ordinary refrigerator. The breeze technology pioneered the main control temperature to realize the constant temperature care of food: with temperature more accurate - fluctuation reduced from 2°C to 0.2°C; and faster refrigeration effect - refrigeration time shortened from 270 seconds to 0.1 second. (2) **Technical investment was strengthened in the field of intelligent and household appliances integration to satisfy the deep-seated needs of users for intelligent control and household integration.** For example, iterative TFT smart screen technology can not only be used as refrigerator intelligent control center for temperature adjustment, function setting and intelligent reminder, but also as family health center to record the health information of family members and provide value-added services such as diet plan and healthy recipes. The Company was awarded 'the First Prize for Scientific and Technological Progress' and 'the Second Prize for Scientific and Technological Progress' by China National Light Industry Council for two projects, namely, 'the R&D and industrialization of the micro-core IOT security operation system and the intelligent IOT technology', and 'the application of intelligent interactive technology in refrigerators'. (3) **The proportion of high-end products was increased by leading products.** ① A new generation of Casarte Free Embedded 'YingAi (婴爱)' Series 551 refrigerators was introduced, which satisfied the food storage needs of parents at different stages of pregnancy, lactation and infant through infrared constant temperature storage and double sterilization solution. The sales of such refrigerators ranked Top 1 in the first launching month. ② Casarte Free Embedded 'HunRanTianCheng (浑然天成)' Series satisfied the demands of families where three generations live together for large capacity preservation, and drove the share of Casarte refrigerator over RMB30,000 to exceed 84.0%. In the first half of 2019, the revenue of Casarte refrigerators increased by 25% against the industry downturn, which increased 2 pct pts in the proportion of domestic sales of refrigerators in the Company.

## **2. Washing machine business**

**As a global leader in washing industry, the Company created the washing experience of health, intelligence, comfort and energy conservation through original technologies including iterating air wash and direct drive motor.** (1) New technologies including IoT, Smart and Artificial Intelligence were launched and applied to introduce solutions, such as smart and exclusive laundry which can automatically calculate and match the best washing procedures based on the information of clothing type, material, stain type and water quality and realize the high-grade exclusive wash. (2) Newly-launched Haier 'XianHe (纤合)' washing machines adopted ultrasonic 'air wash' technology to stimulate the activity of the fabric fibers and quickly remove wrinkles by transforming water into micron-sized foggy particles which permeate the fabric fibers layer by layer, and realize no ironing for clothes; Such washing machines have the largest cylinder diameter (601MM) in the industry, which makes it possible to wash clothes in a more extending

manner; Special care procedures are set for wool, silk, down feather, shirt, mink and large pieces, thus providing comprehensive care from washing to drying and ironing; Haier 'YiRen (颐人)' free-of-cleaning washing machines initiated the technology of 'no barrel', which solved the industry problem of dirt accumulation in barrels and avoided the secondary pollution of clothing, thus creating an experience of 'anti-sensitive health'. (3) The product layout of Leader was strengthened to better satisfy the needs of young consumers and serve users with industry-leading logistics system, after-sales security, technical reserves, and product quality. ①Based on advantageous resources, the 'Super Excellent Product' series such as 'Super air wash+ smart' and 'large diameter + smart' products were launched, equipped with carrying voice, IOT and other intelligent technologies. ②With super-high cost-performance, 'Happy Mrs. Chick (快乐小鸡)' Series in line with the tastes of young people were launched to build product strength with hard-core strength. In the first half of 2019, the revenue from Leader washing machines increased by 23%.

### 3. Household air conditioner business

**The Company was the first enterprise in the industry to provide a complete range of one-stop and complete-set air solutions. Group research was refined through user interaction and big data analysis of Haier Smart Air, to improve the air experience of health, comfort, intelligence, energy saving and environmental protection.** (1) Smart self-cleaning, purification self-cleaning and fresh air self-cleaning technologies were updated to satisfy the demands of clean air conditioning, clean air and fresh air. ①The pioneering fresh air conditioners adopted the dual-power air purification technology, and solved the endangering human health problem caused by indoor CO<sub>2</sub> concentration exceeding the standard in case of staying indoor. ②The world's first batch of 5G air conditioners were developed and applied in large-scale commercial use. Haier 5G IoT shared air conditioners provided campus smart air solutions with the functions of power-on-line, remote online control and authorization sharing with various persons, covering more than 300 colleges and universities at the market share of more than 50%. (2) Innovation, research and development were made for all-dimensional, full-space, full-scenario intelligent and healthy air intelligent adjustment solutions. Indoor temperature, humidity and other air parameters can be tested, and user's habits were analyzed with big data on Haier smart air. Therefore, the self-regulation and self-treatment of air equipment were achieved, and air conditioners realize active service. Such solution has been used in Casarte Yunding (云鼎), Casarte TX (天玺), Haier Smart Self-Cleaning and Haier Fresh Air Self-Cleaning. (3) Brand product combinations were enriched, and the future development space was expanded. ①Product lineup and price coverage were expanded for Casarte air conditioners to occupy the high-end and middle-end market, and in the first half of 2019, Casarte's air conditioner increased over 40% with the share over RMB15,000 is two times that of the second place. Casarte Commander air conditioner cabinet machine won the MWE Design Award. ②Focusing on Internet channels, 'Suprair (小超人)' air conditioners were launched for younger internet users by virtue of the simple appearance design and the healthy, self-cleaning, intelligence and convenience.

#### 4. Central air conditioner business

**We accelerated product program innovation and core technology layout, and launched a series of smart IoT, energy-saving and healthy products to enhance market share. In the first half of 2019, the market share of the central air-conditioning increased by 0.6 pct pt.** (1) We deepened the R&D layouts of IoT cloud service and NB-IoT. ①The Company established the world's first 'Joint Laboratory of IOT 5G Application' with China Household Electrical Appliances Research Institute, China Telecom Institute, China Mobile and Huawei Corporation, focusing on 5G central air conditioner, 5G smart building applications and 5G intelligent manufacturing applications. ②We launched a series of IOT central air conditioners. ③With APP and WEB clients as the contact points, E + IoT cloud platform provided users with full-space, full-scenario and full-dimension smart air solutions. (2) We launched the first humidifying central air conditioner in the industry, which intelligently regulated indoor temperature and humidity. The maximum humidifying capacity is 870 ml/h, and it is possible to humidify the full space in only a quarter of an hour. The evaporation humidifier is uniform without any water mist, and with low operating noise. (3) We introduced Casarte central air conditioner controller, which adopted crystal violet appearance in fashionable design and realized full touch screen operation. The controller was embedded with AI mode and various functions including sleep curve display, fault viewing to optimize user experience. (4) We expanded customers of new industries. We developed seawater source heat pump unit with dual-titanium tube for fishery, which can be used for both refrigeration and heating. It adopted multi-head design and achieved the capacity of 160KW for single unit. The energy can be increased step by step to satisfy waterbody demands of mariculture.

#### 5. Water heater business

**Focusing on the whole-house water and heating program, sales volume became No. 1 in terms of online (throughout the internet) and offline (from all channels) shares of water heaters through full-category layout (including electric water heaters, gas water heaters, heat pump and solar water heaters) and brand combination strategy.** (1) **Electric water heater:** ①Relying on the unique dual-drive quadruple-core heating system and patented advection thermal power system, Casarte Tianmu (天沐) PRO-C series, a fiber-tanked and instant-heating product, had super-large water volume with capacity increased by 12 times. Through homogeneous fiber tank and VIP vacuum composite insulation technology, the thinnest fuselage (278mm) in the industry was created, which can be freely embedded in all kinds of bathroom environment. ②Haier water purification technology upgraded simple bathing to care by using double-effect scale inhibition and level-III purification technology to remove scale, residual chlorine, impurities and bacteria. ③Haier AI technology-cloud SMART, relying on U+ big data platform, automatically obtained information such as water temperature, weather, power price, and learned user's water use habits. It formed continuously optimized and intelligent heating program under intelligence, and realized precise customization of water quantity and mode. Users had no need to handle such matters, and it helped to save half of power consumption. In March 2019, Tianmu MAX electric water heaters won the

AWE Award for Innovative Products. (2) **Gas water heater:** CRT8 water heaters of Casarte Waterfall Washing adopted the innovative waterfall washing technology, and the output of water was increased by more than 70%. Relying on the hot water power system and AI 'Waterfall Washing' chips to precisely control the proportion of gas, air and water, and to achieve the goal of constant temperature and comfort while providing large amount of water. Waterfall washing technology has obtained the European three-star certification for the highest level of hot water comfort. The technology of actively eliminating carbon monoxide has obtained the internationally leading certification. The technology of waterfall washing with zero-cold water has been awarded the annual technical innovation award by CHEARI. (3) **Heat pump:** Casarte, with all-weather central hot water, used air energy to lead the new technology APF3.6 to provide villa level bath experience, thus realizing 'more, fast, good, and saving'. 'More' means more water, more areas, more functions; 'Fast' refers to fast heating, fast heat transfer, fast preheating; 'Good' stands for good quality, good warranty, good service; 'Saving': save time and worry, save electricity and save money, more use, more saving. In June 2019, it won the second prize of China patent award for energy conservation and environmental protection. (4) **Solar water heater:** We introduced space energy water heater based on the technology of solar energy and heat pump. The product realized sectional heating through all-weather and high-efficiency for heating, being both energy-saving and efficient. COP value of space energy products is above 4.2, reaching the first-class national energy efficiency standard of air source heat pump.

## 6. Kitchen appliance business

Adhering to smart, high-end and complete-set development, we integrated FPA and GEA global leading technology platforms to accelerate our leading position in products layout and to achieve a high-end complete intelligent kitchen solution for users. We strengthened the layout of Casarte kitchen appliances, and enhanced the competitiveness in high-end market. High-end products generated an overall growth in kitchen appliance against a downward trend.

**Range hoods.** Casarte Commander (指挥家) range hoods adopted the latest centrifugal air curtain technology, and iteratively optimized the fluid technology through integration of global resources, thus realizing zero vibration, low noise and more uniform air outflow. 'Zero touch' gesture control of the product experienced iterative upgrade upon launching of wind-power range hoods. And through optimized algorithm, the product reduced the interference of smoke on the signal, and improved the operation sensitivity without manual operations. By in-depth integration of global resources and iterative optimization and upgrades of the direct-drive and frequency-conversion technology, it increased the air pressure by 14% to 820Pa, thus satisfying the smoke exhaust needs of high-rise residential users, and enhancing the personalized user's experience continuously.

**Gas stoves.** The automatically cooking gas stoves realized the free conversion between large and small fires through E-GAS technology. E-GAS system can adjust the internal and external rings of fire at the same time and NTC sensor was used to detect the bottom temperature of the pot to avoid overflow.

**Disinfection cabinets.** Base on the subdivided user's need, we upgraded the light-wave Pasteur disinfection cabinet to infant & mom level, and become the only disinfection cabinet passing the infant & mom evaluation by CHEARI in the industry. Casarte Commander Series upgraded the original technology to three-dimensional light source, and integrated Western-style dish warming cabinets into Chinese-style products for the first time, thus realizing the integration of disinfection and storage.

**Ovens.** We were the first to release RF ovens in the industry, which overturned the heating mode of ovens. Casarte Commander series first created the automatic door-opening and closing technology and wireless probe technology in the industry. They also designed multi-recipe guided cooking menus for Chinese consumers in three life scenarios: enjoying life, fast life and casual baking/steaming. Private menus were customized through OTA (Over the Air) online upgrading technology, and the cooking experience was updated.

## **(II) Chinese segment: Deepening channel revolution & retail transformation and multi-brand operation to facilitate the implementation of high-end smart complete-set solutions.**

In respond to the profound changes in customer needs, channel formats and sales models, the Company took integration of four networks which include marketing network, logistics network, after-sales network and information network as the starting point and unified warehousing and distribution as the key method for organizational reform and better operating efficiency. Based on the advantages of whole industrial chain operation and multiple product categories, the Company expedited the deployment of resources into new front-end channels and the development of five abilities of contact points in packaged solutions, covering a whole-process service which ranges from home design to delivery and installation of household appliances. As a result, the user stickiness was enhanced and they showed increased willingness to buy complete sets of household appliances. Moreover, the Company deepened multi-brand operation and segment user groups, leading to multi-dimensional and in-depth coverage of users group.

**1. Integrating marketing network, logistics network, after-sales network and information network and unifying warehousing and distribution to improve the efficiency.** The service system of integrating marketing network, logistics network, after-sales network and information network has the ability to achieve the interconnection among the information of products, customers, users and staff, and to improve the service quality during the whole process. This system enables marketing activities and management in towns, rapid handling of defective products and visual query of order logistics information during the whole process, thereby enhancing refined operation in village and town markets through the coverage of the unified warehousing and distribution model, and digital operational system in the market of villages and towns; and the retail competitiveness which drives the service providers to focus on the village and town market can inspire good word of mouth through the synchronous delivery and installation services and services to customers in village and town. The Company has completed the trial

implementation of the unified warehousing and distribution model, which is sustainable and replicable in the first half of the year.

**2. The Company opened up new front-end channels for user acquisition while continuing to tap the potential of the traditional channel and e-commerce channel.** ①Development and upgrading of smart home contact point network. Complete-set design in place, complete-set sales and services were made a reality, enabling the Company to provide 'one-stop, omni-scenario and customized' solutions. User experience at sales outlets was enhanced owing to the demonstration of interconnection between voice and scenarios. In the first half of 2019, The Company actively promotes the layout of smart home networks. The average retail price of all smart home channels amounted to RMB10,271, up by 9%; and the retail sales of comprehensive products accounted for 28.3% of the total sales, up by 2.7 pct pts; retail sales from home decoration and home furnishing channels increased by 50%; ②Tap the potential of traditional offline channels of outlets. Terminal development was strengthened through the setup of exhibition stands, training programs and experience marketing. Community air washing, outlet air washing and members' laundry day and other activities were organized in order to ensure precise interaction and user conversion. Dealers were driven to take the initiative to acquire the users. In the urban market, they established direct relationship with community residents by offering 'Aidaojia (爱到家)' door-to-door services; in the rural market, they created user traffic through household appliance replacement programs; ③E-commerce channel. The Company focused on improving product planning and layout on retail channels expansion of e-commerce, thereby enhancing terminal competitiveness and promoting geographic expansion. The Company carried out marketing on the company website, improved content construction, and enhanced brand awareness and conversion rate. In the 618 Tmall live streaming competition, Haier streaming ranked No. 1 among household appliance category and No. 2 among all categories; ④B2B business. In the first half of 2019, there were more than 80 strategic cooperation clients in industries such as real estate, hospitality, apartment and education. We received market recognitions for providing industry-wide complete-set smart product solutions, including 'Preferred Smart Home Provider of Top 500 Chinese Real Estate Developers in 2019 and 'Preferred Smart Decoration Brand of China's Real Estate Industry in 2019'.

**3. The strategy of multi-brand operation enables extensive coverage of users.** (1) The Casarte brand maintains rapid growth and expands its high-end market share. In the first half of 2019, our revenue increased by 15%. In terms of refrigerators and washing machines over RMB10,000, we accounted for a market share of 39.6% and 78.8%, increased by 3.6 pct pts and 4.9 pct pts; in terms of domestic air conditioner over RMB15,000, we accounted for a market share of 36.5%, increased by 7.6 pct pts During the reporting period, ①we accelerated the transformation to high-end smart complete-set products. The 'Commander' series comprising 21 new products such as refrigerator, wine cabinet, washing machine, air conditioner and kitchen appliance was launched, offering omni-scenario smart solutions for the elite class; ②We focused on community economy, experience economy and sharing economy, and achieved precise interaction and preparing for users' future experience fermentation through community based marketing;

③ We created warm contact points with our clients at our 'brand center, experience center, interaction center and service center', presented them with Casarte smart home '5+7+N' solution and expanded the number of stores. **(2) Leader** strengthened the brand image of “simplicity, fashion and intelligence” and created the preferred brand for young people in the pursuit of smart life. In the first half of 2019, the sales from online channels increased by 37%. The offline channel promotes the expansion of network from the third- and fourth-tier markets to the first- and second-tier markets. We released best sellers on all e-commerce platforms at the same price, leading to strong market penetration and significant increase in brand awareness and user loyalty.

### **(III) Overseas segment : Focusing on high-end brand building to release growth momentum**

Centering on brand premium and improvement of efficiency, the Company accelerated the high-end brand building to realize continuous growth. The Company recorded RMB46.7 billion in its overseas revenue, representing a year-on-year growth of 24%. The revenue increase was 13% if excluding Candy's influence.

**(1) Product leadership.** Relying on global leading product platform, we created a high-end brand image. In the first half of 2019, the high-end products of Haier brand increased by 49%, and high-end revenues of refrigerators, washing machines, air conditioners, and kitchen appliances all had an increase of over 30%. **(2) Brand marketing:** with its focus on high-end brand building strategy, Haier's leadership in market was consolidated through continuous brand marketing activities, including international exhibitions, sport events sponsorship and outdoor advertisement and so on. According to the latest user's research report of Kantar, the overseas popularity of Haier brand has exceeded 75%. In terms of improving retail competitiveness, Haier established country-region-headquarter three-level system for prompter coordinated promotion in overseas markets, significantly enhancing its ability and efficiency in selling middle-end and high-end products. In addition, through constantly strengthened interaction with community users, our fans on Facebook platform has exceeded 8.6 million and the number of fans in-depth interaction has reached 1.26 million with a year-on-year increase of 62%. **(3) Channels:** with the goal of increasing the premium of best sellers, we endeavored to optimize the channel structure and expanding the internet coverage. We heated the network and improved the awareness of Haier brand through the upgrade of retail model. By learning from China's marketing model in Southeast Asia, South Asia and Russia, the sales for the first half of 2019 and sales volume of mid-end and high-end products increased gradually with promoter as the ultimate contact points, driving regional retail transformation. In Europe, we tried to adopt differentiated display methods and intensify the training efforts to enhance differentiated competitiveness, thus laying a foundation for realizing brand premium. **(4) IT:** the whole value chain operation was upgraded through promoting the digital transformation of R&D, supply chain, sale, logistics, service business; we realized the end to end digital operation management of salesmen, distributors and promoter and built a digital management foundation for Haier's global marketing through the GTM (Go to Market) project. **(5) After-sales service:** Taking service as a part of the brand, we further

expanded the direct and franchised service network. The service speed in 2019 was increased by 50%. Combining with the development stages and characteristics of various overseas countries, we have established a differentiated service model, and established service reputation. (6) **Integration and Collaboration:** we have completed the integration of Haier and Candy in platforms such as logistics, finance, after-sales service and HR. We promoted the procurement and R&D collaboration, so as to realize the high-end differences of Candy&Hoover and enhance the brand image. In the first half of 2019, Candy achieved revenue goal beyond our budget and its market share experienced a growth of 0.5 pct pts year on year, and its overall market share (including France, Italy, UK, Ireland and Spain) amounted to 6.5%.

**The performances of major markets were summarized as follows:**

(1) **In the North America market,** in the downturn of the US household appliance industry, GEA continued to grow against the trend and recorded an increase of 12.6% in the first half of 2019 as compared to the same period in the previous year. According to the data of the third-party organization Stevenson, GEA's core household appliance share increased 2.3 pct pts.

GEA continued to explore the IoT transformation of the Internet of Things of traditional household appliance companies in the process of implementing *RenDanHeYi* model, and was awarded 'Smart Appliance Company in the Year of 2019' by IoT Breakthrough. In the first half of 2019, the new connected product Kitchen Hub was launched, which drove the sales of complete-set smart household appliance. Café brand (high-end brand) sales increased by 30% in the first half of 2019. Furthermore, the new complete-set glass appearance products were launched to strengthen market competitiveness.

(2) **In the European market,** the revenue (including Candy) amounted to RMB7.2 billion, representing an increase of 244%. The revenue of Haier brand increased by 22% as compared with the same period of last year. The market share of washing machines of Haier and Candy ranked No.2 in Europe (except Germany), at 13.1%. It has the fastest growth rate of the washing machine industry. However, in terms of the fastest growing dryer category in the market, dryers of Haier and Candy have the fastest growth rate and ranked No.1 with market share of 23.8% in the UK; in Italian market, the overall market share of Haier and Candy household appliance ranked third; in the major countries of Western Europe, Haier Brand refrigerators gradually built a high-end brand image with an average price of 1.35 times over that of the industry, among which multi-door refrigerators have achieved high-end differentiation advantages with market share ranking No.1.

We determined a multi-brand development strategy collaborating Haier, Candy and Hoover. Focusing on the high-end channel, we endeavored to establish a middle- and high-end brand image.①Candy continued to play a leading role in the dryers, large capacity ultra-thin washing machines and washing and drying machines, launching a series of new products such as intelligent ovens and vacuum cleaner. ②Haier brand continued to expand middle-and high-end products with its refrigerators concentrating on the differentiated services of preservation and convenience. The washing machines can improve the users' experience owing to the silence and stability of direct-drive motor of FPA. The new product, PuriCool (high-end air conditioners) can realize cooling/heating goal and can purify the air through its AC and air purifier integration technology.

**(3) In the South Asia market,** the revenue amounted to RMB4.2 billion, representing an increase of 16%. In the Indian market, the refrigerators of BM“no-need-to bow”and Turbo-Cooling technology, washing machines’ partition washing functions and variable-frequency direct-drive technology, intelligence of air conditioners and air purifier integration technology strengthened the leading position. Our service network can make a 24-hour rapid reaction in over 90% of the region. In the Indian Phase II industrial park, we completed overall design and carried out the work on schedule. In Pakistan market, we maintained an advantage in the air purification-integrated conditioners and one-button high-end automatic washing machine we launched.

**(4) In the Australia and New Zealand market:** we recorded a revenue of RMB2.5 billion, representing an increase of 2.6%. The promotion and installation of FPA global complete kitchen display was achieved beyond goal, which increased the transformation rate of sale. We gradually released F&P brand 7 series, 9 series OBC embedded oven, 12KG front-loading washing machine, and 9 series fully embedded refrigerator and freezer into the market. The channel sale of New Zealand constructors increased actively. Our top three retail channels consisting of TGG, HarveyNorman and Narta all achieved growth in Australia, with a double-digit increase in Narta.

**(5) In the Japanese market:** In the first half of 2019, we recorded a revenue of RMB1.5 billion, representing an increase of 6.1%. We launched AQUA ultra-thin TZ series super-big refrigerators and put them into 1500 stores in order to improve our brand image, and the sales of super-big refrigerators and major refrigerators increased by 83% and 19% year-on-year in the first half of 2019 respectively. The vertical washing and drying machine grew by 400%, and washing machine of variable frequency increased by 22%.

**(6) In the Southeast Asian market:** In the first half of 2019, we recorded a revenue of RMB2.0 billion, representing an increase of 10%. We put T-door and hinged door refrigerators, smart self-cleaning air-conditioners, twin drum washing machine, and 525 big inner tube washing machine into the market, which drove the share of high-end sales. In Thailand, air conditioners and freezers achieved a TOP3 market share; in Vietnam, refrigerators and washing machines achieved a TOP3 market share.

**(IV) Smart home life platform: Focusing on smart home solutions, creating the smart home "eco-cloud" leading the world with AI+IoT core competency**

The Company strived to create a "complete", "customized" and "iterative" "5+7+N" smart home solution by integrating and incorporating industrywide advantages. In the first half of 2019, the Company’s smart home complete set sales accounted for 28.29%, increased by 2.71pct pts, of which the sales volume of high-end smart complete-set products increased by 24% in the second quarter. The number of connected appliances increased by 54%, and the number of smart home users increased by 9.6%. The eco revenue from IoT was RMB1.937 billion, representing an increase of 53% year over year.

**(1) Focusing on smart home domain solutions, the Company will create a globally-led 'eco-cloud' through the active scenario and the integration of ecological services.** In the first half of 2019,

the Company focused on improving the interconnection experience, smart appliance activations increased by 30%. It created artificial intelligence voice interaction system and capabilities for smart homes, built a unified voice interaction platform, and formed differentiated competitiveness in terms of voice interaction and comprehension. By transforming traditional capabilities into the core capabilities of smart home Cloud, Haier is active through highly frequent scenario with ecological services to generate eco revenue.

**(2) Focusing on the complete set from brand to program, cover all kinds of consumers.** Relying on the global layout of seven major brands, the Company continued to iterate the '5+7+N' scenario solutions of home space and smart life and implement the series products of the seven major brands: the Chinese Market launched new smart series of Haier Pinzhi Plus (品智+), Casarte Commander and Leader L-two; new smart home programs were locally launched in succession by overseas markets, such as GE Appliances of the US, AQUA of Japan, Fisher & Paykal of New Zealand and Candy of Italy. The Company has upgraded the display stands and created the real-world experience of diversified and specialized solutions through intelligent voice and APP functions. In order to satisfy the needs of high-end smart housing, Casarte Commander series cooperated with home improvement businesses to promote a integrated solution for home decoration of high-end household appliances.

**(3) Focusing on 'IoT+AI' to further upgrade the Smart Home cloud technology platform.** Through exclusive chip 'cloud chip', IOT operating system 'UHomeOS', AI assistant 'Xiaoyou (小优)', and AI data intelligent brain "U+cloud brain", Haier smart home is able to realize the functions of intelligent touch, voice interaction, self-learning, active service and continuous iteration. ①In order to address the issue of unstable connection, the product stability has reached the industry leading level by upgrading the networked appliance connection technology, which created simple and convenient operating experience. ②The Company has created a “personalized” and customized smart scenario experience and designed more than 40 sets of core one-button customization scenarios based on the ultimate experience of hardware and software services; the Company provided “customized” products of various categories of household appliances and design of household scene solutions according to the structure and decoration style of the house. Users were granted the right of DIY scenario design through family scene conditions (such as weather, geographical location, etc.). ③The Company researched and developed 5G access technologies and interconnection schemes, established the worldwide first 5G Smart home Laboratory and built solutions of smart complete-sets of household appliances and scene which based on 5G technologies. ④By building AI voice interaction system and capability, we have constructed a unified voice interaction platform, which has formed differentiated competitive advantages in voice interaction and comprehension. Moreover, we have gradually voice interaction scene by focusing on active service. ⑤With regard to the positioning of brand interaction center, home control center and home interaction center, we will optimize the functions of smart home APP to enhance the user experience.

**(4) We will continue the building of eco brand with initiatives such as the Internet of Food and the Internet of Clothing.** ①In terms of the Internet of Food, personalized healthy diet plan has been

formulated according to the family movement data and health data generated by users in the process of using Haier smart home services. In addition, reliable and traceable food ingredients have been provided by integrating authenticated farm, e-commerce of fresh products and other resources. In the first half of 2019, the eco revenue increased by 68% as compared with the same period over the last year. ②The Internet of Clothing, as the world's first clothing life cycle management platform based on the Internet of Things, has attracted more than 4,000 eco-resource parties from nearly 13 industries, such as clothing, household appliances, RFID IoT technology. The Internet of Clothing won the China Most Influential IoT Ecological Award in 2018 by the IoT Industry Application Alliance. The Encoding Rules and Specifications of Radio Frequency Identification (RFID) Labels for Clothing Commodities, which was formulated under the leadership by the Company, was officially released as a national standard, and became the first Internet of Clothing standard approved by IEEE in the world.

**(V) COSMOPlat Industrial Internet Platform: Integrating advanced manufacturing with a new generation of artificial intelligence technology to help enterprises transform and upgrade and help with ecological empowerment.**

During the reporting period, COSMOPlat Industrial Internet Platform established 1(main platform)+7(modules)+N(industries) structure, and realized cross-industry and cross-field applications by promoting platform innovation, technology innovation and ecological innovation. At present, it can provide a comprehensive solution of soft and hard integration for enterprises of 15 industries such as ceramics, RV and agriculture and cover 60 sub-industries.

**1. Deeply empowering enterprises for transformation and upgrading.** As of August 2019, 13 interconnected factories have been built, with large-scale customization system centered on users in the IoT era, and forming the world's leading benchmark of high-end manufacturing. The seven modules including “user interaction”, “R&D innovation”, “synergic procurement”, “intelligent manufacturing”, “smart logistics”, “precision marketing” and “intelligent service” of the COSMOPlat Industrial Internet Platform have been digitized to form a complete solution empowering enterprises to transform and upgrade. The five capacities including “pan-IoT”, “knowledge accumulation”, “big data analysis”, “ecological aggregation” and “security assurance” have been constructed to realize the continuous iteration of interconnection, digital insight and intelligent optimization of the ecological system. For example, COSMOPlat built the first intelligent plant in the RV industry, to solving the problem of fragmentation of parts procurement in the industry. It provided more value-added services for users in booking, transportation, travel and housing. In addition, the platform also provides value-added services to other enterprises by taking advantages of its centralized procurement system.

**2. Research and development of technologies have been made in key fields such as forward-looking intelligent manufacturing, artificial intelligence, virtual reality/augmented reality (VR/AR) and big data, a series of core scientific and technological products have been incubated.** Based on its

own industry accumulation and innovation practice, COSMOPlat platform launched several leading products, including IoT platform capability-edge computing, SaaS innovative applications, OpenAPI platform and intelligent solutions of industrial big data. In addition, aiming at the shortcomings in the industrial application, the platform also explored a series of solutions, such as big data program of intelligent manufacturing, quality detection for noise (abnormal) sound, and security protection system of COSMOPlat platform, thus putting the innovative products into practical application.

**3. Seize the leading opportunity of technological innovation to create a world-class industrial Internet eco-brand by virtue of the completion of the world's first intelligent and 5G interconnected factory.** The world's first intelligent and 5G interconnected factory was launched officially by Haier in conjunction with, among others, China Mobile and Huawei. Through data-based simulation modeling verification, efficient production collaboration and precise quality control, more scenario-based and intelligent IoT products, intelligent combination solutions and AI technology applications have been explored and practiced to achieve the maximum optimization of productivity in production efficiency, manufacturing cost and non-warehousing rate. It is expected to achieve the self-perception of full-process information, self-decision of full-factor events and self-iteration of full-cycle scenarios, and strengthen the competitiveness of intelligent manufacturing. For example: ① Through the integration of AI and 5G technologies in the whole process, more than 200 new user experience modes, such as second-level response, VR roaming and intelligent collaboration, have been created to empower the upgrade of user-centered mass customization; ② Through hundreds applications of AI and 5G technologies, a innovation system characterized by cross-border integration, ecological win-win and technological iteration has been constructed to satisfy the multi-scenario high-end manufacturing and empower interconnected factories to make self-decision of full-factor events. At the same time, through the application of key technologies such as AI and 5G, the networked appliances are empowered with eco scenarios such as interaction, design, experience, pre-sale, manufacturing and iteration, which boosts the self-iteration of the user experience scenarios.

Haier COSMOPlat was selected as the Excellent Solution of Industrial Internet APP 2018 by MIIT and the Ministry of Science and Technology in the 2018 National Key Research and Development Program - Network Cooperative Manufacturing and Intelligent Factory; Haier COSMOPlat RV Industry Solution and Provincial-National Industrial Internet Security Platform Docking with Enterprise were selected as excellent application in 2018.

**(VI) Focusing on corporate social responsibility, insisting on promoting charitable projects such as precise poverty alleviation and Hope Project, and exploring the sustainable development between corporate and society in a harmonious and win-win manner.**

In 2017 to 2019, Haier initiated a charitable activity in respect of paying attention to left-behind children, namely 'Hug Me, Father' ('拥抱吧 爸爸'), with 'China Youth Development Foundation' and 'China Charities Aid Foundation for Children'. The Company found the left-behind children through Haier

Hope Primary School and the village committee, bringing them to where their parents located during the summer holidays. The Company helped the left-behind children to grow in a physically and mentally healthy manner by making the communicative bridge between the left-behind children and their parents.

As of July 2019, Haier assisted in building 305 Hope Primary Schools and 1 Hope Middle School in total, becoming the Chinese enterprise that built the most Hope Schools in the Hope Project of the Center Committee of Chinese Communist Youth League.

## **II. Development Plan for the Second Half of the Year**

### **(I) Industry outlook**

**Domestic market.** Affected by the slowdown of the economic and the controlling of the real estate market, domestic household appliances market is expected to continue its existing trend in the second half of 2019. The competition has intensified and the concentration has further enhanced in the stock markets. Based on the category of products: ①The penetration rate has reached 97% in the refrigerator and washing machine industry, with the sales becoming stabilized. The future growth will rely more on consumption upgrade; ②In the air-conditioning industry: The markets growth will continue to slowdown and the price competition is gradually normalized; ③Water heaters and kitchen appliances is greatly affected by the real estate market, and the industry is still expected to decline in the second half of 2019.

**Overseas market.** Uncertainty of global economic growth was exacerbated in 2019. Developed countries focused on the needs of upgrading and replacing the products, while developing countries still have a large growth space in terms of penetration and product structure. (1) US market. The downward trend is expected to slow down in the second half of the year. The core household appliances market is expected to decline by 1.6% throughout the year. (2) European market. It is expected to continue the existing trend in the first half of the year due to the lack of macro catalyst. (3) South Asia market. The Indian market continues to grow at a high rate with rapid product restructuring, while the Pakistani market is expected to show a negative growth due to the persistent depreciation of exchange rate, high CPI and tax reform; (4) Australian market. The RBA adjusted the interest rate from 1.5% to 1%, and the government intended to reduce the proportion of down payment for the first-home, which will benefit real estate markets and construction channel are expected to warm up again. (5) Southeast Asia market. Stable economic development, income growth and product upgrading were beneficial to continuing the increasing trend in the first half of the year. (6) Japanese market. Stable economic increase is expected to continue the upgrade trend of the products in the first half of the year.

### **(II) Development plan of the Company for the second half of the year**

In response to the challenges brought by the external environment, the Company will adhere to its strategy of product leadership, deepen retail transformation and globalized operations, and continue to enhance our competitiveness, we will expand leadership in the refrigerator, washing machines and water

heater industries, while accelerating the pace of development of the air-conditioner industry and kitchen appliance industry, and to realize growth in our household appliances business; focus on the smart home business, continue to promote the business transformation of the Internet of Things, while promoting the formation of eco system, the creation of eco brands, and the cultivation of eco revenue.

**Domestic market.** We will accelerate the thorough completion of retail transformation through two directions, unified warehousing and distribution, and smart home. (1) We will complete the pilot reproduction of the unified warehousing and distribution pilot throughout the country for the year, and realize the comprehensive transformation of rural and township network, service providers, business personnel, and enhance the competitiveness of Four Networks. (2) We will promote the pilot reproduction of Haier Smart Home. Starting from Shanghai Experience Center of Haier Smart Home, we will realize the experience iterative of Haier “5+7+N” program. In addition, we will realize the one-stop program to users through complete interaction, experience and service. Finally, we will construct a brand-new contact point network of Haier Smart Home.

**Overseas market.** We will implement the service strategy of 'specialization and branding' through the continuous upgrading of product lineup and promoting the upgrade of terminal transformation in the second half of the year. We will construct and upgrade the 360° marketing mode of brand, industry and market nodes to realize the marketing of 'mega-hit products' and support the business development.

**Smart Home Platform.** We enhanced the layout and construction of the 'IoT+AI' technology platform system to further enhance the value of IoT connectivity and the user's experience of empowering AI scenarios. We deepened the corporation with industry cloud platform, explored the value of the scene brought by the interconnection; focused on promoting the implementation of the solutions of voice interaction in various scenarios to enhance the ability of natural interaction of voice and experience of distributed interaction; and enhanced the marketization and popularization of active service by focusing on data intelligence.

**COSMOPlat platform.** The continuous iteration of new industrial ecology is driven by platform innovation, technology innovation and ecology innovation. ①Capacity construction: The five core capacities including 'pan-IOT', 'knowledge accumulation', 'big data analysis', 'ecological aggregation' and 'security assurance' have been constructed. ②Cross-industry and cross-region replication: Focusing 15 industries including agriculture, machinery, health care and energy, the construction of the six functions of the regional center has been promoted to realize the rapid replication.

## (I) Analysis of principal business

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

Unit and Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating revenue	98,979,793,121.16	90,488,122,206.31	9.38

Operating cost	70,174,853,958.91	64,057,950,024.03	9.55
Selling expenses	14,596,335,114.01	13,522,931,745.64	7.94
Administrative expenses	4,525,786,069.23	4,033,672,258.19	12.20
Financial expenses	508,746,781.53	485,925,414.67	4.70
R&D expenses	2,741,563,815.81	2,252,630,555.38	21.70
Net cash flow generated from operating activities	3,633,833,497.74	5,598,474,992.24	-35.09
Net cash flow generated from investing activities	-7,750,867,969.99	-2,990,163,496.89	-159.21
Net cash flow generated from financing activities	904,410,930.30	-4,680,026,409.14	119.32
Other revenue	472,741,856.55	224,292,412.02	110.77
Gains on changes in fair value	57,409,956.80	36,661,921.50	56.59
Gains on disposal of assets	12,706,682.87	5,505,487.90	130.80
Non-operating expense	114,206,707.92	49,404,445.69	131.17

Reasons analysis of changes in indicators that change significantly:

- 1) Net cash flow generated from operating activities decrease by 35.09% compared to the corresponding period of last year, which mainly resulted from the acquisition of Candy.
- 2) Net cash flow generated from investing activities decrease by 159.21% compared to the corresponding period of last year, which mainly resulted from the cash expenditure generated from the acquisition of Candy.
- 3) Net cash flow generated from financing activities increase by 119.32% compared to the corresponding period of last year, which mainly resulted from the borrowings generated from the acquisition of Candy.
- 4) Others: the reasons analysis of changes in other indicators that change significantly are stated in the relevant contents of 'Detailed explanation on significant changes in the components of profit or sources of profit of the Company' and 'Assets and liabilities' of 'Analysis of assets and liabilities'.

## 2 Others

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

Applicable  Not Applicable

1) Other revenue increase by 110.77% compared to the corresponding period of last year, which is caused by the growth of the government grant in the current period.

2) Gains on changes in fair value increase by 56.59% compared to the corresponding period of last year, which is caused by the changes in fair value of the forward foreign exchanges trading contract in the current period.

3) Gains on disposal of assets increase by 130.80% compared to the corresponding period of last year, which is caused by the growth of the gains on disposal of assets recognized in the current period.

4) Non-operating expense increase by 131.17% compared to the corresponding period of last year, which is caused by the growth of one-off expenditures recognized in the current period.

### (2) Others

Applicable  Not Applicable

## Principle operating activities by products and regions

Unit and Currency: RMB0'000

Principle operating activities by products
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By products	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased/decreased yoy (%)
Refrigerators	2,846,886.45	1,939,298.11	31.88	9.33	8.00	0.84
Washing machines	2,029,485.07	1,396,202.77	31.20	22.92	27.32	-2.38
Air-conditioners	1,795,134.81	1,242,641.05	30.78	-6.55	-7.08	0.39
Kitchen appliance products	1,393,565.59	952,448.64	31.65	23.59	28.58	-2.65
Water heater	409,994.90	235,160.15	42.64	5.89	7.29	-0.75
Equipment components and channel integrated services	1,375,046.38	1,231,670.04	10.43	3.52	2.54	0.85
Principle operating activities by regions						
By regions	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased/decreased yoy (%)
Mainland China	5,219,358.33	3,566,541.57	31.67	-1.01	-0.64	-0.25
Other countries/regions	4,630,754.87	3,430,879.19	25.91	23.60	22.49	0.67

**Notes:** ①In the first half of 2019, the gross profit margin of domestic household appliance business increased by 0.9 pct pts; ②In the first half of 2019, overseas revenue increased rapidly by 5 pct pts, compared to the corresponding period of last year; The gross profit margin of overseas business is lower than domestic gross profit margin, affecting the overall gross profit margin performance structurally.

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

Applicable  Not Applicable

**(III) Analysis of assets and liabilities**

Applicable  Not Applicable

**1. Assets and liabilities**

Unit and Currency: RMB

Items	Amount as at the end of the period	Percentage of amount at the end of the	Amount as at the end of last period	Percentage of amount at the end of the previous	Percentage of change in amount from	Explanations
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		period over total assets (%)		period over total assets (%)	the end of previous period to current period (%)	
Financial assets held for trading	985,839,615.7	0.54	1,775,648,388	1.07	-44.48	Mainly due to the decrease in short-term wealth management products in the current period
Accounts receivable	14,414,459,807	7.96	10,431,193,488	6.26	38.19	Mainly due to Candy was merged in the current period
Other receivables	2,255,319,757	1.25	1,626,975,865	0.98	38.62	Mainly due to Candy was merged in the current period
Other current assets	7,173,637,679	3.96	5,079,878,910	3.05	41.22	Mainly due to the increase in bank wealth management in the period
Construction in progress	5,195,727,697	2.87	3,873,492,230	2.32	34.14	Mainly due to the fact that the new factory has not been put into use in the current period
Right-of-use assets	3,286,464,710	1.81	0	0.00	100.00	Mainly due to the right-of-use assets recognized under the new lease criteria
Financial liabilities held for trading	7,055,018.07	0.00	218,748,280.3	0.13	-96.77	Mainly due to the expiration of the forward foreign exchange trading contacts in the current

						period
Receipts in advance	0	0.00	14,681,466.58	0.01	-100.00	Mainly due to the completion of the contract in the previous period
Liabilities held for sale	14,097,210.09	0.01	32,362,267.88	0.02	-56.44	Mainly due to the reduction of the proposed disposal company's liabilities
Non-current liabilities due within one year	9,876,686,810	5.45	3,015,060,106	1.81	227.58	Mainly due to the long-term borrowings will due within one year
Lease liabilities	2,467,631,698	1.36	0	0.00	100.00	Mainly due to the lease liabilities recognized under the new lease criteria
Deferred income tax liabilities	924,391,131.6	0.51	405,343,787.8	0.24	128.05	Mainly due to Candy was merged in the current period
Other comprehensive income	1,006,256,615	0.56	772,632,347.4	0.46	30.24	Mainly due to Candy was merged in the current period

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

Applicable  Not Applicable

**3. Other explanations**

Applicable  Not Applicable

**(IV) Analysis of investment**

**I. Overall analysis on external equity investment**

Applicable  Not Applicable

During the reporting period, the external significant equity investment of the Company amounted to

RMB3.805 billion.

Name of investees	Major operating activities	Percentage of the equity interest of investees (%)	Remark	Amount proposed to invest (RMB)
Candy S.p. A	Production and sale of household appliances	100	For details, please refer to <i>the Announcement on the Completion of Acquiring 100% Shares of Italian Company Candy by Qingdao Haier Co., Ltd.</i> disclosed on 29 September 2018 as well as relevant announcement of the Board.	3.805 billion

Note: The aforementioned amount is calculated based on the average middle RMB exchange rate in the inter-bank foreign exchange market on 28 September 2018 as announced by the People's Bank of China, which is EUR1 to RMB8.0111.

**(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

Items	Initial investment cost	Sources 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			40,867.56
BAILIAN (600827)	154,770.00	Self-owned			53,567.68
Eastsoft (300183)	18,713,562.84	Self-owned			3,056,392.26
Wealth management products	1,886,310,087.37	Self-owned	-641,939,521.06	72,271,044.75	11,905,128.75
Interest rate swap agreement		Self-owned			-60,862,333.33
Forward commodity contract		Self-owned			3,965,800.01
Forward foreign exchange contract		Self-owned		98,789,008.11	63,040,174.65
Others	1,426,491,908.20	Self-owned	7,258,292.11	18,421,982.06	-31,532,537.76
Total	3,333,474,097.91		-634,681,228.95	189,482,034.92	-10,332,940.18

Note: As of 30 June 2019, the aggregate balance of foreign exchange derivative transaction amounted to approximately US\$1.5 billion.

**(V) Sale of material assets and equity**

Applicable  Not Applicable

Haier COS.mo IOT Ecological Technology Co., LTD. (海尔卡奥斯物联生态科技有限公司)

(hereinafter referred to as 'COS.mo'), the subsidiary of the Company, is principally engaged in operation of industrial internet platform, industrial intelligence research, and business segments such as precision mold, intelligent control, intelligent equipment and automation. Relying on industrial internet platform COSMOplat, it provides whole-process and large-scaled customization solutions, interconnected factory intelligent manufacturing solutions, supply of core software and hardware, IOT system integration, big data and product-level IOT, and artificial smart solution services for enterprises. To boost industrial IoT platform of the Company, COS.mo proposed to acquire the smart power & energy segment held by Haier Group Corporation (hereinafter referred to as 'Haier Group') at a consideration of RMB375,540,417 by way of private placement of registered capital of RMB74,434,124 to Haier Group, including the 95% equity interests in Qingdao Haier Energy & Power Co., Ltd., the 97.57% equity interests in Qingdao Economy and Technology Development Zone Haier Energy & Power Co., Ltd., the 95.57% equity interests in Hefei Haier Energy & Power Co., Ltd., and the 80% equity interests in Dalian Haier Energy & Power Co., Ltd. (collectively, the 'Target Energy & Power Equity') ; in order to enhance its financial strength and facilitate the promotion of industrial internet ecological platform; COS.mo accepts that the Private Equity Fund intended to be established by Qingdao HaizhiHuiying Equity Investment Management Co., Ltd. subscribes for the newly-increased registered capital of RMB67,827,236 of COS.mo through capital contribution of RMB342,206,865 in cash (collectively, the 'Transaction'). The total amount of the Transaction is RMB717,747,282. The pricing of the Transaction is based on the valuation report issued by Chung RuiWorldunion Assets Appraisal (Beijing) Co., Ltd. (中瑞世联资产评估(北京)有限公司), which is qualified for carrying out businesses related to securities and futures, and is deemed fair as negotiated among the relevant parties. Upon completion of the Transaction, COS.mo will be owned by Haier Group and the Private Equity Fund as to 6.40% and 5.83%.

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

#### (VI) Analysis on major subsidiaries and Investees

Applicable  Not Applicable

Unit and Currency: RMB0'000

Name of company	Scope of business	Total assets	Net assets	Net Profit
Haier Electronics Group Co., Ltd.	Production and sale of household appliances	4,696,974	2,650,676	187,712

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

#### (VII) Structured entities controlled by the Company

Applicable  Not Applicable

## II. Other disclosures

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

Applicable Not Applicable

**(II) Potential risks**

Applicable  Not Applicable

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

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

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

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

**5. Risk of fluctuation in foreign currency exchange rate.** With the deepening of the Company's global layout, the import and export of Company's products involve the exchange of foreign currencies such as US dollars, Euro and Japanese yen. If the exchange rate of relevant currencies fluctuates, the Company's

financial situation may be influenced to some extent and its financial costs may be increased.

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

**(III) Other disclosures**

Applicable  Not Applicable

## SECTION V SIGNIFICANT EVENTS

### I. Introduction to the general meeting of shareholders

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

Explanation of Shareholders' general meeting

Applicable Not Applicable

During the reporting period, the 2018 Annual General Meeting of the Company was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC, in the afternoon on 18 June 2019, considering the annual report of the Company and the relevant resolutions on the re-election of the Board of Directors and the Board of Supervisors. The Company's share capital in aggregate amounted to 6,368,416,700 shares. 314 shareholders and proxies attended the meeting, holding a total of 3,732,277,507 shares, representing 58.61% of the total number of shares of the Company with voting rights. The Directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the meeting. The 2018 AGM was convened by the Board of the Company. Chairman Mr. Liang Haishan, presided over the 2018 AGM. The Company had 9 Directors, of whom 4 Director attended the 2018 AGM (Directors Wu Changqi, Peng Jianfeng, Zhou Hongbo, Wu Cheng and Liu Haifeng David were unable to attend the 2018 AGM due to personal engagement); the Company had 3 supervisors, all of whom attended the 2018 AGM. The secretary to the Board of the Company attended the 2018 AGM and other members of senior management of the Company were invited to attend the 2018 AGM.

### II. Proposal of profit distribution or capitalization of capital reserve

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

Whether distributed or converted	No
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### III. Performance on undertakings

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

Applicable Not Applicable

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date and term of undertakings	Any deadline for performance	Whether performed in a timely and strict way
Undertaking related to significant reorganization	Eliminate the right defects in land property etc.	Haier Group Corporation	During the period from September 2006 to May 2007, the Company issued shares to Haier Group Corporation ('Haier Group') to purchase the controlling equity in its four subsidiaries, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司), Guizhou Haier Electronics Co., Ltd. (贵州海尔电器有限公司). With regard to the land and property required in the operation of Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司) (the 'Covenantees'), Haier Group made an undertaking (the '2006 Undertaking'). According to the content of 2006 Undertaking and current condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the unavailability of such land and property.	27 September 2006, long-term	Yes	Yes
Undertaking related to refinancing	Eliminate the right defects in land property and etc.	Haier Group Corporation	Haier Group Corporation undertakes that it will assure Haier Smart Home and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that Haier Smart Home or any of its subsidiaries suffers any economic loss due to the fact that leased property has no relevant ownership certificate, Haier Group Corporation will make compensation to impaired party in a timely and sufficient way and take all reasonable and practicable measures to support the impaired party to recover to normal operation before the occurrence of loss. Upon the expiration of relevant leasing period, Haier Group Corporation will grant or take practicable measures to assure Haier Smart Home and its subsidiaries of priority to continue to lease the property at a price not higher than the rent in comparable market at that time. Haier Group Corporation will assure Haier Smart Home and its subsidiaries of the constant, stable, free and unobstructed use of self-built property and land of the Group. In the event that Haier Smart Home or any	24 December 2013, long-term	Yes	Yes

			of its subsidiaries fails to continue to use self-built property according to its own will or in original way due to the fact that self-built property has no relevant ownership certificate, Haier Group Corporation will take all reasonable and practicable measures to eliminate obstruction and impact, or will support Haier Smart Home or its affected subsidiary to obtain alternative property as soon as possible, if Haier Group Corporation anticipates it is unable to cope with or eliminate the external obstruction and impact with its reasonable effort. For details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures</i> (L2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.			
Eliminate the right defects in land property etc.	Haier Smart Home Co., Ltd.	The Company undertakes that it will eliminate the property defects of the Company and main subsidiaries within five years with reasonable business effort since 24 December 2013, to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures</i> (L2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014. During the aforesaid period, the Company has formulated relevant performance guarantee measures, including the re-application by the Company and its main subsidiaries to the competent government department for the property ownership certificate and to procure Haier Group Corporation to make guarantee undertakings in respect of the defective property owned by it and its subsidiaries. As of the expiration date, the Company has resolved the property defects of itself and its eight major subsidiaries, while that of the other remaining five major subsidiaries is in process. The Company will make reasonable business efforts to resolve the property defects of these five major subsidiaries. Because of historical issues and other reasons, the approval procedure involved in solving some defective property problems is complicated, including that of multiple government departments, and it takes a long time to handle and coordinate related matters. Due to the above external factors, the Company was unable to complete the above undertakings within the original undertaking period. Therefore, after the approval of the board meeting	24 December 2013, eight years	Yes	Yes	

			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.			
Other undertakings	Asset injection	Haier Group Corporation	Inject the assets of Fisher & Paykel to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2020. For more details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment</i> (L2015-015) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 26 May 2015. During the reporting period, after considered and approved by the 13th meeting of the 9th session of the Board of Directors and 2017 Annual General Meeting of the Company, the Group has injected the above assets into the Company and this commitment has been completed.	May 2015 to June 2020	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 2020. For more details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment of Haier Group Corporation</i> (L2015-063) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015.	December 2015 to June 2020	Yes	Yes
Other undertakings	Profit forecast and compensation	Haier Group Corporation	In December 2015 and January 2016, the meeting of the Board of Directors and general meeting of the shareholders considered and approved the matters in relation to the acquisition of minority equity interest of Mitsubishi Heavy Industries Haier and Carrier Refrigeration Equipment held by Haier Group. The Company signed the Profit Compensation Agreement with Haier Group to forecast the profits to be achieved by the aforementioned two companies in 2015-2018. If the profits are not reached during the commitment period, the difference part will be made up to the Company by Haier Group in cash. For more details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Equity in Sino-foreign Joint Venture Held by Haier Group Corporation and Related-party Transaction</i> (L2015-062) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015.	December 2015 to December 2018	Yes	Yes

#### **IV. Appointment and dismissal of accounting firm**

Explanation of appointment and dismissal of accounting firm

Applicable Not Applicable

During the reporting period, the Company considered and approved the resolution on the re-appointment of accounting firm on the 2018 annual general meeting: in order to ensure the smooth implementation of the financial and internal auditing and the continuity of the auditing work in 2019, the Company re-appointed Shandong Hexin Certified Public Accountants (LLP) as the audit institution of the financial report and internal control of 2019, and the audit fees amounted to RMB9.60 million (of which, financial report of RMB7.15 million, internal report of RMB2.45 million).

Explanation of change of accounting firm during the auditing period

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

#### **V. Matters relating to bankruptcy and restructuring**

Applicable Not Applicable

#### **VI. Material litigation and arbitration matters**

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

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Share Option Incentive

Applicable  Not applicable

Other explanations

Applicable  Not applicable

Employees shareholding scheme

Applicable  Not applicable

**(1) The Phase IV Employees Stock Ownership Scheme launched and opened a position:** On 29 April 2019, the Company considered and approved relevant resolutions such as the *Phase IV Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (Draft)* (《青岛海尔股份有限公司核心员工持股计划之第四期持股计划(草案)及摘要》) and its Summary at the 27th meeting of the 9th session of the Board of Directors. The 635 staffs who participated into the Stock Ownership Scheme are the directors (excluding independent directors), supervisors, senior management of the Company and regular employees who serve at the Company and its subsidiaries and sign employment contracts with the Company or its subsidiaries and receive remuneration from them, together holding RMB273 million in the fund. On 2 July 2019, the Company disclosed the *Announcement on Implementation Progress of Phase IV Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Haier Smart Home Co., Ltd.* (《海尔智家股份有限公司核心员工持股计划之第四期持股计划实施进展公告》), and the Employees Stock Ownership Scheme has been entrusted to Industrial Securities Assets Management Co., Ltd.(兴证证券资产管理有限公司), who will establish a single asset management plan for the Phase IV Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. ('Assets Management Plan') for the management. As of 30 June 2019, the Assets Management Plan has purchased an aggregate of 13,613,978 shares of the Company, representing 0.21% of the total share capitals of the Company through the secondary market at an average trading price of RMB15.95 per share with a trading volume of RMB 217,193,832.97.

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

17.38% compared to 2017.

On 23 May 2019, the ESOPs Management Committee of the Company convened a meeting, determining: (1) 544 holders of Phase III ESOPs to be allocated with 12,248,613 shares according to performances for the year 2018 and the results of personal assessment, the shares of the remaining holders with unsatisfactory assessment or who resigned were suspended for allocation or adjusted for their shares; (2) 616 holders of Phase II ESOPs to be allocated with 5,869,169 shares according to performances for the year 2018 and the results of personal assessment, the shares of the remaining holders with unsatisfactory assessment or who resigned were suspended for allocation or adjusted for their shares; (3) 177,812 shares that were vested suspend before Phase I Core Employees Stock Ownership Scheme shall also be vested this time (for details on the progress of Stock Ownership Scheme, please refer to the *Announcement in relation to Second Quota Distribution and Equity Allocation in Phase I Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd.* announced by the Company on 15 December 2018). A total of 3,538,840 shares can be allocated to the directors, the supervisors and the senior managements of the Company this time. Any change of the shares they hold must be subject to provisions of the *Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Managements of Listed Companies and Changes thereof*.

In summary, according to the aforementioned resolutions, the Company has completed the transfer of relevant stocks at China Securities Depository and Clearing Corporation Shanghai Branch on 29 May 2019, with a total of 18,295,594 shares.

Other incentive measures

Applicable  Not applicable

## **X. Significant related-party transactions**

### **(I) Related-party transactions from routine operation**

#### **1. Matters that have been disclosed in temporary announcements and with no subsequent progress or change**

Applicable  Not applicable

#### **2. Matters that have been disclosed in temporary announcements and with subsequent progress or change**

Applicable  Not applicable

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

For the actual implementation of the Related-party transaction of January to June 2019, please refer to

“XII. Related parties and related-party transactions under section X - Financial and Accounting Report set out in this regular report.

**3. Matters not disclosed in temporary announcements**

Applicable  Not applicable

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

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

Applicable  Not applicable

Summary	Index for details
Related-party transactions of Acquisition of Assets with Newly-increased Registered Capital and Introduction of Investors by COS.mo: for details, please refer to '(V)Sale of material assets and equity' of 'Section IV Discussion and Analysis on Operations' in this report.	For details, please refer to the <i>Haier Smart Home Co., Ltd. Announcement on Acquisition of Assets with Newly-increased Registered Capital and Introduction of Investors by Controlled Subsidiary and Related-Party Transaction of Haier Smart Home Co., Ltd. (L2019-049)</i> and relevant announcements disclosed by the Company on 2 July 2019.

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

Applicable  Not applicable

**3. Matters not disclosed in temporary announcements**

Applicable  Not applicable

**4. If performance agreement is involved, the performance achieved during the reporting period shall be disclosed**

Applicable  Not applicable

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

**1. Matters that have been disclosed in temporary announcements and with no subsequent progress or change**

Applicable  Not applicable

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

Applicable  Not applicable

**3. Matters not disclosed in temporary announcements**

Applicable  Not applicable

**(IV) Amounts due to or from related parties**

**1. Matters that have been disclosed in temporary announcements and with no subsequent progress or change**

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

**(V) Other significant related-party transactions**

Applicable  Not applicable

**(VI) Others**

Applicable  Not applicable

**XI. Significant contracts and their execution**

**1 Trusteeship, contracting and leasing**

Applicable  Not applicable

**2 Guarantee**

Applicable  Not Applicable

Unit and Currency: RMB0'000

External guarantees provided by the Company (excluding guarantees for subsidiaries)														
Guarantor	Relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Date of occurrence of the guarantee (date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether there is a counter-guarantee	Whether Related-party guarantee or not	Relationship	
Total amount of guarantee occurred during the reporting period (excluding guarantees for subsidiaries)														0
Total balance of guarantee at the end of the reporting period (A) (excluding guarantees for subsidiaries)														0
Guarantees provided by the Company for subsidiaries														
Total amount of guarantees for subsidiaries occurred during the reporting period														3,087,978.05
Total balance of guarantees for subsidiaries at the end of the reporting period (B)														2,863,947

Total amount of guarantees provided by the Company (including guarantees for subsidiaries)	
Total amount of guarantee (A + B)	2,863,947
Ratio of total amount of guarantees to net assets of the Company (%)	67.90
Including :	
Amount of guarantees for shareholders, ultimate controllers and their related parties (C)	0
Amount of debt guarantees provided directly or indirectly for the secured party with asset-liability ratio exceeding 70% (D)	2,063,422.58
The amount of total amount of guarantee in excess of 50% of net assets (E)	754,930.11
Total amount of the above three guarantees (C + D + E)	2,818,352.69
Explanation of possibly bearing related discharge duty for premature guarantees	
Explanation of guarantee status	<p>The total amount of the aforementioned guarantees consists of two parts:</p> <p>1. In 2016, the Company acquired the assets of GEA at a total consideration of US\$5.61 billion, which was sourced from self-owned funds and loan for merger, of which, the loan for merger in the amount of US\$5.61 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, and the amount of which was equivalent to approximately RMB8.875 billion as at the end of the reporting period. The balance of the guarantee amounted to approximately RMB7.645 billion as at the end of the reporting period. The provision of guarantee had been considered and approved by the Board and the general meeting of shareholders of the Company;</p> <p>2. In June 2019, the resolution on the Expected Provision of Guarantee for subsidiaries in 2019 was passed on the 2018 Annual General Meeting of the Company, according 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 RMB22.005 billion. As of the end of the reporting period, the balance guaranteed was RMB20.985 billion.</p>

### 3 Other Major Contracts

Applicable Not Applicable

## XII. Information on poverty alleviation of the listed companies

Applicable Not Applicable

### 1. Targeted measures in poverty alleviation plan

Applicable Not Applicable

In accordance with the national plan for targeted measures in poverty alleviation and the requirements set out in relevant documents, the Company places great emphasis on poverty alleviation, and carries out initiatives of targeted measures in poverty alleviation within the scope as authorized by the general meetings on related matters (such as donation). 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. As of July 2019, the Company and the Haier Group Corporation (its ultimate controller) and its subsidiaries (referred to as the 'Haier Group') has built 305 hope primary schools and 1 hope middle school, covering 26 provinces, municipalities directly under the central government and autonomous regions in China, and continuously provide the above-mentioned schools support in materials and other respects in each year including the reporting period. These initiatives have effectively enhanced the basic educational capabilities in poverty-stricken areas and improved the quality of education.

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

Applicable Not Applicable

In the first half of 2019, the Company's expenditures on targeted measures in poverty alleviation was approximately RMB3.08 million, which was mainly utilized in the education improvement, physical and mental health development of adolescents and children and social welfare. At the same time, as part of its initiatives in response to the government and the performance of its social responsibilities, Haier Group has also made investments in many aspects, such as poverty alleviation through agricultural development, poverty alleviation through improvement of the health of farmers.

**3. Results of targeted measures in poverty alleviation**

Applicable Not Applicable

Unit and Currency: RMB0'000

Indicator	Amount and the status
I. General information	
Including : 1.Fund	308
II. Breakdown of the use of funds	
1.Poverty alleviation through education	
1.1 Increase the amount of educational resources invested in poverty-stricken areas	102
2.Basic guarantees	
2.1 Amount invested in helping poor people with disabilities	35
3.Poverty alleviation in the society	
3.1 Charity funds for poverty alleviation	171

Note: If the above donation occurs in foreign currency, the exchange rate is calculated based on the average middle RMB exchange rate in the inter-bank foreign exchange market on 28 June 2019 as announced by the People's Bank of China.

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

Applicable Not Applicable

In addition to material input in adolescents' and children's education improvement, physical and mental

health development, etc., the Company also explores feasible methods in agricultural poverty alleviation. For example, for rural entrepreneurs, Haier customizes skills improvement solutions for them, such as Xiaoshun Business School jointly established by RRS Health and Haier University. A multi-level training system has been developed by centering on rural talent revitalization strategy to enhance farmers' entrepreneurial skills. By providing local platforms and employment opportunities, we have built a sound brain circulation ecological system that can 'cultivate and retain competent talents'. In addition, the Company has customized the entrepreneurial poverty alleviation model for the economic conditions in different rural areas, with programs, platforms, networks and results made, and practicability to follow. The national targeted poverty alleviation strategy is implemented to fully advance rural poverty alleviation.

#### 5. Subsequent targeted measures in poverty alleviation plans

Applicable Not Applicable

In the second half of the year, the Company will make concerted efforts with Haier Group and continue to implement the proposition of the documents issued by the central government in respect of poverty alleviation, dedicate to improve the education in poverty-stricken areas, promote the revitalization of rural talents and other initiatives, and will perform our social responsibilities in a proactive manner.

#### XIII. Convertible corporation bonds

Applicable Not Applicable

##### (I) Information on the issuance of convertible bonds

On 23 November 2017, the *Proposal of the Plan of Public Offering of Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* was passed at the 2017 First Extraordinary General Meeting of the Company. In accordance with the resolutions passed at this general meeting and the documents approved by China Securities Regulatory Commission, the Company has completed the issuance of convertible corporate bonds in December 2018, which issued convertible corporate bonds of RMB 3.00749 billion in total. Such bonds have been listed on 18 January 2019, with the listed name 'Haier Convertible Bonds' and the Bonds Code is 110049. For details, please refer to relevant documents, such as the Company's *Prospectus on the Public Issuance of the A Share Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* disclosed on 14 December 2018 and the *Announcement on the Listing of the Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* disclosed on 16 January 2019.

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

Number of convertible bond holders at the end of the period	5,137	
Guarantor of the convertible bonds of the Company	Null	
Top ten convertible bond holders are as below:		
Name of convertible corporate bond holders	Bonds held at the end of the period (RMB)	Proportions (%)
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Industrial and Commercial Bank of China)	205,236,000	6.83

Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Construction Bank)	165,770,000	5.51
GIC PRIVATE LIMITED	129,872,000	4.32
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Bank of China)	125,710,000	4.18
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Shenwan Hongyuan Securities Co., Ltd.)	100,000,000	3.33
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Merchants Bank Co., Ltd.)	77,957,000	2.59
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Minsheng Bank Corp., Ltd.)	68,483,000	2.28
Hall Capital Limited - Hall Capital China Value - added Funds	55,867,000	1.86
Ontario Pension Board - private capital	53,629,000	1.78
UBS AG	50,245,000	1.67

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

Unit and Currency: RMB

Name of convertible corporate bonds	Prior to the change	Increase and decrease of the change			After the change
		Conversion	Redemption	Back-sell	
Haier Convertible Bonds	3,007,490,000	712,000			3,006,778,000

**(IV) Information on the accumulated number of convertible bonds being converted into shares during the reporting period**

Amount of conversion during the reporting period (RMB)	712,000
Converted shares during the reporting period (share)	48,856
Accumulated converted shares (share)	48,856
Proportion of accumulated converted shares to total issued shares of the Company before conversion (%)	0.001
Amount of remaining convertible bonds not converted (RMB)	3,006,778,000
Proportion of amount of remaining convertible bonds to total issued convertible bonds (%)	99.976

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

Unit and Currency: RMB

Conversion price as of the end of the reporting period	14.55
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**(VI) Information on the indebtedness, changes in creditability of the Company and the cash arrangement for repayment of debts in the coming years**

At the end of the reporting period, the Company's liabilities amounted to RMB123,078.3680 million in total, including current liabilities of RMB91,483.3243 million and non-current liabilities of RMB 31,595.0437 million.

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

The Company's operations in all aspects are stable, the asset structure is reasonable, and the credit status is good, thus being able to provide stable and sufficient working capital for the payment of

convertible corporate bonds interest and repayment of principle in the future.

**(VII) Explanation on other information regarding convertible bonds**

No

**XIV. Environmental Information**

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

Applicable Not Applicable

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

Applicable Not Applicable

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

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

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

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

Applicable Not Applicable

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

Applicable Not Applicable

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

## XV. Statement on Other Significant Events

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

Applicable Not Applicable

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

Applicable Not Applicable

### (III) Others

Applicable Not Applicable

**Entrusted wealth management:** By the end of the reporting period, the balance of the Company's entrusted wealth management amounted to RMB6.291 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 exceed RMB1.5 billion after approved by the Board of Directors. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB1.429 billion; (2) **wealth management of the Company's Hong Kong listed subsidiary:** Haier Electronics Group Co., Ltd. (hereinafter referred to as 'Haier Electronics', stock code: 01169.HK), the holding subsidiary of the Company, has purchased some short-term principal-protected wealth management and structural deposits from the large commercial banks as an independently operating Hong Kong listed company in order to increase the efficiency of the use of idle funds within the authorities of the management and on the premise of safeguarding funds security. In the purchase process, all the necessary board reports were subject to the procedures such as filling and management' s review according to the regulations requirements for Hong Kong listed company, so as to ensure sufficient funds for the day-to-day operations of the main business and improve the shareholders' returns. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB4.861billion.

## SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS

### I. Changes in share capital

#### (I) Table of Changes in shares

##### 1. Table of Changes in shares

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	Sub-total	Number	Percentage (%)
I. Shares with selling restrictions									
1. Shares held by the state									
2. Shares held by the state-owned legal entities									
3. Shares held by other domestic investors									
Including: shares held by domestic non-state-owned legal entities									
Shares held by domestic individuals									
4. Shares held by foreign investors									
Including: shares held by foreign legal entities									
Shares held by foreign individuals									
II. Tradable shares without selling restrictions	6,368,416,700	100.00				48,856	48,856	6,368,465,556	100.00
1. RMB ordinary shares	6,097,402,727	95.74				48,856	48,856	6,097,451,583	95.74
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	271,013,973	4.26						271,013,973	4.26
4. Others									
III. Total shares	6,368,416,700	100.00				48,856	48,856	6,368,465,556	100.00

## 2. Statement on the changes in shares

Applicable    Not Applicable

As approved by the *Reply on Approving the Public Issuance of Convertible Corporate Bonds by Qingdao Haier Co., Ltd.* (Zheng Jian Xu Ke [2018] No. 1912) issued by the China Securities Regulatory Commission (hereinafter referred to as the 'CSRC'), On 18 December 2018, the Company publicly issued 30,074,900 convertible corporate bonds at a par value of RMB 100 each, and the total amount issued of RMB3,007,490,000 for a term of 6 years. With the approval from the Shanghai Stock Exchange Self-regulation Decision [2019] No. 14, the convertible corporate bonds of RMB3,007,490,000 issued by the Company will be listed and traded on Shanghai Stock Exchange on 18 January 2019. The bonds are referred to as 'Haier Convertible Bonds' and the bond code is '110049'.

According to the relevant requirements of *Prospectus of Qingdao Haier Co., Ltd. on Public Issuance of A-share Convertible Bonds*, Haier Convertible Bond by the Company in this issuance can be converted into A-share of the Company since 25 June 2019, the conversion period commenced from 25 June 2019 to 17 December 2024. By the end of the reporting period, the total number of convertible bonds is 48,856, and the share capital of the Company changed from 6,368,416,700 shares to 6,368,465,556 shares. For details, please refer to the *Announcement on Results of Conversion of Convertible Bonds and Changes in Share Capital of Haier Smart Home Co., Ltd.* (No.: L2019-051) disclosed on 3 July 2019.

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

Applicable    Not Applicable

As the Company's convertible bonds are still in the conversion period, the latest announcement (please refer to the *Announcement on Results of Conversion of Convertible Bonds and Changes in Share Capital of Haier Smart Home Co., Ltd.* disclosed by the Company on 2 August 2019 for details) before the disclosure of this periodic report, a total of 8,976 shares were converted during July 2019, and the share capital of the Company changed from 6,368,465,556 share to 6,368,474,532 share.

In the first half of 2019, the Company achieved net profit attributable to shareholders of the Parent Company of RMB5,150,869,558.02, equity attributable to owners of the Parent Company of RMB42,180,337,843.33, in terms of total share capital of 6,368,465,556 shares of the Company at the end of the reporting period, revenue was RMB0.809 per share and net asset was RMB6.623 per share accordingly; in terms of total share capital of 6,368,474,532 at the end of July 2019, revenue

was RMB0.809 per share and net asset was RMB6.623 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. Information on shareholders**

**(I) Total number of shareholders:**

Total number of ordinary shareholders by the end of the reporting period	164,863
Total numbers of preferential shareholders with restoration of voting rights by the end of the reporting period	Not applicable

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

Unit: share

Shareholdings of top ten shareholders							
Name of shareholder (full name)	Increase/decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Status of shares pledged or frozen		Nature of shareholder
					Status	Number	
Haier Electric Appliances International Co., Ltd.		1,258,684,824	19.76		Nil		Domestic non-state-owned legal entity
Haier Group Corporation		1,072,610,764	16.84		Nil		
Hong Kong Securities Clearing Co., Ltd.		648,698,187	10.19		Unknown		Foreign legal entity
GIC PRIVATE LIMITED		202,726,380	3.18		Unknown		Foreign legal entity
China Securities Finance Corporation Limited		182,592,697	2.87		Unknown		Unknown

Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)	172,252,560	2.70	Nil	Domestic non-state-owned legal entity
CLEARSTREAM BANKING S.A. (note)	90,924,856	1.43	Unknown	Foreign legal entity
National social security fund, Portfolio 104	83,572,690	1.31	Unknown	Unknown
Bank of China Limited- E Fund's small and medium-sized hybrid securities investment funds	81,000,071	1.27	Unknown	Unknown
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	73,011,000	1.15	Nil	Unknown
Shareholdings of top ten shareholders without selling restrictions				
Name of shareholder	Number of tradable shares held without selling restrictions	Class and number of shares		
		Class	Number	
Haier Electric Appliances International Co., Ltd.	1,258,684,824	RMB ordinary		1,258,684,824
Haier Group Corporation	1,072,610,764	RMB ordinary		1,072,610,764
Hong Kong Securities Clearing Co., Ltd.	648,698,187	RMB ordinary		648,698,187
GIC PRIVATE LIMITED	202,726,380	RMB ordinary		202,726,380
China Securities Finance Corporation Limited	182,592,697	RMB ordinary		182,592,697
Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)	172,252,560	RMB ordinary		172,252,560
CLEARSTREAM BANKING S.A. (note)	90,924,856	Overseas listed foreign shares		90,924,856
National social security fund, Portfolio 104	83,572,690	RMB ordinary		83,572,690
Bank of China Limited- E Fund's small and medium-sized hybrid securities investment funds	81,000,071	RMB ordinary		81,000,071

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. is a holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司) and Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) is a party acting in concert with Haier Group Corporation; (2) The Company is not aware of the existence of any connections of other shareholders.		
Explanation of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable		

**Note:** This account is the Deutsche Bank collection account for the Company's D shares, which is the original data provided by the Clearstream Bank Collection Account to the Company after the merger according to local market practices and technical settings, not representing the ultimate shareholder.

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

Applicable  Not Applicable

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

Applicable  Not Applicable

**III. Changes in controlling shareholder and the ultimate controller**

Applicable  Not Applicable

## **SECTION VII RELEVANT INFORMATION OF PREFERRED SHARES**

Applicable  Not Applicable

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

### I. Changes of Shareholding

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

Applicable Not Applicable

Unit: share

Name	Title	Shareholdings at the beginning of the period	Shareholdings at the end of the period	Increase/decrease in shares during the reporting period	Reason for increase/decrease
Liang Haishan	Director	12,859,062	14,483,466	1,624,404	Employee shareholding plan vested
Tan Lixia	Director	6,836,737	8,136,260	1,299,523	
Li Huagang	Director	482,214	653,306	171,092	
Wang Peihua	Supervisor	91,213	144,764	53,551	
Ming Guoqing	Supervisor	59,518	94,505	34,987	
Gong Wei	Senior management	1,450,556	1,671,903	221,347	
Ming Guozhen	Senior management	1,106,579	1,240,515	133,936	

Other explanations

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

Name	Position	Changes
Peng Jianfeng	Director	Designation
Zhou Hongbo	Director	Designation
Liu Haifeng	Director	Designation
Wu Cheng	Independent director	Designation
Lin Sui	Director	Election
Yan Yan	Director	Election
Li Huagang	Director	Election
Qian Daqun	Independent director	Election
Liang Haishan	General manager	Designation
Li Huagang	General manager	Appointment

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

Applicable Not Applicable

During the reporting period, the Ninth session of Board of Directors and Board of Supervisors of the Company expired. After the deliberation and approval of the Company's 2018 Annual General Meeting, elected new session (10th) of Board of Directors and Board of Supervisors and appointed a new senior management of the Company.

**III. Other explanations**

Applicable  Not Applicable

## SECTION IX RELEVANT INFORMATION OF CORPORATE BONDS

Applicable  Not Applicable

### I. Basic information of corporate bonds

Unit and Currency: RMB0'000

Name of bonds	Short name	Code	Issuing date	Date of expiry	Balance of bonds	Interest rate (%)	Method of capital repayment with interest	Places of transaction
Convertible Corporate Bonds of Haier Smart Home Co., Ltd	Hair Convertible Bonds	110049	18 December 2018	17 December 2024	300,677.80	Interest rates for the first to sixth years are 0.2, 0.5, 1.0, 1.5, 1.8, and 2.0, respectively.	On an annual basis	Shanghai Stock Exchange

Interest payment for corporate bonds

Applicable  Not Applicable

The interest of convertible corporate bonds in this Issuance is paid on an annual basis, while the principal and the interest for the last year of convertible corporate bonds which do not convert to shares shall be returned when expired. The interest payment day for each year is the date of first anniversary of this issuance of convertible corporate bonds. Based on the issuance date, the first interest payment day is 18 December 2019. As such, interest payment and repayment within the reporting period is not applicable.

Other explanations of corporate bonds

Applicable  Not Applicable

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

Bonds trustee manager	Name	United Credit Ratings Co., Ltd.
	Office address	12th Floor, PICC Office Tower, No.2 Jianguomen Outer Street, Chaoyang District, Beijing, China

Other explanations:

Applicable  Not Applicable

### III. Use of funds raised from corporate bonds

Applicable  Not Applicable

The Company received net proceeds of RMB2,983,580,500 from the public issuance of convertible corporate bonds (the amount of proceeds of RMB3,007,490,000 net of sponsorship and underwriting fees paid) on 24 December 2018, out of which RMB1,336,148,100 has been used in the first half of 2019. For details, please refer to the *Specific Audit Report on the Deposit and Actual use of Capital Raised in the*

*first half of 2019 of Haier Smart Home Co., Ltd* disclosed on the same day of this report.

#### **IV. Information of corporate bonds rating**

Applicable  Not Applicable

During the reporting period, the credit rating agency, United Credit Ratings Co., Ltd., of Convertible Corporate Bonds of the Company in this issuance issued the *Result Announcement of the 2019 Follow-up Rating on the Convertible Corporate Bonds of Qingdao Hair Co., Ltd.*, according to this rating report, the main credit rating of the Company is AAA and the credit rating of convertible corporate bonds is AAA. During the period of convertible corporate bonds, the United Credit Ratings Co., Ltd. will perform regular follow-up rating on an annual basis.

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

Applicable  Not Applicable

The interest of convertible corporate bonds in this issuance is paid on an annual basis, while the principal and the interest for the last year of convertible corporate bonds which do not convert to shares shall be returned when expired. The coupon rate of convertible corporate bonds in the issuance is: 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year.

#### **VI. Meeting of corporate bondholders**

Applicable  Not Applicable

During the reporting period, the first bondholders' meeting in 2019 of the Company was convened with both on-site voting and network voting. The meeting was held on the afternoon of 29 May 2019 in room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao City, to review the *Proposal on Changing Part of the Investment Projects of Funds Raised from Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* The total number of the convertible corporate bonds is 30,074,900 (each with a nominal value of RMB100), and the total number of bondholders and entrusted proxies attending this bondholders' meeting is 75, representing bonds outstanding for the current period shall be 6,062,140 in aggregate, accounting for 20.16% of the aggregate number of the Company's convertible corporate bonds. In addition, the supervisors, senior management and attorney appointed by the Company attended this bondholders' meeting. The general meeting of shareholders was convened by the Board of Directors of the Company, and the secretary of the Company's Board of Directors presided over the meeting. The poll results of the above proposal in this meeting were: the number of affirmative votes is 6,062,140, accounting for 100.00% of the aggregate number of valid voting bonds attending this bondholders' meeting; the number of dissenting votes is 0, accounting for 0.00% of the aggregate number of valid voting bonds attending this bondholders' meeting; the number of abstaining votes is 0, accounting for 0.00% of the aggregate number of valid voting bonds attending this bondholders' meeting.

**VII. Duty fulfillment of corporate bonds trustee manager**

Applicable  Not Applicable

**VIII. Accounting data and financial indicators as of the end of the reporting period and the end of previous year (or as of the reporting period and the corresponding period of previous year)**

Applicable  Not Applicable

Unit and Currency: RMB

Key indicators	At the end of this reporting period	At the end of the previous year	Increase/decrease at the end of the reporting period compared with the end of the last year (%)
Current ratio	1.08	1.14	-0.06
Quick ratio	0.81	0.86	-0.05
Gearing ratio (%)	67.95	67.86	0.12
	The reporting period (January - June)	The corresponding period of the previous year	Increase/decrease at the end of the reporting period compared with the corresponding period of last year (%)
EBITDA	10,340,752,025.46	9,056,313,330.87	14.18
EBITDA interest coverage ratio	11.68	13.25	-1.57
Interest coverage ratio	9.20	11.00	-1.79

**Note:** The data involved in the balance sheet in the corresponding period of the previous year was based on the data without retrospective adjustment when calculating above indicators.

**IX. Notes to overdue debts**

Applicable  Not Applicable

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

Applicable  Not Applicable

**XI. Bank credit business of the Company during the reporting period**

Applicable  Not Applicable

During the reporting period, the Company had bank credit business amounted to RMB77,655.26 million.

**XII. Execution status of promises or commitments in prospectus of corporate bonds of the Company during the reporting period**

Applicable  Not Applicable

During the reporting period, the Company signed a storage supervision agreement for raised funds

account with each of the project implementation entities, sponsor and banks to promote the use of raised funds in a compliance manner in accordance with the provisions of the prospectus.

**XIII. Major events of the Company and its impact of major events on operating status and solvency of the Company**

Applicable  Not Applicable

## SECTION X RESPONSIBILITY STATEMENT

“As the executive board of Qingdao Haier 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, 29 April 2019  
Qingdao Haier Co., Ltd  
The Board of Management

Liang Haishan \_\_\_\_\_

Tan Lixia \_\_\_\_\_

Li Huagang \_\_\_\_\_

Wu Changqi \_\_\_\_\_

Lin Sui \_\_\_\_\_

Yan Yan \_\_\_\_\_

## SECTION XI FINANCIAL REPORT

### I. Audit report

Applicable  Not Applicable

### II. Financial statements

#### Consolidated Balance Sheet

30 June 2019

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	30 June 2019	31 December 2018
<b>Current assets:</b>			
Monetary funds	VII. 1	33,735,043,658.23	37,456,355,407.28
Provision of settlement fund			
Funds lent			
Financial assets held for trading	VII. 2	985,839,615.67	1,775,648,387.76
Financial assets measured at fair value and changes of which included in current profit and loss			
Derivative financial assets	VII. 3	70,865,506.67	96,723,164.37
Bills receivable	VII. 4	14,526,971,971.94	14,220,937,323.02
Accounts receivable	VII. 5	14,414,459,806.74	10,431,193,487.50
Financing receivables			
Prepayments	VII. 6	702,154,686.43	594,555,015.00
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VII. 7	2,255,319,756.61	1,626,975,864.98
Including: interest receivables		298,632,646.33	228,701,210.90
Dividends receivables		99,275,355.94	4,524,472.84
Financial assets purchased under resale agreements			
Inventories	VII. 8	23,867,526,314.79	22,377,191,121.53
Contract assets	VII. 9	489,724,604.83	456,781,406.54
Assets held for sale	VII. 10	126,669,725.09	144,091,213.39
Non-current assets due in one year			
Other current assets	VII. 11	7,173,637,678.57	5,079,878,909.67
Total current assets		98,348,213,325.57	94,260,331,301.04
<b>Non-current assets:</b>			
Loans and advances granted			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			

Long-term receivables		312,685,538.19	245,791,343.37
Long-term equity investments	VII. 12	14,244,547,862.10	13,966,481,596.07
Investments in other equity instruments	VII. 13	1,379,193,042.19	1,400,316,460.34
Other non-current financial assets	VII. 14	328,487,584.54	327,358,825.57
Investment properties	VII. 15	29,978,648.23	30,879,147.42
Fixed assets	VII. 16	18,815,614,587.35	17,319,638,881.37
Construction in progress	VII. 17	5,195,727,696.62	3,873,492,230.24
Biological assets for production			
Oil and gas assets			
Right-of-use assets	VII. 18	3,286,464,710.49	
Intangible assets	VII. 19	11,317,290,593.27	9,209,242,721.71
Development cost	VII. 20	663,309,436.00	538,382,288.33
Goodwill	VII. 21	23,219,540,741.21	21,155,552,557.16
Long-term prepaid expenses	VII. 22	267,669,407.03	230,763,172.48
Deferred income tax assets	VII. 23	1,798,629,815.21	1,815,624,736.13
Other non-current assets	VII. 24	1,934,031,299.40	2,325,688,982.56
Total non-current assets		82,793,170,961.83	72,439,212,942.75
Total assets		181,141,384,287.40	166,699,544,243.79
<b>Current liabilities:</b>			
Short-term borrowings	VII. 25	8,108,137,605.85	6,298,504,892.57
Borrowings from central bank			
Funds borrowed			
Financial liabilities held for trading	VII. 26	7,055,018.07	218,748,280.33
Financial liabilities measured at fair value and changes of which included in current profit and loss			
Derivative financial liabilities	VII. 27	33,952,526.10	35,603,754.54
Bills payable	VII. 28	17,569,622,873.92	19,626,099,061.60
Accounts payables	VII. 29	30,604,644,390.27	27,759,119,079.78
Receipts in advance	VII. 30		14,681,466.58
Disposal of repurchased financial assets			
Absorbing deposit and deposit in inter-bank market			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Payables for staff's remuneration	VII. 32	2,557,362,440.33	2,651,399,418.05
Taxes payable	VII. 33	1,951,932,360.24	1,838,440,727.39
Other payables	VII. 34	16,413,360,559.11	12,685,677,402.91
Including: Interest payables		94,121,291.76	104,522,208.28
Dividends payables		2,914,608,547.77	162,205,193.05
Fees and commissions payable			

Reinsurance Accounts payables			
Contract liabilities	VII. 31	3,899,786,072.98	5,482,325,888.59
Liabilities held for sale	VII. 35	14,097,210.09	32,362,267.88
Non-current liabilities due within one year	VII. 36	9,876,686,810.40	3,015,060,105.58
Other current liabilities	VII. 37	446,686,462.78	423,638,804.62
Total current liabilities		91,483,324,330.14	80,081,661,150.42
<b>Non-current liabilities:</b>			
Deposits for insurance contracts			
Long-term borrowings	VII. 38	12,260,679,425.08	15,541,466,325.22
Bonds payable	VII. 39	9,353,004,100.04	9,191,896,302.70
Including: preference shares			
perpetual bonds			
Lease liabilities	VII. 40	2,467,631,697.84	
Long-term payables	VII. 41	115,402,960.78	106,763,243.99
Long-term payables for staff's remuneration	VII. 42	1,033,636,909.72	934,974,735.49
Estimated liabilities	VII. 43	2,862,028,886.09	2,839,741,079.48
Deferred income	VII. 44	664,747,867.34	643,551,987.30
Deferred income tax liabilities	VII. 23	924,391,131.64	405,343,787.76
Other non-current liabilities	VII. 45	1,913,520,681.51	1,823,866,693.93
Total non-current liabilities		31,595,043,660.04	31,487,604,155.87
Total liabilities		123,078,367,990.18	111,569,265,306.29
<b>Owners' equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)	VII. 46	6,368,465,556.00	6,368,416,700.00
Other equity instruments	VII. 47	904,373,795.11	904,485,788.71
Including: preference shares			
perpetual bonds			
Capital reserve	VII. 48	1,893,257,835.04	2,208,773,474.57
Less: treasury stock			
Other comprehensive income	VII. 49	1,006,256,614.53	772,632,347.35
Special reserve			
Surplus reserve	VII. 50	2,288,301,317.10	2,288,301,317.10
General risk provisions			
Undistributed profits	VII. 51	29,719,682,725.55	26,859,741,163.95
Total equity attributable to owners (or shareholders) of the Parent Company		42,180,337,843.33	39,402,350,791.68
Minority shareholders' interests		15,882,678,453.89	15,727,928,145.82
Total owners' equity (or shareholders' equity)		58,063,016,297.22	55,130,278,937.50
Total liabilities and owners' equity (or shareholders' equity)		181,141,384,287.40	166,699,544,243.79

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

### Balance Sheet of the Parent Company

30 June 2019

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	30 June 2019	31 December 2018
<b>Current Assets:</b>			
Monetary funds		3,941,079,616.36	7,068,899,574.96
Financial assets held for trading			
Financial assets measured at fair value and changes of which included in current profit and loss			
Derivative financial assets			
Bills receivable			
Accounts receivable	XVIII.1	214,400,331.67	222,622,017.43
Financing receivables			
Prepayments		12,994,199.46	28,809,797.43
Other receivables	XVIII.2	1,872,471,875.28	2,082,767,166.58
Including: interest receivables		10,294,498.12	6,292,538.22
dividends receivables		867,586,570.57	1,912,418,382.82
Inventories		33,875,920.57	124,773,163.23
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		1,727,226,417.60	109,865,313.53
Total current assets		7,802,048,360.94	9,637,737,033.16
<b>Non-current assets:</b>			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVIII.3	34,605,975,384.56	33,844,234,315.30
Investments in other equity instruments		5,341,590.84	5,262,480.92
Other non-current financial assets			
Investment properties			
Fixed assets		117,280,845.74	119,546,157.40
Construction in progress		52,398,316.91	37,655,076.18
Biological assets for production			
Oil and gas assets			
Right-of-use assets			
Intangible assets		16,417,575.24	17,186,540.33
Development cost			

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Goodwill			
Long-term prepaid expenses		6,176,952.97	5,779,229.64
Deferred income tax assets		81,511,748.07	81,511,748.07
Other non-current assets			28,632,829.14
Total non-current assets		34,885,102,414.33	34,139,808,376.98
Total assets		42,687,150,775.27	43,777,545,410.14
<b>Current liabilities:</b>			
Short-term borrowings			1,500,000,000.00
Financial liabilities held for trading			
Financial liabilities measured at fair value and changes of which included in current profit and loss			
Derivative financial liabilities			
Bills payable		199,892,131.66	334,747,358.40
Accounts payables			
Receipts in advance			
Contract liabilities		2,742,714,213.01	2,391,211,509.89
Payables for staff's remuneration		37,317,709.99	65,387,056.03
Taxes payable		8,644,652.08	67,279,606.39
Other payables		24,112,050,515.96	21,834,869,774.34
Including: interest payable			
dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		2,383,520.12	2,089,282.56
Total current liabilities		27,103,002,742.82	26,195,584,587.61
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable		2,560,865,849.82	2,510,530,062.86
Including: preference shares			
perpetual bonds			
Lease liabilities			
Long-term payable		20,000,000.00	20,000,000.00
Long-term payables for staff's remuneration			
Estimated liabilities			
Deferred income		37,820,000.00	67,360,000.00
Deferred income tax liabilities		31,576,433.87	29,485,678.28
Other non-current liabilities			
Total non-current liabilities		2,650,262,283.69	2,627,375,741.14
Total liabilities		29,753,265,026.51	28,822,960,328.75
<b>Owners' equity (or Shareholders' equity):</b>			
Paid-in capital (or share capital)		6,368,465,556.00	6,368,416,700.00
Other equity instruments		472,949,271.04	473,061,264.64
Including: preference shares			
perpetual bonds			

Capital reserve		4,172,180,788.45	4,182,825,672.98
Less: treasury stock			
Other comprehensive income		7,040,098.10	7,791,344.47
Special reserve			
Surplus reserve		1,683,155,091.65	1,683,155,091.65
Undistributed profits		230,094,943.52	2,239,335,007.65
Total owners' equity (or shareholders' equity)		12,933,885,748.76	14,954,585,081.39
Total liabilities and owners' equity (or shareholders' equity)		42,687,150,775.27	43,777,545,410.14

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

**Consolidated Profit Statement**  
January-June 2019

Unit and Currency: RMB

Items	Notes	2019 Interim	2018 Interim
I .Total operating revenue	VII. 52	98,979,793,121.16	90,488,122,206.31
Including: Operating revenue	VII. 52	98,979,793,121.16	90,488,122,206.31
Interest income			
Insurance premiums earned			
Fee and commission income			
II . Total cost of operations		92,948,216,240.14	84,761,087,439.43
Including: Operating cost	VII. 52	70,174,853,958.91	64,057,950,024.03
Interest expenses			
Fee and commission expenses			
Insurance withdrawal payment			
Net payment from indemnity			
Net provisions withdrew for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Taxes and surcharges	VII. 53	400,930,500.65	407,977,441.52
Selling expenses	VII. 54	14,596,335,114.01	13,522,931,745.64
Administrative expenses	VII. 55	4,525,786,069.23	4,033,672,258.19
R&D expenses	VII. 56	2,741,563,815.81	2,252,630,555.38
Financial expenses	VII. 57	508,746,781.53	485,925,414.67
Including: interest expenses		885,683,954.28	683,665,504.25
interest income		253,967,290.82	234,458,811.03
Add: other income	VII. 58	472,741,856.55	224,292,412.02
investment income (losses are represented by '-')	VII. 59	756,051,437.45	867,458,988.96
Including: investment income of associates and joint ventures			
Income generated from the derecognition of financial assets measured at amortized cost (losses are represented by '-')			
Exchange gain (losses are			

represented by '-')			
Gains on net exposure hedges (losses are represented by '-')			
Income from change in fair value (losses are represented by '-')	VII. 60	57,409,956.80	36,661,921.50
Loss on credit impairment (losses are represented by '-')	VII. 61	37,775,605.39	40,539,282.27
Loss on assets impairment (losses are represented by '-')	VII. 62	-257,747,905.20	-235,903,037.58
Gain from disposal of assets (losses are represented by '-')	VII. 63	12,706,682.87	5,505,487.90
III. Operating profit (losses are represented by '-')		7,110,514,514.88	6,665,589,821.95
Add: non-operating income	VII. 64	269,598,148.82	218,274,778.87
Less: non-operating expenses	VII. 65	114,206,707.92	49,404,445.69
IV. Total profit (total losses are represented by '-')		7,265,905,955.78	6,834,460,155.13
Less: income tax expense	VII.66	1,034,920,088.61	966,779,446.64
V .Net profit (net losses are represented by '-')		6,230,985,867.17	5,867,680,708.49
(I) Classification by continuous operation			
1.Net profit from continuous operation (net losses are represented by '-')		6,230,985,867.17	5,867,680,708.49
2. Net profit from discontinued operation (net losses are represented by '-')			
(II) Classification by ownership of the equity			
1. Net profit attributable to shareholders of the Parent Company (net losses are represented by '-')		5,150,869,558.02	4,787,943,825.16
2. Profit or loss attributable to minority shareholders (net losses are represented by '-')		1,080,116,309.15	1,079,736,883.33
VI. Other comprehensive income, net of tax	VII.67	206,080,907.09	427,574,646.00
Other comprehensive income attributable to owners of the Parent Company, net of tax		233,624,267.18	303,484,612.59
(I) Other comprehensive income that cannot be reclassified into the profit or loss		-12,242,959.12	40,631,005.91
1.Changes arising from re- measurement of defined benefit plans		-400,317.18	-6,952,267.73
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		-11,842,641.94	47,583,273.64
4. Changes in fair value of			

credit risks of the enterprise			
(II) Other comprehensive income to be reclassified into the profit or loss		245,867,226.30	262,853,606.68
1. Other comprehensive income that can be transferred into profit or loss under equity method		19,829,612.65	86,716,737.89
2. Changes in fair value of other debt investments			
3. Profit or loss from changes in fair value of available-for-sale financial assets			
4. Reclassified financial assets that are credited to other comprehensive income			
5. Profit or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
6. Credit impairment provision for other debt investments			
7. Reserve for cash flow hedging (effective portion of profit or loss arising from cash flow hedging)		-25,398,943.78	46,856,355.86
8. Exchange differences on translation of financial statements denominated in foreign currencies		251,436,557.43	129,280,512.93
9. Others			
Other comprehensive income attributable to minority shareholders, net of tax		-27,543,360.09	124,090,033.41
VII. Total comprehensive income		6,437,066,774.26	6,295,255,354.49
Total comprehensive income attributable to the owners of Parent Company		5,384,493,825.20	5,091,428,437.75
Total comprehensive income attributable to the minority shareholders		1,052,572,949.06	1,203,826,916.74
VIII . Earnings per share:			
(I) Basic earnings per share (RMB/share)	XIX.1	0.809	0.785
(II) Diluted earnings per share (RMB/share)	XIX.1	0.778	0.785

Legal representative: Liang Haishan  
Person in charge of accounting function: Gong Wei  
Person in charge of accounting department: Ying Ke

**Profit Statement of the Parent Company**  
January-June 2019

Unit and Currency: RMB

Items	Notes	2019 Interim	2018 Interim
I. Operating income	XVIII.4	1,330,869,374.63	1,624,154,028.46
Less: operating cost	XVIII.4	950,382,533.32	1,120,062,552.26
Taxes and surcharges		8,794,240.92	9,974,166.62

Selling expenses		126,957,909.17	125,040,887.94
Administration expenses		141,039,328.01	185,304,148.28
R&D expenses		101,983,328.38	102,396,455.62
Financial expenses		99,436,940.80	61,816,257.99
Including: interest expenses		113,544,460.15	130,109,539.14
Interest income		17,707,954.88	72,983,634.41
Add: other income		52,472,509.25	9,510,192.91
investment income (losses are represented by '-')	XVIII.5	245,568,113.58	219,520,069.85
Including: investment income of associates and joint ventures			
Derecognition income on financial assets measured at amortized cost (losses are represented by '-')			
Gains on net exposure hedges (losses are represented by '-')			
Income from change in fair value (losses are represented by '-')			
Loss on credit impairment (losses are represented by '-')		987,137.94	-96,210,989.68
Loss on assets impairment (losses are represented by '-')			
Gain from disposal of assets (losses are represented by '-')		51,118.46	
II. Operating profit (losses are represented by '-')		201,353,973.26	152,378,832.83
Add: non-operating income		9,412,803.30	27,747,401.83
Less: non-operating expenses		1,963,024.43	253,114.54
III. Total profit (total losses are represented by '-')		208,803,752.13	179,873,120.12
Less: income tax expenses		-17,287,593.90	-3,481,743.97
IV. Net profit (net losses are represented by '-')		226,091,346.03	183,354,864.09
(I) Net profit from continuous operations (net losses are represented by '-')		226,091,346.03	183,354,864.09
(II) Net profit from discontinued operations (net losses are represented by '-')			
V. Other comprehensive income, net of tax		-751,246.37	14,666,831.86
(I) Other comprehensive income that cannot be reclassified into the profit or loss		67,243.43	-450,286.03
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		67,243.43	-450,286.03
4.Changes in fair value of credit risks of the enterprise			

(II) Other comprehensive income to be reclassified into the profit or loss		-818,489.80	15,117,117.89
1. Other comprehensive income that can be transferred into profit or loss under equity method		-818,489.80	15,117,117.89
2. Changes in fair value of other debt investments			
3. Profit or loss from changes in fair value of available-for-sale financial assets			
4. Reclassified financial assets that are credited to other comprehensive income			
5. Profit or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
6. Credit impairment provision for other debt investments			
7. Reserve for cash flow hedging (effective portion of profit or loss arising from cash flow hedging)			
8. Exchange differences on translation of financial statements denominated in foreign currencies			
9. Others			
VI. Total comprehensive income		225,340,099.66	198,021,695.95
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

### Consolidated Cash Flow Statement

January-June 2019

Unit and Currency: RMB

Items	Notes	2019 Interim	2018 Interim
<b>I. Cash flow from operating activities:</b>			
Cash received from the sale of goods and rendering services		96,268,046,242.21	90,665,692,910.26
Net increase in customer and inter-bank deposits			
Net increase in borrowing from the central bank			
Net cash increase in borrowing from other financial institutes			
Cash received from premiums under original insurance contract			
Net cash received from			

reinsurance business			
Net increase in deposits of policy holders and investment			
Cash received from interest, fee and commissions			
Net increase in cash borrowed			
Net increase in cash received from repurchase operation			
Net cash received from customer deposits for trading in securities			
Refunds of taxes		637,995,666.18	512,976,383.30
Cash received from other related operating activities	VII. 68	620,411,241.60	581,816,437.80
Sub-total of cash inflows from operating activities		97,526,453,149.99	91,760,485,731.36
Cash paid on purchase of goods and services		69,957,474,883.31	63,905,630,870.53
Net increase in loans and advances of customers			
Net increase in deposits in the PBOC and inter-bank			
Cash paid for compensation payments under original insurance contract			
Net increase in financial assets held for trading purpose			
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		10,761,490,344.11	9,873,261,910.82
Cash paid for all types of taxes		4,817,228,531.91	4,619,636,289.85
Cash paid to other operation related activities	VII. 69	8,356,425,892.92	7,763,481,667.92
Sub-total of cash outflows from operating activities		93,892,619,652.25	86,162,010,739.12
Net cash flow from operating activities	VII. 74	3,633,833,497.74	5,598,474,992.24
<b>II. Cash flow from investing activities:</b>			
Cash received from recovery of investments		181,007,285.39	12,805,650.00
Cash received from return on investments		234,041,242.12	243,774,322.52
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		200,884,406.40	66,472,237.59
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from investment activities	VII. 70	43,202,970.66	102,448,074.88
Sub-total of cash inflows		659,135,904.57	425,500,284.99

from investing activities			
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		3,585,721,702.92	2,911,363,874.16
Cash paid for investments		2,171,352,767.10	469,241,640.23
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities		2,642,578,338.00	
Other cash paid on investment activities	VII. 71	10,351,066.54	35,058,267.49
Sub-total of cash outflows from investing activities		8,410,003,874.56	3,415,663,781.88
Net cash flow from investing activities		-7,750,867,969.99	-2,990,163,496.89
<b>III. Cash flow from financing activities:</b>			
Cash received from capital contributions		13,662,307.27	80,422,640.20
Including: cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		9,175,976,703.38	4,509,988,283.98
Cash received from issuing bonds			
Other cash received from financing activities			
Sub-total of cash inflows from financing activities		9,189,639,010.65	4,590,410,924.18
Cash paid on repayment of loans		6,680,842,142.48	6,532,600,142.68
Cash paid on distribution of dividends, profits or repayment of interest expenses		223,973,410.36	2,228,750,068.56
Including: dividend and profit paid to minority shareholders by subsidiaries			
Other cash paid to financing activities	VII. 72	1,380,412,527.51	509,087,122.08
Sub-total of cash outflows from financing activities		8,285,228,080.35	9,270,437,333.32
Net cash flow from financing activities		904,410,930.30	-4,680,026,409.14
<b>IV. Effect of fluctuations in exchange rates on cash and cash equivalents</b>		115,212,720.27	34,040,308.53
<b>V. Net increase in cash and cash equivalents</b>		-3,097,410,821.68	-2,037,674,605.26
Add: balance of cash and cash equivalents at the beginning of the period	VII. 74	36,044,777,414.04	34,861,909,595.62
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	VII. 74	32,947,366,592.36	32,824,234,990.36

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

**Cash Flow Statement of the Parent Company**

January-June 2019

Unit and Currency: RMB

Items	Notes	2019 Interim	2018 Interim
<b>I. Cash flow from operating activities:</b>			
Cash received from the sale of goods and rendering of services		918,342,631.75	1,026,490,616.31
Refunds of taxes		25,567,202.83	11,759,645.04
Other cash received from operating activities		110,143,217.54	150,663,743.56
Sub-total of cash inflows from operating activities		1,054,053,052.12	1,188,914,004.91
Cash paid on purchase of goods and services		189,337,944.61	334,977,272.61
Cash paid to and on behalf of employees		567,010,992.25	519,466,890.74
Cash paid for all types of taxes		95,735,060.62	114,511,009.96
Other cash paid to operation activities		93,648,702.91	213,818,898.29
Sub-total of cash outflows from operating activities		945,732,700.39	1,182,774,071.60
Net cash flow from operating activities		108,320,351.73	6,139,933.31
<b>II. Cash flow from investing activities:</b>			
Cash received from recovery of investments			78,325.00
Cash received from return on investments		1,233,656,109.64	1,053,181,844.07
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from investment activities		136,551,000.00	
Sub-total of cash inflows from investing activities		1,370,207,109.64	1,053,260,169.07
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		25,031,303.67	14,341,911.75
Cash paid for investments		2,201,212,503.09	65,722,235.00
Net cash paid on acquisition of subsidiaries and other operating entities			
Other cash paid on investment activities		183,351,121.00	
Sub-total of cash outflows from investing activities		2,409,594,927.76	80,064,146.75

Net cash flow from investing activities		-1,039,387,818.12	973,196,022.32
<b>III. Cash flow from financing activities:</b>			
Cash received from capital injections			
Cash received from borrowings			1,500,000,000.00
Cash received from issuing bonds			
Other cash received from financing activities			
Sub-total of cash inflows from financing activities			1,500,000,000.00
Cash paid on repayment of borrowings		1,500,000,000.00	
Cash paid on distribution of dividends, profits or repayment of interest expenses		27,105,937.50	2,089,308,295.14
Other cash paid on financing activities		669,109,443.77	674,762,474.59
Sub-total of cash outflows from financing activities		2,196,215,381.27	2,764,070,769.73
Net cash flow from financing activities		-2,196,215,381.27	-1,264,070,769.73
<b>IV. Effect of fluctuations in exchange rates on cash and cash equivalents</b>		-537,110.94	577.54
<b>V. Net increase in cash and cash equivalents</b>		-3,127,819,958.60	-284,734,236.56
Add: balance of cash and cash equivalents at the beginning of the period		7,068,899,574.96	2,070,527,802.97
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		3,941,079,616.36	1,785,793,566.41

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

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

Unit and Currency: RMB

Items	2019 Interim														
	Equity attributable to owners of the Parent Company												Minority equity	Total owners' equity	
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others			Sub-total
preference shares		perpetual bonds	Others												
I. Closing balance for the previous year	6,368,416,700.00			904,485,788.71	2,208,773,474.57		772,632,347.35		2,288,301,317.10		26,859,741,163.95		39,402,350,791.68	15,727,928,145.82	55,130,278,937.50
Add: changes in accounting policies															
Error correction for prior period															
Business combination under common control															
Others															
II. Opening balance for the current year	6,368,416,700.00			904,485,788.71	2,208,773,474.57		772,632,347.35		2,288,301,317.10		26,859,741,163.95		39,402,350,791.68	15,727,928,145.82	55,130,278,937.50
III. Increase/decrease for the current	48,856.00			-111,993.60	315,515,639.53		233,624,267.18				2,859,941,561.60		2,777,987,051.65	154,750,308.07	2,932,737,359.72

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period (decrease is represented by '-')																
(I) Total comprehensive income							233,624,267.18					5,150,869,558.02		5,384,493,825.20	1,052,572,949.06	6,437,066,774.26
(II) Capital injection and reduction by owners	48,856.00			-111,993.60			315,515,639.53							-	-	-
1. Ordinary shares invested by owners	48,856.00			-			226,635,104.87							-	-	-
2. Capital contribution by holders of other equity instruments				111,993.60										226,698,242.47	349,305,402.58	576,003,645.05
3. Share- based payment included in owners' equity																
4. Others							-							-		-
(III) Profit distribution														-	-	-
1. Withdrawal of surplus reserves														2,235,331,410.16	534,534,085.77	2,769,865,495.93
2. Withdr awal of provisions for general																



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retained earnings																
6. Others																
(V) Special reserve																
1. Withdrawal for the period																
2. Utilization for the period																
(VI) Others																
IV. Closing balance for the period	6,368,465,556.00			904,373,795.11	1,893,257,835.04		1,006,256,614.53		2,288,301,317.10				55,596,586.26	55,596,586.26	13,983,152.64	69,579,738.90

Items	2018 Interim														Minority equity	Total owners' equity
	Equity attributable to owners of the Parent Company												Sub-total			
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others				
	Preference shares	Perpetual bonds	Others													
I. Closing balance for the previous year	6,097,402,727.00			431,424,524.07	826,883,093.84			36,363,809.96	2,103,057,782.41		22,793,110,884.09		32,215,515,201.45	14,534,490,935.91	46,750,006,137.36	
Add: changes in accounting policies																
Error correction for prior period																

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Business combination under common control					1,485,439.17 3.24		40,787,834.86				442,158,653.92		1,084,068,354.18	15,129,617.75	1,099,197,971.93	
Others																
II. Opening balance for the current year	6,097,402.72 7.00				431,424,522.31 4.07		2,312,322,267.08				2,103,057,782.41		22,350,952,230.17	33,299,583,555.63	14,549,620,553.66	47,849,204,109.29
III. Increase/decrease for the current period (decrease is represented by '-')					47,000,347.59		343,712,723.18				2,627,214,217.63		3,017,927,288.40	805,541,960.07	3,823,469,248.47	
(I) Total comprehensive income							303,484,612.59				4,787,943,825.16		5,091,428,437.75	1,203,826,916.74	6,295,255,354.49	
(II) Capital contribution and withdrawal by owners					47,000,347.59		-4,389.96						46,995,957.63	3,281,460.84	50,277,418.47	
1. Ordinary shares invested by owners														3,281,460.84	3,281,460.84	
2. Capital contribution by holders of other equity instruments																
3. Share-based payment included in																



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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							40,232,500.55				75,417,874.90		35,185,374.35	-273,970.83	35,459,345.18	
IV . Closing balance for the period	6,097,402,727.00			431,424,524.07	2,359,322,614.67		348,136,748.08		2,103,057,782.41		24,978,166,447.80		36,317,510,844.03	15,355,162,513.73	51,672,673,357.76	

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

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

Unit and Currency: RMB

Items	2019 Interim										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasur y stock	Other comprehensiv e income	Specia l reserv e	Surplus reserve	Undistributed profits	Total owners' equity
		Preferenc e shares	Perpetua l bonds	Others							
I . Closing balance for the previous year	6,368,416,700.0 0			473,061,264.6 4	4,182,825,672.9 8		7,791,344.47		1,683,155,091.6 5	2,239,335,007.65	14,954,585,081.39
Add: changes in accounting policies											
Error correction for prior period											
Others											
II . Opening balance for the current year	6,368,416,700.0 0			473,061,264.6 4	4,182,825,672.9 8		7,791,344.47		1,683,155,091.6 5	2,239,335,007.65	14,954,585,081.39
III. Increase/decreas e for the current period (decrease is represented by '-')	48,856.00			-111,993.60	-10,644,884.53		-751,246.37			2,009,240,064.13	-2,020,699,332.63
(I) Total comprehensive income							-751,246.37			226,091,346.03	225,340,099.66
(II) Capital injection and reduction by owners	48,856.00			-111,993.60	22,728,113.53						22,664,975.93
1. Ordinary shares invested by owners	48,856.00			-111,993.60	669,546.35						606,408.75
2. Capital											

contribution by holders of other equity instruments											
3. Share-based payment included in owners' equity											
4. Others					22,058,567.18						22,058,567.18
(III) Profit distribution										2,235,331,410.16	-
1. Withdrawal of surplus reserves											-
2. Distribution to owners (or shareholders)										2,235,331,410.16	-
3. Others											6
(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											

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forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others											-33,372,998.06
IV . Closing balance for the period	6,368,465,556.00			472,949,271.04	4,172,180,788.45		7,040,098.10		1,683,155,091.65	230,094,943.52	12,933,885,748.76

Items	2018 Interim										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
I . Closing balance for the previous year	6,097,402,727.00				2,317,907,947.71		-43,234,737.77		1,437,313,649.93	2,128,502,328.76	11,937,891,915.63
Add: changes in accounting policies											
Error correction for prior period											
Others											
II . Opening balance for the current year	6,097,402,727.00				2,317,907,947.71		-43,234,737.77		1,437,313,649.93	2,128,502,328.76	11,937,891,915.63
III. Increase/decrease for the current period					253,883.52		29,755,847.62			-1,930,274,897.33	-1,900,265,166.19

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(decrease is represented by '-')											
(I) Total comprehensive income							14,666,831.86			183,354,864.09	198,021,695.95
(II) Capital injection and reduction by owners					253,883.52						253,883.52
1. Ordinary shares invested by owners											
2. Capital contribution by holders of other equity instruments											
3. Share-based payment included in owners' equity											
4. Others					253,883.52						253,883.52
(III) Profit distribution										-2,085,311,732.63	-2,085,311,732.63
1. Withdrawal of surplus reserves											
2. Distribution to owners (or shareholders)										-2,085,311,732.63	-2,085,311,732.63
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or											

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share capital)											
3. Surplus reserves used for remedying loss											
4. Changes in defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others							15,089,015.76		-28,318,028.79		-13,229,013.03
IV . Closing balance for the period	6,097,402,727.00				2,318,161,831.23		-13,478,890.15	1,437,313,649.93	198,227,431.43		10,037,626,749.44

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

### III. General Information of the Company

#### 1. Overview of the Company

Applicable Not Applicable

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

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

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

The ultimate holding company of the Company is Haier Group Corporation ('Haier Corp').

These financial statements have been approved for publication by the Board of the Company on 29 August 2019.

#### 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. Continuous 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

Tips of specific accounting policies and accounting estimation:

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.17); the criterion for determining of long-term assets impairment (Note V.18); and the date of revenue recognition (Note V.23), etc.

### 1. Statement of compliance with enterprise accounting standards

The financial statements prepared by the Company meet the requirements of the enterprise accounting standards, which accurately and completely reflected information relating to the financial condition as at 30 June 2019, the operation results and cash flow from January to June 2019 of the Company.

### 2. Accounting period

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

### 3. Operating cycle

Applicable Not Applicable

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

### 4. Recording currency

Renminbi is the recording currency of the Company.

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

Applicable Not Applicable

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

(1) Business combinations under common control

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

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

is insufficient for the elimination, the surplus reserves and undistributed profits shall be used to dilute such expenses in order.

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

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

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

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

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

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

## **6. Preparation method of consolidated financial statements**

Applicable Not Applicable

### **(1) Scope of consolidated financial statements**

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidation financial statements, including the enterprises under the Company's control, divisible part in the investees and structured entities.

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

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

### **(3) Offset matters in the consolidated financial statements**

The consolidated financial statements shall be prepared on the basis of the balance sheets of the Company and subsidiaries, which offset the internal transactions incurred between the Company and subsidiaries and among subsidiaries. The owner's equity of the subsidiaries not attributable to the

Company shall be presented as 'minority equity' under the owner's equity item in the consolidated balance sheet.

The long-term equity investment of the Company held by the subsidiaries, deemed as treasury stock of the corporate group as well as the reduction of owners' equity, shall be presented as 'Less: Treasury stock' under the owner's equity item in the consolidated balance sheet.

(4) Accounting treatment of subsidiaries acquired from combination

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

**7. Classification of joint arrangement and accounting methods of joint operations**

Applicable Not Applicable

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

Joint operations refer to a joint arrangement in which the Company is a party and is entitled to relevant assets and obligations of this arrangement. The Company recognizes the following items in relation to its interest in a joint operation, and accounts the same in accordance with relevant accounting standards for business enterprises:

(1) recognize the assets held solely by the Company, and recognize assets held jointly by the Company in appropriation to the share of the Company; (2) recognize the obligations assumed solely by the Company, and recognize obligations assumed jointly by the Company in appropriation to the share of the Company; (3) recognize revenue from disposal of joint operations in appropriation to the share of the Company; (4) recognize revenue from disposal of joint operations in appropriation to the share of the Company; (5) recognize fees solely occurred by the Company and recognize fees from joint operations in appropriation to the share of the Company.

When the Company, as a joint venture, invests or sells assets to or purchase assets (the assets do not constitute a business, the same below) from joint operations, the Company shall only recognize the part of profit or lost from this transaction attributable to other parties of joint operations before these assets are sold to a third party. In case of an impairment loss incurred on these assets which meets the requirements as set out in 'Accounting Standards for Business Enterprises No. 8 – Asset Impairment', the Company shall full recognize the amount of this loss in relation to its investment in or sale of assets to joint operations or recognize the loss according to the Company's share of commitment in relation to 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 '13 Long-term equity investment' of Note V.

#### **8. Recognition standard for cash and cash equivalents**

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

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

#### **9. Foreign currency businesses and translation of foreign currency statements**

Applicable Not Applicable

##### **(1) Foreign currency transactions**

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

Monetary items denominated in foreign currencies are translated into functional currencies at the rates of exchange ruling at the balance sheet date. All foreign exchange difference are credited in the profit or loss, except ①those 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; ②those arising from the other changes in the balance other than amortized cost of available-for-sale monetary items denominated in foreign currency are recognized in the other comprehensive income.

Non-monetary items in foreign currency measured at historical cost are translated using the spot

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

(2) Translation of foreign currency financial statements

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

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

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

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

**10. Financial instruments**

Applicable Not Applicable

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

(1) Financial assets

① Classification and measurement

According to the business model for managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies financial assets into: (1) Financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income; (3) financial assets measured at fair value through profit or loss of the current period.

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

a. Debt instrument

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

(a) Measured at amortized cost:

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

(b) Measured at fair value through other comprehensive income:

The Company's business mode for managing such financial assets is: With the aim of obtaining contractual cash flow and selling the financial assets, the contractual cash flow characteristics of such

financial assets shall be consistent with the basic lending arrangements. Such financial assets are measured at fair value through other comprehensive income, but impairment gains and losses, exchange gains and losses, and interest income calculated by the effective interest method are included in profit and loss of the current period. Such financial assets are listed as other creditor's rights investments. Other creditor's rights investments matured within one year (including one year) from the balance sheet date are listed as non-current assets matured within one year; other creditor's rights investments matured within one year (including one year) when being obtained are listed as other current assets.

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

The Company lists its held debt instruments that are neither measured at amortized cost nor at fair value through other comprehensive income as financial assets held for trading measured at fair value through profit or loss of the current period. At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company designated some financial assets as financial assets measured at fair value through profit or loss of the current period. Investments that are matured more than one year and are expected to be held for more than one year from the balance sheet date are listed as other non-current financial assets.

b. Equity instruments

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

In addition, the Company designated some non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income, which are listed as other equity instrument investments. The relevant dividends and interest income of such financial assets are included in profit and loss of the current period.

② Impairment

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

The Company considers reasonable and reliable information about past events, current conditions and forecasts of future economic conditions, and takes the risk of default as a weight, and calculates the

probability-weighted amount of the present value of the difference between the cash flow receivable and the cash flow expected to be received of the contract to confirm the expected credit losses.

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

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

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

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

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

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

For each group of accounts receivable, the Company makes the comparison of expected credit losses rates of accounts receivable in overdue days and over the entire duration to calculate the expected credit

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

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

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

### ③Derecognition

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

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

### (2) Financial liabilities

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

The financial liabilities of the Company are financial liabilities measured at amortized cost, including bills payable, accounts payable, other payables, borrowings, bonds payable, etc. Such financial liabilities are recognized initially at fair value less transaction costs and subsequently measured using the effective interest method. Financial liabilities with a maturity of less than one year (including one year) are listed

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

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

### (3) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. During the valuation, the Company adopts an applicable valuation technique under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and the Company should maximize the use of relevant observable inputs. When related observable inputs can't be acquired or are not feasible to be acquired, then use unobservable inputs.

### (4) Significant accounting estimates and judgments

#### ① Significant accounting estimates and key assumptions

##### Measurement of expected credit loss

The Company applies exposure at default and expected credit loss rate to calculate expected credit loss, and determines expected credit loss rate based on probability of default and loss given default. For the determination of expected credit loss rate, the Company applies data including internal historical credit losses experience, and adjusts historical data taking account current conditions and forward-looking information. Regarding forward-looking information, indicators used by the Company include economic downturn risk, growth in expected unemployment rate, changes in external market environment, technology environment and customer status. The Company monitors and reviews assumptions related to the calculation of expected credit loss on a regular basis. No major change occurred in the above-mentioned estimate techniques and key assumptions in 2018.

#### ② Critical judgments on application of accounting policies

##### a. Classification of financial assets

On classification of financial assets, critical judgments considered by the Company include the

business mode, an analysis of contractual cash flow characteristics and others.

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

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

b. Judgment that credit risk increases significantly

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

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

## 11. Inventories

Applicable Not Applicable

### (1) Classification of inventories

Inventories refer to the finished goods or commodities held for sale in daily activities, goods in progress in the production process, consumed materials and supplies in the production process or providing services of the Company, which mainly include raw materials, revolving materials, entrusted

processed materials, wrap page, low-cost consumables, goods in progress, self-made semi-finished goods, finished goods (merchandise inventory) and engineering construction, etc.

(2) Measurement of inventories transferred out

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

(3) Provision for inventory impairment

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

The net realizable value of inventories (including finished products, merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation. The net realizable value of materials in inventory that are held for production is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held by the enterprise exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price. Provision for impairment of inventories is made for individual inventory.

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

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

(4) Inventory system

The Company adopts perpetual inventory system.

(5) Amortization of low-value consumables and packaging

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

## 12. Long-term equity investments

Applicable Not Applicable

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

(1) Recognition of initial cost of investment

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

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

(2) Subsequent measurement and profit or loss recognition

①Cost method

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

②Equity method

Investor's long-term equity investments in associates and joint ventures are measured using equity method. Where part of the equity investments of an investor in its associates are held indirectly through venture investment institutions, common fund, trust companies or other similar entities including investment linked insurance funds, such part of equity investments indirectly held by the investor shall be

measured at fair value through profit or loss according to relevant requirements of *Accounting Standards for Business Enterprises No.22—Recognition and measurement of Financial Instruments* regardless whether the above entities have significant influence on such part of equity investments, while the remaining part shall be measured using equity method.

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

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

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

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

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

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

③ Change of accounting under equity method to measurement at fair value: the long-term equity investment originally held with common control or significant impact on the investee that cannot conduct common control or significant impact on the investee due to the decrease of shareholding as a result of factors such as partial disposal, shall be accounted in accordance with Standards for Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact is lost and the book value is included in profit or loss in the relevant year.

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

with the adjustment of the long-term equity investment.

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

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

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

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

(5) Impairment test and provision of impairment

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

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

(6) Disposal of long-term equity investments

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

### **13. Investment properties**

Depreciation or amortization method

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

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

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

At the balance sheet date, the Company reviews whether there is impairment indicator for investment properties. When there is impairment indicator, the recoverable amount is recognized through an impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed in subsequent periods.

#### **14. Fixed assets**

##### **(1). Recognition criteria**

Applicable Not Applicable

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

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

##### **(2). Depreciation method**

Applicable Not Applicable

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

Type	Depreciation lives (year)	Net residual
Land ownership	-	-
Houses and buildings	8-40 years	0%-5%
Machinery equipment	4-20 years	0%-5%
Vehicles	5-10 years	0%-5%
Office equipment and others	3-10 years	0%-5%

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

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

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

Applicable Not Applicable

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

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

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

**15. Construction in progress**

Applicable Not Applicable

(1) Types of construction in progress

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

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

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

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

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

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

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

(3) Impairment test and provision of impairment of construction in progress

At the balance sheet date, the Company reviews the construction in progress to check whether there is any sign of impairment and an impairment test is needed to recognize the recoverable amount when there are signs that construction in progress may impair. The impairment loss should be the lower of the carrying value and recoverable amount and impairment loss cannot be reversed in the following accounting period if it has been provided.

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

## 16. Borrowing costs

Applicable Not Applicable

(1) Recognition principles for borrowing cost capitalization

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in the current profit and loss when incurred. Qualifying assets for capitalization include fixed

assets, investment properties and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

(2) Computation of capitalized amount of borrowing costs

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

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

Computation of capitalized amount of borrowing costs: ① Specific borrowings will be recorded based on the actual interest expense incurred in the period of special borrowings less the interest income from unutilized borrowings placed at banks or investment gain from temporary investment; ② Normal borrowings utilized are calculated based on the weighted average of expenses of the aggregate asset exceeding the asset expenses of the portion of special borrowings multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on weighted average interest rate of normal borrowings; ③ For borrowings with discount or premium, the discount or premium was amortized over the accounting periods borrowings to adjust the interest in every period using the effective interest rates.

## 17. Intangible assets

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

(1) Valuation method of intangible assets

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

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

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

(2) Criterion of determining indefinite useful life

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

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

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

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

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

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

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

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

including there is evidence that the products produced by the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; ④the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; ⑤the expenditures attributable to the development of the intangible asset could be reliably measured.

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

#### **18. Impairment of long-term assets**

Applicable Not Applicable

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

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

In terms of impairment test of the goodwill, the carrying amount of the goodwill, arising from business combination, shall be allocated to the related asset groups on reasonable basis since the

acquisition date, or to the related asset group portfolios if it is difficult to be allocated to the related asset groups. When the carrying amount of the goodwill is allocated to the related asset groups or asset group portfolios, it shall be allocated in the proportion of the fair value of each asset group or asset group portfolio against the total fair value of related asset groups or asset group portfolios. If it is difficult to measure the fair value reliably, it shall be allocated in the proportion of the carrying amount of each asset group or asset group portfolio against the total carrying amount of related asset groups or asset group portfolios.

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

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

**19. Long-term prepaid expense**

Applicable Not Applicable

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

**20. Staff's remuneration**

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

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

Post-employment benefits mainly include the basic pension insurance, supplementary pension, etc., In accordance with the risks and obligations undertaken by the Company, the post-employment benefits are classified as defined contribution plans and defined benefit pension plans. Defined contribution plans: the Company shall recognize the sinking fund paid to individual entity on balance sheet date as a liability in exchange of services from the employee in accounting period, and credited into profits or losses or related assets costs in accordance with the benefit objects. Defined benefit plans: the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out by independent actuary at the interim and the annual balance sheet date. Staffs' benefit costs incurred by the defined benefit plan of the Group are categorized as follows: (1) service cost, include current period service cost, past-service cost and settlement profit or loss. Current period service cost means the increase of the present value of defined benefit obligation resulted from the current period service offered by employee. Past-service cost means the increase or decrease of the present value of defined benefit obligation resulted from the revision of the defined benefit plans related to the prior period service offered by employee; (2) interest costs of defined benefit plans; (3) changes related to the remeasurement of defined benefit plans liabilities. Unless other accounting standards require or permit to charge the Payables for staff's remuneration into assets cost, the Company charges (1) and (2) above into profit or loss; and recognized (3) above as other comprehensive income without transferring to profit or loss in subsequent accounting periods.

Termination benefits: the indemnity proposal provided by the Company for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily, when the following conditions are met, recognize and at the same time credited into profit or loss the accrued liabilities arising from the indemnity as a result of

terminating labor relation with the employees: the Company has made a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately; and the Company could not unilaterally withdraw from the termination plan or the redundancy offer. Early retirement benefits will adopt same principles as the termination benefit. The Company will credit the salaries and social benefits intend to pay for these early retirees during the periods from the date of early retirement to the normal retirement date to profit or loss when recognition conditions for accrued liabilities are met.

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

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

**22. Share-based payments**

Applicable Not Applicable

For equity-settled share-based payment transaction in return for services from employees, it shall be measured at the fair value of equity instruments granted to the employees. For the payment of such fair value that may only be exercised if services are fulfilled during the vesting period or the specified

performance is achieved, the fair value shall, based on the best estimate of the number of exercisable instruments during the vesting period, be recognized in relevant costs or expenses in straight-line method with the increase in the capital reserve accordingly.

The cash-settled share-based payment shall be measured at the fair value of liability assumed by the Company, which is calculated and determined based on the shares or other equity instruments. For the cash-settled share-based payment that may be exercised immediately after the grant, the fair value of the liability assumed by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment that may be exercised if services are fulfilled during the vesting period or the specified performance is achieved, on each balance sheet date within the vesting period, 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 exercisable conditions in such manner conducive to the employees, including the shortening of the vesting period, change or cancellation of the performance conditions (rather than market conditions), the Company shall consider the modified exercisable conditions upon the disposal of exercisable conditions. If the modification reduces the total fair value of shares paid or the Company uses other methods not conducive to employees to modify the terms and conditions of share-based payment plans, it will continue to be accounted for the services obtained in the accounting treatment, as if the change had not occurred, unless the Company cancelled some or all of the equity instruments granted.

During the vesting period, if the Company cancel equity instruments granted will be treated as

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

### 23. Revenue

Applicable  Not Applicable

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

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

Where the contract includes two or several performance obligations, during the starting date of the contract, the Company and its subsidiaries allocate transaction price to various single performance obligation in accordance with the relevant proportion of separate selling price of goods or services promised by various single performance obligation, and 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 obtains and consumes economic benefits brought by performance of the Company and its subsidiaries when the Company and its subsidiaries perform the contract;
- ② The 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 the non-replaceable usages, and the Company and its subsidiaries are entitled to collect the amount for the cumulative completed and performed portion till now during the entire contractual period.

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

For performance obligations performed during a certain time point, the Company and its subsidiaries recognize revenue at the time point when the 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 remuneration of the ownership right to the client;
- ④ The client has accepted such goods or service.

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

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

- (1) Sale of goods

Generally, contracts for sale of goods between the Company and its clients only include performance obligation of transferring the whole machine of home appliance. Generally, on the basis of taking into account the following factors comprehensively, the Company recognizes the revenue at the time point of transfer of control right of goods: the right of instant collection for obtaining goods, transfer of major risks and remuneration on ownership right of goods, transfer of statutory ownership right 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 investment approach. When the schedule of performance can't be reasonably confirmed, where the costs of the Company that have been incurred can be compensated, 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 rules and regulations of laws, the Company provides quality assurance for goods sold and project constructed. For assurance class of quality assurance in order to ensure the client that goods sold comply with existing standards, the Company conducts accounting treatment in accordance with estimated liabilities. For service class of quality assurance in order to ensure the client to provide a separate service other than that the goods sold comply with existing standards, the Company takes it as a separate performance obligation, and allocates partial transaction price to service class of quality assurance in accordance with the relevant proportion of separate selling price of goods and services class of 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 statutory requirements or industrial practices, term of quality assurance and the nature of the company's promise for performing tasks.

#### **24. Government grant**

Applicable  Not Applicable

##### (1) Types of government grants

Government grants refer to the monetary assets or non-monetary assets obtained by the Company from the government for free, not including the 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 the asset; government grants measured at nominal amount shall be recorded directly in current profit or loss. Revenue-related government grants shall be treated as follows: ① those used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in current profit or loss when such expenses are recognized; ② those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in current profit or loss.

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

If the government grant received by the Company is used for 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 the balance sheet date;

② Government grant shall be categorized as revenue-related if its usage is just subject to general statement and no specific project in relevant government document.

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

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

- (5) Recognition of government grants

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

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

**25. Deferred income tax assets/deferred income tax liabilities**

Applicable  Not Applicable

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

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

(2) Deferred 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 would be enough taxable benefit 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 would be enough future taxable income for the deduction of the deferred income tax asset, the carrying value of the deferred income tax asset is reduced.

(3) Deferred 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 foreseeable future and there will be sufficient future taxable profit 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 profit (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realized or the liability is settled.

## 26. Lease

### (1) Accounting method for operating lease

Applicable  Not Applicable

On the commencement date of the lease term, the lessee shall recognize the right-of-use assets and leased liabilities for the lease, except for short-term leases and low value assets leases which are treated with practical expedient.

① Use-of-rights assets shall be initially measured at the costs. The costs include:

(I) initial amount of the lease liability;

(II) for lease payment on or before the date of commencement of the lease period, where there was lease incentive, such incentives shall be deducted;

(III) initial direct costs incurred by the lessee;

(IV) costs expected to be incurred by the lessee for demolition and removal of leased assets, restoration of the premises where the leased assets are located, or restoration of the leased assets to the conditions of the lease terms.

② The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date.

After the commencement date of the lease term, the lessee shall adopt the cost model to conduct subsequent calculation on right-of-use assets, and calculate interest expenses in each period during the

lease term based on a constant periodic rate of interest, and the assets shall be accounted in profit or loss in the current period.

**(2) Accounting method for finance lease**

Applicable  Not Applicable

①When the Company is a lessee, the leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments on the commencement date of the lease and the long-term payables is recorded at the amounts of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognized finance expenses.

The unrecognized finance charge is amortized using the effective interest method over the period of the lease and accounted in finance expenses. Initial direct costs incurred by the Company are credited in value of leased assets.

②When the Company is a lessor, the difference between sum of the lease receivables and unguaranteed residual value and its present value is accounted for as unrealized finance income on the commencement date of the lease and is recognized as rental income over the period of receiving rental. Initial direct costs attributable to lease transaction incurred by the Company shall be accounted in the initial measurement of finance lease receivables and reduced the amount of revenue recognized during period of the lease.

**27. Other significant accounting policies and accounting estimations**

Applicable  Not Applicable

**(1) Asset securitization business**

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

The Company evaluates the extent to which it transfers the risks and rewards of ownership of the assets to the other entities and determines whether it retains control while applying the accounting policy in respect of asset securitization.

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

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

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

## (2) Hedge accounting

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

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

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

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

## (3) Explanations on significant accounting estimates

Judgments, estimates and assumptions shall be made to book value of the financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Such judgments, estimates and assumptions were based on the management's historical experience and made after considered other various factors. These judgments, estimates and assumptions will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainties of these estimations may be different from the current estimates of the management, and thus cause a material adjustment to the carrying amounts of assets and liabilities affected in the future. The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only affected the current period, relevant adjustment because shall be recognized in the current period; if the revision affects both the current and future period, the effect shall be recognized in the current and future period.

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

① Estimated liabilities

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

② Provision of expected credit losses

The company calculates the expected credit losses in accordance with breach risk exposure and expected credit loss rate, and confirms credit loss rate on the basis of breach possibilities and breach loss rate. When confirming expected credit loss rate, the company uses data such as internal historical credit loss experiences, and conducts adjustments over historical data in combination with current status and forward-looking information. When considering forward-looking information, indexes used by the company include risks such as economic downturn, growth of expected unemployment rate, external market environment, technological environment and changes in client conditions. The company regularly monitors and reviews relevant assumptions relating to calculation of expected credit losses. The aforesaid techniques and key assumptions have not changed substantially in 2018.

③ Provision for decline in value of inventories

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

④ Fair value of financial instruments

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

⑤ Impairment of investment in other equity instruments

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

⑥ Provision of long-term assets impairment

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

⑦ Depreciation and amortization

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

⑧ Deferred income tax assets

Deferred income tax asset is recognized for all the uncompensated tax losses to the extent that there is sufficient taxable income for the deduction of loss. In order to determine the amount of deferred income tax assets, the management of the Company needs to predict the timing and the amount of taxable profits in the future by taking into account a large amount of judgment, as well as the strategy of tax planning.

⑨ Income tax

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

⑩ Provisions for sales rebates

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

**28. Significant changes on accounting policies and accounting estimates**

**(1). Significant changes on accounting policies**

Applicable  Not Applicable

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

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

The impact of the related presentation adjustment on the consolidated balance sheet at the beginning of the period is as follows:

Items	Book value on 31 December 2018 (Before adjustment)	Presentation impact of financial statement	Items	Book value on 1 January 2019(After adjustment)
Bills receivable and accounts receivable	24,652,130,810.52	-24,652,130,810.52	Not Applicable	-
Not Applicable		14,220,937,323.02	Bills receivable	14,220,937,323.02
Not Applicable		10,431,193,487.50	Accounts receivable	10,431,193,487.50
Bills payable and accounts payable	47,385,218,141.38	-47,385,218,141.38	Not Applicable	-
Not Applicable		19,626,099,061.60	Bills payable	19,626,099,061.60
Not Applicable		27,759,119,079.78	Accounts payable	27,759,119,079.78

The impact of the related presentation adjustment on the parent company's opening balance sheet is as follows:

Items	Book value on 31 December 2018 (Before adjustment)	Presentation impact of financial statement	Items	Book value on 1 January 2019 (After adjustment)
Bills receivable and accounts receivable	222,622,017.43	-222,622,017.43	Not Applicable	-
Not Applicable		222,622,017.43	Accounts receivable	222,622,017.43
Bills payable and accounts payable	334,747,358.40	-334,747,358.40	Not Applicable	-
Not Applicable		334,747,358.40	Accounts payable	334,747,358.40

**(2). Significant changes on accounting estimates**

Applicable Not Applicable

**(3). Adjustment to relevant items in the financial statements at the beginning of the year in which the new Financial Instrument Standard, New Revenue Standards and New Standards on Leases are initially implemented**

Applicable Not Applicable

**(4). Explanation on retroactive adjustments to comparative data in the previous periods upon initial adoption of New Financial Instrument Standard and New Lease Standard**

Applicable Not Applicable

**29. Others**

Applicable Not Applicable

**VI. Taxation**

**1. Main tax categories and rates**

Main tax categories and rates

Applicable Not Applicable

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

Disclosure of tax entities with different EIT rates

Applicable Not Applicable

**2. Preferential tax**

Applicable Not Applicable

Companies subjected to preferential tax:

Name of company	Tax rate	Preferential tax
Haier Smart Home Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Dishwasher Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Limited	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Zhengzhou Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shenyang Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air-Conditioner Electronics Co.,Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Moulds Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

Qingdao Hai Gao Design and Manufacture Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hairi Hi-Tech Model Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Haier Guangke Digital Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Technology Development Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Central Air Conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air Conditioner Gen Corp., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Household Appliance Technology and Equipment Research Institute	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing ASU Tech Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Zero Micro Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Economic and Technological Development Zone Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Goodaymart Supply Chains Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier New Energy Electric Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Goodaymart 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 Technology Co., Ltd.	10%	significant software enterprise tax preferential
Wuhan Haier Energy and Power Co., Ltd.	10%	entitled to the preferential policies as a microenterprise
Qingdao Haier Zhiyan Investment Management Co., Ltd.	10%	entitled to the preferential policies as a microenterprise
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 Ri Ri Shun 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 Precision Plastic Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Washing Machine Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Water Heater Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Drum Washing Machine Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

## VII. Explanatory Notes for Items in Consolidated Financial Statements

Unless otherwise specified, the following closing balance refers to the amount as of 30 June 2019. The opening balance refers to the amount as of 31 December 2018. The amount for the current period refers to the amount in the period from 1 January to 30 June 2019. The amount of the previous period refers to the amount of the period from 1 January to 30 June 2018.

### 1. Monetary funds

Applicable  Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	1,879,695.70	1,380,614.79
Cash in bank	32,481,704,511.35	35,483,724,835.69
Other cash balances	1,251,459,451.18	1,971,249,956.80
Total	33,735,043,658.23	37,456,355,407.28
Including: total amount deposit overseas	8,103,894,274.56	9,093,415,529.92

Other explanation:

The cash deposited in Haier Group Finance Co., Ltd. was RMB12,848,045,762.26 on 30 June 2019, the balance of which included a fixed deposit of RMB1,816,600,000.00. The investment fund in the closing balance of other cash balances was RMB328,933,304.59, deposit in third party payment platform was RMB134,849,080.72 and the security deposit was RMB787,677,065.87.

### 2. Financial assets held for trading

Items	Closing balance	Opening balance
Foreign exchange contracts	22,386,862.99	188,677,068.41
Short-term wealth management products	936,485,756.72	1,567,648,908.00
Investment in other equity instruments	26,966,995.96	19,322,411.35

Total	985,839,615.67	1,775,648,387.76
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### 3. Derivative financial assets

Applicable  Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
cash flow hedging-Interest rate swap agreement	3,990,489.05	57,228,769.39
Foreign exchange contracts	66,875,017.62	39,494,394.98
Total	70,865,506.67	96,723,164.37

### 4. Bills receivable

#### (1). Classification of the bills receivable

Applicable  Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance bills	1,038,018,601.14	837,437,547.70
Commercially acceptance bills	13,488,953,370.80	13,383,499,775.32
Total	14,526,971,971.94	14,220,937,323.02

The Bills receivable pledged by the Company at the end of the period was RMB12,497,904,298.50.

#### (2). Classification and disclosure according to the method of drawing bad debts

Applicable  Not Applicable

### 5. Accounts receivable

① Accounts receivable are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	14,317,298,758.44	10,263,880,759.15
1-2 years	239,747,125.61	271,695,855.39
2-3 years	124,418,317.67	103,360,570.79
Over 3 years	139,586,013.49	136,030,844.12
Accounts receivable balance	14,821,050,215.21	10,774,968,029.45
Allowance for bad debts	406,590,408.47	343,774,541.95
Accounts receivable, net	14,414,459,806.74	10,431,193,487.50

② The total amount of the top 5 accounts receivable at the end of the period is RMB3,062,968,632.66, accounting for 20.67% of the book balance of accounts receivable.

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

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off/ other movement	
Allowance	343,774,541.95	99,026,080.61	124,275,603.66	135,342,821.24	25,142,996.51	406,590,408.47

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

The amount of accounts receivable actually written off in the current period is RMB31,892,623.69, 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 RMB5,615,416,345.64, and the transfer method was selling-type factoring/asset securitization.

⑥ Current limited accounts receivable

The amount of accounts receivable pledged at the end of the period is RMB1,233,521,193.34.

## 6. Prepayments

(1) Prepayments are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	500,856,261.77	519,750,663.00
1-2 years	171,483,118.38	33,047,876.47
2-3 years	17,363,120.39	39,033,032.18
Over 3 years	12,452,185.89	2,723,443.35
Total	702,154,686.43	594,555,015.00

(2) The amount of the top 5 in the prepayments at the end of the period totals RMB240,280,485.73, which accounts for 34.22% of the prepayment balance.

## 7. Other receivables

### Presentation

Applicable  Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	298,632,646.33	228,701,210.90
Dividend receivable	99,275,355.94	4,524,472.84
Other receivables	1,857,411,754.34	1,393,750,181.24
Total	2,255,319,756.61	1,626,975,864.98

Other explanation:

Applicable  Not Applicable

(1) Interest receivable

Aging	Closing balance		Opening balance	
	Book value balance	Proportion	Book value balance	Proportion
Within one year	277,268,646.34	92.85%	173,671,073.91	75.94%
1-2 years	21,363,999.99	7.15%	55,030,136.99	24.06%
Total	298,632,646.33	100.00%	228,701,210.90	100.00%

(2) Dividend receivable

Aging	Closing balance		Opening balance	
	Book value balance	Proportion	Book value balance	Proportion
Within one year	94,750,883.10	95.44%		
1-2 years				
2-3 years				
Over 3 years	4,524,472.84	4.56%	4,524,472.84	100.00%
Total	99,275,355.94	100.00%	4,524,472.84	100.00%

### Other receivables

#### (3) Other receivables

① Other receivables are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	1,465,188,290.23	1,312,078,849.50
1-2 years	368,920,640.51	49,455,084.68
2-3 years	45,815,367.89	31,974,245.15
Over 3 years	50,638,515.77	76,587,635.07
Other receivables balance	1,930,562,814.40	1,470,095,814.40
Allowance for bad debts	73,151,060.06	76,345,633.16
Other receivables, net	1,857,411,754.34	1,393,750,181.24

② The total amount of the top 5 other receivables at the end of the period is RMB407,279,879.25, which accounts for 21.10% of the book balance of other receivables.

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

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off/ other movement	
Allowance for bad debts	76,345,633.16	2,138,750.13	591,011.56	3,597,614.89	2,326,719.90	73,151,060.06

④ Other receivables written off during the period

The amount of other receivables actually written off in the current period is RMB2,202,035.59, and no significant other receivables are written off for bad debts. Other receivables mainly include deposits, quality guarantees, employee loans, tax refunds, and advance payments, etc.

## 8. Inventories

#### (1) Details of Inventories

Items	Closing balance		Opening balance	
	Book value balance	Impairment provision	Book value balance	Impairment provision
Raw material	3,043,632,633.57	112,607,169.18	2,530,152,656.33	90,663,625.24
Work in progress	150,075,160.43		197,994,231.57	
Finished goods	21,518,156,053.64	731,730,363.67	20,518,186,150.85	778,478,291.98
Total	24,711,863,847.64	844,337,532.85	23,246,333,038.75	869,141,917.22

#### (2) Provision for decline in value of inventories

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off/ other movement	
Raw material	90,663,625.24	22,910,130.98	16,557,255.28	3,352,733.66	14,171,108.66	112,607,169.18
Finished goods	778,478,291.98	292,168,509.58	76,690,196.95	61,841,476.83	353,765,158.01	731,730,363.67
Total	869,141,917.22	315,078,640.56	93,247,452.23	65,194,210.49	367,936,266.67	844,337,532.85

## 9. Contract assets

Items	Closing balance	Opening balance
Contract assets	489,724,604.83	456,781,406.54
Total	489,724,604.83	456,781,406.54

## 10. Assets held for sale

Items	Closing balance	Opening balance
7.71% equity of Shengfeng Logistics Group Co., Ltd	106,010,000.00	106,010,000.00
Assets in Shanghai Guangfulai Co., Ltd.	18,801,586.11	38,081,213.39
Others	1,858,138.98	
Total	126,669,725.09	144,091,213.39

In 2018, Haier Electronics Group Co., Ltd., a subsidiary of the Company, agreed to sell all of its 58.08% shares held by Shengfeng Logistics Group Co., Ltd in RMB798,354,000, of which 50.37% was disposed of in 2018, and the remaining 7.71% was planned to be disposed of in 2019. The fair value of the remaining shares is RMB106,010,000, which will be transferred to the account for assets held for sale at the end of the period.

In 2018, Haier Electronics Group Co., Ltd., a subsidiary of the company, agreed to sell all of its 67.45% shares held by Shanghai Guangfulai Co., Ltd. (indirect subsidiary) in RMB5,059,000. The transaction plan was completed in 2019. At the end of the period, the assets of Shanghai Guangfulai Co., Ltd. will be transferred to the account for holding assets for sale.

## 11. Other current assets

### (1) Details

Items	Closing balance		Opening balance	
	Book value balance	Impairment provision	Book value balance	Impairment provision
Bank deposit for financial products	4,961,057,059.11		2,838,231,840.90	
Taxes to be deducted	1,353,318,888.11	5,489,980.82	1,658,820,457.08	5,489,980.82
Return cost receivable	325,113,583.34	170,862,153.66	322,726,264.39	162,998,678.53
Others	710,500,282.49		428,589,006.65	
Total	7,349,989,813.05	176,352,134.48	5,248,367,569.02	168,488,659.35

### (2) Impairment provision

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off / other movement	
Deductible input tax	5,489,980.82					5,489,980.82
Return cost receivables	162,998,678.53	7,863,475.13				170,862,153.66
Total	168,488,659.35	7,863,475.13				176,352,134.48

## 12. Long-term equity investments

√ Applicable □ Not Applicable

Investees	Opening balance	Increase/decrease for the period				
		Investment increase	Investment profit recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits
Associate:						
Haier Group Finance Co., Ltd.	5,405,958,339.07		343,456,216.41	-68,157.26		-126,000,000.00
Bank of Qingdao Co., Ltd.	2,592,829,635.67		124,391,880.94	-2,196,826.43	-89,573,156.06	-77,995,640.00
Hefei Feier Smart Technology Co., Ltd.		4,000,000.00				
Wolong Electric (Jinan) Motor Co., Ltd.	123,281,802.39		4,246,034.28			
Qingdao Haier Software Investment Co., Ltd.	18,193,519.15					
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	362,380,221.29		13,859,260.69			
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	622,643,614.66		41,493,411.38			
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	332,723,126.50		1,330,936.46			
Beijing Mr. Hi Network Technology Company Limited	3,757,759.75					
Qingdao Haier multimedia	555,084,616.71		-52,247,454.76			

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Co., Ltd.						
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82		-			
Beijing ASU Tech Co., Ltd.	30,062,027.79		-4,991,335.21		-	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	7,849,992.00		-			
Qingdao HBIS New Material Technology Co., Ltd.	262,284,357.65		9,015,140.24			
Qingdao Haimu Investment Management Co., Ltd.	2,078,341.37		-			
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	48,001,070.25		-			
Guangzhou Heying Investment Partnership (Limited Partnership)	176,064,809.68		-222,969.30			
Qingdao Java Cloud Network Technology Co., Ltd.	1,216,581.32					
Beijing Cangxiaowei Supply Chain Management Co., Ltd.	791,316.97					
Others		37,979,437.49	-4,730,841.67			
Hunan Electronic Co., Ltd.	74,799,791.29		3,412,015.18	2,438,569.52		-275,121.00
HNR Company (Private) Limited	91,076,038.80		10,245,709.09	11,492,764.45		
HPZ LIMITED	88,800,332.55		-673,739.21	335,704.84		
CONTROLA DORAMABE S.A.deC.V.	3,173,153,937.00		53,100,830.79	7,639,020.96		-32,367,659.70
MIDDLEEAS TAIRCONDITONINGCOMPANY,LIMITED	18,208,123.96		923,811.80	48,422.11		
Total	13,993,926,697.64	41,979,437.49	542,608,907.11	19,689,498.19	-89,573,156.06	-236,638,420.70

(Continued)

Investees	Increase/decrease for the period		Closing balance	Impairment provision Closing balance
	Other movement	Disposal of the investment		

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Associate:				
Haier Group Finance Co., Ltd.			5,623,346,398.22	
Bank of Qingdao Co., Ltd.			2,547,455,894.12	
Hefei Feier Smart Technology Co., Ltd.			4,000,000.00	
Wolong Electric (Jinan) Motor Co., Ltd.			127,527,836.67	
Qingdao Haier Software Investment Co., Ltd.			18,193,519.15	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)			376,239,481.98	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			664,137,026.04	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			334,054,062.96	-21,000,000.00
Beijing Mr. Hi Network Technology Company Limited			3,757,759.75	-3,757,759.75
Qingdao Haier multimedia Co., Ltd.			502,837,161.95	
Beijing Xiaobao Technology Co., Ltd.			2,687,341.82	-2,687,341.82
Beijing ASU Tech Co., Ltd.			25,070,692.58	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.			7,849,992.00	
Qingdao HBIS New Material Technology Co., Ltd.			271,299,497.89	
Qingdao Haimu Investment Management Co., Ltd.			2,078,341.37	
Qingdao Haimu Zhijia Investment Partnership (Limited Partnership)			48,001,070.25	
Guangzhou Heying Investment Partnership (Limited Partnership)			175,841,840.38	
Qingdao Java Cloud Network Technology Co., Ltd.			1,216,581.32	
Beijing Cangxiaowei Supply Chain Management Co., Ltd.			791,316.97	
Others			33,248,595.82	
Konan Electronic Co., Ltd.			80,375,254.99	
HNR Company (Private) Limited			112,814,512.34	
HPZ LIMITED			88,462,298.18	
CONTROLADORA MABE S.A.de C.V.			3,201,526,129.05	
MIDDLEEAST AIRCONDITIONING COMPANY, LIMITED			19,180,357.87	
Total		-	-	14,271,992,963.67
				-27,445,101.57

### 13. Investment in other equity instruments

#### (1). Investment in other equity instruments:

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
China Petroleum & Chemical Corporation	1,237,167,273.48	1,261,564,000.00
Others	142,025,768.71	138,752,460.34
Total	1,379,193,042.19	1,400,316,460.34

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

Items	Amount for the current period
China Petroleum & Chemical Corporation	18,401,836.39
Others	20,145.67
Total	18,421,982.06

**14. Other non-current financial assets**

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Long-term wealth management products	328,487,584.54	327,358,825.57
Total	328,487,584.54	327,358,825.57

**15. Investment properties**

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

Items	Houses and buildings	Land use rights	Total
I. Original book value			
1. Opening balance	45,999,732.78	2,128,550.51	48,128,283.29
2. Increase for the period			
(1) Outsourced			
(2) Inventories\fixed assets\construction in progress transferred in			
(3) Increase in business combinations			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Converted difference in foreign currency statements	12,793.16		12,793.16
5. Closing balance	46,012,525.94	2,128,550.51	48,141,076.45
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	16,739,224.15	509,911.72	17,249,135.87
2. Increase for the period			
(1) Provision or amortization	884,079.59	20,118.11	904,197.70
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiary			

(3) Other transferring out			
4. Converted difference in foreign currency statements	9,094.65		9,094.65
5. Closing balance	17,632,398.39	530,029.83	18,162,428.22
III. Impairment provision			
1. Opening balance			
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Converted difference in foreign currency statements			
5. Closing balance			
IV. Book Value			
1. Closing book value	28,380,127.55	1,598,520.68	29,978,648.23
2. Opening book value	29,260,508.63	1,618,638.79	30,879,147.42

(2) The depreciation and amortization amount charge for the period is RMB904,197.70.

(3) The recoverable amount of the investment real estate of the Company at the end of the period is not less than its book value, so no provision for impairment is made.

## 16. Fixed assets

### Presentation

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Fixed assets	18,763,290,574.73	17,319,507,210.44
Disposals of fixed assets	52,324,012.62	131,670.93
Total	18,815,614,587.35	17,319,638,881.37

#### (1) Fixed assets:

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value			
1. Opening balance	9,335,094,391.54	18,902,226,400.84	233,560,448.01
2. Increase for the period			
(1) Acquisition	235,311,272.15	237,218,734.48	1,555,468.04
(2) Construction in progress transferred in	233,006,941.41	1,135,345,885.15	13,283,394.77
(3) Increase in business combinations	1,029,171,666.47	1,131,316,810.13	21,696,615.52
3. Decrease for the period			

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(1) Disposal or Write-off	187,594,576.60	703,932,293.48	6,142,986.09
(2) Disposal of subsidiary		10,707,659.82	
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	45,116,100.55	96,418,737.70	-148,921.71
5. Closing balance	10,690,105,795.52	20,787,886,615.00	263,804,018.54
<b>II. Accumulated depreciation</b>			
1. Opening balance	2,974,767,554.44	8,633,379,050.57	150,492,577.67
2. Increase for the period			
(1) Provision	238,601,240.17	1,049,347,585.22	12,567,759.03
(2) Increase in business combinations	411,084,801.78	778,451,036.23	17,166,864.92
3. Decrease for the period			
(1) Disposal or write-off	126,013,212.89	446,414,787.55	4,833,851.92
(2) Disposal of subsidiary		4,902,299.50	
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	15,586,936.65	43,476,236.32	33,839.20
5. Closing balance	3,514,027,320.15	10,053,336,821.29	175,427,188.90
<b>III. Impairment provision</b>			
1. Opening balance	32,900,098.06	16,389,633.59	2,132.47
2. Increase for the period			
(1) Provision			
(2) Increase in business combinations		11,173,363.21	78,041.16
3. Decrease for the period			
(1) Disposal or Write-off		13,626,928.39	
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	1,182,964.60	368,868.62	26,578.86
5. Closing balance	34,083,062.66	14,304,937.03	106,752.49
<b>IV. Book Value</b>			
1. Closing book value	7,141,995,412.71	10,720,244,856.68	88,270,077.15
2. Opening book value	6,327,426,739.04	10,252,457,716.68	83,065,737.87

(Continued)

Items	Office furniture	Others	Total
<b>I. Original book value</b>			
1. Opening balance	538,058,650.92	857,902,128.17	29,866,842,019.48
2. Increase for the period			

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(1) Acquisition	52,904,865.61	43,128,461.18	570,118,801.46
(2) Construction in progress transferred in	43,105,790.68	109,042,090.36	1,533,784,102.37
(3) Increase in business combinations	116,727,054.31	825,983,835.92	3,124,895,982.35
3. Decrease for the period			
(1) Disposal or Write-off	17,008,539.82	38,532,478.11	953,210,874.10
(2) Disposal of subsidiary	97,339.00		10,804,998.82
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	5,107,955.75	-7,717,058.13	138,776,814.16
5. Closing balance	738,798,438.45	1,789,806,979.39	34,270,401,846.90
II. Accumulated depreciation			
1. Opening balance	309,994,211.94	425,494,667.04	12,494,128,061.66
2. Increase for the period			
(1) Provision	48,555,251.39	79,892,689.11	1,428,964,524.92
(2) Increase in business combinations	81,252,884.17	797,741,017.35	2,085,696,604.45
3. Decrease for the period			
(1) Disposal or Write-off	11,260,132.71	21,689,983.30	610,211,968.37
(2) Disposal of subsidiary	44,427.64		4,946,727.14
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	-652,979.41	-5,422,879.95	53,021,152.81
5. Closing balance	427,844,807.74	1,276,015,510.25	15,446,651,648.33
III. Impairment provision			
1. Opening balance	153,069.07	3,761,814.19	53,206,747.38
2. Increase for the period			
(1) Provision			
(2) Increase in business combinations		7,836,595.33	19,087,999.70
3. Decrease for the period			
(1) Disposal or Write-off	80,230.55		13,707,158.94
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	5,627.64	287,995.98	1,872,035.70
5. Closing balance	78,466.16	11,886,405.50	60,459,623.84
IV. Book Value			
1. Closing book value	310,875,164.55	501,905,063.64	18,763,290,574.73
2. Opening book value	227,911,369.91	428,645,646.94	17,319,507,210.44

(2) In the current period, the balance of the construction in progress transferred to the original value of the fixed assets is total RMB1,533,784,102.37.

(3) The amount of fixed assets mortgage at the end of the period is RMB62,265,570.11.

(4) Disposals of fixed assets

Items	Closing balance	Opening balance	Reason for transferring to disposal
Air conditioner Project	52,323,543.60		Demolition
Europe Trade Project	469.02		Scrap cleanup
Wuhan Energy Project		131,670.93	Scrap cleanup
Total	52,324,012.62	131,670.93	

## 17. Construction in progress

### Presentation

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Construction in progress	5,195,727,696.62	3,873,492,230.24
Construction materials		
Total	5,195,727,696.62	3,873,492,230.24

(1) Balance of construction in progress

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book Value	Book balance	Impairment provision	Book Value
Goodaymart Logistics Supply Chain	625,066,753.12		625,066,753.12	522,865,557.84		522,865,557.84
Tianjin ririxin	594,207,744.83		594,207,744.83	386,754,022.65		386,754,022.65
Qingdao Washing appliance	570,339,188.79		570,339,188.79	352,667,044.20		352,667,044.20
Qingdao Special Refrigeration Appliances	568,522,368.47		568,522,368.47	409,431,912.37		409,431,912.37
America GEA	226,041,033.57	9,469,292.10	216,571,741.47	328,202,831.68	23,930,767.80	304,272,063.88
Russia washing machine	192,009,870.71		192,009,870.71	14,943,410.87		14,943,410.87
Laiyang Smart kitchen Appliances	188,564,540.99		188,564,540.99	64,617,334.97		64,617,334.97
New Zealand FPA	147,803,611.76		147,803,611.76	113,126,924.77		113,126,924.77
Foshan roller	131,876,890.87		131,876,890.87	36,614,210.76		36,614,210.76
Qingdao Smart kitchen Appliances	130,106,851.63		130,106,851.63	138,005,302.27		138,005,302.27
Chongqing roller	119,356,686.28		119,356,686.28	114,749,141.48		114,749,141.48
Qingdao Smart appliance	106,151,742.61		106,151,742.61	51,044,968.22		51,044,968.22
Hefei drum washing	99,521,882.89		99,521,882.89	97,615,033.96		97,615,033.96

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machine						
Shunde washing machine	82,139,236.87		82,139,236.87	12,298,279.28		12,298,279.28
Qingdao Air Conditioning Electronics	72,937,402.74		72,937,402.74	14,567,091.58		14,567,091.58
Haier Dishwasher	60,055,285.36		60,055,285.36	53,552,923.14		53,552,923.14
Hefei washing machine	58,062,625.35		58,062,625.35	36,571,889.23		36,571,889.23
Vietnam appliance	55,812,115.67		55,812,115.67	31,642,712.64		31,642,712.64
Qingdao Haier refrigerator	53,527,690.74		53,527,690.74	34,451,440.98		34,451,440.98
Europe CANDY	52,362,018.16		52,362,018.16			
Hefei air conditioner	48,516,076.18		48,516,076.18	95,282,014.97		95,282,014.97
others	1,022,215,371.13		1,022,215,371.13	988,418,950.18		988,418,950.18
<b>Total</b>	<b>5,205,196,988.72</b>	<b>9,469,292.10</b>	<b>5,195,727,696.62</b>	<b>3,897,422,998.04</b>	<b>23,930,767.80</b>	<b>3,873,492,230.24</b>

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

Project name	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Exchange differences	Closing balance	Source of fund
Goodaymart Logistics Supply Chain	522,865,557.84	179,085,288.22	76,884,092.94			625,066,753.12	Self-funding
Tianjin ririxin	386,754,022.65	211,283,349.00	3,829,626.82			594,207,744.83	Self-funding
Qingdao Washing appliance	352,667,044.20	232,806,465.75	15,134,321.16			570,339,188.79	Self-funding
Qingdao Special Refrigeration Appliances	409,431,912.37	162,387,398.63	3,296,942.53			568,522,368.47	Self-funding and fund-raising
America GEA	328,202,831.68	527,539,419.57	629,384,080.23		-317,137.45	226,041,033.57	Self-funding
Russia washing machine	14,943,410.87	167,090,946.95	202,912.03		10,178,424.92	192,009,870.71	Self-funding and fund-raising
Laiyang Smart kitchen appliances	64,617,334.97	123,947,206.02				188,564,540.99	Self-funding and fund-raising
New Zealand FPA	113,126,924.77	34,049,378.38			627,308.61	147,803,611.76	Self-funding
Foshan roller	36,614,210.76	97,870,199.80	2,607,519.69			131,876,890.87	Self-funding
Qingdao Smart kitchen appliances	138,005,302.27	48,831,888.51	56,730,339.15			130,106,851.63	Self-funding and fund-raising
Chongqing roller	114,749,141.48	21,998,753.92	17,391,209.12			119,356,686.28	Self-funding
Qingdao Smart appliances	51,044,968.22	58,802,336.19	3,695,561.80			106,151,742.61	Self-funding
Hefei drum washing machine	97,615,033.96	5,846,454.98	3,939,606.05			99,521,882.89	Self-funding
Shunde washing machine	12,298,279.28	85,808,646.74	15,967,689.15			82,139,236.87	Self-funding

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Qingdao air conditioning electronics	14,567,091.58	99,753,181.08	41,382,869.92			72,937,402.74	Self-funding
Haier dishwasher	53,552,923.14	20,645,256.81	14,142,894.59			60,055,285.36	Self-funding
Hefei washing machine	36,571,889.23	25,591,369.47	4,100,633.35			58,062,625.35	Self-funding
Vietnam appliance	31,642,712.64	24,817,186.20	647,783.17			55,812,115.67	Self-funding and fund-raising
Qingdao Haier refrigerator	34,451,440.98	34,362,543.21	15,286,293.45			53,527,690.74	Self-funding
Europe CANDY		79,269,762.02	24,963,453.45		1,944,290.41	52,362,018.16	Self-funding
Hefei air conditioner	95,282,014.97	23,000,057.11	69,765,995.90			48,516,076.18	Self-funding and fund-raising
others	988,418,950.18	563,358,666.40	534,430,277.87	216,384.27	5,084,416.69	1,022,215,371.13	Self-funding
<b>Total</b>	<b>3,897,422,998.04</b>	<b>2,828,145,754.96</b>	<b>1,533,784,102.37</b>	<b>216,384.27</b>	<b>13,628,722.36</b>	<b>5,205,196,988.72</b>	

(3) Impairment of construction in progress

Project name	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Exchange differences	Closing Balance
America GEA project	23,930,767.80		14,131,636.29		-329,839.41	9,469,292.10

### 18. Right-of-use assets

Items	Opening balance	Increase for the period	Decrease for the period	Converted difference in foreign currency statements	Closing balance
Original book value		3,628,717,407.88		32,953,292.10	3,661,670,699.98
Accumulated depreciation		373,529,944.12		1,676,045.37	375,205,989.49
Impairment provision					
Book value		3,255,187,463.76		31,277,246.73	3,286,464,710.49

The categories of the right-of-use assets of the Company are mainly buildings used for offices and warehouses.

### 19. Intangible assets

#### (1). Intangible assets

Applicable Not Applicable

Items	Proprietary technology	Licenses use rights	Land use rights
I. Original book value			
1. Opening balance	1,593,770,408.63	3,919,106,283.71	2,076,393,458.34
2. Increase in the current period			
(1) Purchase	17,586,343.82	23,377,366.53	222,419,495.67
(2) Internal research and development	49,763,458.91		
(3) Increase in business combination	261,754,149.78	84,322,584.62	314,293,405.09
3. Decrease for the current period			
(1) Disposal			
(2) Disposal subsidiary			

(3)Transfer to hold for sale			
4. Converted difference in foreign currency statements	8,605,781.15	6,134,924.87	-168,811.55
5.Closing balance	1,931,480,142.29	4,032,941,159.73	2,612,937,547.55
II. Accumulated amortization			
1. Opening balance	543,957,689.12	267,233,764.32	209,708,139.26
2. Increase in the current period			
(1)Provision	79,305,532.80	72,057,562.59	23,895,426.78
(2)Increase in business combination	13,087,711.00	73,639,382.30	
3. Decrease for the current period			
(1)Disposal			
(2)Disposal subsidiary			
(3)Transfer to hold for sale			
4. Converted difference in foreign currency statements	10,856,957.13	1,142,386.21	235,367.90
5.Closing balance	647,207,890.05	414,073,095.42	233,838,933.94
III. Impairment provision			
1. Opening balance			
2. Increase in the current period			
(1)Provision			
3. Decrease for the current period			
(1)Disposal			
(2)Disposal subsidiary			
(3)Transfer to hold for sale			
4. Converted difference in foreign currency statements			
5.Closing balance			
IV. Book Value			
1.Closing balance	1,284,272,252.24	3,618,868,064.31	2,379,098,613.61
2. Opening balance	1,049,812,719.51	3,651,872,519.39	1,866,685,319.08

(Continued)

Items	Trademark rights	Application management software and others	Total
I. Original book value			
1. Opening balance	1,253,711,579.88	2,334,774,502.05	11,177,756,232.61
2. Increase in the current period			
(1)Purchase		34,583,157.93	297,966,363.95
(2)Internal research and development		43,132,972.57	92,896,431.48
(3)Increase in business combination	1,426,152,500.43	130,871,096.28	2,217,393,736.20

3. Decrease for the current period			
(1) Disposal		12,285,769.10	12,285,769.10
(2) Disposal subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements	23,467,737.41	5,382,923.07	43,422,554.95
5. Closing balance	2,703,331,817.72	2,536,458,882.80	13,817,149,550.09
<b>II. Accumulated amortization</b>			
1. Opening balance	1,978.77	937,646,831.47	1,958,548,402.94
2. Increase in the current period			
(1) Provision	3,957.55	191,765,000.09	367,027,479.81
(2) Increase in business combination		64,060,552.70	150,787,646.00
3. Decrease for the current period			
(1) Disposal		947,515.73	947,515.73
(2) Disposal subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements		2,243,124.60	14,477,835.84
5. Closing balance	5,936.32	1,194,767,993.13	2,489,893,848.86
<b>III. Impairment provision</b>			
1. Opening balance		9,965,107.96	9,965,107.96
2. Increase in the current period			
(1) Provision			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal subsidiary			
(3) Transfer to hold for sale			
4. Converted difference in foreign currency statements			
5. Closing balance		9,965,107.96	9,965,107.96
<b>IV. Book Value</b>			
1. Closing balance	2,703,325,881.40	1,331,725,781.71	11,317,290,593.27
2. Opening balance	1,253,709,601.11	1,387,162,562.62	9,209,242,721.71

At the end of the period, the intangible assets developed through the Company accounted for the 10.08% of the original value at the end of the period.

## 20. Development cost

Items	Opening balance	Increase for the period	Decrease for the period		Converted difference in foreign currency statements	Closing balance
			Confirmed as an intangible asset	Included in current profit and		

				loss		
91ABD.ERPP ROGRAM	508,299,234.90	104,502,503.22	20,936,855.12		1,962,177.34	593,827,060.34
Others	30,083,053.43	211,320,331.13	71,959,576.36	98,737,571.83	-1,223,860.71	69,482,375.66
Total	538,382,288.33	315,822,834.35	92,896,431.48	98,737,571.83	738,316.63	663,309,436.00

## 21. Goodwill

Items	Opening balance	Increase for the period	Decrease for the period	Impact of fluctuation in exchange rate for the period	Closing balance
GEA	20,390,297,236.59			35,090,966.26	20,425,388,202.85
Candy		2,014,258,269.63		-7,777,455.36	2,006,480,814.27
Others	765,255,320.57	21,085,434.41		1,330,969.11	787,671,724.09
Total	21,155,552,557.16	2,035,343,704.04		28,644,480.01	23,219,540,741.21

In the case of a goodwill impairment test, the Group compares the carrying amount of the relevant asset group or asset group combination (including goodwill) with its recoverable amount. If the recoverable amount is less than the book value, corresponding difference will be recognized in profit or loss. The recoverable amount of the asset group or asset group combination is based on a management-approved 5-10 year budget, which is then estimated based on discounted future cash flow method with a fixed growth rate.

Key assumptions for discounted future cash flow discount method for material goodwill at the end of the period:

Items	GEA
Forecast period growth rate	4.84%-5.50%
Forecast period profit rate	5.44%-6.18%
Forecast period	10 years
Stable period growth rate	2%
Discounting rate before tax	10.84%

## 22. Long-term prepaid expenses

Items	Opening balance	Increase for the period	Amortization	Other decrease	Converted difference in foreign currency statements	Closing balance
Renovation	6,887,635.08	1,304,227.98	984,987.59			7,206,875.47
Improvement on leased property	167,271,750.20	44,458,178.69	10,472,776.25	660,967.51	769,687.59	201,365,872.72
Others	56,603,787.20	8,866,543.81	6,374,007.31		335.14	59,096,658.84
Total	230,763,172.48	54,628,950.48	17,831,771.15	660,967.51	770,022.73	267,669,407.03

## 23. Deferred income tax assets and Deferred income tax liabilities

### (1) Deferred income tax assets before elimination

Items	Closing balance	Opening balance
Provision for assets impairment	267,930,395.42	240,924,037.86

Liabilities	1,485,097,638.43	1,444,791,976.30
Internal unrealized earnings eliminated due to combination	482,114,988.22	464,499,951.47
Others	812,123,457.39	668,254,961.84
Total	3,047,266,479.46	2,818,470,927.47

(2) Deferred income tax liabilities before elimination

Items	Closing balance	Opening balance
Increase in valuation of long-term assets due to mergers and acquisitions	640,844,817.67	151,412,213.82
Disposal of subsidiaries and movement of investments in other equity instruments	95,111,005.09	94,972,688.60
Withholding income tax of overseas enterprises	77,190,532.32	77,190,532.32
Depreciation and amortization of assets	1,206,122,832.47	995,433,739.85
Changes of the fair value	27,829,352.84	4,416,607.36
Others	125,929,255.50	84,764,197.15
Total	2,173,027,795.89	1,408,189,979.10

(3) The deferred income tax assets and the deferred income tax liabilities eliminated at the end of this period is RMB1,248,636,664.25.

**24. Other non-current assets**

Items	Closing balance	Opening balance
Prepayments for equipment and land	1,777,731,595.26	2,118,776,080.18
Others	156,299,704.14	206,912,902.38
Total	1,934,031,299.40	2,325,688,982.56

**25. Short-term borrowings**

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings - secured by pledge	193,371,187.70	359,230,849.08
Borrowings - secured by mortgage	39,424,722.42	46,843,046.04
Borrowings - secured by guarantor	3,406,622,840.88	3,983,541,155.25
Borrowings - unsecured	4,468,718,854.85	1,908,889,842.20
Total	8,108,137,605.85	6,298,504,892.57

**26. Financial liabilities held for trading**

Items	Closing balance	Opening balance
Forward foreign exchange trading contracts	7,055,018.07	211,934,956.99
Forward foreign exchange option		6,813,323.34
Total	7,055,018.07	218,748,280.33

### 27. Derivative financial liabilities

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange trading contracts	23,360,638.65	24,384,482.19
Forward commodity contracts	2,967,834.46	11,219,272.35
Cash flow hedging instruments-Interest rate swap agreement	7,624,052.99	
Total	33,952,526.10	35,603,754.54

### 28. Bills payable

Applicable Not Applicable

Unit and Currency: RMB

Categories	Closing balance	Opening balance
Commercially acceptance bill	2,538,328,070.95	2,402,746,892.66
Bank acceptance bill	15,031,294,802.97	17,223,352,168.94
Total	17,569,622,873.92	19,626,099,061.60

### 29. Accounts payable

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Accounts payable	30,604,644,390.27	27,759,119,079.78
Total	30,604,644,390.27	27,759,119,079.78

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

### 30. Receipts in advance

Applicable Not Applicable

Unit and Currency: RMB

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

### 31. Contract liabilities

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Contract liabilities	3,899,786,072.98	5,482,325,888.59
Total	3,899,786,072.98	5,482,325,888.59

### 32. Payables for staff's remuneration

#### (1). Payables for staff's remuneration

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
I.Short-term remuneration	2,450,735,641.29	10,242,674,095.84	10,299,722,603.69	2,393,687,133.44
II.Post-employment benefits-defined contribution plan	29,226,680.54	738,689,444.00	748,552,060.05	19,364,064.49
III.Termination benefits	14,228,664.47	23,689,894.53	12,594,387.02	25,324,171.98
IV.Other welfare due within one year	157,208,431.75		38,221,361.33	118,987,070.42
Total	2,651,399,418.05	11,005,053,434.37	11,099,090,412.09	2,557,362,440.33

#### (2). Short-term remuneration

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
I.Salaries, bonus, allowance and benefit	1,474,447,812.66	7,099,334,515.27	7,330,653,864.13	1,243,128,463.80
II.Employee welfare	296,427,580.74	317,017,111.85	169,192,942.42	444,251,750.17
III.Social benefit	159,316,261.40	941,114,664.06	915,784,409.27	184,646,516.19
IV.Housing fund	5,980,242.92	171,237,787.17	170,193,428.78	7,024,601.31
V.Labor union fee and education fee	3,670,855.67	40,039,790.15	41,457,103.09	2,253,542.73
VI.Short-term compensated leave	233,150,647.10	116,286,340.33	163,051,274.67	186,385,712.76
Others	277,742,240.80	1,557,643,887.01	1,509,389,581.33	325,996,546.48
Total	2,450,735,641.29	10,242,674,095.84	10,299,722,603.69	2,393,687,133.44

#### (3). Defined contribution plan

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
1.Basic pension insurance	28,741,410.94	708,339,434.12	718,927,481.00	18,153,364.06
2.Unemployment insurance	290,564.70	12,473,221.38	12,550,820.89	212,965.19
3.Enterprise annuity payment	194,704.90	17,876,788.50	17,073,758.16	997,735.24
Total	29,226,680.54	738,689,444.00	748,552,060.05	19,364,064.49

#### (4). Termination benefits

Items	Closing balance	Opening balance
Termination compensation	25,324,171.98	14,228,664.47
Total	25,324,171.98	14,228,664.47

### 33. Taxes payable

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
VAT	659,742,443.85	441,010,016.22
Enterprise income tax	1,107,483,693.37	1,184,505,048.56
Individual income tax	37,031,724.98	78,544,332.63
Municipal maintenance tax	7,702,803.05	2,414,582.49
Education surcharge	3,372,871.11	3,839,538.40
The electrical and electronic products waste treatment fund	64,280,469.50	67,359,180.79
Additional taxes	72,318,354.38	60,768,028.30
Total	1,951,932,360.24	1,838,440,727.39

### 34. Other payables

#### Items presented

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interests payable	94,121,291.76	104,522,208.28
Dividends payable	2,914,608,547.77	162,205,193.05
Other payables	13,404,630,719.58	12,418,950,001.58
Total	16,413,360,559.11	12,685,677,402.91

#### (1) Interests payable:

Items	Closing balance	Opening balance
Interest of long-term borrowings	24,011,186.73	57,626,542.89
Interest of short-term borrowings	70,110,105.03	46,895,665.39
Total	94,121,291.76	104,522,208.28

#### (2) Dividends payable:

Name of company	Closing balance	Opening balance
BRAVE LION (HK) LIMITED	122,756,874.10	122,756,874.10
Haier Electric Appliances International Co., Ltd.	441,798,373.22	
Haier Group Corporation	376,486,378.16	
Qingdao Haier Venture & Investment Information Co., Ltd.	60,460,648.56	
Others	1,913,106,273.73	39,448,318.95
Total	2,914,608,547.77	162,205,193.05

#### (3) Other payables:

Items	Closing balance	Opening balance
Other payables	13,404,630,719.58	12,418,950,001.58
Total	13,404,630,719.58	12,418,950,001.58

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

### 35. Liabilities held for sale

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Liabilities of Shanghai Guangfulai Co., Ltd.(上海广富来有限公司)	14,097,210.09	32,362,267.88
Total	14,097,210.09	32,362,267.88

In 2018, Haier Electric Group Co., Ltd., a subsidiary of the Company, agreed to sell all of its 67.45% shares of Shanghai Guangfulai Co., Ltd.(上海广富来有限公司) (indirect subsidiary) at RMB 5,059,000. The transaction is expected to complete in 2019. At the end of the period, the liabilities of Shanghai Guangfulai Co., Ltd. are treated as liabilities held-for-sale.

### 36. Non-current liabilities due within one year

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within one year	8,902,956,811.04	3,015,060,105.58
Lease liabilities due within one year	973,729,999.36	
Total	9,876,686,810.40	3,015,060,105.58

### 37. Other current liabilities

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Payable refund	439,291,572.38	402,932,170.91
Unrealized output value added tax	6,341,120.92	18,593,499.79
Others	1,053,769.48	2,113,133.92
Total	446,686,462.78	423,638,804.62

### 38. Long-term borrowings

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings - secured by mortgage	22,458,964.82	23,574,659.91
Borrowings - secured by guarantor	3,734,606,528.24	9,213,273,265.96
Borrowings - unsecured	3,681,441,309.88	90,511,272.46

Borrowings - secured by guarantor and mortgage	4,822,172,622.14	6,214,107,126.89
Total	12,260,679,425.08	15,541,466,325.22

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

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

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

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

### 39. Bonds payable

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

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

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

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

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

Items	Opening balance	Increase for the current period	Accrued Bond interest for the current period	Less: Bond interest paid for the current period	Exchange rate impact	Shares converted in the current period	Closing balance
Exchangeable corporate bonds issued in 2017	6,681,366,239.84		82,712,220.17		28,059,790.21		6,792,138,250.22
Convertible corporate bonds issued in 2018	2,510,530,062.86		50,942,195.71			606,408.75	2,560,865,849.82
Total	9,191,896,302.70		133,654,415.88		28,059,790.21	606,408.75	9,353,004,100.04

### 40. Lease liabilities

Items	Closing balance	Opening balance
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Lease liabilities	3,441,361,697.20	
Less: due within one year	973,729,999.36	
Total	2,467,631,697.84	

Interest expenditure in lease liabilities in the current period is RMB73,922,402.15.

#### 41. Long-term payables

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
CDB development fund investment fund	93,000,000.00	93,000,000.00
Others	22,402,960.78	13,763,243.99
Total	115,402,960.78	106,763,243.99

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. obtains 1.2% of the earnings every year in dividend or through call premium. From 2020 to 2027, the Company and its subsidiaries will repurchase the investments made by China Development Fund Co. Ltd. to the subsidiary of the Company.

#### 42. Long-term payables for staff's remuneration

Applicable Not Applicable

##### (1) Table of long-term payables for staff's remuneration

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
I.Post-employment benefits- net liability of defined benefit plan	404,951,753.73	456,055,879.38
II.Termination benefits	390,016,196.09	230,752,405.39
III.Other long-term benefits		
IV.Provision for work-related injury compensation	238,668,959.90	248,166,450.72
Total	1,033,636,909.72	934,974,735.49

##### (2) Defined benefit plan

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

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

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

①The defined benefit plan of Haier Asia Co., Ltd. (海尔亚洲株式会社), a subsidiary of the Company.

Actuarial assumption used in the defined benefit plan

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

Present value of defined benefit obligations

Items	Amount
I. Opening balance	324,545,002.06
II. Defined benefit cost in current profit or loss	
1. Current period service cost	
2. Past service cost	
3. Settlement profit (losses are represented by '-')	
4. Interest expenses	
III. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss ('-' represents 'gains')	
IV. Other changes	9,961,801.35
1. The consideration paid at the time of settlement	
2. Benefit paid	
3. Exchange differences	9,961,801.35
V. Closing balance	334,506,803.41

Change in fair value of plan assets

Items	Amount
I. Opening balance	326,403,548.13
II. Defined benefit cost recognized in current profit or loss	
1. Interest income	
III. Defined benefit cost recognized in other comprehensive income	
1. Return on plan assets (except those included in net interests)	
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	10,018,848.81
1. Employer contributions	
2. Benefit paid	
3. Exchange differences	10,018,848.81
V. Closing balance	336,422,396.94

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

Net liability (net asset) of defined benefit plan

Items	Amount
I . Opening balance	-1,858,546.07
II. Defined benefit cost recognized in current profit or loss	
III. Defined benefit cost recognized in other comprehensive income	
IV. Other changes	-57,047.46
V. Closing balance	-1,915,593.53

The average term for the defined benefit obligation is 14.70 years at the balance sheet date.

②The defined benefit plan of ROPER CORPORATION, a subsidiary of the Company

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

Actuarial assumptions used in defined benefit plans

Items	Rate
Discount rate	4.30%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	118,346,193.16
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	2,720,835.53
1. Current period service cost	5,383,093.68
2. Past service cost	-2,662,258.15
3. Settlement gains (losses are represented by '-')	
4. Interest cost	
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss ('-' represents 'gains')	
V. Other changes	-2,143,064.58
1. The consideration paid at the time of settlement	
2. Benefit paid	-7,221,611.77
3. Exchange differences	5,078,547.19
VI. Closing balance	118,923,964.11

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	118,346,193.16
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	2,720,835.53

IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	-2,143,064.58
VI. Closing balance	118,923,964.11

The average term for the defined benefit obligation is 12.14 years at the balance sheet date.

- ① 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	4.13%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	326,812,839.04
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	4,593,616.42
1. Current period service cost	
2. Past service cost	-1,224,690.45
3. Settlement gains (losses are represented by '-')	
4. Interest cost	5,818,306.87
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss ('-' represents 'gains')	
V. Other changes	-28,975,085.07
1. The consideration paid at the time of settlement	
2. Benefit paid	-29,195,609.94
3. Exchange differences	220,524.87
VI. Closing balance	302,431,370.39

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	326,812,839.04
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	4,593,616.42
IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	-28,975,085.07
VI. Closing balance	302,431,370.39

②The 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	4.00%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	284,892,248.72
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	
1. Current period service cost	
2. Past service cost	
3. Settlement gains (losses are represented by '-')	
4. Interest cost	
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss ('-' represents 'gains')	
V. Other changes	-53,915,342.53
1. The consideration paid at the time of settlement	
2. Benefits paid	-53,679,045.41
3. Exchange differences	-236,297.12
VI. Closing balance	230,976,906.19

Changes in fair value of plan assets

Items	Amount
I. Opening balance	201,739,810.80
II. Defined benefit cost recognized in current profit or loss	-2,240,425.08
1. Interest income	-2,240,425.08
III. Defined benefit cost recognized in other comprehensive income	
1. Return on plan assets (except those included in net interests)	
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-54,084,459.50
1. Employer contributions	
2. Benefits paid	-53,679,045.41
3. Exchange differences	-405,414.09
V. Closing balance	145,414,926.22

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	83,152,437.92
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	2,240,425.08
IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	169,116.97
VI. Closing balance	85,561,979.97

(3) Provision for work-related injury compensation

HAIER U.S. APPLIANCE SOLUTIONS, INC., a subsidiary of the Company, made a provision for the occupational injury claims filed by the injured due to production accidents starting from 1 January 1991 to cover the claims for injured staffs in the accident. The provision was calculated by BEECHERCARLSON INSURANCE SERVICES, LLC., based on actuarial method. The discount rate used in the actuary is 3.72%.

Items	Amount
I. Opening balance	248,166,450.72
II. Business combination not under common control	
III. Compensation recognized in current profit and loss	44,422,504.97
IV. Actual compensation paid in the current period	-33,363,771.87
V. Other changes	-20,556,223.92
VI. Closing balance	238,668,959.90

Classification of the balance of defined benefit plan

Items	Closing balance	Opening balance
Short-term salary	118,987,070.42	89,343,078.64
Long-term salary	404,951,753.73	456,055,879.38
Total	523,938,824.15	545,398,958.02

43. Estimated liabilities

Items	Closing balance	Opening balance
Projection of three guarantees and installation fees	2,822,216,231.67	2,821,651,293.65
Active litigation	39,812,654.42	17,898,125.83
Others		191,660.00
Total	2,862,028,886.09	2,839,741,079.48

Projection of significant assumption and estimation relating to three guarantees and installation fees: the company projected three guarantees and installation fees rate reasonably based on previous actual expense on three guarantees and installation fees as well as sales data. The company projected three

guarantees and installation fees that are likely to be incurred going forward according to the requirements of three guarantees and installation policies of the Company as well as the actual sales data.

#### 44. Deferred income

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reasons
Government grants	643,551,987.30	112,838,750.70	91,642,870.66	664,747,867.34	
Total	643,551,987.30	112,838,750.70	91,642,870.66	664,747,867.34	/

#### 45. Other non-current liabilities

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Obligation of repurchasing the minority equity rights	1,827,098,290.67	1,792,322,337.19
Contingent consideration		5,705,307.28
Others	86,422,390.84	25,839,049.46
Total	1,913,520,681.51	1,823,866,693.93

#### 46. Share capital

Categories	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Restricted shares				
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic individuals				
4. Shares held by offshore non-state-owned legal entities				
II. Non-restricted shares	6,368,416,700	48,856		6,368,465,556
1. Ordinary shares in RMB	6,097,402,727	48,856		6,097,451,583
2. Domestic listed foreign Shares				
3. Offshore listed foreign Shares	271,013,973			271,013,973
4. Others				
III. Total shares	6,368,416,700	48,856		6,368,465,556

#### 47. Other equity instruments

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
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Equity portion of exchangeable bonds	431,424,524.07			431,424,524.07
Equity portion of convertible bonds	473,061,264.64		111,993.60	472,949,271.04
Total	904,485,788.71		111,993.60	904,373,795.11

#### 48. Capital reserve

√Applicable □Not Applicable

Unit and Currency : RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (Share premium)	1,359,553,836.56	22,728,113.53	249,363,218.40	1,132,918,731.69
Other capital reserve reserve	849,219,638.01		88,880,534.66	760,339,103.35
Total	2,208,773,474.57	22,728,113.53	338,243,753.06	1,893,257,835.04

Other explanations, including the changes in the current period and the reasons for the changes:

The main reasons for the change in capital premium: ①the Company converted part of convertible bonds to shares in the current period, increasing the capital reserve RMB669,546.35; ②Acquisition of minority shareholding in the current period, increasing the share premium RMB22,058,567.18; and non-proportional capital injection in subsidiaries in the current period, reducing the share premium RMB249,363,218.40.

The main reasons for the change in other capital reserve: Changes on other equity of the investee accounted for using equity method, which results from proportionate movement of other capital reserve by the Company.

#### 49. Other comprehensive income

Items	Opening balance	Amount for the current period					Closing balance
		Amount before current income tax for the current period	Less: income tax expenses	Attributable to the parent company, after tax	Attributable to minority shareholders, after tax	Others	
a	-66,156,965.02	19,689,498.19		19,829,612.65	-140,114.46		-46,327,352.37
b	39,349,747.72	-39,259,415.51	-13,860,471.73	-25,398,943.78			13,950,803.94
c	754,824,347.90	241,049,960.25		251,436,557.43	-10,386,597.18		1,006,260,905.33
d	-25,555,254.57	-28,381,710.26	472,624.13	-11,842,641.94	-17,011,692.45		-37,397,896.51
e	70,170,471.32	-488,918.94	-83,645.76	-400,317.18	-4,956.00		69,770,154.14
Total	772,632,347.35	192,609,413.73	-13,471,493.36	233,624,267.18	-27,543,360.09	-	1,006,256,614.53

Notes:

(1) Item a, b, and c are other comprehensive income that will be reclassified to profit or loss, the details are as

follows:

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

Item b represents cash flow hedge reserves (the effective part of the cash flow hedge profit and loss).

Item c represents exchange differences from translation of foreign currency financial statements.

(2) Item d and e are other comprehensive income that cannot be reclassified into profit or loss. Details are as follows:

Item d represents the change in fair value of investments in other equity instruments.

Item e represents changes arising from remeasurement of net liabilities or assets of defined benefit plans.

## 50. Surplus reserve

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	2,240,644,515.51			2,240,644,515.51
Discretionary surplus reserve	26,042,290.48			26,042,290.48
Reserve fund	11,322,880.64			11,322,880.64
Enterprise expansion fund	10,291,630.47			10,291,630.47
Others				
Total	2,288,301,317.10			2,288,301,317.10

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.

## 51. Undistributed profits

Applicable Not Applicable

Items	Amount
Undistributed profits at the end of previous year	26,859,741,163.95
Add: correction of accounting errors	
Adjustment due to implementation of enterprise accounting standard	
Adjustment due to business combination under common control	
Undistributed profits at the beginning of the year	26,859,741,163.95
Add: net profit attributable to owners of the Parent Company	5,150,869,558.02
Profit available for appropriation for the year	32,010,610,721.97
Less: appropriation of statutory surplus reserve	
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	2,235,331,410.16

Adjustment due to implement of enterprise accounting standard	55,596,586.26
Undistributed profits at the end of period	29,719,682,725.55

## 52. Operating income and operating cost

### (1) Operating income

Items	Amount for the current period	Amount for the previous period
Primary business	98,501,132,026.74	90,190,276,014.88
Other business	478,661,094.42	297,846,191.43
Total	98,979,793,121.16	90,488,122,206.31

### (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	17,951,348,135.77	12,426,410,510.32	19,210,576,338.15	13,372,837,288.57
Refrigerator	28,468,864,532.23	19,392,981,129.68	26,038,635,458.59	17,956,692,254.14
Kitchen appliance	13,935,655,862.99	9,524,486,399.08	11,275,476,503.20	7,407,653,898.69
Water heater	4,099,948,994.86	2,351,601,469.29	3,871,786,733.03	2,191,843,437.52
Washing machine	20,294,850,737.89	13,962,027,731.43	16,511,074,163.23	10,965,693,830.31
Equipment and Integrated channel services business and others	13,750,463,763.00	12,316,700,364.41	13,282,726,818.68	12,011,157,819.96
Total	98,501,132,026.74	69,974,207,604.21	90,190,276,014.88	63,905,878,529.19

## 53. Taxes and surcharge

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
City maintenance and construction tax	142,297,554.55	136,407,185.16
Education surcharge	101,361,172.24	92,066,486.02
Property tax	33,285,947.64	33,206,469.98
Land use tax	16,802,921.50	20,661,100.58
Stamp duty	85,161,265.13	106,036,603.21
Others	22,021,639.59	19,599,596.57
Total	400,930,500.65	407,977,441.52

## 54. Selling expenses

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Selling expenses	14,596,335,114.01	13,522,931,745.64
Total	14,596,335,114.01	13,522,931,745.64

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

#### 55. Administrative expenses

Applicable Not Applicable

Unit and Currency : RMB

Items	Amount for the current period	Amount for the previous period
Administrative expenses	4,525,786,069.23	4,033,672,258.19
Total	4,525,786,069.23	4,033,672,258.19

The Company's management expenses are mainly salary expenses, administrative office fees, rental fees, etc.

#### 56. R&D expenses

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
R&D expenses	2,741,563,815.81	2,252,630,555.38
Total	2,741,563,815.81	2,252,630,555.38

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

#### 57. Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expense	885,683,954.28	683,665,504.25
Less: Interest income	253,967,290.82	234,458,811.03
Less: Cash discount	87,147,629.45	72,886,733.41
Exchange gains and losses	-107,341,950.88	41,699,660.18
Others	71,519,698.40	67,905,794.68
Total	508,746,781.53	485,925,414.67

#### 58. Other income

Items	Amount for the current period	Amount for the previous period	Related to assets/ revenue
Government grants	443,747,043.01	214,614,016.20	Related to revenue
Government grants	28,994,813.54	9,678,395.82	Related to assets
Total	472,741,856.55	224,292,412.02	

#### 59. Investment income

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	542,608,907.11	580,932,950.31
Investment income from disposal of long-term equity investments	1,089,977.75	18,266,787.10
Investment income from other equity instrument investments during holding period	18,421,982.06	75,468,156.04
Income from wealth management products	95,141,562.42	36,192,415.80
Investment income from disposal of financial assets measured at fair value with changes included in current profit and loss	98,789,008.11	156,598,679.71
Total	756,051,437.45	867,458,988.96

#### 60. Gains on changes in fair value

Items	Amount for the current period	Amount for the previous period
Changes in fair value of forward foreign exchange trading contracts	45,504,828.05	27,545,288.39
Changes in fair value of wealth management products	11,905,128.75	9,116,633.11
Total	57,409,956.80	36,661,921.50

#### 61. Credit impairment loss (losses are repered by '-')

Items	Amount for the current period	Amount for the previous period
Loss on bad debts	37,775,605.39	40,539,282.27
Total	37,775,605.39	40,539,282.27

#### 62. Impairment loss on assets (losses are repered by '-')

Items	Amount for the current period	Amount for the previous period
Loss from reducing inventory	-249,884,430.07	-227,922,058.93
Impairment losses on other current assets	-7,863,475.13	-7,980,978.65
Total	-257,747,905.20	-235,903,037.58

#### 63. Gains on disposal of assets

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	18,867,410.77	6,918,487.21
Losses on disposal of non-current assets	-6,160,727.90	-1,412,999.31
Total	12,706,682.87	5,505,487.90

Other explanations:

Applicable Not Applicable

#### 64. Non-operating income

Applicable Not Applicable

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	7,143,791.10	1,998,891.62
Quality claims and fines	249,594,910.91	188,459,248.12
Others	12,859,446.81	27,816,639.13
Total	269,598,148.82	218,274,778.87

#### 65. Non-operating expenses

Items	Amount for the current period	Amount for the previous period
Losses on disposal of non-current assets	16,637,393.70	23,192,643.17
Donation expenses	3,036,369.04	9,112,854.70
Others	94,532,945.18	17,098,947.82
Total	114,206,707.92	49,404,445.69

#### 66. Income tax expenses

##### (1) Statement of income tax expenses

Applicable Not Applicable

Unit and Currency : RMB

Items	Amount for the current period	Amount for the previous period
Current income tax expenses	1,182,998,979.44	1,017,300,436.73
Deferred income tax expenses	-148,078,890.83	-50,520,990.09
Total	1,034,920,088.61	966,779,446.64

##### (2) Reconciliation between accounting profit and income tax expenses

Applicable Not Applicable

Unit and Currency : RMB

Items	Amount for the current period
Total profit	7,265,905,955.78
Income tax expenses calculated pursuant to statutory/applicable tax rate(s)	1,816,476,488.95
Impact from different tax rates applicable to subsidiaries	-454,758,888.32
Impact from adjustment to income tax in prior periods	-111,874,867.68
Impact from non-taxable income	-90,492,737.70
Impact from non-deductible cost, expense and loss	-8,716,516.04
Impact from using deductible losses of previously unrecognized deferred income tax assets	34,948,402.10
Others	-150,661,792.70
Total income tax expense	1,034,920,088.61

Other explanations:

Applicable Not Applicable

**67. Other comprehensive income**

Applicable Not Applicable

Please refer to Note VII. 49 for details.

**68. Cash received from other operating activities**

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Deposits and securities	243,369,971.95
Government grants	55,819,129.55
Non-operating income excluding government grants	125,553,362.18
Interest income	162,910,290.90
Others	32,758,487.02
Total	620,411,241.60

**69. Cash paid to other operating activities**

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Operating expenses	5,075,066,390.65
Administrative and R&D expenses	3,181,890,577.26
Financial expenses	57,834,792.93
Non-operating expenses	14,536,564.10
Others	27,097,567.98
Total	8,356,425,892.92

**70. Other cash received from investing activities**

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Net cash inflow on acquisition of subsidiaries	4,628,544.77
Gains on disposal of lock-exchange instruments	38,574,425.89
Total	43,202,970.66

**71. Other cash paid to other investing activities**

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Net cash outflow on disposal of subsidiaries	10,351,066.54

Total	10,351,066.54
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## 72. Cash paid to other financing activities

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Lease payment	410,618,444.00
Acquisition of minority shareholding	652,532,203.09
Others	317,261,880.42
Total	1,380,412,527.51

## 73. Information of net profit adjusted to cash flow of operating activities

Net profit adjusted to cash flow of operating activities	Amount for the current period	Amount for the previous period
1. Net profit	6,230,985,867.17	5,867,680,708.49
Add: impairment provision for assets	219,972,299.81	197,876,735.99
Depreciation of fixed assets	1,803,398,666.74	1,267,068,872.91
Amortization of intangible assets	367,027,479.81	242,897,053.11
Amortization of long-term expenses payable	17,831,771.15	27,350,569.61
Losses on disposal of fixed assets, intangible assets and other long-term assets ('-' represents 'gains')	49,110,463.33	15,688,263.65
Loss and gains on change of fair value ('-' represents 'gains')	-64,023,425.00	-36,661,921.50
Financial expenses ('-' represents 'gains' )	885,683,954.28	643,613,162.95
Loss on investments ('-' represents 'gains')	-756,051,437.45	-867,458,988.96
Decrease in deferred income tax assets ('-' represents 'increase')	35,740,049.78	110,034,637.01
Increase of deferred income tax liabilities ('-' represents 'decrease')	-183,818,940.61	-160,555,627.10
Decrease in inventories ('-' represents 'increase')	-1,490,335,193.26	-1,353,147,972.39
Decrease of operational account receivables ('-' represents 'increase')	-4,953,126,704.40	-4,083,585,510.15
Increase of operational account payables ('-' represents 'decrease')	1,069,380,472.31	3,591,737,646.77
Others	402,058,174.08	135,937,361.85
Net cash flow generated from operational activities	3,633,833,497.74	5,598,474,992.24
2. Significant investment and financing activities not involving cash inflows and outflows:		
Capital transferred from debts		
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
3. Net changes of cash and cash equivalents:		

Cash balance at the end of the period	32,947,366,592.36	32,824,234,990.36
Less: cash balance at the beginning of the period	36,044,777,414.04	34,861,909,595.62
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	-3,097,410,821.68	-2,037,674,605.26

#### 74. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	32,947,366,592.36	36,044,777,414.04
Including: Cash on hand	1,879,695.70	1,380,614.79
Bank deposits always available for payment	32,481,704,511.35	35,483,724,835.69
Other monetary funds always available for payment	463,782,385.31	559,671,963.56
II. Cash equivalents		
Including: bond investments due within three months		
III. Closing balance of cash and cash equivalents	32,947,366,592.36	36,044,777,414.04
Including: cash and cash equivalents, the use of which by the parent or subsidiaries of the Group is restricted		

#### 75. Monetary items in foreign currency

Items	Closing Balance			Opening Balance		
	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
Monetary funds						
USD	797,461,585.16	6.8747	5,482,309,159.50	1,067,804,067.53	6.8632	7,328,552,876.29
EUR	125,835,766.94	7.8170	983,658,190.18	48,497,251.17	7.8473	380,572,479.12
JPY	3,172,544,932.62	0.063816	202,459,127.42	2,269,981,380.74	0.061887	140,482,337.71
HKD	621,017,975.57	0.8797	546,309,513.11	596,825,742.94	0.8762	522,938,715.96
Others			1,799,637,389.81			1,381,212,756.03
Sub-total			9,014,373,380.02			9,753,759,165.11
Accounts receivable						
USD	420,048,497.14	6.8747	2,887,707,403.28	344,469,847.01	6.8632	2,364,165,453.98
EUR	396,322,720.70	7.8170	3,098,054,707.73	56,772,642.74	7.8473	445,511,959.37
JPY	5,186,652,290.15	0.063816	330,991,402.55	4,349,404,743.03	0.061887	269,171,611.33
Others			3,636,371,298.68			2,186,781,156.28
Sub-total			9,953,124,812.24			5,265,630,180.96
Short-term borrowings						
USD	495,201,396.71	6.8747	3,404,361,041.97	492,713,050.43	6.8632	3,381,588,207.73
EUR	327,414,015.91	7.8170	2,559,395,362.38	9,554,106.32	7.8473	74,973,938.51

JPY	2,715,225,346.62	0.063816	173,274,820.72	3,084,656,064.62	0.0619	190,940,210.40
Others			73,180,480.07			30,737,573.90
Sub-total			6,210,211,705.14			3,678,239,930.54
Accounts payable						
USD	914,276,845.50	6.8747	6,285,379,029.76	807,248,013.94	6.8632	5,540,304,569.25
EUR	270,492,364.63	7.8170	2,114,438,814.32	11,066,031.53	7.8473	86,838,469.23
JPY	1,420,679,730.48	0.063816	90,662,097.68	3,127,541,332.15	0.0619	193,594,808.46
Others			1,490,304,058.43			1,546,898,716.82
Sub-total			9,980,784,000.19			7,367,636,563.76
Non-current liabilities due within one year						
USD	1,277,906,408.37	6.8747	8,785,223,185.62	409,319,900.19	6.8632	2,809,244,338.98
RUB	2,523,135,880.00	0.109	275,021,810.92	2,087,381,000.00	0.0986	205,815,766.60
EUR	48,591,096.00	7.8170	379,836,597.44			
Others			93,151,462.75			
Sub-total			9,533,233,056.73			3,015,060,105.58
Long-term borrowings						
USD	1,201,437,535.04	6.8747	8,259,522,622.14	2,208,809,964.66	6.8632	15,159,504,549.45
EUR	409,317,069.60	7.8170	3,199,631,533.03			
JPY	10,825,390,235.05	0.063816	690,833,103.24	4,327,558,051.70	0.0619	267,875,843.40
Others			69,484,946.67			72,878,712.37
Sub-total			12,219,472,205.08			15,500,259,105.22

## VIII. Changes of consolidation scope

### 1. Business combination not under common control

Applicable Not Applicable

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

Applicable Not Applicable

Unit and Currency: RMB

Acquiree Name	Time of equity acquisition	Equity acquisition cost	Interest acquired (%)	Equity acquisition method	Equity acquisition date	Recognition basis of acquisition dates	Acquiree's revenue from acquisition date to the end of current period	Acquiree's net profit from acquisition date to the end of current period
CANDY S.p.A	January 2019	EUR 467,211,498.32	100%	Acquisition	January 2019	shareholding transferred	4,661,486,158.89	-125,206,463.19
Shanghai Firs International Logistics Co., Ltd.	March 2019	25,950,868.35	51%	Acquisition	March 2019	shareholding transferred	101,475,377.35	1,577,204.07

**Remark:** CANDY's net profit for the period was RMB -125 million, which was mainly affected by factors such as integration expenses, sales seasonality, interest expense on M&A loans and fluctuation on exchange rate during the integration period of M&A; the release of synergies in future M&A, the increase of plant operational efficiency, the optimization of financial cost and the upcoming season of sales in the second half of the year (especially the fourth quarter) and other factors will have a positive impact on the operating profit.

## (2). Combination cost and goodwill

Applicable Not Applicable

Unit and Currency : RMB

Items	CANDY S.p.A (EUR)	Shanghai Firs International Logistics Co., Ltd.
----- Cash	467,211,498.32	20,000,000.00
----- Contingent consideration		5,950,868.35
Total combination cost	467,211,498.32	25,950,868.35
Less: fair value of identifiable net assets acquired	210,529,802.75	4,865,433.94
Goodwill	256,681,695.57	21,085,434.41

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

Applicable Not Applicable

Unit and Currency : RMB

Items	CANDY S.p.A	
	Fair value(EUR)	Book Value(EUR)
Monetary funds	124,315,613.00	124,315,613.00
Accounts receivable	167,835,082.00	167,835,082.00
Other receivables	79,933,406.00	79,933,406.00
Non-current assets due within one year	28,611,614.00	28,611,614.00
Inventories	249,471,277.00	249,471,277.00
Long-term equity investments	4,716,766.00	4,716,766.00
Fixed assets	140,988,930.00	129,758,594.00
Construction in progress	7,379,785.00	7,379,785.00
Intangible assets	268,887,832.40	48,423,547.00
Deferred income tax assets	33,253,774.00	33,253,774.00
Other non-current assets	10,427,618.00	10,427,618.00
Accounts payable	-387,396,637.73	-387,396,637.73
Taxes payable	-18,425,859.00	-18,425,859.00
Other payables	-89,711,804.00	-89,711,804.00
Contract liabilities	-1,779,450.00	-1,779,450.00
Long-term borrowings due within one year	-108,045,273.00	-108,045,273.00
Long-term borrowings	-159,707,998.00	-159,707,998.00

Long-term payables	-16,232,217.00	-16,232,217.00
Deferred income tax liabilities	-122,538,522.92	-22,692,115.00
Other non-current liabilities	-1,454,133.00	-
Net assets	210,529,802.75	80,135,722.27
Less : Minority equity interests		
Net assets obtained	210,529,802.75	80,135,722.27

Items	Shanghai Firs International Logistics Co., Ltd.	
	Fair value	Book Value
Monetary funds	4,628,544.73	4,628,544.73
Accounts receivable	58,534,640.84	58,534,640.84
Bills receivable	1,868,857.04	1,868,857.04
Other receivables	9,655,435.06	9,655,435.06
Prepayments	4,207,402.80	4,207,402.80
Fixed assets	1,856,760.06	1,856,760.06
Intangible assets	2,346,858.39	2,346,858.39
Other current assets	2,989,330.42	2,989,330.42
Short-term borrowings	-15,026,666.63	-15,026,666.63
Accounts payable	-15,269,603.51	-15,269,603.51
Taxes payable	-67,637.73	-67,637.73
Payables for staff's remuneration	-1,551,221.84	-1,551,221.84
Expected refund liabilities –short term	-1,540,316.20	-1,540,316.20
Other payables	-38,495,776.20	-38,495,776.20
Contract liabilities	-2,810,706.25	-2,810,706.25
Other current liabilities	-1,785,834.44	-1,785,834.44
Net assets	9,540,066.54	9,540,066.54
Less : Minority equity interests		
Net assets obtained	9,540,066.54	9,540,066.54

## 2. Business combination under common control

Applicable Not Applicable

## 3. Disposal of subsidiary

Whether there is a single disposal of the investment in the subsidiary (that is, the loss of control):

Items	Cixi Yunlian Bailing Logistics Co., Ltd.	Qingdao Goodaymart Haichang Logistic Co., Ltd.
Equity disposal price	1,000,000.00	
Proportion of equity disposal	51%	100%
Equity disposal method	Disposal	Deregistration

Date of loss-of-control	2019/1/31	2019/1/3
Basis for determination of date of loss-of-control	Transfer	Deregistration
Difference between consideration and its share of net assets of the subsidiary in the consolidated financial statement as respect to the disposal of investment	-3,515,418.58	-

#### 4. Changes of consolidation scope due to other reasons

Applicable Not Applicable

(1) Qingdao Haier Intelligent Electronics Co., Ltd., a subsidiary of the Company, established a subsidiary Qingdao Haiduv Health Technology Co., Ltd. for the period with a shareholding of 70% at the end of the period.

(2) Qingdao Haier Technology Investment Co., Ltd., a subsidiary of the Company, established a subsidiary Qingdao Jijia Cloud Intelligent Technology Co., Ltd. for the period with a shareholding of 80% at the end of the period.

## IX. Interests in other entities

### 1. Interests in subsidiaries

(1) Composition of the Group

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding (%)		Proportion of the voting rights (%)	Method
				Direct	Indirect		
Haier Electronics Group Co., Ltd.	Mainland of China and Hong Kong	Bermuda	Group company, which mainly engage in investment holding, the production and sale of washing machines and water heaters, distribution service and logistics service	14.01	31.63	57.65	Business combination under common control
WONDER GLOBAL(BVI) INVESTMENT LIMITED	The US and other overseas areas	British Virgin Islands	Group company, which mainly engage in household appliances production and distribution business		100.00	100.00	Establishment
Haier Singapore Investment Holding Co., Ltd.	Singapore and other overseas areas	Singapore	Group company, which mainly engage in household appliances production and distribution business		100.00	100.00	Business combination under common control
HAIER NEWZEALAND INVESTMENT HOLDING COMPANY LIMITED	New Zealand	New Zealand	Group company, which mainly engaged in the production and distribution of		100.00	100.00	Business combination under common control

			household appliances				
CANDY S.p.A	Europe	Italy	Group company, which mainly engaged in the production and distribution of household appliances		100.00	100.00	Business combination not under common control
Qingdao Haier Air Conditioner Gen Corp., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and sale of household air-conditioners	100.00		100.00	Business combination under common control
Guizhou Haier Electronics Co., Ltd.	Huichuan District, Zunyi City, Guizhou Province	Huichuan District, Zunyi City, Guizhou Province	Manufacture and sale of refrigerator	59.00		59.00	Business combination under common control
Hefei Haier Air-conditioning Co., Limited	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air-conditioners	100.00		100.00	Business combination under common control
Wuhan Haier Electronics Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air-conditioners	60.00		60.00	Business combination under common control
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of air-conditioners	100.00		100.00	Business combination under common control
Qingdao Haier Information Plastic Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacturing of plastic products	100.00		100.00	Business combination under common control
Dalian Haier Precision Products Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and sale of precise plastics	90.00		90.00	Business combination under common control
Hefei Haier Plastic Co., Ltd.	Hefei Economic & Technological Development Area	Hefei Economic & Technological Development Area	Manufacture and sale of plastic parts	94.12	5.88	100.00	Business combination under common control
Qingdao Haier Moulds Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	R&D and manufacture of precise mold and product	75.00	25.00	100.00	Business combination under common control

Qingdao Meier Plastic Powder Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of plastic powder, plastic sheet and high-performance coatings	40.00	60.00	100.00	Business combination under common control
Chongqing Haier Precision Plastic Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Plastic products, sheet metal work, electronics and hardware	90.00	10.00	100.00	Business combination under common control
Chongqing Haier Intelligent Electronics Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sale of electronics and automatic control system equipment	90.00	10.00	100.00	Business combination under common control
Qingdao Haier Robot Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	R&D, manufacture and sale of robot	50.00		50.00	Business combination under common control
Qingdao Haier Refrigerator Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and production of fluorine-free refrigerators	100.00		100.00	Establishment
Qingdao Haier Refrigerator (International) Co., Ltd.	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	Manufacture of refrigerators	100.00		100.00	Establishment
Qingdao Household Appliance Technology and Equipment Research Institute	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and development of home appliances mold and technological equipment	100.00		100.00	Establishment
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development and sales of health-related small home appliance	98.33		98.33	Establishment
Qingdao Haier Intelligent Electronics Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, R&D of electronics and automatic control system	100.00		100.00	Establishment
Qingdao Haier Special Refrigerator Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00		100.00	Establishment
Qingdao Haier Dishwasher Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of dish washing machine and gas stove	100.00		100.00	Establishment
Qingdao Haier Special Freezer Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Research, manufacture and sales of freezer and other refrigeration products	96.06		96.06	Establishment

Dalian Haier Air-conditioning Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Air conditioner processing and manufacturing	90.00		90.00	Establishment
Dalian Haier Refrigerator Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Refrigerator processing and manufacturing	90.00		90.00	Establishment
Qingdao Haier Electronic Plastic Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Development, assembling and sales of plastics, electronics and products	80.00		80.00	Establishment
Wuhan Haier Freezer Co., Ltd.	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Research, manufacture and sales of freezer and other refrigeration products	95.00	5.00	100.00	Establishment
Qingdao Haidarui Procurement Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Develop, purchase and sell electrical products and components	98.00	2.00	100.00	Establishment
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and application of household appliances, communication, electronics and network engineering technology	98.91	1.09	100.00	Establishment
Chongqing Haier Air-conditioning Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sales of air conditioners	76.92	23.08	100.00	Establishment
Qingdao Haier Precision Products Co., Ltd.	Qianwang Road, Jiaonan City	Qianwang Road, Jiaonan City	Development and manufacture of precise plastic, metal plate, mold and electronic products for household appliances		70.00	70.00	Establishment
Qingdao Haier Air Conditioning Equipment Co., Ltd.	Jiaonan City, Qingdao	Jiaonan City, Qingdao	Manufacture of household appliances and electronics		100.00	100.00	Establishment
Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00	100.00	Establishment
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00	100.00	Establishment
Qingdao Ding Xin Electronics Technology Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacturing and sales of		100.00	100.00	Establishment

			electronic components				
Chongqing Haier Electronics Sales Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of household appliances	95.00	5.00	100.00	Establishment
Chongqing Haier Refrigeration Appliance Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Processing and manufacturing of refrigerator	84.95	15.05	100.00	Establishment
Hefei Haier Refrigerator Co., Ltd.	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Processing and manufacturing of refrigerator	100.00		100.00	Establishment
Wuhan Haier Energy and Power Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Energy service		75.00	75.00	Establishment
Qingdao Haier HVAC Engineering Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Air-conditioning engineer		100.00	100.00	Establishment
Chongqing Goodaymart Electric Appliance Sale Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of household appliances and electronics		51.00	51.00	Establishment
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air-conditioners		100.00	100.00	Establishment
Qingdao Haier Component Co., Ltd.	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sales of plastic and precise sheet metal products		100.00	100.00	Establishment
Haier Shareholdings (Hong Kong) Limited	Hong Kong	Hong Kong	Investment	100.00		100.00	Establishment
HARVEST INTERNATIONAL COMPANY	Cayman Islands	Cayman Islands	Investment		100.00	100.00	Establishment
Shenyang Haier Refrigerator Co., Ltd.	Shenbei New Area, Shenyang City	Shenbei New Area, Shenyang City	Manufacture and sales of refrigerator	100.00		100.00	Establishment
Foshan Haier Freezer Co., Ltd.	Sanshui District, Foshan City	Sanshui District, Foshan City	Manufacture and sales of freezer	100.00		100.00	Establishment
Zhengzhou Haier Air-conditioning Co., Ltd.	Zhengzhou Economic and Technological Development Zone	Zhengzhou Economic and Technological Development Zone	Manufacture and sales of air conditioner	100.00		100.00	Establishment
Qingdao Haidayuan Procurement Service Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Develop, purchase and sell electrical products and components	100.00		100.00	Establishment
Qingdao Haier Intelligent Technology Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and research of household	100.00		100.00	Establishment

			appliance products				
Qingdao Hairi Hi-Tech Model Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, manufacture and sales of product model and mould		100.00	100.00	Business combination under common control
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Industrial design and prototype production		75.00	75.00	Business combination under common control
Beijing Haier Guangke Digital Technology Co., Ltd.	Beijing	Beijing	Development, promotion and transfer of technology		55.00	55.00	Business combination under common control
Shanghai Haier Medical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail of medical facility		100.00	100.00	Establishment
Qingdao Haier Technology Co., Ltd.	Qingdao	Qingdao	Development and sales of software and information product	100.00		100.00	Business combination under common control
Qingdao Haier Technology Investment Co., Ltd.	Qingdao	Qingdao	Entrepreneurship investment and consulting	100.00		100.00	Establishment
Qingdao Casarte Smart Living Appliances Co., Ltd.	Qingdao	Qingdao	Development, production and sales of appliances		100.00	100.00	Establishment
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Qingdao	Qingdao	Sales of household appliances and digital products		100.00	100.00	Establishment
Haier Overseas Electric Appliance Co., Ltd.	Qingdao	Qingdao	Sales of household appliances, international freight forwarding	100.00		100.00	Establishment
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Dalian	Dalian	Sales of household appliances, international freight forwarding	100.00		100.00	Business combination under common control
Qingdao Haier Central Air Conditioning Co., Ltd.	Qingdao	Qingdao	Production and sales of air conditioners and refrigeration equipment		100.00	100.00	Establishment
Beijing Haier Yun Kitchen Technology Co., Ltd.	Beijing	Beijing	Technology development promotion and transfer		95.77	95.77	Establishment
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Hefei	Hefei	Sales of household appliances		100.00	100.00	Establishment

Beijing Haier Zhongyou Netmedia Co., Ltd.	Beijing	Beijing	Radio and television program		51.00	51.00	Establishment
Qingdao Weixi Smart Technology Co., Ltd.	Qingdao	Qingdao	Intelligent sanitary ware		71.43	71.43	Establishment
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	Beijing	Beijing	Software development	100.00		100.00	Establishment
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	Qingdao	Qingdao	Industrial intelligence technology	100.00		100.00	Establishment
Haier (Shanghai) Electronics Co., Ltd.	Shanghai	Shanghai	Sales, research and development of household appliances	100.00		100.00	Establishment
Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd.	Shanghai	Shanghai	Business management consulting, chuankge management	100.00		100.00	Establishment
Haier Kaosi IOT Ecosystem Technology Limited	Qingdao	Qingdao	Industrial investment, robotics and automation R&D, etc.	100.00		100.00	Establishment
Maniiq (Qingdao) Intelligent Equipment Co., Ltd.	Qingdao	Qingdao	Internet of things, robot and automation research and development, design, etc.		100.00	100.00	Establishment
Haier digital technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Technology development promotes, transfer, material sales, etc.		100.00	100.00	Establishment
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of kitchen smart home appliances		100.00	100.00	Establishment
JYI Appliance (Shanghai) Co., Ltd.	Shanghai	Shanghai	Sales of household appliances		100.00	100.00	Establishment
Qingdao Hao Pin Hai Rui Information Technology Co., Ltd.	Qingdao	Qingdao	Develop, purchase and sales of electrical products and components		100.00	100.00	Establishment
FISHER&PAYKEL PRODUCTION MACHINERY LIMITED	New Zealand	New Zealand	Manufacturing of automation and customization special equipment		100.00	100.00	Business combination under common control
MANIIQ(SINGAPORE INTELLIGENT EQUIPMENT CO. LTD.	Singapore	Singapore	Investment management		100.00	100.00	Establishment
MANIIQ(HK) INTELLIGENT EQUIPMENT CO. LTD.	Hong Kong	Hong Kong	Investment management		100.00	100.00	Establishment
Qingdao Haier special refrigerating Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of household appliances		100.00	100.00	Establishment

Beijing Zero Micro Technology Co., Ltd.	Beijing	Beijing	Promotion of technological development		55.00	55.00	Establishment
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	Laiyang	Laiyang	Production and sales of household appliances		100.00	100.00	Establishment
Aituling (Shanghai) Information Technology Co., Ltd.	Shanghai	Shanghai	Promotion of technological development		72.22	72.22	Establishment
Qingdao Blue Whale Technology Co., Ltd.	Qingdao	Qingdao	Industrial intelligence technology		67.00	67.00	Establishment
Qingdao Hailian Rongchuang Technology Co., Ltd.	Qingdao	Qingdao	Industrial intelligence technology	100.00		100.00	Establishment
Hefei Haier Air Conditioning Electronics Co., Ltd.	Hefei	Hefei	Production and sales of household appliances		100.00	100.00	Establishment
Taizhou Haier Medical Technology Co., Ltd.	Taizhou	Taizhou	Promotion of medical research and development		100.00	100.00	Establishment
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.	Shanghai	Shanghai	Research and development of household appliances		100.00	100.00	Establishment
Haier (Shenzhen) R&D Co., Ltd.	Shenzhen	Shenzhen	Development, research and technical services of household and commercial electrical		100.00	100.00	Establishment
Guangzhou Haier Air Conditioner Co., Ltd.	Guangdong	Guangdong	Manufacturing of refrigeration and air conditioning equipment		100.00	100.00	Establishment
Qingdao Haier Institute of Investment Management Co., Ltd.	Qingdao	Qingdao	Venture Capital business		70.00	70.00	Establishment
Tianjin Haiyun Chuang Digital Technology Co., Ltd.	Tianjin	Tianjin	Research and development of digital technology		100.00	100.00	Establishment
Haier Digital Technology (Qingdao) Co., Ltd.	Qingdao	Qingdao	Research and development of digital technology		100.00	100.00	Establishment
Haier Digital Technology (Nanjing) Co., Ltd.	Nanjing	Nanjing	Research and development of digital technology		100.00	100.00	Establishment
Haier Digital Technology (Wuxi) Co., Ltd.	Wuxi	Wuxi	Research and development of digital technology		100.00	100.00	Establishment
Haier Digital Technology (Xi'an) Co., Ltd.	Xi'an	Xi'an	Research and development of digital technology		100.00	100.00	Establishment
Ficoteng Intelligent Technology (Qingdao) Co., Ltd.	Qingdao	Qingdao	Intelligent device integrated service		100.00	100.00	Establishment
Qingdao Yunshang Yuyi Technology Co., Ltd.	Qingdao	Qingdao	IoT technology research and development, sales of household appliances, digital products and accessories, clothing shoes and hats, textiles,		70.00	70.00	Establishment

			daily necessities, and furniture				
Haiyu (Shanghai) Intelligent Technology Co., Ltd.	Shanghai	Shanghai	Rental of apartments, intelligent equipment, etc.		70.00	70.00	Establishment
Tianjin Haier Zhikong Electronics Co., Ltd.	Tianjin	Tianjin	Development and manufacturing of automatic control system		100.00	100.00	Establishment
Hefei Haier Intelligent Electronics Co., Ltd.	Hefei	Hefei	Development and manufacturing of automatic control system		100.00	100.00	Establishment
Qingdao Haizhi Investment Management Co., Ltd.	Qingdao	Qingdao	Asset management, equity investment.		100.00	100.00	Establishment
Qingdao Haiduv Health Technology Co., Ltd.	Qingdao	Qingdao	Design and development of household appliance		70	70	Establishment
Qingdao Jijia Cloud Intelligent Technology Co., Ltd.	Qingdao	Qingdao	R&D and sales of lighting appliances		80	80	Establishment
Microenterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd.	All over the country	All over the country	Sales of household appliances				Establishment

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

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

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

(2) Material non-wholly owned subsidiaries

Name of subsidiary	Shareholding of minority shareholders	Profit or loss attributable to minority shareholders in the current period	Distribute dividends to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
Haier Electronics Group Co., Ltd.	54.36%	1,053,061,122.36	512,274,085.77	15,341,363,395.56
Guizhou Haier Electronics Co., Ltd.	41.00%	5,798,906.03	10,660,000.00	105,206,966.09
Wuhan Haier Electronics Co., Ltd.	40.00%	12,575,002.84	8,000,000.00	252,518,034.72

(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

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Haier Electronics Group Co., Ltd.	34,817,929,971.98	12,151,814,283.83	46,969,744,255.81	16,766,293,984.13	3,696,692,919.49	20,462,986,903.62
Guizhou Haier Electronics Co., Ltd.	494,021,343.87	37,235,016.62	531,256,360.49	273,554,004.22	1,100,000.00	274,654,004.22
Wuhan Haier Electronics Co., Ltd.	1,017,125,508.95	150,728,338.94	1,167,853,847.89	541,878,536.63		541,878,536.63

(Continued)

Name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics Group Co., Ltd.	36,493,282,147.17	10,443,489,712.55	46,936,771,859.72	18,022,551,867.68	3,165,936,277.94	21,188,488,145.62
Guizhou Haier Electronics Co., Ltd.	522,694,157.33	49,721,058.77	572,415,216.10	302,856,533.06	1,100,000.00	303,956,533.06
Wuhan Haier Electronics Co., Ltd.	941,594,837.71	149,527,217.84	1,091,122,055.55	471,264,475.86		471,264,475.86

Name of subsidiary	Amount for the current period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Haier Electronics Group Co., Ltd.	41,184,277,708.88	1,877,120,308.52	1,845,523,782.72	2,316,260,742.85
Guizhou Haier Electronics Co., Ltd.	657,983,753.04	14,143,673.23	14,143,673.23	85,092,387.46
Wuhan Haier Electronics Co., Ltd.	1,097,872,964.21	29,993,585.30	29,993,585.30	263,391,235.42

(Continued)

Name of subsidiary	Amount for the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Haier Electronics Group Co., Ltd.	42,389,647,175.11	1,793,614,855.39	2,019,002,389.18	1,839,859,233.08
Guizhou Haier Electronics Co., Ltd.	652,944,777.30	13,422,624.52	13,422,624.52	23,036,480.98
Wuhan Haier Electronics Co., Ltd.	1,533,784,050.67	34,955,617.14	34,955,617.14	-89,385,955.23

**2. Transactions leading to the change of shareholding in subsidiaries but not losing the control**

Applicable Not Applicable

**(1). Description of changes in the share of owners' equity in subsidiaries**

Applicable Not Applicable

The Company purchased the equity interest of a subsidiary, Haier Electronics Group Co., Ltd. from

a secondary market, and its minority shareholders' exercise for the current period or reduced capital, which leads to changes in the Company's shareholding ratio. Capital contribution not proportional to the original shareholding results in changes of shareholding ratio in the subsidiary Haier electric (India) Co., Ltd.. The Company and the subsidiary of the Company acquired minority shareholding, which results in changes in the Company's shareholding ratio.

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

Items	Haier Electronics Group Co., Ltd.	Others
Total Consideration for acquisition/disposal	343,958,769.09	207,962,827.00
Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed	97,745,349.77	226,871,595.10
Difference	-246,213,419.32	18,908,768.10
Including: capital reserve adjustment	-246,213,419.32	18,908,768.10

**3. Interests in joint ventures and associates**

Applicable Not Applicable

(1) Associates

Name of associates	Principal place of business	Place of registration	Nature of business	Shareholding (%)	Accounting treatment of investment
Wolong Electric (Jinan) Motor Co., Ltd.	Jinan	Jinan	Motor Manufacturing	30.00	Equity method
Qingdao HBIS New Material Technology Co., Ltd.	Qingdao	Qingdao	Steel plate Manufacturing	25.65	Equity method
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	Qingdao	Qingdao	Venture Capital	63.00	Equity method
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Qingdao	Qingdao	Manufacturing of household appliances	45.00	Equity method
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Qingdao	Qingdao	Manufacturing of household appliances	49.00	Equity method
Haier Group Finance Co., Ltd.	Qingdao	Qingdao	Financial services	42.00	Equity method
Qingdao Haier Software Investment Co., Ltd.	Qingdao	Qingdao	Software development	25.00	Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technology development	29.03	Equity method
Hefei Feier Smart Technology Co., Ltd.	Hefei	Hefei	Technology development	40.00	Equity method
Bank of Qingdao Co., Ltd.	Qingdao	Qingdao	Commercial Bank	8.65	Equity method
Beijing Xiaobei Technology Co., Ltd.	Beijing	Beijing	Sales of household appliances	42.75	Equity method
Qingdao Haier multimedia Co., Ltd.	Qingdao	Qingdao	R&D and sales of television	20.20	Equity method
Beijing ASU Tech Co.Ltd	Beijing	Beijing	Technical service import and export business	42.61	Equity method
Shanghai Genyuan Environmental Protection Technology Co., Ltd.	Shanghai	Shanghai	Technical advisory services	20.40	Equity method

Qingdao Haimu Investment Management Co., Ltd.	Qingdao	Qingdao	Investment Management	49.00	Equity method
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	Qingdao	Qingdao	Investment Management	24.00	Equity method
Guangzhou Heying Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Investment	50.00	Equity method
Qingdao Java Cloud Network Technology Co., Ltd.	Qingdao	Qingdao	Home online service	24.93	Equity method
Beijing Cangxiaowei Supply Chain Management Co., Ltd.	Qingdao	Qingdao	E-commerce platform	24.02	Equity method
Hunan Electronic Co., Ltd.	Hunan	Hunan	Motor Manufacturing	50.00	Equity method
HPZ LIMITED	Nigeria	Nigeria	Manufacturing of household appliances	25.01	Equity method
HNR COMPANY (PRIVATE) LIMITED	Pakistan	Pakistan	Manufacturing of household appliances	31.72	Equity method
CONTROLADORA MABE S.A.de C.V.	Mexico	Mexico	Manufacturing of household appliances	48.41	Equity method
MIDDLEEAST AIRCONDITIONING COMPANY, LIMITED	Saudi Arabia	Saudi Arabia	Sales of household appliances	49.00	Equity method

**(1). Major financial information of significant joint ventures**

Applicable Not Applicable

**(2). Major financial information of significant associates**

Applicable Not Applicable

① Basic information of significant associates:

a. Haier Group Finance Co., Ltd.(hereinafter referred to as 'Finance company')was established by Haier Group Corporation and its three affiliates. Registration place and principal place of business: No.178-2 Haier Road, Laoshan District, Qingdao City. The Company's subsidiaries hold an aggregate of 42.00% equity interest in Finance Company.

b. General Electric Company has participated in the capital contribution to the establishment of CONTROLADORA MABE S.A.de C.V. (hereinafter referred to as 'MABE'). In June 2016, a subsidiary of the Company acquired 48.41% of equity interests in MABE held by General Electric Company. The registered address and principal place of business of MABE is Mexico. The subsidiaries of the Company hold approximately 48.41% of equity interests in MABE in total.

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

Unit and Currency: RMB

② Financial information of significant associates:

Items	Finance company	
	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Current assets	49,188,829,675.60	59,524,840,580.99
Non-current assets	10,202,219,723.68	6,772,155,247.83
Total assets	59,391,049,399.28	66,296,995,828.82

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Current liabilities	45,781,428,238.16	51,568,658,834.34
Non-current liabilities	220,701,165.55	1,857,007,615.76
Total liabilities	46,002,129,403.71	53,425,666,450.10
Minority equity interests		
Equity interest attributable to shareholders of the Parent Company	13,388,919,995.57	12,871,329,378.72
Including: share of net assets calculated based on shareholding percentage	5,623,346,398.22	5,405,958,339.07
Operating income	1,300,482,943.40	1,297,821,635.65
Net profit	817,752,896.21	783,377,652.09
Other comprehensive income	-162,279.20	55,144,072.53
Total comprehensive income	817,590,617.01	838,521,724.62
Dividend received from associates for the year	126,000,000.00	

(Continued)

Items	MABE	
	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Current assets	6,236,368,636.93	6,401,986,096.80
Non-current assets	11,583,251,670.71	10,722,377,360.00
Total assets	17,819,620,307.64	17,124,363,456.80
Current liabilities	8,612,904,785.25	8,729,901,178.40
Non-current liabilities	5,515,702,841.78	4,762,051,909.60
Total liabilities	14,128,607,627.03	13,491,953,088.00
Minority equity interests		
Equity interest attributable to shareholders of the Parent Company	3,691,012,680.61	3,632,410,368.80
Including: share of net assets calculated based on shareholding percentage	1,786,996,407.29	1,758,624,215.23
Operating income	10,480,026,514.09	9,150,137,891.10
Net profit	109,678,922.13	87,751,088.45
Other comprehensive income	15,778,276.40	51,596,329.94
Total comprehensive income	125,457,198.53	139,347,418.39
Dividend received from associates for the year	32,367,659.70	

(Continued)

Items	Qingdao Bank	
	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Current assets	183,966,402,000.00	181,349,759,000.00
Non-current assets	161,264,544,000.00	136,308,743,000.00
Total assets	345,230,946,000.00	317,658,502,000.00

Current liabilities	236,613,058,000.00	223,355,408,000.00
Non-current liabilities	78,619,807,000.00	66,806,370,000.00
Total liabilities	315,232,865,000.00	290,161,778,000.00
Minority equity interests	539,418,000.00	511,751,000.00
Equity interest attributable to shareholders of the Parent Company	29,458,663,000.00	26,984,973,000.00
Including: share of net assets calculated based on shareholding percentage	2,547,455,894.12	2,592,829,635.67
Operating income	3,725,353,000.00	3,131,390,000.00
Net profit	1,438,462,000.00	1,321,444,000.00
Other comprehensive income	-25,404,000.00	421,494,000.00
Total comprehensive income	1,413,058,000.00	1,742,938,000.00
Dividend received from associates for the year	77,995,640.00	77,995,640.00

**(3). Summarized financial information of insignificant associates**

Investment to associates	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Wolong Electric (Jinan) Motor Co., Ltd.	127,527,836.67	123,281,802.39
Qingdao HBIS New Material Technology Co., Ltd.	271,299,497.89	262,284,357.65
Hefei Feier Smart Technology Co., Ltd.	4,000,000.00	
Qingdao Haier multimedia Co., Ltd.	502,837,161.95	555,084,616.71
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	376,239,481.98	362,380,221.29
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	664,137,026.04	622,643,614.66
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	334,054,062.96	332,723,126.50
Qingdao Haier Software Investment Co., Ltd.	18,193,519.15	18,193,519.15
Beijing Mr. Hi Network Technology Company Limited	3,757,759.75	3,757,759.75
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82	2,687,341.82
Guangzhou Heying Investment Partnership (Limited Partnership)	175,841,840.38	176,064,809.68
Beijing ASU Tech Co.Ltd	25,070,692.58	30,062,027.79
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	7,849,992.00	7,849,992.00
Qingdao Haimu Investment Management Co., Ltd.	2,078,341.37	2,078,341.37
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	48,001,070.25	48,001,070.25
Others	33,248,595.82	
Qingdao Java Cloud Network Technology Co., Ltd.	1,216,581.32	1,216,581.32
Beijing Cangxiaowei Supply Chain Management Co., Ltd.	791,316.97	791,316.97
Hunan Electronic Co., Ltd.	80,375,254.99	74,799,791.29
HNR COMPANY (PRIVATE) LIMITED	112,814,512.34	91,076,038.80
HPZ LIMITED	88,462,298.18	88,800,332.55

MIDDLEEAST AIRCONDITIONING COMPANY, LIMITED	19,180,357.87	18,208,123.96
Total book value of investment	2,899,664,542.28	2,821,984,785.90
Total amount of the following items of associates' financial amounts calculated based on shareholding percentage		
--Net profit	21,659,978.97	82,459,925.23
-- Other comprehensive income	14,315,460.92	-1,637,894.45
-- Total comprehensive income	35,975,439.89	80,822,030.78

## X. Segment Report

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

Applicable Not Applicable

The Company principally engaged in manufacture and sales of household appliances and relevant services business, manufacture of upstream household appliances parts business and distribution of products of third-party, logistics and after-sale business. The Company has 7 business segments, including refrigerator segment, air-conditioner segment, washing machine segment, kitchen appliance segment, water heater segment, equipment components segment, integrated channel services segment and other segment. 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.

- Refrigerator segment mainly engaged in manufacture and sales of refrigerator and freezers products.
- Air-conditioner segment mainly engaged in manufacture and sales of household air conditioners and commercial air conditioners.
- Washing machine segment mainly engaged in manufacture and sales of washing machine products.
- Kitchen appliance segment mainly engaged in manufacture and sales of kitchen appliances products.
- Water heater segment mainly engaged in manufacture and sales of water heater products.
- Equipment components segment mainly engaged in procurement, manufacture and sales of upstream matching accessories for household appliances, manufacture and sales of mould.
- Integrated channel services segment and other segment mainly engaged in distribution business, logistics business, after-sale business, small home appliance business and others.

The Company's third and fourth tier markets channel business is treated as integrated channel services segment and other segment and assessed separately. Accordingly, operating profit from third and fourth tier markets of refrigerator, air-conditioner, kitchen appliance, water heater, washing machine business segment was not reflected in operating profit of each segment.

As the centralized management under the headquarters or not being included in the assessment scope of segment management, the total assets of segment exclude monetary funds, financial assets held for trading, derivative financial assets, dividends receivable, 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 segment exclude long-term and short-term borrowings, financial liabilities held for trading, derivative financial liabilities, dividends payables, taxes payable, held-for-sale liabilities, bonds payable, deferred income tax liabilities and other non-current liabilities; profit of segment exclude financial expenses, profit or loss in fair value changes, income from investment, and income on disposal of assets, Non-VAT refundable upon imposition component of other income, non-operating incomes and expenses and income tax.

#### (1) Information of reportable segments

##### Segment information for the period

Segment information	Air-conditioner segment	Refrigerator segment	Kitchen appliance segment	Water heater segment	Washing machine segment
Segment revenue	17,273,455,231.16	26,267,173,276.70	13,639,871,024.70	3,455,235,657.10	18,840,427,809.78

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Including: external revenue	6,770,907,290.66	15,344,436,784.41	12,682,361,739.90	745,551,180.14	11,097,373,705.56
Inter-segment revenue	10,502,547,940.50	10,922,736,492.29	957,509,284.80	2,709,684,476.96	7,743,054,104.22
Total segment cost	16,432,658,912.89	23,850,129,910.02	12,982,012,876.43	3,104,962,854.03	17,504,813,223.47
Segment profit	840,796,318.27	2,417,043,366.68	657,858,148.27	350,272,803.07	1,335,614,586.31
Total segment assets	18,053,117,284.06	17,716,407,966.65	15,077,839,054.12	1,846,208,397.51	18,006,854,200.40
Total segment liabilities	8,764,831,957.32	27,646,123,021.85	7,676,466,815.23	1,339,199,452.35	8,580,253,500.96

(Continued)

Segment information	Equipment components segment	Integrated channel services segment and other segment	Inter-segment elimination	Total
Segment revenue	26,337,221,356.05	58,591,214,342.96	-65,231,319,754.24	99,173,278,944.21
Including: external revenue	612,706,168.69	51,919,942,074.85	-	99,173,278,944.21
Inter-segment revenue	25,724,515,187.36	6,671,272,268.11	-65,231,319,754.24	-
Total segment cost	26,186,893,622.33	58,025,612,127.06	-65,427,641,767.81	92,659,441,758.42
Segment profit	150,327,733.72	565,602,215.90	196,322,013.57	6,513,837,185.79
Total segment assets	33,343,399,233.69	38,817,212,074.56	-45,194,070,047.20	97,666,968,163.79
Total segment liabilities	32,646,492,580.09	36,376,177,269.35	-47,755,928,486.54	75,273,616,110.61

Segment information for the corresponding period of last year

Segment information	Air-conditioner segment	Refrigerator segment	Kitchen appliance segment	Water heater segment	Washing machine segment
Segment revenue	20,028,990,381.32	24,072,480,075.13	10,980,918,355.84	3,299,177,229.02	14,964,116,561.43
Including: external revenue	6,888,783,677.66	13,881,225,039.79	10,133,840,449.89	720,592,747.71	7,763,717,464.58
Inter-segment revenue	13,140,206,703.66	10,191,255,035.34	847,077,905.96	2,578,584,481.31	7,200,399,096.85
Total segment cost	18,851,953,171.63	22,188,915,044.43	10,357,024,076.73	2,947,615,022.72	13,646,106,501.50
Segment profit	1,177,037,209.69	1,883,565,030.70	623,894,279.11	351,562,206.30	1,318,010,059.93
Total segment assets	16,206,841,690.16	15,115,039,922.90	11,633,383,101.30	2,149,982,914.96	12,962,546,971.94
Total segment liabilities	9,406,713,768.66	27,576,047,193.29	5,878,879,147.56	1,594,837,680.88	6,024,455,060.65

(Continued)

Segment information	Equipment components segment	Integrated channel services segment and other segment	Inter-segment elimination	Total
Segment revenue	30,397,624,212.00	56,665,720,359.13	-69,833,760,054.29	90,575,267,119.59
Including: external revenue	1,377,578,092.60	49,809,529,647.36	-	90,575,267,119.59
Inter-segment revenue	29,020,046,119.40	6,856,190,711.78	-69,833,760,054.29	-
Total segment cost	30,159,338,365.48	55,896,558,393.88	-69,576,984,796.30	84,470,525,780.07

Segment profit	238,285,846.52	769,161,965.25	-256,775,257.99	6,104,741,339.52
Total segment assets	31,649,227,709.92	34,254,650,591.45	-40,740,475,732.79	83,231,197,169.84
Total segment liabilities	33,059,154,103.46	29,653,710,215.11	-40,611,668,998.89	72,582,128,170.72

(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	52,460,560,625.01	52,883,967,008.10
Other countries/regions	46,712,718,319.20	37,691,300,111.49
Including :		
America	27,693,537,889.15	24,591,376,962.53
Australia	2,534,236,838.15	2,469,571,262.22
South Asia	4,249,663,938.66	3,667,158,750.06
Europe	7,221,130,297.04	2,100,469,382.35
Southeast Asia	1,970,496,955.14	1,799,158,536.02
Central East and Africa	690,928,785.10	621,133,808.23
Japan	1,546,013,513.31	1,456,458,576.65
Others	806,710,102.66	985,972,833.43
Total	99,173,278,944.21	90,575,267,119.59

**Total non-current assets**

Items	Closing balance	Opening balance
Mainland China	17,561,764,080.90	15,279,950,318.66
Other countries/regions	23,948,322,297.49	18,248,137,105.45
Total	41,510,086,378.39	33,528,087,424.11

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

**XI. Disclosure of fair value**

**1. Assets and liabilities measured at fair value**

Applicable Not Applicable

The level to which the fair value measurement result belongs is determined by the lowest level to which inputs are significant to the fair value measurement as a whole:

Level 1: Unadjusted quotes for the same asset or liability in an active market

Level 2: Inputs that are directly or indirectly observable for related assets or liabilities, except for Level 1 inputs.

Level 3: Unobservable inputs of related assets or liabilities.

Unit and Currency: RMB

At the end of the period

Items	Inputs used for fair value measurement			
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	Total
<b>Continuously measured at fair value</b>				
<b>Financial assets held for trading</b>	520,083.09	958,872,619.71	26,446,912.87	985,839,615.67
Including: Bank wealth management products		936,485,756.72		936,485,756.72
Forward foreign exchange contract		22,386,862.99		22,386,862.99
Investment in equity instruments	520,083.09		26,446,912.87	26,966,995.96
<b>Derivative financial assets</b>		70,865,506.67		70,865,506.67
Including: Forward foreign exchange contract		66,875,017.62		66,875,017.62
Interest rate swap agreement		3,990,489.05		3,990,489.05
<b>Other equity instruments</b>	20,571,539.40		1,358,621,502.79	1,379,193,042.19
Including: Equity instruments measured at fair value and changes of which included in other comprehensive income	20,571,539.40		1,358,621,502.79	1,379,193,042.19
<b>Other non-current financial assets</b>		328,487,584.54		328,487,584.54
Including: Bank wealth management products		328,487,584.54		328,487,584.54
<b>Other non-current assets</b>		39,800,000.00	49,450,000.00	89,250,000.00
Including: Other non-current financial assets		39,800,000.00	49,450,000.00	89,250,000.00
<b>Financial liabilities held for trading</b>		7,055,018.07		7,055,018.07
Including: Forward foreign exchange contract		7,055,018.07		7,055,018.07
<b>Derivative financial liabilities</b>		33,952,526.10		33,952,526.10
Including: Forward foreign exchange contract		23,360,638.65		23,360,638.65
Forward commodity contract		2,967,834.46		2,967,834.46
Interest rate swap agreement		7,624,052.99		7,624,052.99
<b>Other current liabilities</b>				
Including: Contingent consideration				

<b>Other non-current liabilities</b>		1,622,204,476.70	204,893,813.97	1,827,098,290.67
Including: Obligation of repurchasing the minority equity rights		1,622,204,476.70	204,893,813.97	1,827,098,290.67
Contingent consideration				

At the beginning of the period

Items	Inputs used for fair value measurement			
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	Total
<b>Continuously measured at fair value</b>				
<b>Financial assets held for trading</b>	519,213.09	1,756,325,976.41	18,803,198.26	1,775,648,387.76
Including: Bank wealth management products		1,567,648,908.00		1,567,648,908.00
Forward foreign exchange contract		188,677,068.41		188,677,068.41
Investment in equity instruments	519,213.09		18,803,198.26	19,322,411.35
<b>Derivative financial assets</b>		96,723,164.37		96,723,164.37
Including: Forward foreign exchange contract		39,494,394.98		39,494,394.98
Interest rate swap agreement		57,228,769.39		57,228,769.39
<b>Other equity instruments</b>	17,420,711.90		1,382,895,748.44	1,400,316,460.34
Including: Equity instruments measured at fair value and changes of which included in other comprehensive income	17,420,711.90		1,382,895,748.44	1,400,316,460.34
<b>Other non-current financial assets</b>		327,358,825.57		327,358,825.57
Including: Bank wealth management products		327,358,825.57		327,358,825.57
<b>Other non-current assets</b>		49,499,757.96	46,019,000.00	95,518,757.96
Including: Other non-current financial assets		49,499,757.96	46,019,000.00	95,518,757.96
<b>Financial liabilities held</b>		218,748,280.33		218,748,280.33

<b>for trading</b>				
Including: Forward foreign exchange contract		211,934,956.99		211,934,956.99
Forward foreign exchange options		6,813,323.34		6,813,323.34
<b>Derivative financial liabilities</b>		35,603,754.54		35,603,754.54
Including: Forward foreign exchange contract		24,384,482.19		24,384,482.19
Forward commodity contract		11,219,272.35		11,219,272.35
<b>Other non-current liabilities</b>		1,587,403,337.19	210,624,307.28	1,798,027,644.47
Including: Obligation of repurchasing the minority equity rights		1,587,403,337.19	204,919,000.00	1,792,322,337.19
Contingent consideration			5,705,307.28	5,705,307.28

The fair value of financial instruments traded in active markets is based on its quoted prices in active markets. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques.

## 2. The basis for determining the fair value of the continual Level 2 fair value measurement items

Items	Closing fair value	Valuation techniques
<b>Financial assets held for trading</b>		
Including: Bank wealth management products	936,485,756.72	Bank quote for similar products
Forward foreign exchange contract	22,386,862.99	Bank quote for similar products
<b>Derivative financial assets</b>		
Including: Forward foreign exchange contract	66,875,017.62	Bank quote for similar products
Interest rate swap agreement	3,990,489.05	Bank quote for similar products
<b>Other non-current financial assets</b>		
Including: Bank wealth management	328,487,584.54	Bank quote for similar products
<b>Other non-current assets</b>		
Including: Other non-current financial assets	39,800,000.00	Discounted cash flow model

<b>Financial liabilities held for trading</b>		
Including: Forward foreign exchange contract	7,055,018.07	Bank quote for similar products
<b>Derivative financial liabilities</b>		
Including: Forward foreign exchange contract	23,360,638.65	Bank quote for similar products
Forward commodity contract	2,967,834.46	Futures exchange quote for similar products
Interest rate swap agreement	7,624,052.99	Bank quote for similar products
<b>Other non-current liabilities</b>		
Including: Obligation of repurchasing the minority equity rights	1,622,204,476.70	Discounted cash flow

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

Items	Closing fair value	Valuation techniques	Significant unobservable input	Range	Sensitivity of the input to fair value
<b>Other equity instruments</b>					
Including: China Petrochemical Marketing Co., Ltd.	1,237,167,273.48	Valuation multiples	1. Average P/E multiple of peers 2. Discount for lack of marketability	1. 15.61-15.92 2. 14%-16%	1. 1% increase (decrease) in multiple would result in increase (decrease) in fair value by RMB12,615,000. 2. 1% increase (decrease) in the risk-free interest rate would result in decrease (increase) in fair value by RMB14,841,000.
<b>Other non-current liabilities</b>					

Including: Obligation of repurchasing the minority equity rights	204,893,813.97	Monte Carlo Simulat ion	1. Risk-free interest rate 2. Median volatility of comparable companies 3. Weighted average cost of capital	1.0.47%-1.47% 2.14.14%-16.14% 3.12.11%-14.11%	1. 0.5% increase (decrease) in the risk-free interest rate would result in decrease (increase) in fair value by RMB285,000. 2. 1% increase (decrease) in the median volatility of comparable companies would result in increase (decrease) in fair value by RMB7,113,000. 3. 1% increase (decrease) in WACC would result in decrease (increase) in fair value by RMB9,131,000.
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#### 4. Financial instruments not measured at fair value

Items	Closing book value	Closing fair value
Bonds payable (Exchangeable corporate bonds issued in 2017)	6,792,138,250.22	6,629,825,951.00
Bonds payable (Convertible corporate bonds issued in 2018)	2,560,865,849.82	2,530,580,951.00

Financial assets and financial liabilities that are 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 that are not measured at fair value at the end of this period is insignificant.

## 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 other party.

According to *Management Practices for Information Disclosure of Listed Company* (China Securities Regulatory Commission Order No. 40), related legal entity or related natural person will be identified as related parties in certain occasions.

## (II) Relationships between related parties

### 1. Information about the parent company and other companies holding shares of the Company

Name of enterprise	Type of enterprise	Registered place	Registered capital	Legal representative	Relationships with the Company	Equity interest of the Company	Voting rights to the Company
Haier Group Corporation	Collective ownership enterprise	Qingdao High-tech Zone Haier Park	311,180,000	Zhang Ruimin	Parent Company	16.84%	16.84%
Haier Electric Appliances International Co., Ltd.	Joint-stock company	Qingdao High-tech Zone Haier Park	631,930,635	Zhang Ruimin	Subsidiary of Parent Company	19.76%	19.76%
Qingdao Haier Venture & Investment Information Co., Ltd.	Company with limited liability	Qingdao Free Trade Zone	923,000,000	Zhou Yunjie	Parties acting in concert of Parent Company	2.70%	2.70%
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	Limited partnership	Qingdao High-tech Zone Haier Park	1,053,306,000	Zhang Ruimin	Parties acting in concert of Parent Company	1.15%	1.15%

### 2. Subsidiaries of the Company

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

Applicable Not Applicable

### 3. Joint ventures and associates of the Company

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

Applicable Not Applicable

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

Applicable Not Applicable

### 4. Related company with no controlling relationship

Name of company	Relationship with the Company
HAIER INTERNATIONAL(HK) LTD.	Subsidiary of Haier Group
HAIER INTERNATIONAL CO.,LTD	Subsidiary of Haier Group
Haier Group Finance Co., Ltd.	Subsidiary of Haier Group
Haier Group Electric Appliance Industry Co., Ltd.	Subsidiary of Haier Group
Haier Energy & Power Co., Ltd.	Subsidiary of Haier Group
Haier Brothers Animation Industry Co., Ltd.	Subsidiary of Haier Group
Hefei Haier Logistics Co., Limited	Subsidiary of Haier Group

Laiyang Haier Electrical Co. Ltd.	Subsidiary of Haier Group
Qingdao Haier Whole House Home Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Trading Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Household Integration Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Parts Procurement Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Strauss Water Equipment Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Special Plastic Development Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Communications Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Logistics Consulting Co., Ltd.	Subsidiary of Haier Group
Qingdao Haiyongda Property Management Co., Ltd.	Subsidiary of Haier Group
Brave Lion (HK) limited	Subsidiary of Haier Group
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Subsidiary of Haier Group
Chongqing Haier Logistics Co., Ltd.	Subsidiary of Haier Group
Suzhou Hai Xin InfoTech Ltd	Subsidiary of Haier Group
Haier finance leasing (China) Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Industry and City Innovation Group Co., Ltd.	Subsidiary of Haier Group
Hefei Huadong Packing Co., Ltd.	Subsidiary of Haier Group
Xingyang International Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier New Materials R & D Co., Ltd.	Associate
CONTROLADORA MABE S.A.de C.V.	Associate
Bank of Qingdao Co., Ltd.	Associate
HNR Company (Private) Limited	Associate
Qingdao Haier Software Investment Co., Ltd.	Associate
Qingdao HBIS Composite New Material Technology Co., Ltd.	Associate
Hefei Hegang New Material Technology Co., Ltd.	Associate
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Associate
Wolong Electric (Jinan) Motor Co., Ltd.	Associate

## 5. Related-party transactions

(1) The table of procurement of goods/acceptance of labor services

√Applicable □Not Applicable

Unit and Currency: RMB

Name of related parties	Amount for the current period	Amount for the previous period
CONTROLADORA MABE S.A.de C.V.	5,464,515,041.24	3,797,313,988.61

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Qingdao Haier Parts Procurement Co., Ltd.	2,837,415,037.84	2,737,668,714.18
Chongqing Haier Electrical Appliances Sales Co., Ltd.	1,476,163,477.81	2,117,428,201.15
HNR Company (Private) Limited	1,429,096,343.19	1,258,923,720.84
Chongqing Haier Logistics Co., Ltd.	1,051,553,656.77	1,028,328,519.82
Hefei Haier Logistics Co., Limited	892,337,984.63	747,478,902.47
Qingdao Haier International Trading Co., Ltd.	539,532,451.15	683,580,146.91
Qingdao Haier Strauss Water Equipment Co., Ltd.	505,713,318.79	405,789,607.19
Hefei Hegang New Material Technology Co., Ltd.	412,953,069.36	372,624,744.03
Qingdao Haier Special Plastic Development Co., Ltd.	321,899,079.51	357,967,509.26
Wolong Electric (Jinan) Motor Co., Ltd.	293,778,828.75	364,904,854.05
Qingdao HBIS Composite New Material Technology Co., Ltd.	283,067,913.51	313,670,642.04
Haier Energy & Power Co., Ltd.	209,825,656.06	198,826,409.67
Dalian Haier International Trade Co., Ltd.	185,031,961.19	4,920,359.02
Qingdao Haier International Travel Agency Co., Ltd.	88,298,910.21	79,609,324.69
Laiyang Haier Electrical Co. Ltd.	36,567,109.85	62,261,854.36
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	33,990,109.50	31,785,595.57
HAIER INTERNATIONAL CO., LTD	30,821,100.35	34,081,851.31
Qingdao Haiyongda Property Management Co., Ltd.	26,510,903.45	36,231,346.33
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	21,906,112.32	165,704,463.60
Qingdao Haier Communications Co., Ltd.	4,811,024.73	50,908,272.82
Qingdao Haier Household Integration Co.,Ltd.	3,986,703.89	27,538,593.82
Qingdao Haier Whole House Home Co., Ltd.	1,221,309.55	56,987,019.04
Other related-party	1,065,972,288.48	899,376,813.00
Total	17,216,969,392.13	15,833,911,453.78

(2) The table of sale of goods/provision of labor services

Applicable Not Applicable

Unit and Currency: RMB

Related parties	Amount for the current period	Amount for the previous period
Qingdao Haier Special Plastic Development Co., Ltd.	287,905,105.77	338,525,883.67
Qingdao Haier International Trading Co., Ltd.	268,434,363.24	365,258,871.55

Qingdao Haier New Materials R & D Co., Ltd.	192,841,505.74	185,265,679.09
Wolong Electric (Jinan) Motor Co., Ltd.	146,756,467.18	174,636,996.00
CONTROLADORA MABE S.A.de C.V.	121,852,991.92	411,595,719.20
Qingdao HBIS Composite New Material Technology Co., Ltd.	87,743,947.93	119,670,204.88
Hefei Hegang New Material Technology Co., Ltd.	65,960,255.44	200,819,911.53
Qingdao Haier International Travel Agency Co., Ltd.	37,294,684.35	39,380,799.45
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	13,121,830.74	93,196,412.80
Qingdao Haier Parts Procurement Co., Ltd.	8,231,117.73	2,373,425.04
Other related-party	217,062,815.65	282,926,713.09
Total	1,447,205,085.69	2,213,650,616.30

Description of related party transactions for the purchase and sale of goods, provision and acceptance of labor services

Applicable Not Applicable

(3) Related-party balances

Items and name of customers	Closing Balance	Opening Balance
<b>Bills receivable:</b>		
Qingdao Haier New Materials R & D Co., Ltd.	230,000.00	34,632,882.73
Other related-party	1,522,026.72	7,356,564.87
<b>Dividend receivable:</b>		
Bank of Qingdao Co., Ltd.	77,995,640.00	
Qingdao Haier Software Investment Co., Ltd.	4,524,472.84	4,524,472.84
Other related-party	16,755,243.10	
<b>Accounts receivable:</b>		
Haier Group Electric Appliance Industry Co., Ltd.	108,247,720.70	115,044,945.15
Qingdao Haier Parts Procurement Co., Ltd.	95,818,176.44	23,987,017.43
Haier finance leasing (China) Co., Ltd.	72,277,564.12	80,643,117.12
Qingdao Haier International Travel Agency Co., Ltd.	49,857,674.05	82,564,510.88
CONTROLADORA MABE S.A.de C.V.	46,086,434.91	149,908,002.70
Qingdao Haier Special Plastic Development Co., Ltd.	26,578,284.76	31,769,104.04
Qingdao Haier Household Integration Co., Ltd.	13,084,922.43	10,567,963.70

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Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	6,929,171.29	2,638,782.98
Haier Group Corporation	6,693,216.66	14,363,320.57
Qingdao Haier New Materials R & D Co., Ltd.	6,165,558.51	1,207,127.26
Qingdao HBIS Composite New Material Technology Co., Ltd.	3,921,074.26	754,727.54
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	2,861,656.93	12,254,812.27
Chongqing Hai'er Property Management Co., Ltd.	2,848,104.68	11,445,371.17
Hefei Hegang New Material Technology Co., Ltd.	2,194,759.44	12,430,653.04
HNR Company (Private) Limited		280,435,010.88
Haier International Co.,Ltd.		21,866,762.90
Suzhou Haixin Information Technology Co., Ltd.		10,878,625.30
Other related-party	274,961,122.45	187,957,558.68
<b>Prepayments:</b>		
Qingdao Haier International Trading Co., Ltd.	140,457,012.35	52,377,466.40
Haier Electrical App Co., Ltd.	32,202,383.29	36,250,083.22
Qingdao Haier Parts Procurement Co., Ltd.	18,413,389.21	6,232,019.51
Other related-party	59,819,043.55	36,146,173.00
<b>Interest receivable:</b>		
Haier Group Finance Co., Ltd.	16,649,853.56	8,558,831.18
<b>Other receivables:</b>		
Qingdao Haier Industry and City Innovation Group Co., Ltd.	88,640,000.00	69,280,000.00
Haier Group Electric Appliance Industry Co., Ltd.	15,105.71	4,932,361.04
Other related-party	123,139,386.09	81,410,902.63
<b>Bills payable:</b>		
Laiyang Haier Electrical Co. Ltd.	29,167,677.07	60,572,756.31
Qingdao Haier New Materials R & D Co., Ltd.	27,534,845.05	11,747,585.16
<b>Accounts payable:</b>		
Qingdao Haier Parts Procurement Co., Ltd.	1,957,235,227.72	1,709,722,192.99
Chongqing Haier Electrical Appliances Sales Co., Ltd.	747,221,556.39	887,619,722.87
CONTROLADORA MABE S.A.de C.V.	552,502,090.09	448,791,729.31
HNR Company (Private) Limited	374,281,964.15	83,263,372.49
Qingdao Haier International Trading Co., Ltd.	172,452,150.18	206,304,134.91
Qingdao Haier Strauss Water Equipment Co., Ltd.	117,247,028.03	83,405,508.45
Dalian Haier International Trade Co., Ltd.	104,600,333.37	85,369,608.45
Chongqing Haier Logistics Co., Ltd.	62,782,270.87	76,661,148.51
Hefei Haier Logistics Co., Limited	35,674,751.53	22,752,588.26

Qingdao Haier Special Plastic Development Co., Ltd.	31,023,375.82	43,902,377.09
HAIER INTERNATIONAL CO., LTD	16,238,184.51	96,592,512.06
Laiyang Haier Electrical Co., Ltd.	13,724,362.86	14,480,111.50
Qingdao HBIS Composite New Material Technology Co., Ltd.	10,521,817.81	66,411,374.50
HAIER INFORMATION APPLIANCES S.R.L.	6,117,244.86	6,140,956.33
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	2,484,606.31	23,124,924.59
Qingdao Haier Communications Co., Ltd.	2,287,987.80	48,474,102.93
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	286,615.72	28,603,458.79
Hefei Huadong Packing Co., Ltd.		59,264,205.80
Hefei Hegang New Material Technology Co., Ltd.		50,571,741.10
Other related-party	217,801,752.96	114,012,421.08
<b>Receipts in advance:</b>		
Haier Group Electric Appliance Industry Co., Ltd.		1,397.00
Other related-party		6,521,502.55
<b>Other payables:</b>		
Haier Brothers Animation Industry Co., Ltd.	252,090,812.98	259,873,164.57
Qingdao Haier International Trading Co., Ltd.	61,738,470.80	8,815,157.08
Chongqing Haier Logistics Co., Ltd.	51,830,739.06	51,830,739.06
Dalian Haier International Trade Co., Ltd.	21,800,000.00	10,202,729.90
Xingyang International Co., Ltd.	13,885,076.40	13,885,076.40
Qingdao Haier Investment and Development Co., Ltd.	10,311,777.96	
Haier Energy & Power Co., Ltd.	1,628,865.28	19,548,568.72
Other related-party	50,567,891.22	163,207,257.63
<b>Interest payable:</b>		
Haier Group Finance Co., Ltd.	6,112,562.11	5,911,859.39
<b>Dividends payable:</b>		
Brave Lion (HK) limited	122,756,874.10	122,756,874.10
Haier Electric Appliances International Co., Ltd.	441,798,373.22	
Haier Group Corporation	376,486,378.16	
Qingdao Haier Venture & Investment Information Co., Ltd.	60,460,648.56	
Other related-party	47,102,752.78	39,448,318.95

(4) Other related-party transactions

√Applicable □Not Applicable

(1) Certain of the Company's subsidiaries entered into loan contracts with Haier Group Finance Co., Ltd.. The loan balance as of 30 June 2019 was RMB2.355 billion and the aggregate interest expense payable by the subsidiaries to Haier Group Finance Co., Ltd. for the current period was RMB24 million.

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

Borrower	Loan amount	Guarantor
HAIER U.S.APPLIANCESOLUTIONS,INC.	13,135,884,139.98	Haier Group Corporation
Haier Singapore Investment Holding Co., Ltd.	7,141,229,369.12	Haier Group Corporation
Total	20,277,113,509.10	

(3) The interest income of deposits received by the Company and subsidiaries from Haier Group Finance Co., Ltd. for the current period was RMB41 million.

(4) HAIER PAKISTAN (PRIVATE) LIMITED, a Company's subsidiary, lend an amount of RMB0.278 billion to HNR COMPANY (PRIVATE) LIMITED, the Company's associate at the end of the period. HAIER ELECTRICAL APPLIANCES RUS LIMITED lend an amount of RMB19 million to HAIER RUSSIAN TRADING COMPANY LLC, a related party.

(5) Qingdao Haier Goodaymart Logistic Co., Ltd., a subsidiary of the Company and other companies provided logistics services to other related companies within Haier Group, the logistics income for the current period was RMB93 million.

(6) Leasing

Lessees	Lessors	Uses for leased assets	Lease expense recognized for the period
Subsidiaries of the Company	Qingdao Haier Investment and Development Co., Ltd. and its subsidiaries	Production and operation	15,610,742.75
Subsidiaries of the Company	Other companies of Haier Group	Production and operation	65,723,555.06
Total			81,334,297.81

## 6. Pricing policy

(1) Related-party sales

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

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

(2) Related-party Procurement

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements and delivery of part of raw materials, which is conducted according to the *Purchase and Distribution Contract* entered among the Company, Haier Group Corporation and other parties. The Company, Haier Group Corporation and its subsidiaries purchase materials from agents. They purchase and distribute goods for production and non-production use according to the specific material procurement target proposed by the Company. After procurement and delivery, the supply price consists of the actual purchase price and the agency fee, of which the agency fee was calculated by 1.25%

of the actual purchase price, while in principle the supply price should not be higher than the price that the Company independently purchases from the market.

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

### (3) Related-party Transactions on Financial and Logistics Services

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation and its subsidiaries. According to the Financial Service Agreement entered among the Company, Haier Group Corporation and other parties, the price of financial services is determined by the principle of not less favorable than market value fair. The Company is entitled to decide whether to keep cooperation relationship with them with the knowledge of the price prevailing in the market and in combination with its own interests. While performing the agreement, the Company could also require other financial service institutions to provide related financial services basing on actual situation. In order to meet the Company's demands such as the avoidance of foreign exchange fluctuation risk, the Company may choose Haier Group Finance Co., Ltd. ( hereinafter referred to as 'Finance Company') to provide some foreign exchange derivative business after comparing with comparable companies. The Company will uphold the safe and sound, appropriate and reasonable principle, under which all foreign exchange capital business shall have a normal and reasonable business background to eliminate speculative operation. At the same time, the Company has specified the examination and permission rights, management positions and responsibilities at all levels for its foreign exchange capital business to eradicate the risks of operation by persons and improved its response speed to risks on the premise that the risks are effectively controlled.

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

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

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

### (4) Others

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

The Company and its subsidiaries entered into a series of contracts, including the *Framework Agreement Regarding the Procurement of Modular Products* with Wolong Electric (Jinan) Motor Co., Ltd. and other companies. Pursuant to which, they agreed to supply modular products to the Company at the

most favorable price which is no higher than the price it offered to other clients.

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

### XIII. Share-based payments

Applicable Not Applicable

### XIV. Commitments and Contingencies

Applicable Not Applicable

As of 30 June 2019, the Company has no significant contingencies that need to be disclosed.

### XV. Events subsequent to the balance sheet date

Applicable Not Applicable

1. On 7 August 2019, a cash dividend of RMB0.351 (inclusive of tax) will be distributed for each share based on the Company's total number of 6,097,460,559 A shares, with total cash dividends paid amounting to RMB2,140,208,656.21. A cash dividend of EUR0.045 (inclusive of tax) will be distributed for each share based on the Company's total number of 271,013,973 D shares, with total cash dividends paid amounting to EUR12,202,137.

2. As at 30 August 2018, Haier Electronics Group Co., Ltd. (hereinafter referred to as 'Haier Electronics'), a subsidiary of the Company, entered into an asset swap agreement with Haier Electric Appliances International Co., Ltd ( hereinafter referred to as 'Haier International'), the subsidiary of Haier Group Corporation (our parent Company), pursuant to which, Guanmei (Shanghai) Corporate Management Co., Ltd (hereinafter referred to as 'Guanmei'), an indirect wholly-owned subsidiary of Haier Electronics, has agreed to acquire and Haier International has agreed to sell 51% equity of Qingdao HSW Water Appliance Co., Ltd.(青岛海施水设备有限公司) (hereinafter referred to as 'Qingdao HSW'), at a consideration of RMB1,074,000,000, and Guanmei has agreed to swap 55% equity of Bingji (Shanghai) Corporate Management Co., Ltd.(冰戟(上海)企业管理有限公司)( hereinafter referred to as 'Bingji'), a wholly-owned subsidiary of Guanmei, to Haier International at the same consideration as aforementioned. Qingdao HSW is principally engaged in the R&D and sale of household water purifying solutions. Bingji is an investment holding company that indirectly controls Gooday's Logistics (mainly including the logistics' business segment of Haier Electronics). The aforementioned transactions has been approved by Directors at the special general meeting of Haier Electronics held on 21 November 2018, approved by the relevant governmental authorities on 18 July 2019 and been settled on 26 July 2019. The net revenue from the disposal of Haier Electronics resulting from the transaction is approximately RMB3.16 billion.

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

### XVI. Risks Related to Financial Instruments

Applicable Not Applicable

**The book value of various financial instruments on the balance sheet date is as follows:**

#### Financial assets

Items	Closing balance
-------	-----------------

	Financial assets measured at fair value and changes of which included in current profit and loss	Measured at amortized cost	Financial assets measured at fair value and changes of which included in other comprehensive income	Total
Monetary funds		33,735,043,658.23		33,735,043,658.23
Financial assets held for trading	985,839,615.67			985,839,615.67
Derivative financial assets			70,865,506.67	70,865,506.67
Bills receivable and accounts receivable		28,941,431,778.68		28,941,431,778.68
Other receivables		2,255,319,756.61		2,255,319,756.61
Other current assets		4,961,057,059.11		4,961,057,059.11
Other equity instruments			1,379,193,042.19	1,379,193,042.19
Other non-current financial assets	328,487,584.54			328,487,584.54
Other non-current assets	89,250,000.00			89,250,000.00

**Financial assets (Continued)**

Items	Opening balance			
	Financial assets measured at fair value and changes of which included in current profit and loss	Measured at amortized cost	Financial assets measured at fair value and changes of which included in other comprehensive income	Total
Monetary funds		37,456,355,407.28		37,456,355,407.28
Financial assets held for trading	1,775,648,387.76			1,775,648,387.76
Derivative financial assets			96,723,164.37	96,723,164.37
Bills receivable and accounts receivable		24,652,130,810.52		24,652,130,810.52
Other receivables		1,626,975,864.98		1,626,975,864.98
Other current assets		2,838,231,840.90		2,838,231,840.90
Other equity instruments			1,400,316,460.34	1,400,316,460.34
Other non-current financial assets	327,358,825.57			327,358,825.57
Other non-current assets	95,518,757.96			95,518,757.96

**Financial liabilities**

Items	Closing balance			
	Financial liabilities measured at fair value and changes of which included in current profit and loss	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value and changes of which included in other comprehensive income	Total

Short-term borrowings		8,108,137,605.85		8,108,137,605.85
Financial liabilities held for trading	7,055,018.07			7,055,018.07
Derivative financial liabilities			33,952,526.10	33,952,526.10
Bills payable		17,569,622,873.92		17,569,622,873.92
Accounts payable		30,604,644,390.27		30,604,644,390.27
Other payables		16,413,360,559.11		16,413,360,559.11
Non-current liabilities due within one year		8,902,956,811.05		8,902,956,811.05
Other current liabilities				
Long-term borrowings		12,260,679,425.08		12,260,679,425.08
Bonds payable		9,353,004,100.04		9,353,004,100.04
Long-term payables		115,402,960.78		115,402,960.78
Other non-current liabilities	1,827,098,290.67			1,827,098,290.67

**Financial liabilities (Continued)**

Items	Opening balance			Total
	Financial liabilities measured at fair value and changes of which included in current profit and loss	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value and changes of which included in other comprehensive income	
Short-term borrowings		6,298,504,892.57		6,298,504,892.57
Financial liabilities held for trading	218,748,280.33			218,748,280.33
Derivative financial liabilities			35,603,754.54	35,603,754.54
Bills payable		19,626,099,061.60		19,626,099,061.60
Accounts payable		27,759,119,079.78		27,759,119,079.78
Other payables		12,685,677,402.91		12,685,677,402.91
Non-current liabilities due within one year		3,015,060,105.58		3,015,060,105.58
Long-term borrowings		15,541,466,325.22		15,541,466,325.22
Bonds payable		9,191,896,302.70		9,191,896,302.70
Long-term payables		106,763,243.99		106,763,243.99
Other non-current liabilities	1,798,027,644.47			1,798,027,644.47

Details on each of the financial instruments of the Company are disclosed in Note VII. Risks related to these financial instruments and the risk management policies to mitigate these risks are summarized as below. The management of the Company manages and monitors these risk exposures to ensure above risks are well under control.

1. Credit risk

The credit risk of the Company is mainly arised from cash in bank, notes receivable, accounts receivable, interest receivable, other receivable and financial products.

(1) The Company's bank deposits and financial products are mainly deposited in Haier Group Finance Co., Ltd., state-owned banks and other large and medium sized listed banks. The interest receivables are mainly the accrued interest from fixed deposits which are deposited in above banks. The Group doesn't believe there is any significant credit risk due to defaults of its counter parties which would cause significant loss.

(2) Accounts receivable and notes receivable: The Company only trades with approved and reputable third parties. All consumers who are traded by credit are subject to credit assessment, and the payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivable on an ongoing basis and purchase credit insurance for receivables of large-amount credit customers in order to ensure the Company is free from material bad debts risks.

(3) Other receivables of the Company mainly include export tax refund, borrowings and contingency provision. The Company strengthened its management and continuous monitoring to these receivables and relevant economy business based on historical data, so as to ensure that the Company's significant risk of bad debts are controllable and futher to be reduced.

#### 2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in fulfilling obligations associated with financial liabilities. The Company utilize various financing methods such as notes and bank loans, to strive for a 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 settled in foreign currencies expose the Company to fluctuations in exchange rates. The Company's finance department is responsible for monitoring the size of transactions in foreign currencies and assets and liabilities denominated in foreign currencies and maximally reduce the exposed fluctuation risk of exchange rate; the Company resorts the way of signing the long-term foreign exchange contracts to avoid the risk of exchange fluctuation.

#### 4. Interest rate risk

The Company's interest rate risk arised from its long- and short- term bank loans and bonds payables which are interest-bearing. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Group determines the corresponding percentage of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

## XVII. Other Significant Events

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

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

### 1. Accounts receivable

(1). The disclosure of accounts receivable by ageing is as follows:

Ageing	Closing balance	Opening balance
Within one year	213,447,137.70	205,461,418.79
1-2 years		9,306,599.70
2-3years	857,235.45	8,649,467.83

Over 3 years	159,822.00	
Accounts receivable balance	214,464,195.15	223,417,486.32
Allowance for bad debts	63,863.48	795,468.89
Accounts receivable, net	214,400,331.67	222,622,017.43

**(2). The disclosure by bad debt provision method**

Applicable Not Applicable

**(3). Changes in bad debt provision**

Applicable Not Applicable

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision	Other movement	Reversal	Write-off / other movement	
Allowance for bad debts	795,468.89			731,605.41		63,863.48

(4). The total amount of the top 5 accounts receivable at the end of the period was RMB204,943,385.12, accounting for 95.56% of book balance of the accounts receivable.

**2. Other receivables**

**Items presentation**

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	10,294,498.12	6,292,538.22
Dividend receivable	867,586,570.57	1,912,418,382.82
Other receivables	994,590,806.59	164,056,245.54
Total	1,872,471,875.28	2,082,767,166.58

Other Explanations:

Applicable Not Applicable

**Interest receivable**

Aging	Closing balance	Opening balance
Within one year	10,294,498.12	6,292,538.22
Over 1 year		
Total	10,294,498.12	6,292,538.22

**Dividend receivable**

Aging	Closing balance	Opening balance
Within one year	867,586,570.57	1,912,418,382.82
Over 1 year		
Total	867,586,570.57	1,912,418,382.82

### Other receivables

The disclosure of other receivables by ageing is as follows:

Ageing	Closing balance	Opening balance
Within one year	994,598,306.59	164,319,278.07
Over 1 year		
Other receivables balance	994,598,306.59	164,319,278.07
Allowance for bad debts	7,500.00	263,032.53
Other receivables, net	994,590,806.59	164,056,245.54

① The total amount of the top 5 other receivables at the end of the period is RMB671,072,647.87, accounting for 67.47% of book balance of other receivables.

② Changes in bad debt provision for other receivables in the current period:

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off / other movement	
Allowance for bad debts	263,032.53			255,532.53		7,500.00

### 3. Long-term equity investment

Applicable Not Applicable

(1) Details of long-term equity investments:

Items	Closing balance		Opening balance	
	Book value balance	Provision for impairment	Book value balance	Provision for impairment
Long-term equity investments				
Including: long-term equity investments to subsidiaries	31,435,861,600.66	7,100,000.00	30,675,167,530.39	7,100,000.00
Long-term equity investments to associates	3,198,213,783.90	21,000,000.00	3,197,166,784.91	21,000,000.00
Total	34,634,075,384.56	28,100,000.00	33,872,334,315.30	28,100,000.00

(2) Long-term equity investments to subsidiaries

Name of investee	Opening balance	Increase / Decrease for the period	Closing balance	Impairment provisions
<b>I. Subsidiaries:</b>				
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	

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Qingdao Haier Technology Co., Ltd.	16,817,162.03		16,817,162.03	
Qingdao Household Appliance Technology and Equipment Research Institute	66,778,810.80		66,778,810.80	
Qingdao Meier Plastic Powder Co., Ltd.	24,327,257.77		24,327,257.77	
Chongqing Haier Precision Plastic Co., Ltd.	47,811,283.24		47,811,283.24	
Qingdao Haier Electronic Plastic Co., Ltd.	48,000,000.00		48,000,000.00	
Dalian Haier Refrigerator Co., Ltd.	99,000,000.00		99,000,000.00	
Dalian Haier Air-conditioning Co., Ltd.	99,000,000.00		99,000,000.00	
Guizhou Haier Electronics Co., Ltd.	96,904,371.71		96,904,371.71	
Hefei Haier Air-conditioning Co., Limited	67,110,323.85		67,110,323.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	158,387,576.48	102,429,231.55	260,816,808.03	
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	1,113,433,044.51		1,113,433,044.51	
Qingdao Haier Air Conditioner Gen Corp., Ltd.	220,636,306.02		220,636,306.02	
Qingdao Haier Special Freezer Co., Ltd.	442,684,262.76		442,684,262.76	
Qingdao Haier Dishwasher Co., Ltd.	206,594,292.82		206,594,292.82	
Wuhan Haier Freezer Co., Ltd.	47,310,000.00		47,310,000.00	
Wuhan Haier Electronics Co., Ltd.	100,715,445.04		100,715,445.04	
Chongqing Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Hefei Haier Refrigerator Co., Ltd.	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.	91,750,000.00		91,750,000.00	
Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd.	2,000,000.00		2,000,000.00	
Haier Kaaosi IOT Ecosystem Technology Limited	733,454,010.03	164,000,000.00	897,454,010.03	
Qingdao Haier special refrigerating Appliance Co., Ltd.	100,000,000.00		100,000,000.00	
Haier Shareholdings (Hong Kong) Limited	23,624,546,787.52	469,414,838.72	24,093,961,626.24	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.00		130,000,000.00	
Qingdao Haier Technology Investment Co., Ltd.	277,255,635.00	24,850,000.00	302,105,635.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.	10,000,000.00		10,000,000.00	
Haier Overseas Electric Appliance Co., Ltd.	20,000,000.00		20,000,000.00	
Haier (Shanghai) Electronics Co., Ltd.	12,500,000.00		12,500,000.00	

Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	143,000,000.00		143,000,000.00	
Haier Electronics Group Co., Ltd.	669,830,769.26		669,830,769.26	7,100,000.00
Qingdao Haidarui Procurement Service Co., Ltd.	107,800,000.00		107,800,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	326,400,000.00		326,400,000.00	
Haier Overseas Electric Appliance Co., Ltd. (Logistics)	20,000,000.00		20,000,000.00	
Total	30,675,167,530.39	760,694,070.27	31,435,861,600.66	7,100,000.00

(3) Long-term equity investments to associates:

Name of investee	Opening balance	Increase/decrease amount for the current period			Closing balance	Closing impairment provisions
		Increase/decrease	Recognized investment income under equity method	Others		
Wolong Electric (Jinan) Motor Co., Ltd.	115,124,133.84		4,500,961.43		119,625,095.27	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	362,380,221.29		13,859,260.69		376,239,481.98	
Bank of Qingdao Co., Ltd.	966,031,978.83		46,345,712.41	63,250,968.86	949,126,722.38	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	622,643,614.66		41,493,411.38		664,137,026.04	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	332,723,126.50		1,330,936.46		334,054,062.96	21,000,000.00
Qingdao Haier multimedia Co., Ltd.	555,084,616.71		52,247,454.76		502,837,161.95	
Qingdao HBIS New Material Technology Co., Ltd.	243,179,093.08		9,015,140.24		252,194,233.32	
Total	3,197,166,784.91		64,297,967.85	63,250,968.86	3,198,213,783.90	21,000,000.00

**4. Operating revenue and operating cost**

**(1). Details of operating revenue and operating cost**

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	1,243,167,506.32	873,770,520.48	1,621,944,396.28	1,119,899,681.97
Other business	87,701,868.31	76,612,012.84	2,209,632.18	162,870.29
Total	1,330,869,374.63	950,382,533.32	1,624,154,028.46	1,120,062,552.26

**5. Investment income**

Items	Amount for the current period	Amount for the previous period
Investment from long-term equity investments accounted for using equity method	64,297,967.85	131,543,797.71
Investment income from long-term equity investment accounted for using cost method	158,604,089.57	87,976,272.14
Income from wealth management product	22,666,056.16	
Total	245,568,113.58	219,520,069.85

## XIX. Supplementary Information

### 1. Basic earnings per share and diluted earnings per share

Items	Amount for the current period			Amount for the previous period		
	Weighted average return rate on net assets	Earnings per share(RMB)		Weighted average return rate on net assets	Earnings per share(RMB)	
		Basic earnings per share	Diluted earnings per share		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Parent Company	12.29%	0.809	0.778	13.49%	0.785	0.785
Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss	11.22%	0.739	0.710	12.99%	0.734	0.723

### 2. Non-recurring profit or loss

Items	Amount for the current period	Amount for the previous period
Net profit attributable to ordinary shareholders of the Parent Company	5,150,869,558.02	4,787,943,825.16
Less: non-recurring profit or loss	447,688,743.02	311,952,259.89
Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss	4,703,180,815.00	4,475,991,565.27

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

Non-recurring profit or loss items	Amount for the current period
Profit or loss from disposal of non-current assets	3,213,080.27
Profit from disposal of long-term equity investments	1,089,977.75
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	279,256,033.50
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 other equity instrument investments, except the effective hedging related to the normal operations of the Company	156,198,964.91
Entrusted fee income from entrusted operations	
Other non-operating income and expenses except the aforementioned items	164,885,043.50
Impact on minority interest	-94,052,101.37

Impact on income tax	-62,902,255.54
Impact on profit from business combination under common control	
Total	447,688,743.02

Notes for the Company's non-recurring profit or loss items as defined in *the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Non-recurring Profit or Losses* and the non - recurring profit or loss items as illustrated in *the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Non-recurring Profit or Losses* defined as its non - recurring profit or loss items.

Applicable Not Applicable

**3. Difference on figures by domestic and foreign Accounting Standards**

Applicable Not Applicable

## SECTION XI DOCUMENTS AVAILABLE FOR INSPECTION

Documents Available for Inspection	I 2019 Interim Report of Haier Smart Home Co., Ltd. with signatures of the legal representative.
	II Financial report with signatures or seals of the person in charge of the Company, the person in charge of chief accountant and person in charge of accounting department.
	III All documents of the Company which have been publicly disclosed on the <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , <i>Securities Daily</i> , <i>Securities Times</i> and the website of Shanghai Stock Exchange (www.sse.com.cn) during the reporting period.

Chairman of the Board: Liang Haishan,

Date of approval for publication by the Board: 29 August 2019