

Stock Code: 600690, 690D

Short Name: Haier Smart Home

Haier Smart Home Co., Ltd.
2020 Third Quarterly Report

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 the directors, supervisors and senior management of Haier Smart Home Co., Ltd. (“the Company”) 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 the directors of the Company attended the board meeting and reviewed 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 statements set out in the quarterly report are true, accurate and complete.
- 1.4 The third quarterly report of the Company has not been audited.

II. COMPANY PROFILE

2.1 Key financial data

Unit and Currency: RMB

	At the end of the reporting period	At the end of last year		Increase/decrease at the end of the reporting period compared with the end of last year (%)
		After the adjustment	Before the adjustment	
Total assets	200,206,564,161.26	187,454,236,283.17	187,454,236,283.17	6.80
Net assets attributable to shareholders of listed companies	50,439,076,950.23	47,888,319,765.92	47,888,319,765.92	5.33
	At the beginning of the year to the end of the reporting period (January to September)	At the beginning of last year to the end of the reporting period of last year (January to September)		Yoy change (%)
		After the adjustment	Before the adjustment	
Net cash flows from	5,711,204,674.45	8,476,037,239.40	9,006,912,568.45	-32.62

operating activities				
	At the beginning of the year to the end of the reporting period (January to September)	At the beginning of last year to the end of the reporting period of last year (January to September)		Yoy change (%)
		After the adjustment	Before the adjustment	
Operating revenue	154,411,813,689.44	150,232,288,468.02	148,896,109,856.46	2.78
Net profits attributable to shareholders of listed companies	6,300,507,503.54	7,612,154,769.74	7,772,860,902.81	-17.23
Net profits after deduction of non-recurring profit or loss attributable to shareholders of listed companies	4,092,358,135.73	5,656,439,855.74	5,834,398,305.26	-27.65
Weighted average return on net assets (%)	12.71	17.70	18.17	Decreased by 4.99 percentage points
Basic earnings per share (RMB per share)	0.958	1.195	1.221	-19.83
Diluted earnings per share (RMB per share)	0.939	1.107	1.131	-15.18

During the reporting period, the Company adhered to the direction of IoT smart home eco brand strategy, leveraging advantages such as leading product packages, high-end brands, retail transformation, global operation and Smart Home Experiential Cloud, to continuously expand its

leading position in the global market. The quarterly revenue, net profit attributable to owners of the Parent Company and the net profit after deducting that are not attributable to the Parent Company of the Company increased by 16.9%, 37.8% and 43.3%, respectively, in the third quarter of 2020.

On 11 September 2020, the Company further launched Three winged Bird (三翼鸟), the first scenario brand in the world, aiming at providing users with smart home full scenario solutions, leading the scenario-based, intelligent and one-stop consumer trend of home appliances and household and accelerating the transformation and upgrade from selling product to providing tailored scenario.

Performance of Key Indicators.

(I) Revenue.

The revenue for the first three quarters of the Company was RMB154.41 billion, representing an increase of 2.8%; the quarterly revenue in the third quarter was RMB58.68 billion, representing an increase of 16.9%, of which, revenue from China increased by 16.3% and revenue from overseas increased by 17.5%.

The increase of revenue was mainly attributable to:

(1) Domestic market. The Company focused on the construction of retail system with direct access to users, and improved efficiency through four reconstructions of “goals, processes, organizations and mechanisms” as well as further digital operation transformation of “products, marketing, services, logistics, customer and user”. The Company also improved user’s experiences and amplified user’s value through smart home scenario solutions. For the prospective of product type:

① **Refrigerator.** With the trend of consumer demand and retail touch-point diversification, the Company, focusing on the users’ demand for healthy life scenarios in the post-epidemic period, kept iterating the product lineup and operation model, with technologies including full-space preservation and extreme preservation leading the industry development, launched bestsellers online and offline for different groups of users and achieved network-wide integration by online live broadcast and offline streaming and refined store operation, promoting revenue growth and share expansion, in addition, Casarte continued to expand its share of high-end refrigerators, and had 49.3% market share of the products priced above RMB15,000.

From January to September 2020, the online and offline market share by sales revenue was 35.1% and 38.9%, representing an increase of 1.3 percentage points and 2.3 percentage points, respectively.

② **Washing machine.** The Company focused on structural upgrade and achieved a year-on-year increase in average selling price in the third quarter through launching mid-range and high-end products via e-commerce and KA channels, the introduction of the sixth generation Yunxi

products via exclusive store channel, and other measures to increase average prices in township markets. The Company improved efficiency of network operation through various measures, such as classified and hierarchical management of downstream channels, and integration of online and offline operations. The Company improved Casarte products market share by means of product iteration, upgrade users experience with air wash and marketing activities such as Baiwan Shuangzi, with an accumulative share of 11.8% offline, representing an increase of 3 percentage points. The Company also launched the online IP “Happy Chick” Leader brand washing machines, sped up layout of chain channels and built an all network retail system, with an online share of 5%, representing an increase of 1.3 percentage points year on year. In addition, the Company accelerated the sales tumble dryer through differentiated offerings such as washing and drying package as well as upgrading and rebuilding balcony, so as to create business increments.

From January to September 2020, the online and offline market share by sales revenue was 39.4% and 39.9%, representing an increase of 4.6 percentage points and 3.8 percentage points, respectively.

③ **Air conditioner.** Based on consumers' growing concerns for health and fresh air, the Company developed 3D sterilization technology, water-washed air and other new technologies, created clean, fresh and moist health experience and build the brand recognition of “Choose Haier for Healthy Air”. Focusing on improving operation capability and optimizing the efficiency of procurement, R&D and manufacturing, the Company reduced the number of SKUs and improved the efficiency of single models through optimization of outdoor machine platform, procurement standardization and modularization, while continuous efforts have been made to consolidate distribution network with direct consumer access and cover the weak market areas through the Smart Home Cloud model. Leverage on multiple brand portfolios, the Company expanded its user coverage through the strategy of “high-end leadership of Casarte, scale introduction of Haier and customized focus of Leader”. The revenue of air-conditioners business for the third quarter increased by 27%.

From January to September 2020, the online and offline market share by sales revenue was 11.2% and 14.5%, representing an increase of 2.5 percentage points and 2.3 percentage points, respectively. In particular, shares of Casarte air-conditioners increased from 1.2% to 3.7%.

④ **Water heater.** Through the proactive marketing strategies and relying on the brand portfolio of "Haier, Casarte, Leader", the Company continued to gain market share. The Company expanded presence in new channels including heating & ventilation, building materials, hardware and water heating, so as to broaden consumer base; focusing on old and renovated residential communities, the Company attracted new users by organization activities in thousands of groups in thousands of areas and recruiting service partners; and the Company focused on designers and home improvement channels to enhance new users recognition. The Company invested more resources to Casarte, whose revenue growth reached 80% in the first three quarters.

From January to September 2020, the online and offline market share by sales revenue was 26.4% and 23.8%, representing an increase of 2.8 percentage points and 3.6 percentage points, respectively.

⑤ **Kitchen appliances.** The Company adhered to a high-end and whole-set product strategy and created terminal scenario experience to meet users' needs for whole-set and intelligent scenario solutions. The Company launched products including “12-m² Smart Air” range hoods with self-adaptive air volume, “3D oxygen-increasing” gas stoves with precise temperature control, and built-in ovens featuring temperature and humidity control/active humidity control. Through the combination of the Casarte “Gourmet” system and the Haier “Dual-protection” system, the Company achieved market differentiation and increased the proportion of high-end sets, with the revenue from Casarte kitchen appliances in the first nine months exceeding 50%. The Company achieved network and retail transformation by accelerating the construction of franchised stores in towns, realizing multi-port distribution through online and downstream channels, and expanding construction channel. In addition, the Company provided users with one-stop home cooking solutions through “Three winged Bird Kitchen” and “Smart Cooking”, and accelerated marketing through participating in small home renovation projects. From January to September 2020, market share by sales revenue was 5.6%, representing an increase of 0.2 percentage point.

(2) Overseas Market.

The *RenDanHeYi* mechanism ensured the rapid response of small and micro enterprises in all regions to the challenges of the epidemic. Giving full play to the advantages in global resources allocation based on global procurement, supply chain and R&D platforms, we overcame the adverse impact brought by external environment, thereby achieved the sustainable development of our business. We have achieved a comprehensive leading position with proprietary brands and ranked in TOP3 in the three categories (refrigeration, washing, air) in more than 20 countries. The profit of overseas operation for the third quarter increased by 58%.

① Global factories adhered to the normal epidemic prevention and resumption of work and production, overcame the shortage of parts, labor shortages and other risks and made all efforts to meet the order demand. ② In respect of local marketing, we accelerated the upgrading of offline touch-points and expanded online channels, explored new online sales models and made great efforts in overseas Experience Cloud model, to accelerate the transformation from selling product to creating experience premium and enhance performance and the brand's. For example, in the European market, the Company has entered the TOP3 e-commerce channels in various countries, in Australian market, the Company was listed in the brand section in 5 major mainstream online channels, with its online sales doubled.

(II) Gross Margin.

Our gross margin was 28.0% for the first three quarters, representing a decrease of 0.78 percentage point. Our gross margin in the third quarter was 28.1%, representing a decrease of 0.31 percentage point.

(1) Domestic market. Affected by such factors as the increase in the proportion of the industry's online channels and intensified competition, the industry average price remained under downward pressure in the third quarter, but its decrease gradually narrowed as compared with the first and second quarters. Domestic gross margin in the third quarter still declined year-on-year but the decrease narrowed as compared with the first half of the year. In the third quarter, the Company increased the revenue from Casarte products by 22% in the third quarter by launching more mid-to-high-end products, contributing to the improvement of gross margin. In addition, the Company optimized the supplier network and developed resources to achieve a balance between price and quality on the procurement side, and improved manufacturing efficiency by optimizing the layout of production areas, promoting flexible manufacturing, and continuously streamlining SKUs on the manufacturing side.

(2) Overseas market. Affected by such factors as the rapid growth in the revenue in the third quarter, rapid increase in the proportion of global leading product categories in line with the development trend toward large-volume and healthy home appliances and the improvement in manufacturing efficiency of overseas factories, the gross margin increased significantly in the third quarter. ① **Leadership in high-end products.** In European market, the series of high-end refrigerators with T-shaped doors and French refrigerators were simultaneously put on market in many countries and regions, consolidating our Top 1 market share in Western Europe in respect of multi-door refrigerators. The price index of Haier refrigerators in major Western European countries from January to September amounted to 140, and the average unit price increased by EUR78. Brand new series of Washing 979 and the series of high-end direct-drive super-quiet were launched, and the price index of washing machines from January to September staged a year-on-year increase of 16%. In Japanese market, AQUA refrigerators launched brand new Delie products via iterative TZ ultrathin popular products. Retail sales of super-large refrigerators bucked the trend by increasing 41%. ② **Manufacturing efficiency improvement.** Haier refrigerator factory in Russia improved production efficiency by 9% through Line of Balance and other measures; Pakistan factory improved its quality by more than 10% by introducing new technologies and optimizing the quality system; carried out lean production and optimized the manufacturing expense efficiency by 12%.

(III) Expense Rate.

(1) The selling expense ratio of the Company was 15.1% in the first three quarters, representing a decrease of 0.1 percentage point year on year. Among which, the selling expense ratio in the third quarter was 15.1%, representing a decrease of 1 percentage point year on year. With the implementation of a series of measures to reduce fees and improve efficiency this year, the selling expense ratio is gradually optimized.

① **Domestic market.** We promoted process reshaping and digital transformation and achieved improvements of organization efficiency by simplifying processes and eliminating process for management and control; we achieved cost efficiency through the digitalization of marketing activities and users management. The domestic sales expense ratio of the third quarter decreased by 1.4 percentage points.

② **Overseas market.** We advanced the establishment of terminal information system, so as to improve operating efficiency. We also improved input-output through lean saving plan and other measures.

(2) The management expense ratio of the Company was 4.6% in the first three quarters, representing a decrease of 0.01 percentage point year on year. Among which, the management expense ratio in the third quarter was 4.2%, representing a decrease of 0.5 percentage point year on year. The decrease in management expense ratio is mainly resulted from the improved efficiency of organization operation.

(3) The research and development expense ratio of the Company was 3.2% in the first three quarters, representing an increase of 0.3 percentage point year on year, among which, the research and development expense ratio in the third quarter was 3.5%, representing an increase of 0.2 percentage point year on year. It is mainly due to the Company's promotion of its intelligent competitiveness and the increase in investment in APP, voice control, image recognition, big data applications, as well as related advanced research and development technologies.

(IV) Ecosystem Scenario Brand Construction.

In September 2020, the Company launched Three winged Bird (三翼鸟), the first scenario brand in the world, which is based on three cores abilities: "Global Leading Explosive Scenario Solutions", "Implementing Guarantee 1+N Capability" and "The Industry's Only Experiential Cloud Platform", working with the ecological side to promote the home Internet of Things into thousands of households to provide users with smart home full scenario solutions covering balcony, kitchen, living room, bathroom, bedroom, whole house air, etc., and full scenario update services of whole house renovation and partly transformation, it developed a new track from selling products to customized scenario services. The Company has arranged 260 Haier No. 001 stores and four offline experience centers. Through more than 30,000 offline networks, more than 6,000 service butlers and more than 9,000 resource providers, the Company facilitated the nationwide application of Three winged Bird scenario solutions.

From January to September in 2020, the ecological revenue of the Company was RMB7.2 billion, representing an increase of 114%, among which, the ecological revenue of the third quarter was RMB3.4 billion, representing an increase of 138% year on year. From January to September, the sales of scenario solutions was 687,000 sets, staging a year-on-year increase of 24.5%; network appliance binding volume increased by 116%; in September 2020, daily active users of Haier Smart Home APP staged a year-on-year increase of 225%.

Non-recurring profit or loss items and amount

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current	Amount for the beginning of the
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	period (July to September)	year to the end of the reporting period (January to September)
Profit or loss from disposal of non-current assets	-42,625,336.34	-54,002,412.43
Government grants included in current profit or loss, except that closely related to the normal operating business of the Company, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards	314,809,133.16	705,610,813.42
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 straddle 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	62,563,869.87	46,537,840.38
Other non-operating income and expenses except for the aforementioned items	-24,102,076.04	-13,751,473.89
Profit from disposal of long-term equity investments	2,267,620,952.48	2,267,421,126.83
Impact on minority interests (after tax)	-234,662,122.80	-364,743,321.11
Impact on income tax	-346,815,267.65	-378,923,205.39
Total	1,996,789,152.68	2,208,149,367.81

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

Unit: Share

Total number of shareholders		142,184				
Shareholdings of top ten shareholders						
Name of shareholder (full name)	Number of shares held at the end of the period	Perce ntage (%)	Number of shares held subject to selling restrictions	Status of shares pledged or frozen		Nature of shareholde r
				Status	Num ber	

Haier Electric Appliances International Co., Ltd.	1,258,684,824	19.13		Nil		Domestic non-state-owned legal entity
Haier Group Corporation	1,072,610,764	16.30		Nil		Domestic non-state-owned legal entity
Hong Kong Securities Clearing Company Limited	547,189,119	8.32		Nil		Unknown
China Securities Finance Corporation Limited	182,592,697	2.78		Nil		Unknown
Qingdao Haier Venture & Investment Information Co., Ltd.	172,252,560	2.62		Nil		Domestic non-state-owned legal entity
GIC PRIVATE LIMITED	114,053,758	1.73		Nil		Foreign legal entity
CLEARSTREAM BANKING S.A. (Note)	91,168,350	1.39		Nil		Foreign legal entity
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	73,011,000	1.11		Nil		Domestic non-state-owned legal entity
Central Huijin Asset Management Ltd.	69,539,900	1.06		Nil		Unknown
National Social Security Fund Portfolio 113	65,793,903	1.00		Nil		Unknown
Shareholdings of top ten shareholders not subject to selling restrictions						
Name of shareholder	Number of tradable shares held not subject to 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 Company Limited	547,189,119	RMB ordinary	547,189,119
China Securities Finance Corporation Limited	182,592,697	RMB ordinary	182,592,697
Qingdao Haier Venture & Investment Information Co., Ltd.	172,252,560	RMB ordinary	172,252,560
GIC PRIVATE LIMITED	114,053,758	RMB ordinary	114,053,758
CLEARSTREAM BANKING S.A. (Note)	91,168,350	Overseas listed foreign shares	91,168,350
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	73,011,000	RMB ordinary	73,011,000
Central Huijin Asset Management Ltd.	69,539,900	RMB ordinary	69,539,900
National Social Security Fund Portfolio 113	65,793,903	RMB ordinary	65,793,903
Explanation of 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) (青岛海创智管理咨询企业(有限合伙)) are parties acting in concert with Haier Group Corporation; (2) The Company is not aware of the existence of any connections of other shareholders.		
Explanation of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable		

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

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. SIGNIFICANT EVENTS

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

Applicable Not Applicable

1) Financial assets held for trading increased by 561.87% as compared to the beginning of the period, mainly due to the increase of the short-term wealth management products;

2) Derivative financial assets increased by 251.00% as compared to the beginning of the period, mainly due to the increase of forward foreign exchange contracts in the period;

3) Accounts receivable increased by 51.31% as compared to the beginning of the period, mainly due to the increase in revenue scale;

4) Other current assets decreased by 57.63% as compared to the beginning of the period, mainly due to the decrease of the wealth management products measured at amortized cost;

5) Other equity instruments investments increased by 90.02% as compared to the beginning of the period, mainly due to changes in the equity of the subsidiary, namely the investment in the subsidiary was adjusted to other equity instruments investments;

6) Other non-current financial assets decreased by 100.00% as compared to the beginning of the period, mainly due to the reclassification of wealth management due within one year to financial assets held for trading;

7) Construction in progress increased by 42.20% as compared to the beginning of the period, mainly due to the increase in plant under construction and equipment;

8) Financial liabilities held for trading decreased by 99.62% as compared to the beginning of the period, mainly due to the expiration of the locked exchange rate instruments;

9) Derivative financial liabilities increased by 86.29% as compared to the beginning of the period, mainly due to the increase in interest rate swap agreements and forward foreign exchange contracts;

10) Taxes payable increased by 50.42% as compared to the beginning of the period, mainly due to the income tax on the investment income of the change in the equity of subsidiaries;

11) Other current liabilities increased by 1121.10% as compared to the beginning of the period, mainly due to the Company's issuance of ultra-short-term financing bonds for financing;

12) Deferred income decreased by 35.05% as compared to the beginning of the period, mainly due to the change in the equity of subsidiaries;

13) Deferred income tax liabilities increased by 35.46% as compared to the beginning of the period, mainly due to the change in the equity of subsidiaries;

14) Other comprehensive income decreased by 124.56% as compared to the beginning of the period, mainly due to the exchange differences on translation of statements denominated in foreign currencies;

15) Taxes and surcharges decreased by 31.62% as compared to the same period of last year, mainly due to the change of value-added tax rate, which decreased from 16% to 13% since 1 April 2019;

16) Other income increased by 40.25% as compared to the same period of last year, mainly due to the increase of government grants in the period;

17) Gains on change of fair value decreased by 54.79% as compared to the same period of last year, mainly due to the decrease of fair value in forward foreign exchange contracts in the period as compared to the same period of last year;

18) Loss on credit impairment increased by 231.53% as compared to the same period of last year, mainly due to the increase in bad debt loss of accounts receivable in the period;

19) Loss in assets impairment increased by 182.63% as compared to the same period of last year, mainly due to the increase in the provision of loss in inventory impairment in the period;

20) Gain from disposal of assets decreased by 271.97% as compared to the same period of last year, mainly due to the recognition of loss from disposal of non-current assets in the period;

21) Non-operating income decreased by 77.13% as compared to the same period of last year, mainly due to the decrease of the fine income in the period compared to the same period of last year;

22) Non-operating expense decreased by 30.74% as compared to the same period of last year, mainly due to the decrease of one-off expenses recognized in the period;

23) Net cash flows from operating activities decreased by 32.62% as compared to the same period of last year, mainly due to the decrease caused by the impact of COVID-19 in the first quarter, and mostly offset by the year-on-year improvement in cash flows in the second and third quarters;

24) Net cash flows from investing activities increased by 69.98% as compared to the same period of last year, mainly due to the cash inflow from the disposal of subsidiaries, the redemption of wealth management products in the period, as well as the cash outflow from expense resulting from the acquisition of Candy in the same period of last year and the cash outflow from the purchase of wealth management products;

25) Net cash flows from financing activities increased by 560.13% as compared to the same period of last year, mainly due to the increase of borrowings in the period and issuance of ultra-short-term financing bonds.

3.2 Analysis on the progress of significant events and their impact and solution

Applicable Not Applicable

(1) **External guarantees:** By the end of the reporting period, the external guarantees provided by the Company and its subsidiaries were guarantees between the Company and its subsidiaries, the total balance of which amounted to RMB33.624 billion (among which, the balance of the guarantee provided for the loan fund for acquisition of GEA was RMB4.795 billion and the balance of daily business guarantees was RMB28.830 billion), accounting for 66.7% of the Company's latest net assets and 16.8% of the latest total assets.

(2) **Foreign exchange derivative:** By the end of the reporting period, the aggregate balance of the Company's foreign exchange derivative transactions amounted to approximately USD1.505 billion.

(3) **Entrusted wealth management:** By the end of the reporting period, the balance of the Company's entrusted wealth management amounted to RMB2.441 billion, including three parts: ① **temporarily-idle fund-raising 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 RMB0.7 billion after approved by the Board of Directors. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB542 million; ② **wealth management of the Company's Hong Kong listed subsidiary:** Haier Electronics Group Co., Ltd. (hereinafter referred to as "Haier Electronics", stock code: "01169.HK"), the holding subsidiary of the Company, has purchased some short-term principal-protected wealth management and structural deposits from the large commercial banks as an independently operating Hong Kong listed company in order to increase the efficiency of the use of idle funds within the authorities of the management and on the premise of safeguarding funds security. In the purchase process, all the necessary board reports were subject to the procedures such as filing 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 RMB1.894 billion. ③ **Temporary-idle funds wealth management by certain subsidiaries of the Company:** In order to improve the yield of temporarily-idle funds, some subsidiaries of the Company use temporarily-idle funds for cash management within the authority of the general manager's office meeting. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB5 million.

(4) **The progress on the matters of privatization of Haier Electronics:** On 12 December 2019, the Company announced the preliminary discussion on the implementation of H-share listing and privatization of Haier Electronics. On 30 July 2020, the board of directors of the Company considered and approved the relevant plans and disclosed the Report on Material Asset Purchase and Related

Transactions of Haier Smart Home Co., Ltd. (Draft) and relevant documents. Up to now, the Company is continuing to advance the relevant matters and will continue to disclose when the relevant node progress achieved according to the relevant requirements.

(5) **The progress on the matters of transfer of COSMO's equity:** On 30 July 2020, the Company disclosed the relevant announcement on the transfer of 54.50% of equity of Haier COSMOplat IOT Ecosystem Technology Co., Ltd. and related transactions. By the end of the reporting period, the equity transfer has been completed.

3.3 Undertakings not performed as scheduled during the reporting period

Applicable Not Applicable

By the end of the reporting period, the Company had no undertakings not performed as scheduled. The undertakings in performance are as follows:

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 asset reorganization	Eliminate the right defects in land property etc.	Haier Group Corporation	During the period from September 2006 to May 2007, the Company issued shares to Haier Group Corporation (“Haier Group”) to purchase the controlling equity in its four subsidiaries, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青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., Hefei Haier Air-conditioning Co., Limited, Wuhan Haier Electronics Co., Ltd. (the “Covenantees”), Haier Group made an undertaking (the “2006 Undertaking”). According to the content of 2006 Undertaking and current condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the	27 September 2006, long-term	Yes	Yes

			unavailability of such land and property.			
Undertaking related to refinancing	Eliminate the right defects in land property etc.	Haier Group Corporation	<p>Haier Group Corporation undertakes that it will assure HSH and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that HSH or any of its subsidiaries suffers any economic loss due to the fact that leased property has no relevant ownership certificate, Haier Group Corporation will make compensation to impaired party in a timely and sufficient way and take all reasonable and practicable measures to support the impaired party to recover to normal operation before the occurrence of loss. Upon the expiration of relevant leasing period, Haier Group Corporation will grant or take practicable measures to assure HSH and its subsidiaries of priority to continue to lease the property at a price not higher than the rent in comparable market at that time. Haier Group Corporation will assure HSH and its subsidiaries of the constant, stable, free and unobstructed use of self-built property and land of the Group. In the event that HSH or any of its subsidiaries fails to continue to use self-built property according to its own will or in original way due to the fact that self-built property has no relevant ownership certificate, Haier Group Corporation will take all reasonable and practicable measures to eliminate obstruction and impact, or will support HSH or its affected subsidiary to obtain alternative property as soon as possible, if Haier Group Corporation anticipates it is unable to cope with or eliminate the external obstruction and impact with its reasonable effort. For details, please refer to the <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</p>	24 December 2013, long-term	Yes	Yes

			securities newspapers and the website of SSE on 29 March 2014.			
	Eliminate the right defects in land property etc.	Haier Smart Home Co., Ltd.	<p>The Company undertakes that it will eliminate the property defects of the Company and main subsidiaries within five years with reasonable business effort since 24 December 2013, to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures</i> (L2014-005) published by the Company on the four major securities newspapers and the website of SSE 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 with land ownership 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</p>	24 December 2013, eight years	Yes	Yes

			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 Haier Photoelectric to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2025. For more details, please refer to the <i>Announcement of Haier Smart Home Co., Ltd. on the Changes of Some Undertakings on Asset Injection of Haier Group Corporation</i> (L2020-024) published on the four major securities newspapers and the website of SSE on 30 April 2020.	December 2015 to June 2025	Yes	Yes
Other undertakings	Profit forecast and compensation	Haier Electric Appliances International Co., Ltd.	In August 2018, Guanmei (Shanghai) Enterprise Management Company Limited (贯美(上海)企业管理有限公司) (hereinafter referred to as “Guanmei”), an indirect holding subsidiary of the Company replaced the 55% equity interests of Bingji (Shanghai) Enterprise Management Company Limited (冰戟(上海)企业管理有限公司) held by it with the 51% equity interests of Qingdao Haishi Water Equipment Co., Ltd. (hereinafter referred to as “Water Equipment”) held by Haier Electric Appliances International Co., Ltd. (hereinafter referred to as “Haier International”). In this regard, Haier International promises that the cumulative actual net profit recorded by the Water Equipment in the three accounting years during the profit compensation period shall not be less than its cumulative forecasted net profit in the corresponding year, otherwise Haier International shall compensate Guanmei’s results according to the <i>Assets Replacement Agreement</i> . Details are set out in the <i>Announcement on Connected Transaction of Planning to Conduct Equity Replacement by Holding Subsidiary and Haier Electronics International Co., Ltd. of Qingdao Haier Co., Ltd.</i> (L2018-047) published by the Company on the four major securities newspapers and the website of SSE	As of 30 April 2021	Yes	Yes

			on 31 August 2018.			
Undertaking related to significant asset reorganization	Resolve horizontal competition	Haier Smart Home Co., Ltd.	Before this transaction (i.e. the transaction involving in the matters of HSH's proposed privatization of HEG, the same as below), HEG was the holding subsidiary of the Company, and there was no horizontal competition between HEG and the Company; after the completion of this transaction, HEG will become the wholly-owned or holding subsidiary of the Company (depending on the implementation of the EB Proposal), and there is no or new horizontal competition between HEG and the Company. There is no new or potential horizontal competition between the Company and its controlling shareholder and other related parties controlled by its actual controller.	31 July 2020, long-term	Yes	Yes
Undertaking related to significant asset reorganization	Undertaking related to share reduction	Directors, supervisors and senior management of HSH	The directors, supervisors and senior management of Haier Smart Home Co., Ltd. undertake: in this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, I have no plan to reduce HSH Shares (if applicable). If I violate the aforesaid undertaking so as to cause any loss to HSH or other investors, I undertake to be liable for compensation to HSH or other investors according to laws.	31 July 2020, completion of this transaction	Yes	Yes
Undertaking related to significant asset reorganization	Reduce connected transactions	Haier Electric Appliances International Co., Ltd.	1. This transaction constitutes a connected transaction. The connected transaction procedures completed for this transaction are in compliance with relevant regulations, the connected transaction is priced fairly, and there are no circumstances that harm the interests of the Listed Company and non-connected shareholders. 2. After the completion of this transaction, the Company and its affiliated enterprises will take legal and effective measures to minimize and regulate the connected transactions with the Listed Company and consciously safeguard the interests of the	29 July 2020, long-term	Yes	Yes

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

n			<p>transaction, the Company and its affiliated enterprises will take legal and effective measures to minimize and regulate the connected transactions with the Listed Company and consciously safeguard the interests of the Listed Company and all shareholders, and will not take advantage of connected transactions for improper benefits. 3. Without prejudice to laws and regulations, if there are any unavoidable or well-grounded connected transactions between the Company and its affiliated enterprises and the Listed Company, the Company and its affiliated enterprises will enter into transaction agreements with the Listed Company according to laws to ensure they will strictly complete the connected transaction procedures specified in laws, regulations, regulatory documents and the Articles of Association, conduct connected transactions at a fair price in accordance with market-oriented principles to ensure the fairness and compliance of connected transactions, and will not take advantage of such connected transactions to engage in any act that harms the interests of the Listed Company or its minority shareholders, and at the same time, they will perform the information disclosure obligations in accordance with relevant regulations.</p>			
Undertaking related to significant asset reorganizations	Resolve horizontal competition	Haier Group Corporation	<p>1. The Company and the holding subsidiary Haier Electric Appliances Internationals Co., Ltd. were mainly engaged in investment business during the reporting period. The Company and the holding subsidiary Haier Electric Appliances International Co., Ltd. (including their subsidiaries and entities holding more than 30% of its shares) are not involved in any existing or potential horizontal competition with HSH; 2. The domestic and overseas white goods businesses and assets held by the Company (including its subsidiaries and entities holding more than 30% of its shares) have been injected in HSH by way of asset integration and</p>	29 July 2020, long-term	Yes	Yes

			<p>equity transfer in accordance with the undertakings made by the Company in January 2011 and the requirements for adjustment of such undertakings considered and approved at the annual general meeting for 2014 of HSH; 3. Since the closing of acquisition of 100% shares of Haier New Zealand Investment Holding Company Limited, which holds 100% shares of Fisher & Paykel Appliances Holdings Limited, by Haier Singapore Investment Holding Co., Ltd., an overseas subsidiary of HSH in July 2018, there has been no horizontal competition between the Company (including its subsidiaries and entities holding more than 30% of its shares) and HSH in respect of any business at home and abroad. During the reporting period, there was no new horizontal competition between the Company (including its subsidiaries and entities holding more than 30% of its shares) and HSH; 4. After the completion of this transaction, there is no new or potential horizontal competition between the Company (including its subsidiaries and entities holding more than 30% of its shares) and its affiliated enterprises and HSH; 5. During the period when the Company is the controlling shareholder of HSH and HSH Shares are listed on the Hong Kong Stock Exchange, the Company and other subsidiaries thereof and entities holding more than 30% of its shares will not engage in any businesses which are in competition with those engaged in by HSH or run into existing or potential horizontal competition with HSH.</p>			
Undertaking related to significant asset reorganization	Maintain the independence of the Listed Company	Haier Group Corporation	<p>After the completion of this transaction, the Company will equally exercise shareholders' rights and fulfill shareholders' obligations without seeking improper benefits by taking advantage of its shareholder status in strict accordance with the <i>Company Law</i>, <i>Securities Law</i>, relevant provisions of China Securities Regulatory Commission and Shanghai</p>	29 July 2020, long-term	Yes	Yes

n			<p>Stock Exchange as well as the Articles of Association of HSH, etc. to keep the Listed Company completely separate from the Company and other enterprises under the control or significant influence of the Company in management, personnel, assets, finance, institution, and business operations so as to maintain the independence of the Listed Company in management, personnel, assets, finance, institution and business operations. After the completion of this transaction, the Company will regulate the external guarantees of the Listed Company and its subsidiaries without illegally occupying the funds thereof in compliance with the <i>Notice on Several Issues concerning Regulating Fund Transactions between Listed Companies and Their Related Parties and the External Guarantees of Listed Companies</i> 《关于规范上市公司与关联方资金往来及上市公司对外担保若干问题的通知》 and the <i>Circular of China Securities Regulatory Commission and China Banking Regulatory Commission on Regulating the External Guaranties Provided by Listed Companies</i> 《中国证券监督管理委员会、中国银行业监督管理委员会关于规范上市公司对外担保行为的通知》. The Company undertakes to strictly fulfill the above undertaking. If the Company and other enterprises under the control or significant influence of the Company violate the above undertaking so as to cause any damage to the rights and interests of the Listed Company, the Company will bear corresponding compensation liability according to laws.</p>			
Undertaking related to significant asset reorganizatio	Undertaking related to share reduction	Haier Group Corporation	<p>In this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, the Company has no plan to reduce HSH Shares. If the Company violates the aforesaid undertaking so as to cause any loss to HSH or other investors, the</p>	29 July 2020, completion of this transaction	Yes	Yes

n			Company undertakes to be liable for compensation to HSH or other investors according to laws.			
Undertaking related to significant asset reorganization	Undertaking related to share reduction	Qingdao Haier Venture & Investment Information Co., Ltd.	In this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, the Company has no plan to reduce HSH Shares. If the Company violates the aforesaid undertaking so as to cause any loss to HSH or other investors, the Company undertakes to be liable for compensation to HSH or other investors according to laws.	29 July 2020, completion of this transaction	Yes	Yes
Undertaking related to significant asset reorganization	Undertaking related to share reduction	Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	In this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, the Company has no plan to reduce HSH Shares. If the Company violates the aforesaid undertaking so as to cause any loss to HSH or other investors, the Company undertakes to be liable for compensation to HSH or other investors according to laws.	29 July 2020, completion of this transaction	Yes	Yes
Undertaking related to significant asset reorganization	Others	HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	1. The Company legally holds the underlying shares and has complete ownership of the underlying shares, which are not subject to any right restrictions or involved in any circumstance which may affect the offer or closing of this transaction. 2. The Company has complete right to participate in this transaction and is entitled to accept offer for this transaction and sign and perform all agreements and documents involved in this transaction. 3. The Company intends to participate in this transaction as a shareholder in the scheme of arrangement. 4. Unless the privatisation of HEG is completed or HSH announces termination of privatisation, except for the transaction with HSH and its designated subject, the Company will not sell underlying shares, or reach any	29 July 2020, six months after termination of privatisation/listing of H Shares	Yes	Yes

			<p>arrangement with any third party on disposing of relevant underlying shares or interests thereof, or set any pledge and other right restrictions on the underlying shares after issue of the letter of confirmation. 5. Unless the privatisation of HEG is completed or HSH announces termination of privatisation, except for participating in and promoting this transaction, the Company will not additionally hold HEG Shares, or reach any arrangement with other HEG Shareholders on disposing of the relevant underlying shares or interests thereof, or set any pledge and other right restrictions on the HEG Shares held by other HEG Shareholders. 6. The Company will comply with the relevant restrictions on the sale of HSH Shares in accordance with Rule 10.07 of the <i>Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited</i> as amended from time to time: from the date of disclosure of the shareholdings of the Company in the Listing Document of HSH H Shares involved in this transaction to the 6th month after HSH H Shares are traded on the Hong Kong Stock Exchange, the Company will not sell HSH H Shares acquired by the Company through this transaction, or enter into any agreement on selling such shares, or set any option, right, interest or encumbrance for such shares; in addition, within six months after the expiry of the aforementioned 6-month period, the Company's selling HSH H Shares, entering into any agreement on selling such shares, or exercising or executing relevant options, rights, interests or encumbrances for such shares will not cause Haier Group Corporation and its concerted parties to lose their status as controlling shareholders of HSH.</p>			
Undertaking related to significant	Reduce connected transactions	HCH (HK) INVESTMENT	1. This transaction constitutes a connected transaction. The connected transaction procedures completed for this transaction are in compliance with relevant regulations, the connected transaction is priced fairly, and	29 July 2020, long-term	Yes	Yes

asset reorganization		MANAGEMENT CO., LIMITED	there are no circumstances that harm the interests of the Listed Company and non-connected shareholders. 2. After the completion of this transaction, the Company and other enterprises controlled by it will take legal and effective measures to minimize and regulate the connected transactions with the Listed Company and consciously safeguard the interests of the Listed Company and all shareholders, and will not take advantage of connected transactions for improper benefits. 3. Without prejudice to laws and regulations, if there are any unavoidable or well-grounded connected transactions between the Company and other enterprises controlled by it and the Listed Company, the Company and other enterprises controlled by it will enter into transaction agreements with the Listed Company according to laws to ensure they will strictly complete the connected transaction procedures specified in laws, regulations, regulatory documents and the Articles of Association, conduct connected transactions at a fair price in accordance with market-oriented principles, and will not take advantage of such connected transactions to engage in any act that harms the interests of the Listed Company or its minority shareholders, and at the same time, they will perform the information disclosure obligations in accordance with relevant regulations. 4. Any agreement and arrangement on connected transactions made by the Company and other enterprises controlled by it with the Listed Company will not prevent the other party from conducting business or transaction with any third party for its own sake and under the same market competition conditions.			
Undertaking related to significant	Undertaking related to share	Haier International Co., Limited	In this transaction, during the period from the earlier of the date of resumption of trading of HSH Shares and the date of issuance of this letter of undertaking to the completion of this transaction, the Company has no	29 July 2020, completion	Yes	Yes

asset reorganizatio n	reduction		plan to reduce HSH Shares. If the Company violates the aforesaid undertaking so as to cause any loss to HSH or other investors, the Company undertakes to be liable for compensation to HSH or other investors according to laws.	of this transaction		
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3.4 Warning of and explanation on reasons for the forecast that the accumulated net profit for the period from the beginning of the year to the end of the next reporting period may be a loss or there is a significant change as compared to that of the same period of last year

Applicable Not Applicable

Company name	Haier Smart Home Co., Ltd.
Legal representative	Liang Haishan
Date	29 October 2020

IV. APPENDIX

4.1 Financial statements

CONSOLIDATED BALANCE SHEETS

30 September 2020

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB Audit Type: Unaudited

Items	30 September 2020	31 December 2019
Current assets:		
Monetary capital	43,971,616,468.55	36,178,815,683.25
Provision of settlement fund		
Placements with banks		
Financial assets held for trading	2,039,467,556.56	308,135,007.05
Derivative financial assets	67,245,929.66	19,158,132.45
Bills receivable	14,949,371,910.85	13,951,419,893.96
Accounts receivable	16,667,866,196.08	11,015,871,060.09
Financing receivables		
Prepayments	1,421,696,685.35	1,272,921,546.72
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Other receivables	2,265,149,963.22	2,163,517,802.50
Including: interests receivable		
dividends receivable		
Financial assets purchased under resale agreements		
Inventories	26,868,460,739.65	28,228,600,971.61
Contract assets	327,756,561.53	422,738,398.42
Assets held for sale		
Non-current assets due within one year		
Other current assets	2,959,667,645.54	6,985,966,115.46
Total current assets	111,538,299,656.99	100,547,144,611.51
Non-current assets:		
Loans and advances granted		
Debt investments		
Other debt investments		
Long-term receivables	320,655,582.85	307,588,203.00
Long-term equity investments	21,240,150,916.22	20,460,763,915.68
Other equity instruments investments	2,652,599,272.58	1,395,959,878.92

Other non-current financial assets		294,547,364.47
Investment properties	30,096,458.24	29,402,691.38
Fixed assets	20,500,127,791.46	21,180,057,212.01
Construction in progress	3,400,638,452.19	2,391,364,659.97
Biological assets for production		
Oil and gas assets		
Right-of-use assets	2,806,441,498.95	2,755,066,601.59
Intangible assets	10,402,722,491.26	10,687,071,783.07
Development expenses	186,306,556.93	193,285,777.10
Goodwill	23,344,329,711.65	23,351,729,813.35
Long-term prepaid expenses	424,316,522.83	437,586,912.58
Deferred income tax assets	1,971,472,465.31	1,578,901,892.73
Other non-current assets	1,388,406,783.80	1,843,764,965.81
Total non-current assets	88,668,264,504.27	86,907,091,671.66
Total assets	200,206,564,161.26	187,454,236,283.17
Current liabilities:		
Short-term borrowings	8,525,338,027.22	8,585,049,237.18
Borrowings from central bank		
Placements from banks		
Financial liabilities held for trading	161,793.47	42,799,173.35
Derivative financial liabilities	185,453,864.17	99,548,853.97
Bills payable	18,075,782,128.00	19,308,538,776.92
Accounts payable	34,508,880,622.65	33,750,567,046.28
Receipts in advance		
Contract liabilities	5,074,397,307.18	5,583,008,412.49
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		
Staff remuneration payable	3,186,705,796.49	3,155,572,417.30
Taxes payable	3,184,397,236.75	2,117,056,381.04
Other payables	16,609,237,169.38	15,156,392,521.82
Including: interests payable		
dividends payable		
Fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	7,882,943,632.73	7,317,138,918.02
Other current liabilities	6,033,058,626.01	494,065,707.54
Total current liabilities	103,266,356,204.05	95,609,737,445.91
Non-current liabilities:		
Deposits for insurance contracts		

Long-term borrowings	14,729,758,286.57	13,276,452,935.56
Debentures payable	7,001,667,987.29	7,004,585,761.43
Including: preference shares		
perpetual bonds		
Lease liabilities	2,094,925,821.41	1,980,271,767.35
Long-term payable	116,652,463.40	142,342,718.45
Long-term staff remuneration payable	1,160,093,620.84	1,122,350,237.36
Estimated liabilities	1,358,495,380.88	1,398,877,746.33
Deferred income	458,080,797.77	705,272,617.10
Deferred income tax liabilities	1,563,822,680.35	1,154,413,295.72
Other non-current liabilities	80,211,772.59	70,071,490.03
Total non-current liabilities	28,563,708,811.10	26,854,638,569.33
Total liabilities	131,830,065,015.15	122,464,376,015.24
Owners' equity (or shareholder's equity):		
Paid-in capital (or share capital)	6,579,566,627.00	6,579,566,627.00
Other equity instruments	431,424,524.07	431,424,524.07
Including: preference shares		
perpetual bonds		
Capital reserve	4,814,724,134.07	4,435,890,845.47
Less: treasury stock		
Other comprehensive income	-323,685,888.69	1,317,988,619.66
Special reserve		
Surplus reserve	2,655,327,405.46	2,655,327,405.46
General risk provisions		
Undistributed profits	36,281,720,148.32	32,468,121,744.26
Total equity attributable to owners (or shareholder' equity) of the parent company	50,439,076,950.23	47,888,319,765.92
Minority interests	17,937,422,195.88	17,101,540,502.01
Total owners' equity (or shareholders' equity)	68,376,499,146.11	64,989,860,267.93
Total liabilities and owners' equities (or shareholders' equity)	200,206,564,161.26	187,454,236,283.17

Legal representative: Liang Haishan

Chief financial officer: Gong Wei

Person in charge of accounting department: Ying Ke

Balance Sheet of the Parent Company

30 September 2020

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB Audit Type: Unaudited

Items	30 September 2020	31 December 2019
Current Assets:		
Monetary capital	9,556,438,789.79	5,624,406,816.79

Financial assets held for trading		
Derivative financial assets		
Bills receivable		
Accounts receivable	4,727,784,139.94	1,182,234,481.49
Financing receivables		
Prepayments	925,761,289.10	30,749,459.11
Other receivables	2,608,811,023.31	5,885,752,905.74
Including: interests receivable		
dividends receivable		
Inventories	147,327,100.83	233,688,207.38
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	545,955,057.97	705,958,670.28
Total current assets	18,512,077,400.94	13,662,790,540.79
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	35,652,576,621.87	35,566,480,370.20
Other equity instruments investments	804,882,401.58	5,147,131.28
Other non-current financial assets		
Investment properties		
Fixed assets	178,299,279.05	180,807,176.98
Construction in progress	51,278,884.38	65,367,920.02
Biological assets for production		
Oil and gas assets		
Right-of-use assets	1,770,219.19	
Intangible assets	45,225,376.38	15,779,108.14
Development expenses		
Goodwill		
Long-term prepaid expenses	4,602,913.36	5,405,209.80
Deferred income tax assets	109,055,186.69	97,384,845.46
Other non-current assets		3,792,624.04
Total non-current assets	36,847,690,882.50	35,940,164,385.92
Total assets	55,359,768,283.44	49,602,954,926.71
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable		
Accounts payable	260,114,939.80	3,412,291,778.06

Receipts in advance		
Contract liabilities	12,052,596.21	16,562,259.31
Staff remuneration payable	69,002,034.37	76,513,196.33
Taxes payable	566,604,346.90	86,856,453.32
Other payables	28,333,414,035.56	26,900,844,668.74
Including: interests payable		
dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year	814,925.37	
Other current liabilities	5,517,347,401.32	2,149,745.37
Total current liabilities	34,759,350,279.53	30,495,218,101.13
Non-current liabilities:		
Long-term borrowings		
Debentures payable		
Including: preference shares		
perpetual bonds		
Leasing liabilities	851,678.50	
Long-term payable	20,000,000.00	20,000,000.00
Long-term staff remuneration payable		
Estimated liabilities		
Deferred income	14,140,000.00	59,820,000.00
Deferred income tax liabilities	137,012,198.98	43,325,120.18
Other non-current liabilities		
Total non-current liabilities	172,003,877.48	123,145,120.18
Total liabilities	34,931,354,157.01	30,618,363,221.31
Owners' equity (or shareholder's equity):		
Paid-in capital (or share capital)	6,579,566,627.00	6,579,566,627.00
Other equity instruments		
Including: preference shares		
perpetual bonds		
Capital reserve	7,036,531,178.83	7,036,531,178.83
Less: treasury stock		
Other comprehensive income	-11,027,703.18	11,077,477.45
Special reserve		
Surplus reserve	2,050,181,180.01	2,050,181,180.01
Undistributed profits	4,773,162,843.77	3,307,235,242.11
Total owners' equity (or shareholders' equity)	20,428,414,126.43	18,984,591,705.40
Total liabilities and owners' equities (or shareholders' equity)	55,359,768,283.44	49,602,954,926.71

Legal representative: Liang Haishan

Chief financial officer: Gong Wei
of accounting department: Ying Ke

Person in charge

Consolidated Income Statement

January-September 2020

Prepared by: Haier Smart Home Co., Ltd

Unit and Currency: RMB Audit Type: Unaudited

Items	Third quarter of 2020 (July-September)	Third quarter of 2019 (July-September)	First three quarters of 2020 (January-September)	First three quarter of 2019 (January-September)
I. Total operating revenue	58,683,716,582.79	50,208,824,230.12	154,411,813,689.44	150,232,288,468.02
Including: operating revenue	58,683,716,582.79	50,208,824,230.12	154,411,813,689.44	150,232,288,468.02
Interest income				
Insurance premiums earned				
Fee and commission income				
II. Total cost of operations	56,207,290,314.14	48,779,084,172.58	148,193,548,528.82	142,800,464,434.51
Including: operating cost	42,196,498,908.97	35,945,417,806.83	111,131,091,030.65	106,944,901,437.60
Interest expenses				
Fee and commission expenses				
Insurance withdrawal payment				
Net payment from indemnity				
Net provisions withdrew for insurance liability				
Insurance policy dividend paid				
Reinsurance cost				
Taxes and	194,170,7	280,336,294.15	469,361,548.05	686,389,122.70

surcharges	69.51			
Selling expenses	8,835,106,847.37	8,067,287,691.29	23,362,019,340.66	22,845,186,914.20
Administrative expenses	2,472,958,038.88	2,379,366,109.55	7,081,266,745.91	6,915,467,472.27
R&D expenses	2,067,364,816.35	1,676,240,338.99	5,007,098,365.49	4,473,307,959.85
Financial expenses	441,190,933.06	430,435,931.77	1,142,711,498.06	935,211,527.89
Including: interest expenses	312,963,080.44	429,808,736.94	1,032,220,170.47	1,316,108,036.62
Interest income	138,881,994.75	145,204,158.57	358,504,311.40	403,901,539.17
Add: other income	398,380,225.84	184,663,138.32	923,669,481.27	658,592,545.44
investment income (losses are represented by "-")	2,746,518,107.86	4,230,763,215.03	3,503,301,030.65	4,987,525,354.22
Including: gain from investment in associates and joint ventures				
Derecognized gain of financial assets measured at amortized cost				
Exchange gain (losses are represented by "-")				
Gains on net exposure hedges (losses are represented by "-")				
Income from changes in fair value (losses are represented	37,582,691.78	-42,821,065.32	6,595,588.63	14,588,891.48

by “-”)				
Loss on credit impairment (losses are represented by “-”)	-7,197,647.28	-72,795,564.53	-116,103,151.35	-35,019,959.14
Loss on assets impairment (losses are represented by “-”)	-118,128,488.40	210,045.69	-727,876,621.09	-257,537,859.51
Gain from disposal of assets (losses are represented by “-”)	-38,148,967.49	-26,845,448.82	-52,591,373.95	-14,138,765.95
III. Operating profit (losses are represented by “-”)	5,495,432,190.96	5,702,914,377.91	9,755,260,114.78	12,785,834,240.05
Add: non-operating income	38,934,204.62	198,849,917.68	107,820,893.69	471,456,387.01
Less: non-operating expenses	67,512,649.51	63,054,240.98	122,983,406.06	177,560,949.27
IV. Total profit (total losses are represented by “-”)	5,466,853,746.07	5,838,710,054.61	9,740,097,602.41	13,079,729,677.79
Less: income tax expense	1,059,885,084.66	917,363,167.62	1,721,111,958.00	1,973,468,098.82
V. Net profit (net losses are represented by “-”)	4,406,968,661.41	4,921,346,886.99	8,018,985,644.41	11,106,261,578.97
(I) Classified by continuous operation				
1. Net profit from continuous operation (net losses are represented by “-”)	4,406,968,661.41	1,758,987,643.18	8,018,985,644.41	7,793,396,282.63
2. Net profit from discontinued operation (net losses are represented by “-”)		3,162,359,243.81		3,312,865,296.34
(II) Classified by ownership				
1. Net profit attributable to shareholders of the Parent Company	3,519,706,790.82	2,554,071,805.27	6,300,507,503.54	7,612,154,769.74

(net losses are represented by “-”)				
2. Profit or loss attributable to minority shareholders (net losses are represented by “-”)	887,261,870.59	2,367,275,081.72	1,718,478,140.87	3,494,106,809.23
VI. Other comprehensive income, net of tax	-1,464,746,735.20	671,163,493.94	-1,726,210,230.61	877,244,401.03
(I) Other comprehensive income attributable to owners of the Parent Company, net of tax	-1,444,082,794.82	623,918,532.71	-1,664,084,285.15	857,542,799.89
1. Other comprehensive income that cannot be reclassified into profit or loss	-2,602,356.48	-3,931,545.48	-58,986,038.62	-16,174,504.60
(1) Changes arising from re-measurement of defined benefit plans	-2,808,591.43	655,808.28	-2,796,373.04	255,491.10
(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	206,234.95	-4,587,353.76	-56,189,665.58	-16,429,995.70
(4) Changes in fair value of own credit risks				
2. Other comprehensive income to be reclassified into profit or loss	-1,441,480,438.34	627,850,078.19	-1,605,098,246.53	873,717,304.49
(1) Other comprehensive income that can be transferred into profit or loss under	-218,697,476.31	51,040,731.98	-189,651,363.03	70,870,344.63

equity method				
(2) Changes in fair value of other debt investments				
(3) Reclassified financial assets that are credited to other comprehensive income				
(4) Provisions for credit impairment of other debt investments				
(5) Cash flow hedges reserve	993,839.00	-10,608,611.29	-84,274,049.94	-36,007,555.07
(6) Exchange differences on translation of financial statements denominated in foreign currencies	-1,223,776,801.03	587,417,957.50	-1,331,172,833.56	838,854,514.93
(7) Others				
(II) Other comprehensive income attributable to minority shareholders, net of tax	-20,663,940.38	47,244,961.23	-62,125,945.46	19,701,601.14
VII. Total comprehensive income	2,942,221,926.21	5,592,510,380.93	6,292,775,413.80	11,983,505,980.00
(I) Total comprehensive income attributable to the owners of Parent Company	2,075,623,996.00	3,177,990,337.98	4,636,423,218.39	8,469,697,569.63
(II) Total comprehensive income attributable to the minority shareholders	866,597,930.21	2,414,520,042.95	1,656,352,195.41	3,513,808,410.37
VIII. Earnings per share:				
(I) Basic earnings per share (RMB/share)	0.535	0.401	0.958	1.195
(II) Diluted earnings per share (RMB/share)	0.526	0.343	0.939	1.107

Legal representative: Liang Haishan Chief financial officer: Gong Wei
 Person in charge of accounting department: Ying Ke

Profit Statement of the Parent Company
 January-September 2020

Prepared by: Haier Smart Home Co., Ltd

Unit and Currency: RMB Audit Type: Unaudited

Items	Third quarter of 2020 (July-September)	Third quarter of 2019 (July-September)	First three quarters of 2020 (January-September)	First three quarters of 2019 (January-September)
I. Operating income	1,195,275,124.30	903,401,779.64	6,237,992,223.98	2,234,271,154.27
Less: operating cost	815,513,821.74	665,370,343.10	5,213,924,603.29	1,615,752,876.42
Taxes and surcharges	7,304,197.70	5,324,414.17	18,647,884.55	14,118,655.09
Selling expenses	86,858,168.81	63,131,879.39	304,820,441.43	190,089,788.56
Administration expenses	68,072,858.57	179,457,329.72	200,361,265.40	320,496,657.73
R&D expenses	90,357,407.15	54,550,067.46	233,014,050.16	156,533,395.84
Financial expenses	17,149,862.40	11,752,125.45	46,128,332.17	111,189,066.25
Including interest expenses	28,698,250.00	25,477,118.45	74,857,472.22	139,021,578.60
Interest income	14,208,638.45	12,873,607.27	30,293,547.81	30,581,562.15
Add: other income	28,797,741.49	4,501,688.94	62,059,874.59	56,974,198.19
Investment income (losses are represented by "-")	4,011,191,390.98	8,374,916.12	4,257,166,131.35	253,943,029.70
Including gains from investment in associates and joint ventures				

Derecognized gain on financial assets measured at amortized cost				
Gains on net exposure hedges (losses are represented by “-”)				
Income from changes in fair value (losses are represented by “-”)				
Loss on credit impairment (losses are represented by “-”)	391,099.72	-7,920.79	675,131.84	979,217.15
Loss on assets impairment (losses are represented by “-”)	-1,793,656.12		-3,100,268.37	
Gain from disposal of assets (losses are represented by “-”)				51,118.46
II. Operating profit (losses are represented by “-”)	4,148,605,384.00	-63,315,695.38	4,537,896,516.39	138,038,277.88
Add: non-operating income	706,408.80	3,590,569.68	742,963.13	13,003,372.98
Less: non-operating expenses	19,547.73	1,007,999.99	339,043.62	2,971,024.42
III. Total profit (total losses are	4,149,292,245.07	-60,733,125.69	4,538,300,435.90	148,070,626.44

represented by “-”)				
Less: income tax expenses	606,491,357.43	-123,118.24	605,035,349.11	-17,410,712.14
IV. Net profit (net losses are represented by “-”)	3,542,800,887. 64	-60,610,007.45	3,933,265,086.79	165,481,338.58
(I) Net profit from continuous operations (net losses are represented by “-”)	3,542,800,887. 64	-60,610,007.45	3,933,265,086.79	165,481,338.58
(II) Net profit from discontinued operations (net losses are represented by “-”)				
V. Other comprehensive income, net of tax	-14,989,053.63	5,204,966.29	-22,105,180.63	4,453,719.92
(I) Other comprehensive income that cannot be reclassified into profit or loss		-67,243.43	-178,713.89	
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	-178,713.89	
4. Changes in fair value of own credit risks				
(II) Other comprehensive income to be reclassified into profit or loss	-14,989,053.63	5,272,209.72	-21,926,466.74	4,453,719.92
1. Other comprehensive income that can be transferred into profit or loss under equity method	-14,989,053.63	5,272,209.72	-21,926,466.74	4,453,719.92
2. Changes in fair value of other debt investments				
3. Reclassified financial assets that are credited to other comprehensive income				
4. Provisions for credit impairment of other debt investments				
5. Cash flow hedges reserve				
6. Exchange differences on				

translation of financial statements denominated in foreign currencies				
7. Others				
VI. Total comprehensive income	3,527,811,834.01	-55,405,041.16	3,911,159,906.16	169,935,058.50
VII. Earnings per share:				
(I) Basic earnings per share (RMB/share)				
(II) Diluted earnings per share (RMB/share)				

Legal representative: Liang Haishan Chief financial officer: Gong Wei
 Person in charge of accounting department: Ying Ke

Consolidated Cash Flow Statement

January - September 2020

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB Audit Type: Unaudited

Items	The first three quarters of 2020 (January – September)	The first three quarters of 2019 (January – September)
I. Cash flows from operating activities:		
Cash received from the sale of goods and rendering of services	147,291,023,850.68	149,416,186,506.27
Net increase in customers and interbank 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 securities trading agency services		
Refunds of taxes received	976,790,858.07	1,049,707,932.77
Cash received from other related operating activities	858,777,749.41	1,023,187,631.12
Sub-total of cash inflows from operating activities	149,126,592,458.16	151,489,082,070.16
Cash paid on purchase of goods and services	107,290,072,174.03	110,367,698,756.06
Net increase in loans and advances of customers		
Net increase in deposits in PBOC and interbank		
Cash paid for compensation payments under original insurance contract		
Net increase in placements with banks		
Cash paid for interest, fees and commissions		
Cash paid for insurance policy dividend		
Cash paid to and on behalf of employees	16,400,625,372.03	16,241,539,773.60
Cash paid for all types of taxes	5,612,184,299.93	6,255,602,262.52
Cash paid on other operation related activities	14,112,505,937.72	10,148,204,038.58
Sub-total of cash outflows from operating activities	143,415,387,783.71	143,013,044,830.76
Net cash flows from operating activities	5,711,204,674.45	8,476,037,239.40
II. Cash flows from investing activities:		
Cash received from recovery of investments	2,810,432,335.20	1,534,282,960.18
Cash received from return on investments	348,202,313.61	457,961,430.03

Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	80,436,732.37	200,940,694.81
Net cash received from disposal of subsidiaries and other operating entities	1,314,096,598.53	
Cash received from other investment related activities	8,051,012.31	279,515,688.66
Sub-total of cash inflows from investing activities	4,561,218,992.02	2,472,700,773.68
Cash paid on purchase of fixed assets, intangible assets and other long-term assets	5,099,603,609.64	4,582,456,572.85
Cash paid for investments	1,758,422,705.33	3,059,069,407.17
Net increase in secured loans		
Net cash paid on acquisition of subsidiaries and other operating entities	345,271,380.17	2,641,246,363.38
Cash paid on other investment related activities	52,942,942.62	1,167,045,427.42
Sub-total of cash outflows from investing activities	7,256,240,637.76	11,449,817,770.82
Net cash flows from investing activities	-2,695,021,645.74	-8,977,116,997.14
III. Cash flows from financing activities:		
Cash received from capital contributions	1,326,697,709.68	14,318,688.54
Including: cash received from capital contributions by minority shareholders of subsidiaries		
Cash received from borrowings	23,485,842,921.55	12,084,841,424.81
Cash received from other financing related activities	4,422,492.60	7,139,182.47
Sub-total of cash inflows from financing activities	24,816,963,123.83	12,106,299,295.82
Cash paid on repayment of borrowings	14,546,595,992.83	9,252,731,650.03
Cash paid on distribution of dividends, profits or repayment of interest expenses	3,966,850,550.91	3,082,361,819.88
Including: dividend and profit paid to minority shareholders by subsidiaries		
Cash paid on other financing related activities	552,815,827.98	1,020,991,642.57
Sub-total of cash outflows from financing activities	19,066,262,371.72	13,356,085,112.48
Net cash flows from financing activities	5,750,700,752.11	-1,249,785,816.66
IV. Effect of fluctuations in exchange	-418,539,387.37	585,786,113.94

rates on cash and cash equivalents		
V. Net increase in cash and cash equivalents	8,348,344,393.45	-1,165,079,460.46
Add: balance of cash and cash equivalents at the beginning of the period	34,981,410,830.63	36,257,588,929.47
VI. Balance of cash and cash equivalents at the end of the period	43,329,755,224.08	35,092,509,469.01

Legal representative: Liang Haishan Chief financial officer: Gong Wei
 Person in charge of accounting department: Ying Ke

Cash Flow Statement of the Parent Company

January-September 2020

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB Audit Type: Unaudited

Items	The first three quarters of 2020 (January – September)	Amount for the first three quarters of 2019 (January – September)
I. Cash flows from operating activities:		
Cash received from the sale of goods and rendering of services	3,467,075,928.84	1,219,703,551.51
Refunds of taxes received	20,913,285.18	31,329,360.51
Cash received from other related operating activities	27,453,408.37	182,304,374.25
Sub-total of cash inflows from operating activities	3,515,442,622.39	1,433,337,286.27
Cash paid on purchase of goods and services	9,943,115,483.72	57,147,717.08
Cash paid to and on behalf of employees	433,934,396.95	701,565,276.87
Cash paid for all types of taxes	196,697,391.69	116,443,799.11
Cash paid on other operation related activities	178,656,735.99	456,381,806.73
Sub-total of cash outflows from operating activities	10,752,404,008.35	1,331,538,599.79
Net cash flows from operating activities	-7,236,961,385.96	101,798,686.48
II. Cash flows from investing activities:		
Cash received from recovery of investments	4,410,000,000.00	
Cash received from return on investments	4,062,494,274.83	1,513,456,657.45
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	8,472,494,274.83	2,945,433,657.45
Cash paid on purchase of fixed assets, intangible assets and other long-term assets	98,238,434.96	30,442,256.39
Cash paid for investments	1,199,400,000.00	3,521,662,503.09
Net cash paid on acquisition of subsidiaries and other operating entities		
Cash paid on other investment related activities	133,000,000.00	246,801,379.00
Sub-total of cash outflows from investing activities	1,430,638,434.96	3,798,906,138.48
Net cash flows from investing activities	7,041,855,839.87	-853,472,481.03
III. Cash flows from financing activities:		
Cash received from capital contributions		
Cash received from borrowings	10,000,000,000.00	
Cash received from other financing related activities	1,155,486,114.60	3,728,909,076.12
Sub-total of cash inflows from financing activities	11,155,486,114.60	3,728,909,076.12
Cash paid on repayment of borrowings	4,500,000,000.00	1,500,000,000.00
Cash paid on distribution of dividends, profits or repayment of interest expenses	2,528,459,679.57	2,262,440,498.23
Cash paid on other financing related activities		8,419,159.30
Sub-total of cash outflows from financing activities	7,028,459,679.57	3,770,859,657.53
Net cash flows from financing activities	4,127,026,435.03	-41,950,581.41
IV. Effect of fluctuations in exchange rates on cash and cash equivalents	111,084.06	-1,836,962.00
V. Net increase in cash and cash equivalents	3,932,031,973.00	-795,461,337.96
Add: balance of cash and cash equivalents at the beginning of the period	5,624,406,816.79	7,068,899,574.96
VI. Balance of cash and cash equivalents at the end of the period	9,556,438,789.79	6,273,438,237.00

Legal representative: Liang Haishan

Chief financial officer: 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 Income Standards and New Lease Standards for the first time since 2020

Applicable Not Applicable

4.3 Explanation on retroactive adjustments of previously comparative data for implementation of New Income Standards and New Lease Standards for the first time since 2020

Applicable Not Applicable

4.4 Audit report

Applicable Not Applicable