

Stock Code: 600690

Short Name: Haier Smart Home

Convertible Bond Code: 110049

Convertible Bond Name: Haier Convertible Bonds

Convertible Stock Code: 190049

Convertible Stock Name: Haier Converted Stocks

Haier Smart Home Co., Ltd. Third Quarterly Report of 2019

海尔智家
Haier smart home

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I. Important Notice

- 1.1 The Board of Directors, the Board of Supervisors and directors, supervisors and senior management of Haier Smart Home Co., Ltd. (the “Company”) hereby assure that the content set out in the quarterly report is true, accurate and complete, and free from any false record, misleading representation or material omission, and are individually and collectively responsible for the content set out therein.
- 1.2 All directors of the Company attend the Board of Directors to review the quarterly report.
- 1.3 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 statement set out in the quarterly report is true, accurate and complete.
- 1.4 This Third Quarterly Report of the Company has not been audited.

II. Company Profile

2.1 Key financial information

Unit and Currency: RMB

	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	
Total assets	184,273,943,674.56	167,623,755,907.07	166,699,544,243.79	9.93
Net assets attributable to shareholders of the listed company	44,881,019,057.59	39,527,134,756.93	39,402,350,791.68	13.54
	From the beginning of the year to the end of the reporting	From the beginning of last year to the end of the reporting period of last year (January to September)		Increase/decrease compared with the corresponding period of last year

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	period (January to September)	After adjustment	Before adjustment	(%)
Net cash flows from operating activities	9,006,912,568.45	10,902,332,232.22	11,049,179,807.06	-17.39
	From the beginning of the year to the end of the reporting period (January to September)	From the beginning of last year to the end of the reporting period of last year (January to September)		Increase/decrease compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Operating revenue	148,896,109,856.46	138,227,311,459.35	138,138,774,411.21	7.72
Net profit attributable to shareholders of the listed company	7,772,860,902.81	6,161,001,081.50	6,126,787,121.21	26.16
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed Company	5,834,398,305.26	5,522,473,377.30	5,522,473,377.30	5.65
Weighted average return on net assets (%)	18.17	18.02	17.42	Increased by 0.15 pct
Basic earnings per share (RMB per share)	1.221	1.010	1.005	20.89
Diluted earnings per share (RMB per share)	1.131	1.010	0.987	11.98

Note:

During the reporting period, the Company followed the strategy of smart home leadership. Driven by the *Rendanheyi* model, the Company managed to achieve continuous growth against the adverse economic situation through continued product innovation, deepened retail transformation, global operation and multibrand operation. The Company also led the scenario transformation of eco brand and accelerated the landing of '5+7+N' smart home, all-scenario, customized and complete-set solutions and creation of eco-scenario; and promoted the construction from the networked appliances to scenario to ecology and built an eco brand in the IoT era. In 2019, Haier was listed in “BrandZ™ Top 100 Most Valuable Global Brands in 2019” and became the first and only IOT eco brand listed in the Top 100 in BrandZ™’s history.

1. As the logistics business would not be consolidated by the Company in Q3 of 2019, the revenue increased by 4.6% in this quarter. If we exclude the impact from logistics equity swap, on a LOL basis,

the revenue from July to September would increase by 9.1% yoy and 9.5% for the first three quarters this year. The disposal of logistics business resulted in investment income of RMB1.44 billion.

2. Continuously rising market share of online and offline whole-category products in domestic market. According to the statistics from China Market Monitor Co., Ltd (CMM), ①Offline market: the Company's retail sales shares of refrigerators, washing machines, air conditioners, water heaters and kitchen appliances increased by 1.4, 2.7, 0.7, 1.9 and 0.8 pct from January to September 2019, respectively. In terms of refrigerators and washing machines, the Company maintained the top 1 in the industry and continued to expand its leading advantages, with the market share being 3.3 and 2.1 times as high as that of the second place, respectively. ②Online market: the Company's retail sales shares of refrigerators, washing machines, air conditioners, water heaters and kitchen appliances have increased by 1.9, 1.3, 0.1, 1.5 and 1.1 pct, respectively.

3. Accelerating Growth of high-end brand Casarte. Revenue of Casarte brand from January to September increased by 25%, of which the revenue from July to September increased by 42%; Casarte refrigerators and washing machines achieved absolute leading advantage in terms of the market share of products priced over RMB10,000, which amounted to 40.6% and 76.8%, respectively.

4. Air conditioner business achieved breakthrough in high-end market. Casarte's air conditioners achieved multiple growth through launching Commander series and expanding the product lineup with a revenue growth from January to September of 120%; the market share of Casarte air conditioners priced over RMB10,000 nearly doubled, achieving 10.2%; and the high-end market share of products priced over RMB15,000 amounted to 41.24%, ranking top among the competitors; in the overseas market, the Company insisted on self-owned brand, and the self-owned brand of Haier air conditioner ranked top in terms of export for two consecutive years.

5. Global brand corporate value demonstrated, overall growth in overseas market achieved and the high-end presence established with remarkable success. The revenue from overseas market increased by 25%, representing 47% of the total revenue, while nearly 100% of the revenue from overseas was generated from self-owned brands. The revenue from all regional markets have realized increase with the North America, Europe, South Asia, Southeast Asia, Japan, Australia and New Zealand and Mid&East Africa increased by 11.6%, 224.5%, 14.1%, 22.4%, 9.7%, 3.2% and 9.2%, respectively.

The Company merged Italian brand Candy this year, and after 3 quarters of platform integration on logistics, finance, after sales and human resources, and adopting measures in procurement and R&D synergy, the results of the third quarter improved significantly, and the fruits on operation have gradually come into being.

6. Leading the transformation of scenario solution replacing the product. Complete-set smart home solution gained market recognition. The Company replaced the past single product sales by providing the whole-house smart scenario solution ‘5+7+N’ to meet the user's personalized customization needs for smart home. Haier Smart Home 001 Experience Center opened on 6 September in Shanghai, landing the scene experience of ‘5+7+N’, providing the user with new experience of solutions including whole-house interactive voice, whole-house fresh air, smart kitchen providing whole family’ healthy food, whole-house water using, sanitation and security, empowering the sales of Haier smart home complete-set solutions with its differentiated advantages on all-scenario, complete-set and smart solutions. The total sales in a single month reached RMB20 million, the average price per customer of solutions of smart home appliances & household integration is RMB400,000, among which the average price per customer of solutions of smart home appliances scenario is RMB250,000, and the highest price per customer reached RMB700,000. The Company realized transformation from selling single product to providing comprehensive solutions of home appliances & household integration, and from products interaction to scenario interaction, and achieved iterative upgrades to enhance user’ s value and viscosity with comprehensive premium sets, comprehensive smart sets, process integration of design, installation and after-sales and Smart Home’s cloud platform.

7. A leading eco system transformation with full industry coverage. The Company actively promoted the ecosphere construction of the Internet of Clothing, Internet of Food and Internet of Air, as well as the empowerment transformation of related industries. Haier’ s ecosphere including the Internet of Clothing, Internet of Food and Internet of Air covering industries like clothing, textile, washing & dyeing and food with more than 1200 cooperative resource enterprises. During the reporting period, the ecological revenue of the Internet of Food, Internet of Clothing and Internet of Air increased by 40%, 46% and 79%, reaching RMB0.73 billion, RMB1.62 billion and RMB0.94 billion, respectively; the ecological revenue of smart home increased by 55%, reaching RMB3.37 billion; and the ecological

yield was 15%, increased by 3 pct.

The Internet of Clothing of Haier provides users with the best experience throughout the whole process based on the clothing lifetime cycle management platform of IoT and reliant on the home appliances of the Internet of Clothing and the IoT technologies. By connecting fields, factories, stores and homes to label clothes with RFID ‘chip identity card’, and cooperating with clothing and textile industry, washing and dyeing industry, and the Internet of Clothing technology industry to construct smart scenario ecology together, the Company achieved digital management of smart clothes, provided users with lifetime cycle solutions from clothes purchase to washing, caring, management and matching, and facilitated the transformation and upgrading of industry chain-cluster of clothes in the IoT era. The Internet of Clothing promoted the application of IoT technologies in the clothing and textile industry, which enhanced the commodity management efficiency of the ecological resource enterprises, with the efficiency of receipt and delivery increased tenfold and the labor costs decreased by 50%.

8. We continued to expand the R&D investment of AI and IOT to create a dual-core drive capability of networked appliances intelligence and data intelligence. The voice interactive portal covers more than 60 types of networked appliances and more than 3,000 models. From January to September 2019, the binding amount of networked appliances and activation rate of intelligent white goods increased by 137% and 92%, respectively and the active users increased by 195% year-on-year.

Leading the formulation of international/national standards: The Smart Home’s cloud platform fully deployed four major standard organizations including IEC, ISO, IEEE and OCF and realized a worldwide leading position in standard system of smart home cloud ecology. While leading the formulation of international standards for the IEEE food traceability; the Internet of Clothing released national standards for the GB clothing commodities encoding and RFID labels, initiated 4 international standards, and participated in the formulation of 10 national & international standards.

Transforming from the networked appliances to scenario and to ecology will provide the consumers a smart & precise life solution and keep iterating. The Company also transforms from current low frequency sales to high frequency interaction with lifetime users to increase the users marginal revenue and create value among users and ecosystem stakeholders in a win-win situation. We realized diversified revenue expansion on the business model, such as revenue from the hardware to revenue from services,

platforms and others.

9. COSMOPlat Industrial Internet Platform: it established ‘1 (main platform) + 7 (modules) + N (industries) platform’ system, and realized cross-industry and cross-field applications by promoting platform innovation, technology innovation and ecological innovation. For the time being, it can provide a comprehensive solution of soft and hard integration for 15 industries such as ceramics, RV and agriculture, deeply empowering enterprises for transformation and upgrading. The revenue of COSMOPlat was RMB8.06 billion with an increase of 55%. 15 interconnected factories have been built by the Company, constructing a large-scale user-oriented customization leading system in the IOT era, and forming a world's leading benchmark of high-end manufacturing.

Non-recurring Profit or Loss Items and Amount

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period (July-September)	Amount from the beginning of the year to the end of the reporting period (January-September)
Profit or loss from disposal of non-current assets	3,801,616,782.92	3,805,919,840.94
Government grants included in current profit or loss, except those closely related to the normal operating business, complying with requirements of the national policies, and continuing to be granted with the amount and quantity determined under certain standards	168,129,964.05	447,385,997.55
Current net profit or loss of the subsidiaries from the consolidation of enterprises under common control from the beginning of the period to consolidation date	13,950,738.83	13,950,738.83
Profit or loss from contingencies not related to the ordinary operations of the		

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Company		
Profit and loss of changes in fair value arising from holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities except for valid straddle business relevant to normal business of the company, as well as investment gain realized from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments	-3,644,829.80	152,554,135.11
Other non-operating income and expenses except for the above mentioned	139,277,208.60	304,162,252.10
Effect of minority equity interests, net of tax	-2,169,874,488.09	-2,263,926,589.46
Income tax effect	-458,681,521.98	-521,583,777.52
Total	1,490,773,854.53	1,938,462,597.55

2.2 Total number of shareholders, top ten shareholders and top ten shareholders holding circulating shares (or shareholders not subject to selling restrictions) as of the end of the reporting period

Unit: share

Total number of shareholders				168,418		
Shareholdings of top ten shareholders						
Name of Shareholder (full name)	Number of shares held at the end of the period	Percent age (%)	Number of shares held with selling restrictions	Status of shares pledged or frozen		Nature of shareholder
				Statu s	Number	
Haier Electric Appliances International Co., Ltd.	1,258,684,824	19.76		Nil	1,258,684,824	Domestic non-state-owned legal entity

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Haier Group Corporation	1,072,610,764	16.84		Nil	1,072,610,764	Domestic non-state-owned legal entity
Hong Kong Securities Clearing Co., Ltd.	763,164,487	11.98		Unkn own	763,164,487	Unknown
China Securities Finance Corporation Limited	182,592,697	2.87		Unkn own	182,592,697	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		Unkn own	172,252,560	Domestic non-state-owned legal entity
GIC PRIVATE LIMITED	171,682,422	2.70		Unkn own	171,682,422	Unknown
Bank of China Limited- E Fund's small and medium-sized	94,000,098	1.48		Unkn own	94,000,098	Unknown
CLEARSTREAM BANKING S.A. (Note)	91,222,350	1.43		Unkn own	91,222,350	Unknown
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	73,011,000	1.15		Nil	73,011,000	Domestic non-state-owned legal entity
National social security fund, Portfolio 103	72,009,282	1.13		Unkn own	72,009,282	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.	763,164,487	RMB ordinary	763,164,487			
China Securities Finance Corporation Limited	182,592,697	RMB ordinary	182,592,697			
Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司)	172,252,560	RMB ordinary	172,252,560			
GIC PRIVATE LIMITED	171,682,422	RMB ordinary	171,682,422			
Bank of China Limited- E Fund's small and medium-sized	94,000,098	RMB ordinary	94,000,098			

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CLEARSTREAM BANKING S.A.	91,222,350	Overseas listed foreign shares	91,222,350
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	73,011,000	RMB ordinary	73,011,000
National social security fund, Portfolio 103	72,009,282	RMB ordinary	72,009,282
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	N/A		

Note: This account is the Clearstream Banking collection account for the Company's D shares, which is the original data provided by the German securities registration agency to the Company after the merger according to local market practices and technical settings, not representing the ultimate shareholder.

2.3 Table of total number of preferential shareholders, top ten preferential shareholders, top ten preferential shareholders without selling restrictions by the end of the reporting period

Applicable Not Applicable

III. Important Events

3.1 The major changes and reasons for the items of accounting statement and financial indicators

Applicable Not Applicable

Reasons for the changes with the amount of variation exceeding $\pm 30\%$ are as follows:

- 1) Financial assets held for trading decreased by 53.97% as compared to the beginning of the period, mainly due to the decrease of wealth management products during the current period;
- 2) Prepayments increased by 54.03% as compared to the beginning of the period, mainly due to the increase of prepayments for materials.

- 3) Assets held for sale decreased by 98.46% as compared to the beginning of the period, mainly due to the finished disposal of the assets to be disposed;
- 4) Long-term equity investments increased by 42.81% as compared to the beginning of the period, mainly due to the equity changes in the subsidiaries of Haier Electronics;
- 5) Development expenses decreased by 71.93% as compared to the beginning of the period, mainly due to the transfer to intangible assets upon completion;
- 6) Short-term borrowings increased by 43.78% as compared to the beginning of the period, mainly due to the increase of loans resulted from merging candy;
- 7) Financial liabilities held for trading decreased by 71.31% as compared to the beginning of the period, mainly due to the expiration of forward foreign exchange contracts during the current period;
- 8) Receipts in advance decreased by 100% as compared to the beginning of the period, mainly due to the completion of contract performance during the last period;
- 9) Liabilities held for sale decreased by 57.37% as compared to the beginning of the period, mainly due to the equity changes in the subsidiaries of Haier Electronics;
- 10) Non-current liabilities due within one year increased by 222.09% as compared to the beginning of the period, mainly because that the long-term loans will be subject to reclassification within one year;
- 11) Lease liabilities increased by 100% as compared to the beginning of the period, mainly due to the lease liabilities recognized pursuant to the new lease standard;
- 12) Long-term payable increased by 103.09 % as compared to the beginning of the period, mainly due to the increase of subsidiary's items long-term payable.
- 13) Deferred income tax liabilities increased by 352.14% as compared to the beginning of the period, mainly due to the liabilities brought in by candy merged during the current period and the equity changes in the subsidiaries of Haier Electronics;
- 14) Other non-current liabilities decreased by 94.66% as compared to the beginning of the period, mainly due to the equity changes in the subsidiaries of Haier Electronics;
- 15) Capital reserve decreased by 39.95% as compared to the beginning of the period, mainly due to the 1169 logistics business moved off the financial statements;
- 16) Other comprehensive income increased by 110.99% as compared to the beginning of the period, mainly due to the contribution from candy merged during the current period;

17) Other income increased by 32.40% as compared to the same period of last year, mainly due to the increase in the government grants during the current period;

18) Investment income increased by 275.83% as compared to the same period of last year, mainly due to the equity changes in the subsidiaries of Haier Electronics;

19) Losses and gains on change of fair value increased by 116.48% as compared to the same period of last year, mainly due to the change of fair value in forward foreign exchange contracts during the current period;

20) Gains on asset disposal decreased by 111.91% as compared to the same period of last year, mainly due to the gains on asset disposal from the same period of the last year (current period: nil);

21) Non-operating income increased by 51.03% as compared to the same period of last year, mainly due to the increase in one-off income during the current period;

22) Non-operating expenses increased by 125.45% as compared to the same period of last year, mainly due to the increase in one-off expenses during the current period;

23) Income tax expenses increased by 56.42% as compared to the same period of last year, mainly due to the equity changes in the subsidiaries of Haier Electronics.

3.2 Analysis on the progress of significant events and their impacts and solutions

Applicable Not Applicable

(1) **External Guarantees** : As of the end of the reporting period, the external guarantees of the Company and its subsidiaries are all guarantees among the Company and its subsidiaries, and the balance of the external guarantees amounted to RMB29.255 billion in total (the balance of guarantees for the loan funds used to acquire GEA amounted to RMB7.875 billion, and the balance of guarantees for daily business amounted to RMB21.380 billion), representing 65.2% of the net assets of the Company for the latest period, and 15.9% of the total assets for the latest period.

(2) **Foreign Exchange Derivatives** : As of the end of the reporting period, the balance of the Company's Foreign Exchange Derivatives amounted to approximately US\$1.442 billion in total.

(3) **Entrusted wealth management**: By the end of the reporting period, the balance of the Company's entrusted wealth management amounted to RMB3.695 billion, including three parts: ① **temporarily-idle fundraising wealth management**: at the end of December 2018, the Company's proceeds for the issuance of convertible corporate bonds were fully landed. In order to improve the yield of temporarily-idle funds, the Company intends 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 RMB0.728 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 RMB2.962 billion. ③ **Some subsidiaries of the Company use temporarily-idle funds to manage their finances:** In order to increase the yield of temporarily-idle funds, some subsidiaries of the Company use temporarily-idle funds to conduct cash management within the authority of the general manager's office. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB5 million.

3.3 The undertakings that have been past due and not been performed during the reporting period

Applicable Not applicable

By the end of the reporting period, the Company has no undertakings that have past due but not performed. The undertakings that are still in the performance period are as follows:

Backgr ound	Type	Cove nante r	Content	Time and term	Whether it has a term for perform ance	Wheth er it is perfor med in a timely and strict manner
Undert aking related to signifi cant assets reorga nizatio n	Elimin ate the propert y right defects in land and etc.	Haier Grou p Corp oratio n	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	27 September 2006, long term	YES	YES

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			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.			
Undertaking related to refinancing	Eliminate the property right defects in land and etc.	Haier Group Corporation	Haier Group Corporation undertakes that it will assure Haier Smart Home and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that Haier Smart Home or any of its subsidiaries suffers any economic loss due to the fact that leased property has no relevant ownership certificate, Haier Group Corporation will make compensation to impaired party in a timely and sufficient way and take all reasonable and practicable measures to support the impaired party to recover to normal operation before the occurrence of loss. Upon the expiration of relevant leasing period, Haier Group Corporation will grant or take practicable measures to assure Haier Smart Home and its subsidiaries of priority to continue to lease the property at a price not higher than the rent in comparable market at that time. Haier Group Corporation will assure Haier Smart Home and its subsidiaries of the constant, stable, free and unobstructed use of self-built property and land of the Group. In the event that Haier Smart Home or any of its subsidiaries fails to continue to use self-built property according to its own will or in original way due to the fact that self-built property has no relevant ownership certificate, Haier Group Corporation	24 December 2013, long term	YES	YES

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		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 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 (L 2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.			
Eliminate the property right defects in land and 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, so as to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L2014-005) published by the Company on the four major securities newspapers and the website of 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	24 December 2013, eight years	YES	YES

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			defective property owned by it and its subsidiaries. As of the expiration date, the Company has resolved the property defects of itself and its eight major subsidiaries, while that of the other remaining five major subsidiaries is in process. The Company will make reasonable business efforts to resolve the property defects of these five major subsidiaries. Because of historical issues and other reasons, the approval procedure involved in solving some defective property problems is complicated, including that of multiple government departments, and it takes a long time to handle and coordinate related matters. Due to the above external factors, the Company was unable to complete the above undertakings within the original undertaking period. Therefore, after the approval of the board meeting held by the Company on 5 November 2018 and the general meeting held on 21 December 2018, the term of the above undertakings were extended for three years on the basis of the original deadline.			
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 details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment of Haier Group Corporation (L2015-063) published by the Company 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 competition	Haier Electric Appliances	On August 2018, Guan Mei (Shanghai) Enterprise Management Co., Ltd. (贯美(上海)企业管理有限公司) (hereinafter referred to as the "Guan Mei Company"), an indirectly controlled subsidiary of the	By 30 April 2021	YES	YES

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	nsation	ances Inter natio nal Co., Ltd.	<p>Company swapped the 55% equity interest held by it in Bing Ji (Shanghai) Enterprise Management Co., Ltd. (冰戟 (上海) 企业管理有限公司) for the 51% equity interests held by Haier Electric Appliances International Co., Ltd. (hereinafter referred to as the “Haier International”) in Qingdao HSW Water Appliance Co., Ltd. (hereinafter referred to as the “Water Appliance”). In this regard, Haier International has made a commitment that the accumulated actual net profit realized by the Water Appliance during the three fiscal years of the profit compensation period shall not be lower than its accumulated forecasted net profit in the corresponding year. Otherwise, Haier International shall be required to make performance compensation to Guan Mei Company according to the Asset Replacement Agreement. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on Related-party Transaction of Planning to Conduct Equity Replacement by Holding Subsidiary and Haier Electronics International Co., Ltd. (L2018-047) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 31 August 2018.</p>			
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3.4 Warning and explanation on reasons for accumulated net profit for the period from the beginning of the year to the end of the next reporting period to be at a loss or expected to have material change as compared to that of the corresponding period of last year

Applicable Not Applicable

Name of company	Haier Smart Home Co., Ltd.
Legal representative	Liang Haishan
Date	29 October 2019

IV. Appendix

4.1 Financial Statements

Consolidated Balance Sheet

30 September 2019

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB Unaudited

Items	30 September 2019	31 December 2018
Current Assets:		
Monetary capital	35,856,337,564.34	38,158,102,172.38
Provision of settlement funds		
Placements with banks		
Trading financial assets	817,293,602.82	1,775,648,387.76
Financial assets measured at fair value and changes of which included in current profit and loss		
Derivative financial assets	99,546,069.86	96,723,164.37
Bills receivable	14,650,736,013.47	14,220,937,323.02
Accounts receivable	13,204,139,379.93	10,495,278,842.04
Financing receivables		
Prepayments	910,259,648.49	590,980,171.13
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Other receivables	1,434,336,096.31	1,636,778,239.70
Including: interests receivables		
dividends receivables		
Financial assets purchased under resale agreements		
Inventories	25,080,406,390.86	22,404,245,381.62
Contract assets	477,276,371.01	456,781,406.54
Assets held for sale	2,217,741.47	144,091,213.39
Non-current assets due within one year		
Other current assets	4,821,325,942.71	5,079,878,909.67
Total current assets	97,353,874,821.27	95,059,445,211.62
Non-current assets:		
Loans and advances granted		
Debt investments		

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Haier Smart Home Co., Ltd.

Available-for-sale financial assets		
Other debt investments		
Held-to-maturity investments		
Long-term receivables	297,211,749.56	245,791,343.37
Long-term equity investments	19,945,696,979.72	13,966,481,596.07
Investments in other equity instruments	1,384,953,324.55	1,400,316,460.34
Other non-current financial assets	297,154,021.76	327,358,825.57
Investment properties	30,275,677.92	30,879,147.42
Fixed assets	19,036,592,854.99	17,321,414,060.72
Construction in progress	4,102,243,059.68	3,873,492,230.24
Biological assets for production		
Fuel assets		
Right-of-use assets	2,321,431,186.89	
Intangible assets	10,648,632,131.33	9,245,145,461.56
Development expenses	151,144,366.25	538,382,288.33
Goodwill	23,572,632,908.06	21,238,727,027.17
Long-term deferred expenditures	255,397,223.75	230,763,172.48
Deferred income tax assets	2,208,623,545.82	1,819,870,099.62
Other non-current assets	2,668,079,823.01	2,325,688,982.56
Total non-current assets	86,920,068,853.29	72,564,310,695.45
Total assets	184,273,943,674.56	167,623,755,907.07
Current liabilities:		
Short-term borrowings	9,055,915,599.35	6,298,504,892.57
Borrowings from central bank		
Placements from banks		
Trading financial liabilities	62,765,149.64	218,748,280.33
Financial liabilities measured at fair value and changes of which included in current profit and loss		
Derivative financial liabilities	43,501,550.19	35,603,754.54
Bills payable	18,461,702,634.57	19,968,443,915.65
Accounts payable	29,705,955,855.01	27,796,822,200.51
Receipts in advance		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	2,724,912,733.60	2,663,184,629.15
Taxes payable	2,233,732,585.46	1,843,147,094.27

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Other payables	14,666,728,149.38	12,772,914,813.88
Including: interests payable		
dividends payable		
Fees and commissions payable		
Reinsurance accounts payable		
Contract liabilities	5,609,586,733.28	5,484,483,418.15
Liabilities held for sale	13,797,499.41	32,362,267.88
Non-current liabilities due within one year	9,711,065,124.20	3,015,060,105.58
Other current liabilities	464,624,078.32	423,638,804.62
Total current liabilities	92,754,287,692.41	80,567,595,643.71
Non-current liabilities:		
Deposits for insurance contracts		
Long-term borrowings	12,259,244,217.02	15,541,466,325.22
Debentures payable	9,596,777,288.62	9,191,896,302.70
Including: preference shares		
perpetual bonds		
Lease liabilities	2,091,697,133.96	
Long-term payable	216,828,987.86	106,763,243.99
Long-term payable for staff's remuneration	1,069,153,829.26	934,974,735.49
Estimated liabilities	2,813,252,681.93	2,846,762,176.35
Deferred income	609,023,725.49	643,551,987.30
Deferred income tax liabilities	1,832,730,126.06	405,343,787.76
Other non-current liabilities	97,468,826.91	1,823,866,693.93
Total non-current liabilities	30,586,176,817.11	31,494,625,252.74
Total liabilities	123,340,464,509.52	112,062,220,896.45
Owners' equity (or shareholder's equity)		
Paid-in capital (or share capital)	6,368,482,759.00	6,368,416,700.00
Other equity instruments	904,334,798.56	904,485,788.71
Including: preference shares		
perpetual bonds		
Capital reserve	1,353,668,636.95	2,254,405,808.81
Less: treasury stock		
Other comprehensive income	1,630,175,147.24	772,632,347.35
Special reserve		
Surplus reserve	2,288,301,317.10	2,288,301,317.10
General risk provisions		
Undistributed profits	32,336,056,398.74	26,938,892,794.96
Total equity attributable to owners (or shareholder) of the parent company	44,881,019,057.59	39,527,134,756.93

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Minority interests	16,052,460,107.45	16,034,400,253.69
Total owners' equity (or shareholders' equity)	60,933,479,165.04	55,561,535,010.62
Total liabilities and owners' equities (or shareholders' equity)	184,273,943,674.56	167,623,755,907.07

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 September 2019

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB Unaudited

Items	30 September 2019	31 December 2018
Current Assets:		
Monetary Capital	6,273,438,237.00	7,068,899,574.96
Trading financial assets		
Financial assets measured at fair value and changes of which included in current profit and loss		
Derivative financial assets		
Bills receivable		
Accounts receivable	253,995,942.79	222,622,017.43
Financing receivables		
Prepayments	12,994,199.46	28,809,797.43
Other receivables	2,236,872,809.17	2,082,767,166.58
Including: interests receivable		
dividends receivable		
Inventories	43,452,612.14	124,773,163.23
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	977,519,031.53	109,865,313.53
Total current assets	9,798,272,832.09	9,637,737,033.16
Non-current assets:		
Debt investments		
Available-for-sale financial assets		
Other debt investments		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	35,173,766,050.97	33,844,234,315.30
Other equity instruments investments	5,262,480.92	5,262,480.92

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Other non-current financial assets		
Investment properties		
Fixed assets	135,828,593.84	119,546,157.40
Construction in progress	38,778,876.61	37,655,076.18
Biological assets for production		
Oil and gas assets		
Right-of-use assets		
Intangible assets	16,296,591.72	17,186,540.33
Development expenses		
Goodwill		
Long-term prepaid expenses	5,791,081.40	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	35,457,235,423.53	34,139,808,376.98
Total assets	45,255,508,255.62	43,777,545,410.14
Current liabilities:		
Short-term borrowings		1,500,000,000.00
Trading financial liabilities		
Financial liabilities measured at fair value and changes of which included in current profit and loss		
Derivative financial liabilities		
Bills payable		
Accounts payable	329,194,017.09	334,747,358.40
Receipts in advance		
Contract liabilities	2,617,231,872.09	2,391,211,509.89
Payables for staff's remuneration	55,566,564.83	65,387,056.03
Taxes payable	12,909,943.06	67,279,606.39
Other payables	26,706,442,400.01	21,834,869,774.34
Including: interests payable		
dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities	1,736,229.06	2,089,282.56
Total current liabilities	29,723,081,026.14	26,195,584,587.61
Non-current liabilities:		
Long-term borrowings		
Debentures payable	2,586,527,376.29	2,510,530,062.86
Including: preference shares		
perpetual bonds		
Leasing liabilities		

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Long-term payable	20,000,000.00	20,000,000.00
Long-term payable for staff's remuneration		
Estimated liabilities		
Deferred income	37,820,000.00	67,360,000.00
Deferred income tax liabilities	31,441,449.14	29,485,678.28
Other non-current liabilities		
Total non-current liabilities	2,675,788,825.43	2,627,375,741.14
Total liabilities	32,398,869,851.57	28,822,960,328.75
Owners' equity (or shareholders' equity)		
Paid-in capital (or share capital)	6,368,482,759.00	6,368,416,700.00
Other equity instruments	472,910,274.49	473,061,264.64
Including: preference shares		
perpetual bonds		
Capital reserve	4,150,363,429.02	4,182,825,672.98
Less: treasury stock		
Other comprehensive income	12,245,064.39	7,791,344.47
Special reserve		
Surplus reserve	1,683,155,091.65	1,683,155,091.65
Undistributed profits	169,481,785.50	2,239,335,007.65
Total owners' equity (or shareholders' equity)	12,856,638,404.05	14,954,585,081.39
Total liabilities and owners' equity (or shareholders' equity)	45,255,508,255.62	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 Income Statement

January-September 2019

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB Unaudited

Items	Third quarter of 2019 (July-September)	Third quarter of 2018 (July-September)	First three quarters of 2019 (January-September)	First three quarters of 2018 (January-September)
I. Total operating revenue	49,916,316,735.30	47,739,189,253.04	148,896,109,856.46	138,227,311,459.35
Including: operating revenue	49,916,316,735.30	47,739,189,253.04	148,896,109,856.46	138,227,311,459.35
Interest income				
Insurance premiums earned				

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Haier Smart Home Co., Ltd.

Fee and commission income				
II. Total cost of operations	48,373,543,771.69	46,137,567,319.73	141,321,760,011.83	130,898,654,759.16
Including: operating cost	35,409,192,783.07	33,911,506,512.21	105,584,046,741.98	97,969,456,536.24
Interest expenses				
Fee and commission expenses				
Insurance withdrawal payment				
Net payment from indemnity				
Net provisions for insurance liability				
Insurance policy dividend paid				
Reinsurance cost				
Business taxes and surcharge	282,495,267.19	245,701,371.99	683,425,767.84	653,678,813.51
Selling expenses	8,186,738,161.90	8,010,386,549.26	22,783,073,275.91	21,533,318,294.90
Administrative expenses	2,349,642,938.22	2,137,761,829.86	6,875,429,007.45	6,171,434,088.05
R&D expenses	1,718,648,297.19	1,557,183,175.74	4,460,212,113.00	3,809,813,731.12
Financial expenses	426,826,324.12	275,027,880.67	935,573,105.65	760,953,295.34
Including: interest expenses	462,949,083.66	304,546,395.79	1,348,633,037.94	988,211,900.04
Interest income	148,627,273.92	98,782,891.00	402,594,564.74	333,241,702.03
Add: other income	184,441,529.00	272,064,355.41	657,183,385.55	496,356,767.43
Investment income (losses are represented by “-”)	4,231,473,916.77	459,606,206.41	4,987,525,354.22	1,327,065,195.37
Including: investment income of associates and joint ventures				
Derecognition income on financial assets measured at amortized cost				
Exchange gain (losses are represented by “-”)				
Gains on net exposure hedges (losses are represented by “-”)				
Income from change in fair value (losses are represented by “-”)	-42,821,065.32	-125,212,550.50	14,588,891.48	-88,550,629.00
Credit impairment loss	-72,795,938.53	-88,495,545.44	-35,020,333.14	-47,956,263.17

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Haier Smart Home Co., Ltd.

(losses are represented by “-”)				
Impairment loss on assets (losses are represented by “-”)	101,352.89	15,050,686.33	-257,646,552.31	-220,852,351.25
Gains on disposal of assets (losses are represented by “-”)	-26,845,448.82	113,220,554.73	-14,138,765.95	118,726,042.63
III. Operating profit (losses are represented by “-”)	5,816,327,309.60	2,247,855,640.25	12,926,841,824.48	8,913,445,462.20
Add: non-operating income	201,041,445.23	93,349,629.54	470,639,594.05	311,624,408.41
Less: non-operating expenses	61,764,236.63	28,647,585.13	175,970,944.55	78,052,030.82
IV. Total profit (total losses are represented by “-”)	5,955,604,518.20	2,312,557,684.66	13,221,510,473.98	9,147,017,839.79
Less: income tax expense	918,909,482.84	282,349,549.53	1,953,829,571.45	1,249,128,996.17
V. Net profit (net losses are represented by “-”)	5,036,695,035.36	2,030,208,135.13	11,267,680,902.53	7,897,888,843.62
(I) Classification by continuous operation				
1. Net profit from continuous operation (net losses are represented by “-”)	1,724,566,022.73	1,794,560,157.49	7,955,551,889.90	7,662,240,865.98
2. Net profit from discontinuous operation (net losses are represented by “-”)	3,312,129,012.63	235,647,977.64	3,312,129,012.63	235,647,977.64
(II) Classification by ownership of the equity				
1. Net profit attributable to owners of the parent company (net losses are represented by “-”)	2,621,991,344.79	1,373,057,256.34	7,772,860,902.81	6,161,001,081.50
2. Profit or loss of minority shareholders (net losses are represented by “-”)	2,414,703,690.57	657,150,878.79	3,494,819,999.72	1,736,887,762.12
VI. Other comprehensive income, net of tax	671,163,493.94	585,583,691.47	877,244,401.03	1,013,158,337.47
Other comprehensive income attributable to owners of the parent company, net of tax	623,918,532.71	530,340,096.74	857,542,799.89	833,824,709.33
(I) Other comprehensive income that can not be reclassified to profit or loss	-3,931,545.48	-8,226,800.44	-16,174,504.60	32,404,205.47
1. Changes arising from re-measurement of defined	655,808.28	-1,045,223.32	255,491.10	-7,997,491.05

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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	-4,587,353.76	-7,181,577.12	-16,429,995.70	40,401,696.52
4. Changes in fair value of credit risks of the enterprise				
(II) Other comprehensive income to be reclassified into profit or loss	627,850,078.19	538,566,897.18	873,717,304.49	801,420,503.86
1. Other comprehensive income that can be transferred into profit or loss under equity method	51,040,731.98	74,779,420.86	70,870,344.63	161,496,158.75
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)	-10,608,611.29	-3,980,007.63	-36,007,555.07	42,876,348.23
8. Exchange differences on translation of financial statements denominated in foreign currencies	587,417,957.50	467,767,483.95	838,854,514.93	597,047,996.88
9. Others				

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Other comprehensive income attributable to minority shareholders, net of tax	47,244,961.23	55,243,594.73	19,701,601.14	179,333,628.14
VII. Total comprehensive income	5,707,858,529.30	2,615,791,826.60	12,144,925,303.56	8,911,047,181.09
Total comprehensive income attributable to the owners of parent company	3,245,909,877.50	1,903,397,353.08	8,630,403,702.70	6,994,825,790.83
Total comprehensive income attributable to the minority shareholders	2,461,948,651.80	712,394,473.52	3,514,521,600.86	1,916,221,390.26
VIII . Earnings per share:				
(I) Basic earnings per share (RMB/share)	0.412	0.225	1.221	1.010
(II) Diluted earnings per share (RMB/share)	0.353	0.225	1.131	1.010

The party being absorbed in the business combination under common control incurred in the current period recorded a net profit of RMB13,950,738.83 before the combination.

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

Income Statement of the Parent Company

January-September 2019

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB Unaudited

Items	Third quarter of 2019 (July-September)	Third quarter of 2018 (July-September)	First three quarters of 2019 (January-September)	First three quarters of 2018 (January-September)
I. Operating revenue	903,401,779.64	792,884,921.23	2,234,271,154.27	2,417,038,949.69
Less: Operation cost	665,370,343.10	555,280,503.90	1,615,752,876.42	1,675,343,056.16
Business taxes and surcharge	5,324,414.17	6,419,524.05	14,118,655.09	16,393,690.67
Selling expenses	63,131,879.39	85,400,691.99	190,089,788.56	210,441,579.93
Administrative expenses	179,457,329.72	160,040,452.74	320,496,657.73	345,344,601.02
R&D expenses	54,550,067.46	64,104,050.19	156,533,395.84	166,500,505.81
Financial expenses	11,752,125.45	45,410,592.26	111,189,066.25	107,226,850.25
Including: interest expenses	25,477,118.45	80,070,880.63	139,021,578.60	210,180,419.77
Interest income	12,873,607.27	28,915,355.12	30,581,562.15	101,898,989.53
Add: other income	4,501,688.94	25,076,709.08	56,974,198.19	34,586,901.99

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Investment income (losses are represented by “-”)	8,374,916.12	306,404,376.82	253,943,029.70	525,924,446.67
Including: investment income of associates and joint ventures				
Derecognition income on financial assets measured at amortized cost				
Gains on net exposure hedges (losses are represented by “-”)				
Income from change in fair value (losses are represented by “-”)				
Credit impairment loss (losses are represented by “-”)	-7,920.79	86,152,801.78	979,217.15	-10,058,187.90
Impairment loss on assets (losses are represented by “-”)				
Gains on disposal of assets (losses are represented by “-”)		25,693.17	51,118.46	25,693.17
II. Operating profit (losses are represented by “-”)	-63,315,695.38	293,888,686.95	138,038,277.88	446,267,519.78
Add: non-operating income	3,590,569.68	6,536,549.52	13,003,372.98	34,283,951.35
Less: non-operating expenses	1,007,999.99	58,667.36	2,971,024.42	311,781.90
III. Total Profit (total losses are represented by “-”)	-60,733,125.69	300,366,569.11	148,070,626.44	480,239,689.23
Less: income tax expense	-123,118.24	-4,749,277.12	-17,410,712.14	-8,231,021.09
IV. Net Profit (net losses are represented by “-”)	-60,610,007.45	305,115,846.23	165,481,338.58	488,470,710.32
(I) Net profit from continuous operation (net losses are represented by “-”)	-60,610,007.45	305,115,846.23	165,481,338.58	488,470,710.32
(II) Net profit from discontinuous operation (net losses are represented by “-”)				
V. Other comprehensive income, net of tax	5,204,966.29	39,894.27	4,453,719.92	14,706,726.13
(I) Other comprehensive income that can not be reclassified to profit or loss	-67,243.43	39,894.27		-410,391.76

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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	39,894.27		-410,391.76
4. Changes in fair value of credit risks of the enterprise				
(II) Other comprehensive income to be reclassified into profit or loss	5,272,209.72		4,453,719.92	15,117,117.89
1. Other comprehensive income that can be transferred into profit or loss under equity method			4,453,719.92	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				

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foreign currencies				
9. Others				
VI. Total comprehensive income	-55,405,041.16	305,155,740.50	169,935,058.50	503,177,436.45
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-September 2019

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB Unaudited

Items	First three quarters of 2019 (January-September)	First three quarters of 2018 (January-September)
I. Cash flows from operating activities:		
Cash received from the sale of goods and rendering of services	147,718,346,195.03	136,441,116,163.62
Net increase in customer and interbank deposits		
Net increase in borrowing from PBOC		
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 paid for interest, bank charges and commissions		
Net increase in cash borrowed		
Net increase in cash received from repurchase operation		
Net cash received from customer deposits for trading in securities		
Refunds of taxes	1,048,233,743.88	963,420,315.42
Cash received from other related	1,012,063,934.60	701,885,605.50

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operating activities		
Sub-total of cash inflows from operating activities	149,778,643,873.51	138,106,422,084.54
Cash paid on purchase of goods and services	104,960,738,805.82	93,872,519,963.32
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 contact		
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	16,460,484,438.59	14,389,104,685.38
Cash paid for all types of taxes	6,235,299,504.77	6,417,113,647.40
Cash paid to other operation related activities	13,115,208,555.88	12,525,351,556.22
Sub-total of cash outflows from operating activities	140,771,731,305.06	127,204,089,852.32
Net cash flows from operating activities	9,006,912,568.45	10,902,332,232.22
II. Cash flows from investing activities:		
Cash received from disposal of investments	1,534,282,960.18	603,931,463.05
Cash received from return on investments	457,787,685.48	284,197,818.40
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	200,940,694.81	312,264,347.04
Net cash received from disposal of subsidiaries and other operating entities		689,985,192.70
Cash received from other investment related activities	279,515,688.66	95,500,810.35
Sub-total of cash inflows from investing activities	2,472,527,029.13	1,985,879,631.54
Cash paid on purchase of fixed assets, intangible assets and other long term assets	4,579,987,246.71	4,448,216,757.39
Cash paid for investments	3,646,257,901.57	6,715,502,945.49
Net increase in secured loans		
Net cash paid on acquisition of subsidiaries and other operating entities	2,641,246,363.38	2,083,893,029.63
Cash paid on other investment related	1,167,045,427.42	22,762,249.49

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activities		
Sub-total of cash outflows from investing activities	12,034,536,939.08	13,270,374,982.00
Net cash flows from investing activities	-9,562,009,909.95	-11,284,495,350.46
III. Cash flows from financing activities:		
Cash received from investment	14,318,688.54	692,072,695.51
Including: cash received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	12,084,841,424.81	12,010,235,777.28
Cash received from other financing related activities	7,139,182.47	1,914,860.72
Sub-total of cash inflows from financing activities	12,106,299,295.82	12,704,223,333.51
Cash paid on repayment of borrowings	9,252,731,650.03	10,654,594,243.09
Cash paid on distribution of dividends, profits, or interest expenses	3,074,473,283.20	2,762,302,769.13
Including: dividend, profit paid to minority shareholders by subsidiaries		
Cash paid on other financing related activities	1,020,361,634.10	659,367,060.70
Sub-total of cash outflows from financing activities	13,347,566,567.33	14,076,264,072.92
Net cash flows from financing activities	-1,241,267,271.51	-1,372,040,739.41
IV. Effect of fluctuations in exchange rates on cash and cash equivalents	585,698,697.12	372,251,814.37
V. Net increase in cash and cash equivalents	-1,210,665,915.89	-1,381,952,043.28
Add: balance of cash and cash equivalents at the beginning of the period	36,044,777,414.04	35,094,902,336.87
VI. Balance of cash and cash equivalents at the end of the period	34,834,111,498.15	33,712,950,293.59

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-September 2019

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB Unaudited

Items	First three quarters of 2019 (January-September)	Amount in the first three quarters of 2018 (January-September)

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I. Cash flows from operating activities:		
Cash received from the sale of goods and rendering of services	1,219,703,551.51	1,318,190,025.50
Refunds of taxes	31,329,360.51	95,543,006.48
Cash received from other related operating activities	182,304,374.25	173,528,179.29
Sub-total of cash inflows from operating activities	1,433,337,286.27	1,587,261,211.27
Cash paid on purchase of goods and services	57,147,717.08	458,713,553.43
Cash paid to and on behalf of employees	701,565,276.87	647,354,793.69
Cash paid for all types of taxes	116,443,799.11	139,250,644.36
Cash paid to other operation related activities	456,381,806.73	374,617,434.69
Sub-total of cash outflows from operating activities	1,331,538,599.79	1,619,936,426.17
Net cash flows from operating activities	101,798,686.48	-32,675,214.90
II. Cash flows from investing activities:		
Cash received from disposal of investments		505,207,895.00
Cash received from return on investments	1,513,456,657.45	1,153,009,979.01
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		
Cash received from other investment related activities	1,431,977,000.00	
Sub-total of cash inflows from investing activities	2,945,433,657.45	1,658,217,874.01
Cash paid on purchase of fixed assets, intangible assets and other long term assets	30,442,256.39	46,367,088.81
Cash paid for investments	3,521,662,503.09	73,572,235.00
Net cash paid on acquisition of subsidiaries and other operating entities		
Cash paid on other investment related activities	246,801,379.00	
Sub-total of cash outflows from investing activities	3,798,906,138.48	119,939,323.81
Net cash flows from investing activities	-853,472,481.03	1,538,278,550.20
III. Cash flows from financing activities:		
Cash received from investment		

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Cash received from borrowings		1,500,000,000.00
Cash received from issuing bonds		424,802,503.30
Cash received from other financing related activities	3,728,909,076.12	
Sub-total of cash inflows from financing activities	3,728,909,076.12	1,924,802,503.30
Cash paid on repayment of borrowings	1,500,000,000.00	
Cash paid on distribution of dividends, profits, or interest expenses	2,262,440,498.23	2,106,817,045.14
Cash paid on other financing related activities	8,419,159.30	
Sub-total of cash outflows from financing activities	3,770,859,657.53	2,106,817,045.14
Net cash flows from financing activities	-41,950,581.41	-182,014,541.84
IV. Effect of fluctuations in exchange rates on cash and cash equivalents	-1,836,962.00	2,417.25
V. Net increase in cash and cash equivalents	-795,461,337.96	1,323,591,210.71
Add: balance of cash and cash equivalents at the beginning of the period	7,068,899,574.96	2,070,527,802.97
VI. Balance of cash and cash equivalents at the end of the period	6,273,438,237.00	3,394,119,013.68

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

4.2 Status in relation to adjustments to the first implementation of relevant items in financial statements at the beginning of the year for implementation of New Financial Instruments Standard, New Income Standards and New Lease Standards for the first time

Applicable Not Applicable

4.3 Explanation on retroactive adjustments of previously comparative data for implementation of New Financial Instruments Standards and New Lease Standards for the first time

Applicable Not Applicable

4.4 Audit Report

Applicable Not Applicable