

Company Code: 600690.SH, 690D.DE

Short Name: Haier Smart Home

Haier Smart Home Co., Ltd.

2023 Interim Report

海尔智家

Haier smart home

Important Notice

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

II. All directors attend the Board of Directors.

III. The interim report is unaudited.

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

V. Proposal of profit distribution or proposal of converting capital reserves into share capital for this reporting period resolved and passed by the Board

No

VI. Disclaimer in respect of forward-looking statements

☒ Applicable ☐ Not Applicable

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

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

No

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

No

IX. Are there more than half of the Directors could not warrant the truthfulness, accuracy and completeness of the interim report disclosed by the Company

No

X. Important risk warnings

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

Important Notice

XI. Others

☐ Applicable ☒ Not Applicable

Chairman of the Board: LI Huagang
Haier Smart Home Co., Ltd
30 August 2023

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Documents Available for Inspection	I. 2023 Interim Report of Haier Smart Home Co., Ltd. with signature of the legal representative.
	II. Financial statements with signatures or seals of the person in charge of the entity, chief accountant and person in charge of accounting department.
	III. All documents publicly disclosed on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn) during the reporting period.

Section I Definitions

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

DEFINITION OF FREQUENTLY USED TERMS

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
The Company, Haier Smart Home	Haier Smart Home Co., Ltd, its original name is “Qingdao Haier Co., Ltd.”, and the original short name is “Qingdao Haier”
Four Major Securities Newspapers	<i>China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily</i>
Haier Electronics, 1169	Haier Electronics Group Co., Ltd. (a company originally listed in Hong Kong, stock code: 01169.HK), a subsidiary as accounted for in the consolidated statement of the Company. Haier Electronics has been privatized by way of H shares issuance on 23 December 2020 and became a wholly owned subsidiary of the Company since then.
GEA	GE Appliances, household appliances assets and business of General Electric Group, have currently been owned by the Company.
FPA	Fisher & Paykel Appliances Holdings Limited (Chinese Name: 斐雪派克) was established in 1934 and is known as the national appliance brand of New Zealand, the global top-level kitchen appliance brand and the famous luxury brand of the world. It has products including ventilator, gas stove, oven, dishwasher, microwave oven, built-in freezer, washing machine, clothes dryer and etc. Its business covers over 50 countries/regions across the world. FPA is wholly-owned subsidiary of the Company.
Candy	Candy Group (Candy S.p.A) is an international professional appliances manufacturer from Italy. Since its establishment in 1945, it has been committed to enabling the global users to enjoy a higher quality of life through innovative technologies and quality services. Candy Group has been prestigious in the global market with users all over the world via its ten self-owned professional household appliance brands. In January 2019, Candy became a wholly-owned subsidiary of the Company.
CMM	China Market Monitor Co., Ltd., as an authoritative market research institute in Chinese home appliances area, was established in 1994 and has been focusing on research of retail sales in China consumption market ever since.

Euromonitor	Euromonitor, established in 1972, is the leading strategic market information supplier and has over 40-years of experience in respect of publishing market report, commercial reference data and on-line database. They create data and analysis on thousands of products and services around the world.
All View Cloud	All View Cloud (AVC) is a big data integrated solution provider to the smart home field, providing enterprises with big data information services, regular data information services and special data services.
IEC	The International Electrotechnical Commission. Founded in 1906, it is the world's first organization for the preparation and publication of international electrotechnical standardization and is responsible for international standardization for electrical engineering and electronic engineering. The goals of the commission include: to effectively meet the needs of the global market; to ensure that the standards and conformity assessment programs are applied globally in a prioritized manner and to the greatest extent; to assess and improve the quality of products and services involved in its standards; to create conditions for the common use of complicated systems; to improve the effectiveness of the industrialization process; to improve human health and safety, and to protect the environment.
IEEE	The Institute of Electrical and Electronics Engineers, an international association of electronic technology and information science engineers, is currently the largest non-profit professional technology society in the world. It is committed to the development and research of electrical, electronic, computer engineering and science-related fields, and has developed into an international academic organization with great influence in terms of the fields of space, computer, telecommunications, biomedicine, power and consumer electronics.
Model of <i>Rendanheyi</i> (人单合一)	The concept of "Achieving win-win via Rendanheyi (人单合一)" is the guarantee of Haier's sustainable operation and the driving force of the Company featuring a self-motivated and empowering corporate culture. "Ren" is an employee who has the spirit of entrepreneurship and innovation; "Dan" is to create value for users. The "Rendanheyi (人单合一)" management model encourages employees to create value for users with an entrepreneurial mindset, and to achieve self-value in line with the those of the Company and its shareholders.
COP	The ratio of cooling capacity (heating capacity) to input power that the HVAC system can achieve. The larger the ratio, the more efficient and energy-saving the system is.

Section II General Information of the Company and Key Financial Indicators

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSON AND CONTACT INFORMATION

	Secretary to the Board	Representative of securities affairs	Company Secretary (D/H shares)	Others
Name	Liu Xiaomei	Liu Tao	Ng Chi Yin, Trevor	Global Customer Service Hotline
Address	Department of Securities of Haier Smart Home Co., Ltd. Haier Science and Technology Innovation Ecological Park, No. 1 Haier Road, Qingdao City	Department of Securities of Haier Smart Home Co., Ltd. Haier Science and Technology Innovation Ecological Park, No. 1 Haier Road, Qingdao City	Room 3513, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong	/
Tel	0532-88931670	0532-88931670	+852 2169 0000	4006 999 999
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Email	finance@haier.com	finance@haier.com	ir@haier.hk	/

Section II General Information of the Company and Key Financial Indicators

III. SUMMARY OF THE CHANGES IN GENERAL INFORMATION

Registered address	Haier Park, Laoshan District, Qingdao City
Historical change of the registered address	Prior to the Company's listing in 1993, the registered address of the Company was No.165 Xiaobaigan Road, Sifang District, Qingdao City, Shandong Province, and has changed to the current address since 1994, during which the address name was adjusted in line with the change of name of the industrial park but the actual site remains unchanged.
Business address	Haier Science and Technology Innovation Ecological Park, Laoshan District, Qingdao City
Postal code of the business address	266101
Website	https://smart-home.haier.com/cn/
Email	9999@haier.com
Query index for any changes during the reporting period	Not applicable

IV. MOVEMENT OF PLACE FOR INFORMATION DISCLOSURE AND DEPOSIT

Designated newspaper for information disclosure	<i>Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily</i>
Website for publishing interim report	www.sse.com.cn
Other websites for interim report disclosure	https://smart-home.haier.com/cn/ , www.xetra.com , www.dgap.de , https://www.hkexnews.hk
Deposit place of interim report	Department of Securities of Haier Smart Home Co., Ltd. Haier Science and Technology Innovation Ecological Park, No. 1 Haier Road, Qingdao City
Query index for any changes during the reporting period	Not applicable

V. SUMMARIZED INFORMATION OF SHARES OF THE COMPANY

Type of Shares	Stock Exchange of Shares Listed	Stock Short Name	Stock Code	Stock Short Name Before Variation
A share	Shanghai Stock Exchange	Haier Smart Home	600690	Qingdao Haier
D share	Frankfurt Stock Exchange	Haier Smart Home	690D	Qingdao Haier
H Share	Hong Kong Stock Exchange	Haier Smart Home	6690	/

Section II General Information of the Company and Key Financial Indicators

VI. OTHER RELATED INFORMATION

☐ Applicable ☒ Not Applicable

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key accounting data

Unit and Currency: RMB

Key accounting data	For the reporting period (January-June)	The corresponding period of last year		Increase/decrease for the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Operating revenue	131,626,581,506.56	121,640,067,379.35	121,857,522,462.22	8.21
Net profit attributable to shareholders of the listed Company	8,963,875,999.84	7,959,684,042.65	7,949,084,472.70	12.62
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed Company	8,603,977,764.58	7,490,693,705.38	7,490,693,705.38	14.86
Net cash flows from operating activities	6,790,530,462.54	5,965,070,983.86	5,964,247,657.22	13.84

	As at the end of the reporting period	As at the end of reporting period of last year		Increase/ decrease as at the end of the reporting period compared with that of last year (%)
		After adjustment	Before adjustment	
Net assets attributable to shareholders of the listed Company	96,681,175,780.71	93,454,454,213.67	93,422,647,664.43	3.45
Total assets	246,302,105,777.51	235,938,042,474.57	235,842,254,826.77	4.39

Section II General Information of the Company and Key Financial Indicators

(II) Key financial indicators

Key financial indicators	For the reporting period (January-June)	The corresponding period of last year		Increase/decrease for the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB/ share)	0.97	0.85	0.85	14.12
Diluted earnings per share (RMB/ share)	0.96	0.85	0.85	12.94
Basic earnings per share after deducting non-recurring profit or loss (RMB/share)	0.93	0.80	0.80	16.25
Weighted average return on net assets (%)	9.16	9.23	9.24	-0.07
Weighted average return on net assets after deducting non- recurring profit or loss (%)	8.80	8.71	8.71	0.09

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

☐ Applicable ☒ Not Applicable

VIII. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

☒ Applicable ☐ Not Applicable

(I) Difference in net profit and net assets attributable to shareholders of the listed company in financial statements as disclosed in accordance with International Accounting Standards and Chinese Accounting Standards

☐ Applicable ☒ Not Applicable

There is no difference between the net profit and net assets attributable to shareholders of the listed company presented in the consolidated financial statements as disclosed in accordance with International Accounting Standards and Chinese Accounting Standards by the Company.

Section II General Information of the Company and Key Financial Indicators

(II) Difference in net profit and net assets attributable to shareholders of the listed company in financial statements as disclosed in accordance with overseas accounting standards and Chinese Accounting Standards

☐ Applicable ☒ Not Applicable

Apart from the financial statements prepared in accordance with International Accounting Standards, the Company has not prepared financial statements in accordance with other overseas accounting standards.

(III) Explanation on difference in domestic and overseas accounting standards

☐ Applicable ☒ Not Applicable

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNT

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Non-recurring profit and loss items	Amount
Profit and loss on disposal of non-current assets	-21,886,978.96
Government subsidies through the profit and loss, except for government subsidies that are closely related to the Company's normal business operations, comply with national policies and regulations, and continue to be enjoyed in a fixed amount or fixed quantity according to certain standards	409,863,390.47
Profit and loss from fair value changes of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as investment gains arising from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities and other debt investments, except the effective hedging related to the normal operations of the Company	31,271,562.35
Other non-operating income and expenses except the aforementioned items	30,661,194.26
Reduction: Effect of income tax	-77,663,165.02
Effect of minority equity interest (After Tax)	-12,347,767.84
Total	359,898,235.26

Section II General Information of the Company and Key Financial Indicators

For the Company's designation of extraordinary gain or loss items as defined in the "Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 — Extraordinary Gains or Losses", and for extraordinary gain or loss items as illustrated in the "Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 — Extraordinary Gains or Losses" designated as recurring gain or loss items, reasons shall be specified.

☐ Applicable ☒ Not Applicable

X. OTHERS

☐ Applicable ☒ Not Applicable

Section III Management Discussion and Analysis

I. INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES AND ITS MAJOR BUSINESS DURING THE REPORTING PERIOD

Founded in 1984, the Company is committed to being an enterprise of the times. Through relentless innovation and iterations, we seize opportunities in the industry by continuously launching new products that steer market development. After more than 30 years, the Company has become a global leader in the major home appliance industry, as well as a pioneer in global smart home solutions.

- Global leader of the major home appliance industry: According to data from Euromonitor — an authoritative market researcher, the Company ranked first in terms of sales volume in global major appliance market for 14 consecutive years. The Company has a global portfolio of brands, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. From 2008 to 2022, Haier brand refrigerators and washing machines ranked first among global major home appliance brands in sales volume for 15 and 14 consecutive years respectively.
- Pioneer of global smart home solutions: Capitalizing on our full-range home appliances products, the Company is recognized by Euromonitor as one of the first in the industry to introduce smart home solutions. SAN YI NIAO focuses on customising smart home experience, by building up five core competencies in Smart Home Brain, scenario-based solutions, experiential stores, the SAN YI NIAO interior design tool and the digital platform, we provide end-to-end and full life cycle services that “design a home, build a home and serve a home” for users.

Over the years, the Company has established three business segments, namely the Chinese Smart Home Business, the Overseas Home Appliance and Smart Home Business, and Other Business.

Smart Home Business in China

The Company provides a full range of home appliance products and value-added services in China market through Haier Smart Home APP and SAN YI NIAO APP, supplemented by our offline experience centres, in order to cater for users’ needs for different lifestyle scenarios. Smart Home Business in China comprises Household Food Storage and Cooking Solutions (Internet of Food), Household Laundry Solutions (Internet of Clothing), Air Solutions (Internet of Air), and Household Water Solutions (Internet of Water).

- Household Food Storage and Cooking Solutions (Internet of Food): Through selling in domestic market and exporting products such as refrigerators, freezers, kitchen appliances, as well as providing one-stop smart kitchen scenario solutions and ecosystem solutions including smart cooking and nutrition planning, the Company fully addresses users’ need for convenient, healthy and tasteful gourmet experiences.

Section III Management Discussion and Analysis

- Household Laundry Solutions (Internet of Clothing): Haier's washing machine focuses on applying original technologies to directly solve users' pain points in home living scenarios, and create new experiences and value for users. With a product lineup of washing machines, tumble dryers, all-in-one laundry machines, garment care machines, and heated drying racks, the Company has evolved from selling individual products to providing scenario-based solutions, and offering end-to-end laundry care services. For example, the Zhongzihemei (中子和美) three-in-one washer combines washing, drying, and fabric care functions into a single unit, and the Essence Wash washing machine reduces washing time and improves cleaning effectiveness by producing a highly concentrated detergent solution that can quickly soak into clothes through detergent pre-mixing and high pressure spraying.
- Air Solutions (Internet of Air):

Home air conditioners: Through domestic sales in China and exports, the Company provides products such as home air-conditioners and fresh air systems, as well as a comprehensive range of full-cycle solutions including coordination of multiple air-conditioners and purifiers, adaptive air flow, air quality monitoring and air disinfection, thereby delivering a healthy and comfortable experience at home and during commute that caters to the user needs in terms of air temperature, humidity and quality.

Smart building: The Company is committed to becoming a leader in efficient, sustainable and smart building solutions based on the state's "carbon peaking and carbon neutrality" strategy. Focusing on the business areas of smart control, environment, energy and system integration of buildings, the Company provides green and smart building solutions integrating "technology + experience + space" for government and commercial buildings, railways, schools, and hospitals.

- Household Water Solutions (Internet of Water): Through selling in domestic market and exporting, the Company provides users with electric water heaters, gas water heaters, solar water heaters, air energy heat pump water heaters, POE water purifiers, POU water purifiers, water softening equipment, at the same time, we offer smart water solutions including interactions between water heaters and purifiers, and between heating appliances and water heaters, so as to comprehensively cater to users' needs for water purification, softening and heating.

Overseas Home Appliance and Smart Home Business

In addition to China market, the Company also manufactures and sells a comprehensive portfolio of home appliance products and provides value-added services in more than 200 countries and regions, including North America, Europe, South Asia and Southeast Asia, Australia and New Zealand, Japan, Middle East and Africa.

Section III Management Discussion and Analysis

In the overseas market, the Company has been manufacturing and selling proprietary appliance products catering for local users' demands for more than 20 years. During the time, a number of acquisitions contributed to our growth including acquisition of Haier Group Corporation's overseas white goods business (Sanyo Electric Co., Ltd.'s white goods business in Japan and Southeast Asia) in 2015, home appliances of GE in the US in 2016, Fisher&Paykel in 2018, and Candy in 2019. The development of the Company's overseas businesses has been fuelled by synergies among our self-developed business and our acquired businesses.

At present, the overseas business of the Company has entered a stage of promising growth, having achieved a multi-brand, cross-product and cross-regional presence on a global basis. According to Euromonitor, the Company's share of the global market (retail volume) for major home appliances in key regions in 2021 is as follows: ranked first in Asia in terms of retail volume, with a 21.4% market share; ranked second in America, with a market share of 15.6%; ranked second in Australia and New Zealand, with a market share of 12.8%. The Company ranked third in Middle East and Africa with a market share of 7.5%, and ranked fourth in Europe with a market share of 8.3%.

Other Businesses

Building on our established smart home businesses, the Company has also developed small home appliances, channel distribution and other businesses. In particular, the small home appliance business primarily involves small home appliances designed by the Company, produced by outsourced third-party manufacturers and sold under the Company's brands, which serve to enrich our smart home solutions product mix. The channel distribution business primarily offers distribution services for products such as televisions and user electronics for the Haier Group or third-party brands, which leverages the Company's sales network.

In August 2023, the Company was once again listed among the Top 500 World's Companies. In February 2023, the Company was named again as the 2023 World's Most Admired Companies by the Fortune Magazine. We are the only company being selected in Europe and Asia in the home appliances industry, and are the only selected company incorporated outside the US. Meanwhile, the Company is also the world's only Internet-of-Things (IoT) ecosystem brand being named again as BrandZtm Top 100 Most Valuable Global Brands in 2022.

During the period, the Company was named again among Fortune's first China ESG Impact list and ranked top in the industry; and was named Forbes' The World's Best Employers 2022 list. The Company's ESG effort has also been recognized by external rating agencies, receiving an MSCI ESG rating of BBB and a Wind ESG rating of AAA, both of which are at leading levels in China. Thanks to the above performance, Haier Smart Home was selected into the three major ESG indices of the Hang Seng Index, including the HSI ESG Enhanced Index, the HSI ESG Enhanced Select Index and the HSCEI ESG Enhanced Index.

I. Industry overview for the first half of 2023

(1) The domestic market:

In the first half of 2023, the Chinese home appliance industry recorded a marginal growth. AVC data showed that the retail sales of home appliances in China reached RMB398.2 billion in the first half of 2023, an increase of 4.4% year-on-year. Growth of various sectors are as follows:

Home air conditioning industry: Benefiting from continuous hot weather and low industry inventory levels, growth of the air conditioning category spearheaded the market, with retail volume amounting to 37.265 million units, up 18.8% year-on-year, and retail sales reaching RMB130.16 billion, a year-on-year increase of 19.5%.

Refrigerator industry: Product mix upgrades have resulted in an increase in average prices across the industry. Retail volume of the refrigerator industry reached 14.686 million units, down 2.6% year-on-year, while retail sales amounted to RMB47.95 billion, up 5.2% year-on-year.

Washing machine industry: Due to a lag in replacement demand and dependence on installation, the industry experienced a slow recovery as retail volume dropped 6% to 14.362 million units, and retail sales amounted to RMB29.91 billion, down 3.2% year-on-year. The tumble dryer industry maintained rapid growth with retail sales reaching RMB4.97 billion, a year-on-year increase of 14.7%.

Kitchen appliance industry: Due to the fulfilment of pent-up demand and product mix upgrades, the retail sales of range hoods, stoves, and disinfection cabinets reached RMB24.24 billion, a year-on-year increase of 1.90%. Retail sales of integrated stoves amounted to RMB12.45 billion, a slight decrease of 0.40% year-on-year. Categories such as integrated cooking centres and integrated dishwashers continued to experience rapid growth. Specifically, integrated cooking centres, which combined stove, steaming, and baking units, recorded a significant 286.4% year-on-year increase in revenue online, and a surge of 87.8% in revenue offline.

Water heater industry: Due to the rapid growth of demand of gas water heater products, retail sales of the water heater segment reached RMB22.36 billion, up 6.0% year-on-year.

Water purifier industry: Benefiting from traffic recovery offline and product mix upgrades, retail sales of the industry continued to grow, with retail revenue reaching RMB9.0 billion, an increase of 8.0% year-on-year.

Commodity prices in the domestic market have substantially declined compared to the same period last year; at the same time, market competition has become more rational with stable prices, all of which have collectively contributed to the industry's profitability improvement.

Section III Management Discussion and Analysis

The home appliance market was divided based on purchasing power and consumer attitudes. The high-end market was largely driven by quality consumption and indulgent spending. Taking air conditioners for example, in the first half of 2023, high-end wall-mounted units (priced above RMB3,500) accounted for 12.4% of retail sales, an increase of 3.2 percentage points year-on-year. At the same time, the size of the low-end market was also growing, with online sales of wall-mounted units priced below RMB2,000 up by 1.6 percentage points to 15.2%.

In terms of distribution network, e-commerce channels continued to gain shares in volume as consumers have become accustomed to shopping online where services have become more integrated. According to AVC, the online shares of air conditioner, refrigerator and washing machine in terms of retail volume reached 57.1%, 71.8% and 71.9% respectively. Meanwhile, online and offline channels were becoming more integrated, facilitated by live streaming in stores. This approach represents the future direction of retailing by combining the convenience of shopping online with immersive offline experience. Short video platforms like TikTok also accelerated channel fragmentation because of their increasing significance in user acquisition.

With improvement in living standards and technologies, home appliances are increasingly integrated with the living space. For example, built-in and integrated appliances are gaining popularity for better utilisation of the space in the kitchen. The use of tumble dryers effectively frees up the balcony for other functions. In addition to hosting guests, entertainment, and family activities, living room appliances are designed with a greater focus on user interaction and experience.

Export markets:

The global economy experienced a slowdown in 2023, putting pressure on China's home appliance exports due to sluggish overseas demand and low orders volumes. Exports to Europe and the U.S. suffered from reduced demand and inventory destocking; but exports to Southeast Asia, Middle East and Africa continued to grow. According to data from the General Administration of Customs, the cumulative export of the home appliance industry from January to June 2023 amounted to USD 43.1 billion, representing a 2.0% decrease year-on-year. Exports in RMB term however totalled RMB296.7 billion, up 5.2% year-on-year, with 3.3% decrease in refrigerators, 29% growth in washing machines and 0.4% increase in air conditioners.

(II) Overseas market

In the first half of 2023, competition intensified and volume declined in major overseas markets due to global economic slowdown, persistent high inflation, and over-draft in appliances demand.

- (1) North America: In the first half of 2023, lingering inflation and demand exceeding capacity contributed to 3.3% drop in core appliances shipment according to AHAM (Association of Home Appliance Manufacturers). Profitability remains under pressure as improvement in gross profit margins resulting from more favourable raw material and shipping costs was offset by intensifying competitions and promotions.
- (2) Europe: Inflationary pressures and Russia-Ukraine conflict caused industry demand to decline. According to GFK, retail volume of the home appliance industry decreased 8.1% year-on-year in the first half of the year. However, there are still growth opportunities as consumers have become increasingly attracted to products with class A energy-efficiency during times of shortages.
- (3) South Asia: ① Driven by gradual economic recovery, home appliances retail volume experienced a slight year-on-year increase in India. High-end, large-capacity products with health benefits were popular with expansions of national and regional chain stores as well as e-commerce platforms. ② In Pakistan, high inflation severely weakened purchasing power, resulting in over 30% volume decline in the industry.
- (4) Southeast Asia: Thailand experienced a 15% increase in sales volume, benefitting from strong air conditioner performance during hot weather and demand recovery facilitated by return of tourists. Markets including Vietnam faced varying degrees of decline due to economic slowdown and high inflation.
- (5) Australia & New Zealand: During the first half of the year, the home appliance industry was challenged by sluggish demand, intensified competition, and a significant decrease in new properties sales. According to GFK, the industry's sales volume dropped by 7.1%, with retail volume down by over 10%.
- (6) Japan: The industry was impacted by currency depreciation and reduced disposable income caused by higher prices. In the first half of the year, sales volume of refrigerators, freezers and washing machines dropped 9.5% year-on-year. Driven by increase in average unit price, sales revenue decreased slightly by 1.3% year-on-year. Consumer demand for large-capacity, health-boosting, and energy-saving products continued to rise.

Section III Management Discussion and Analysis

II. Industry Outlook for the second half of 2023

(1) The domestic market:

Economic recovery and policies supporting consumption and real estate will unleash demand for home appliances and drive industry growth. AVC expects a definitive recovery for most of home appliance categories in 2023, with industry retail revenue growth of 6.4%.

Export markets:

Export business is expected to remain stable amid ending destocking, favourable shipping costs and concluding of interest rate hike.

(2) Overseas markets

In the short term, more developed markets will still be challenged by weak demand and intensified competition, the industry is more likely to turnaround in 2024. Demand in the South Asian and Southeast Asian markets will gradually recover alongside economic resurgence.

Home appliance industry remains resilient in the medium to long term. Future Market Insights believes, global sales revenue will maintain a CAGR of 4.3% from 2022 to 2029. Furthermore, implementation of the “Belt and Road” initiative could facilitate emerging markets including South Asia, Southeast Asia, and the Middle East and Africa in becoming crucial growth hubs. New opportunities still exists in high-end, smart, eco-friendly, and energy-efficient home appliances.

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

√ Applicable ☐ Not Applicable

The Company has established a solid strategic presence and competitive advantage in China and overseas markets. In China's major home appliance market, the Company has long maintained a leading position across all product categories. According to CMM's report, the Company has established a continued leading market position in key major home appliance categories in the first half of 2023. In overseas markets, the Company has adhered to its high-end brand creation strategy, building capacity to create leading sustainable growth, which has continuously improved its market share. Building on this foundation, the Company will further consolidate its leadership position in the industry by leveraging integrated synergies of its global unified platforms, through efficiency transformation driven by digitalization, and by leveraging its technological strength and innovative capabilities. As cornerstone for sustainable development, our 'Rendanheyi (人单合一)' Model also provided management guidance to the Company, and enabled us to replicate successful experiences. It is believed that the following advantages will help the Company to continue to strengthen its leading position:

(i) Dominance in China's high-end market; rapid growth of overseas high-end brands

Riding the trend of consumption upgrade in China, the Company has started to develop the high-end brand Casarte in the Chinese market more than 10 years ago. The creation of high-end brands required not only focus, experience and patience, but also continuous innovation of technological standards and differentiated service capabilities to fulfil user demand for high-quality experiences. The Casarte brand combined the Company's global technological strengths, product development capabilities and manufacturing craftsmanship, as well as privilege marketing and differentiation services, which has won the trust of users in China's high-end market. According to data from CMM, the Casarte brand has assumed a definitive leading position in China's high-end major home appliance market in first half of 2023, ranking first in the retail sales of refrigerator, washing machine and air conditioner categories in the high-end segment. Specifically, in terms of offline retail sales, shares of the Casarte brand of washing machines and refrigerators reached 82.9% and 39.4% respectively in the market with product price above RMB10,000 in China, while its share of air conditioners priced above RMB15,000 in the China's market reached 29.2%.

In the North American market, the Company owns high-end brands such as Monogram, Café, and GE Profile. We achieved our market leader position through launching such key home appliance innovative products including high-end combo heat pump washing-drying machines and pizza ovens. Through the creation of luxurious, customizable and smart technology-enabled user experience, our high-end brands Monogram, Café and GE Profile have grown rapidly.

(ii) Smart household solutions that continue to expand and upgrade

As users continued to demand for higher living quality, coupled with the development of technologies such as Internet of Things, big data, cloud computing and artificial intelligence, the industry has shown a smart and high-end development trend that prioritized product suites, based upon scenarios, and home appliances integrated with home furnishings. With leading user insights, extensive product coverage and technological accumulation from intelligent AI algorithms, home big data and IoT equipment technology, the Company was able to provide users with the “1+3+5+N” differentiation-enabled smart scenario solutions riding on the core strength of the Smart Home Brain, building around the five major intelligence spaces at home including living room, kitchen, bathroom, bedroom and balcony, as well as the whole-house solution of “whole-house’s water usage, air, smart control” with infinite number of smart home scenarios.

First of all, the Smart Home Brain created the best intelligent experience for users by upgrading the brain technology system. Through iteration of the whole-house sensing system, we unified data collection from multiple devices and constructed a whole-house sensing service model. At the same time, through software and hardware integration and end-to-end cloud integration, we enabled diversified and multi-modal voice and image interactions which opened up a new form of multi-dimensional connectivity.

Secondly, in terms of our capabilities in scenario solutions, SAN YI NIAO had converged its capability of intelligent scenario differentiation with spatial integrated design strength and whole product package customisation, whilst matching up mainstream household type with home style and family structure, as well as adapting modern light luxury-style, new Chinese-style, French-style and other sets of digital sample room into the interior design tool, so as to provide its users with customised designs for whole-scenario smart-and-cozy household solutions that embodied concepts of whole space aesthetics, health-technology-nature and genuine smart lifestyle.

In addition, SAN YI NIAO’s interior design tool focused on “building a home”, providing users with smart home appliances + smart home solutions. It featured a comprehensive collection of small household design types, smart swift output, preliminary programme functional design and 3D rendering design, empowering designers with speed 3-minute drawings creation and hence realising the transformation from selection by users to customisation for users.

Finally, SAN YI NIAO’s digital platform continued to strengthen its capabilities in scenario design, store, user and delivery digitalisation to offer full life cycle service for users, thereby enhancing the value added to active users and increasing conversion of scenario-based transactions.

(iii) Extensive and solid global presence with localised operational capability

In addition to success in the Chinese market, the Company also prospered in overseas markets. The Company seeks overseas expansion of its own brands as well as synergies with acquired brands to develop overseas markets. Such business strategy has guided the Company to establish R&D, manufacturing and marketing three-in-one structure across multiple brands, products and regions, as well as the model of self-development, interconnection and synergised operation.

The Company’s extensive global presence depends on its localised business teams as well as its flexible and autonomous management mechanisms established in various overseas markets, which have enabled the Company to gain rapid insights and respond swiftly to local user

Section III Management Discussion and Analysis

demands. The Company also proactively integrates into local markets and cultures, and has established a corporate image that is recognised by local communities in the overseas regions where the Company operates.

The Company established 10+N innovative ecosystems, 122 manufacturing centres, and 108 marketing centres around the world, and achieved a coverage of nearly 230,000 point of sales in overseas markets.

(iv) A comprehensive portfolio of proprietary brands recognised by users of all tiers

Through organic growth and acquisitions, the Company has formed seven brand clusters, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. To address the needs of users from different tiers in various markets around the world, the Company has adopted a differentiated multi-brand strategy in different regions that centred around users, so as to achieve an extensive and in-depth user coverage. For example, in the Chinese market: the four brands of Fisher & Paykel, Casarte, Haier and Leader achieved the coverage of premium, high-end, mainstream and niche market groups respectively; in North American market, the six major brands such as Monogram, Café, GE Profile, GE, Haier, Hotpoint comprehensively covered all segments of high-end, mid-range and low-end markets, thereby meeting the preferences and needs of different types of users.

(v) Cross-border acquisition and synergy realisation capabilities

The Company has an excellent track record of acquisition and integration. The Company has acquired Haier Group Corporation's overseas white goods business, including Sanyo Electric Co., Ltd.'s white goods businesses in Japan and Southeast Asia in 2015, the home appliance business of General Electric in the US in 2016, the New Zealand company Fisher&Paykel (which has been entrusted by the Haier Group since 2015) in 2018, and the Italian company Candy in 2019. The Company's capability to perform acquisition and integration is reflected in the following: First of all, the Company implements the 'Rendanheyi (人单合一)' Model in the acquired companies, which is a value-added sharing mechanism for the whole-process team under a common goal. Such model can motivate the acquired companies and their employees, and enable them to generate more value. Secondly, the Company made use of its global platform to empower the acquired companies in terms of strategic planning, R&D and procurement in order to enhance their competitiveness. Thirdly, the Company's open and inclusive corporate culture can support the acquired companies in establishing a flexible and autonomous management mechanism, which can easily earn recognition from the acquired companies and is conducive to the promotion of integration.

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(vi) Comprehensive and in-depth global collaborations and empowerment

The Company has made full use of its global collaborative platform, as well as its integrated functions of R&D, product development, procurement, supply chain, sales and brand marketing. It was able to share and expand its successful market development experience to various markets around the world. By strengthening the synergies among its global businesses, the Company has created a strong driving force for its future development.

- **Global collaborative R&D:** The Company has a global collaborative R&D system and has established global technology R&D mechanisms to share common modules, utilise common technologies, and share patents within the scope of compliance. For example, the Company's R&D team in China joined hands with FPA's and CANDY's R&D teams to develop the H2O spray technology, which has been applied to freestanding and built-in dishwashers of Haier, Fisher&Paykel, CANDY and HOOVER, hence strengthening the Company's overall leadership in product performance.
- **Global collaborative product development:** The Company has established a global product development mechanism to coordinate global collaborative product development, which can enable regional collaboration and supplementation across product categories. For example, the R&D teams in South Asia and China embarked on a 10-month collaboration, breaking away from the traditional product development model by innovating on team organisation, quality control, product testing and cost control leveraging complementary local resources. The HRT-683 refrigerator jointly developed by this collaboration has become a local mainstream high-end product.
- **Global collaborative procurement:** The Company has established a global procurement guidance committee to coordinate global procurement activities. The committee has built a global digital sourcing platform that brought together partners across industries and regions to develop an autonomous and controlled global supply chain ecosystem. The committee also created a global database of preferred suppliers and materials to achieve cost reduction by aggregating common resources at the Group level. By unifying procurement rules and processes, the Company established a standardised operating system with differentiated procurement strategies to enhance procurement efficiency while lowering risks. We have also developed a Group-level digital procurement platform to enhance shared capabilities through connecting "materials, businesses, people and mechanisms" to the platform, thereby improving the resilience of our global supply chain.
- **Global collaborative supply chain:** The Company has built an end-to-end digital management system for the global supply chain that spanned from marketing to suppliers to production and logistics. Using intelligent algorithms, the system enabled real-time flexible deployment of global production capacity, and factories across the globe could share and develop smart manufacturing technologies to boost manufacturing competitiveness.
- **Global collaborative marketing and brand promotion:** the Company operates a multi-level brand portfolio on a global scale, which can realise global collaborative brand promotion. The Company also promotes and introduces successful marketing strategies among regional markets around the world. For example, the Company successfully replicated its sales and marketing model from third and fourth-tier markets in China, in markets such as India, Pakistan, and Thailand, which have strengthened the Company's brand image and its regional market competitiveness.

(vii) Industry-leading R&D and technological capabilities

To ensure better living experience for users, the Company has established a global leading R&D system under the premise of developing original technologies. In early 2022, the Company established a science and technology committee to leverage our technological innovation system and strengthen our enterprises' innovation capabilities, which have facilitated our high-end brands, scenario brands and ecosystem brands to achieve leadership positions.

- **Leadership in terms of original technologies:** In the first half of 2023, the Company has innovated a range of solutions that exceeded users' expectations and made technology more integral to everyday life.

For example, the newly launched Neutron F2 Washing and Drying Machine showcases industry's first ever 1.5m optimal height that allows easy and effortless handling. Defying conventional wisdom, the model's groundbreaking 3D perspective drying technology introduces contactless capacitance dryness assessment which enables accurate sensing of dryness beneath clothing's surface and thorough drying with single application, thereby achieving time saving and efficiency.

Researched and developed solely and entirely by the Company and wholly independent and controllable, the world first ever hydrostatic air suspension central air-conditioner applies the Bernoulli principle of fluid mechanics where the shaft is lifted and supported by high-pressure gas, thus enables operation without friction. As a result, the model achieves 6x spindle and 1x efficiency enhancements, and 50% energy saving and 50% carbon reduction.

- **Certification from state authorities:** For the first half of 2023, the Company received a total of 16 State Science and Technology Progress Award. Haier Smart Home was among the first batch of "Leading Digital Enterprises" selected by the Ministry of Industry and Information Technology. The HOPE Platform was selected by Innovation China as one of the "Top 10 Industry-Academia Collaboration Organisations" and part of the first batch of Innovation Bases. The Platform also earned the Golden Bridge Award from the China Technology Market Association, was named as the only five-star technology service organisation in the home appliance industry, and became the Model National Public Service Platforms for Small and Medium-Sized Enterprises.
- **Leadership in terms of patent quality:** For the first half of 2023, Haier Smart Home has accumulated more than 97,000 patents applications globally, including more than 62,000 invention patents. The number of overseas invention patents exceeded 16,000, covering more than 30 countries, making us the Chinese home appliance enterprise with the largest number of overseas patents. The Company also accumulated 12 state patent gold awards, ranking first in the domestic market. In the 'Global Smart Home Invention Patent Ranking' in the first half of 2023, Haier Smart Home once again topped the list with 3,087 published patent applications, ranking first in the world for the ninth consecutive times.

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- **Leadership in terms of international standards:** For the first half of 2023, Haier Smart Home has cumulatively led and participated in the formulation of 95 international standards and 67,037 state/industrial standards. We are the only company in the industry to obtain comprehensive coverage of smart home standards from international organisations including the IEC, ISO, IEEE, OCF and Matter. We are also the only enterprise in the world to serve on both the IEC Council Board and the IEC Market Strategy Board, which have enabled the Company to stay actively involved in international standardisation efforts and have a voice in the formulation of standards.
- **Leadership in terms of experience design:** Haier Smart Home topped the industry by earning 6 international design gold awards, 3 being the iF Design Awards and 3 Red Dot Design Awards. The Company has cumulatively received 3 “China Excellent Industrial Design Gold Awards” from the Ministry of Industry and Information Technology, making it the only enterprise that have earned three consecutive gold awards.

(viii) Staying committed to the principle of ‘value of people comes first’

‘Value of people comes first’ has always been a guiding principle for Haier’s development. From the autonomous operation team at the start of the venture to the current ‘Rendanheyi’ (人单合一) model, Haier encourages every employee to maximise their own values while creating values for users. In Haier’s ‘Rendanheyi’ (人单合一) model, ‘Ren’ refers to creators; ‘Dan’ refers to user value; ‘Heyi’ refers to the integration of values realised by employees and the values created for users. ‘Value of people comes first’ is the highest purpose of the ‘Rendanheyi’ (人单合一) model.

Haier Smart Home adheres to the values of recognising users’ demand as priority and denying our own perceptions, and is committed to the ‘two creative spirits’ of entrepreneurship and innovation. We turned employees into creators, implementers into entrepreneurs, and transformed enterprises into open ecosystem platforms, which have supported the Company to become a global leader of smart home in the Internet of Things era.

III. DISCUSSION AND ANALYSIS ON OPERATIONS

Discussion and analysis of the Company's operation in the first half of the year

In the first half of 2023, the Company's sales revenue grew 8.2% to RMB131.627 billion driven by: (1) the Company's extensive multi-brand portfolio which capitalised growth opportunities across diverse market segments; strengthened competitiveness of the design, sales and services of SAN YI NIAO's solutions, which boosted sales of scenario-based product sets with increased user value; (2) network expansion, retailed-oriented digitalisation, and premiumisation fuelled the development of market-leading products, thereby improving price indices and growing market shares overseas; (3) the development of new product categories including tumble dryers, dishwashers, home cleaning robots, HVAC systems and heat pumps, capturing opportunities unlocked by desire to improve living standards and implement low carbon strategies.

In the first half of 2023, net profit attributable to the shareholders of the parent Company was RMB8.964 billion, representing an increase of 12.6% compared to the same period in 2022. Net profit attributable to the shareholders of the parent company after deduction of non-recurring profit or loss was RMB8.604 billion, up 14.9% year-on-year.

- (1) The Company's gross profit margin in the first half of 2023 reached 30.4%, up 0.2 percentage points year-on-year. In the domestic market, gross profit margin improved because of lower commodities prices, digitalisation in procurement and R&D, as well as increased proportion of in-house manufacturing. In the overseas market, benefits from improved product mix and production utilisation were offset by intensified competition and accelerated destocking, resulting in lower gross margin compared with the same period last year; such decline has however narrowed since last quarter of this year.
- (2) In the first half of 2023, the Company's selling expense ratio was 14.3%, down 0.2 percentage points as compared with the same period in 2022, largely contributed by digitally enhanced efficiency in domestic marketing, logistics and warehouse operations; on the other hand, overseas selling expense ratio increased as intensified competition drove up, spending in channel expansion, new product promotion and store renovations.
- (3) In the first half of 2023, the Company's administrative expense ratio was 4.2%, down 0.1 percentage points year-on-year, leveraging digitally enhanced operations and improved efficiencies.
- (4) In the first half of 2023, the Company's financial expense ratio was -0.01% ("+" represents expenses and "-" represents revenue), worsened by 0.2 percentage points year-on-year. The worsening of the financial expense ratio was mainly due to the increased interest expenses incurred overseas as a result of interest rate hikes, despite higher interest income achieved through improved capital management.

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The Company's net cash from operating activities in the first half of 2023 was RMB6.791 billion, an increase of RMB0.825 billion year-on-year, which was derived from increased operating profit and enhanced operational efficiency during the period.

(I) Smart Home Business in China

In the first half of 2023, China's smart home business generated sales revenue of RMB70.353 billion, up 8.6% compared to the same period in 2022. The growth was driven by: ① retail-oriented digitalization focusing on optimised store operations and improved consumer interactions, transactions, and delivery experiences, ultimately boosted acquisition and conversion of traffic; ② market shares expansion of refrigerators, washing machines, home air conditioners, and water heaters, as well as the rapid growth of central air conditioners and heat pumps; ③ implementation of SAN YI NIAO's interior design platform for designers to create tailored home appliance solutions for local consumers, resulting in increased sales of high-end product sets with higher average ticket price.

1. Household Food Storage and Cooking Solutions (Internet of Food)

(1) Refrigerator and Freezer Business

The refrigerator and freezer business enhanced high-end competitiveness and promoted retail-oriented digitalisation to capitalise on growth opportunities. During the reporting period, the business achieved sales revenue of RMB22.245 billion, representing a year-on-year growth of 2.3%, with revenue in the domestic market increased by 7.0% year-on-year.

According to CMM, in the first half of 2023, the Company's offline retail share rose 1.9 percentage points to 45.1%, with 57% market share in products priced above RMB15,000, up 1.1 percentage points. Online retail share reached 39.3%, up 0.1 percentage points year-on-year.

During the reporting period, Casarte's refrigerator maintained robust growth through enhancing its French door series and expanding its portfolio of seamless built-in products. The sales of built-in refrigerators more than doubled, with the sales contribution of built-in refrigerators under Casarte brand growing by more than 30 percentage points. Building upon proprietary seamless built-in design, cell-level freshness, and health-conscious housekeeping systems, the Company's new F+550L series featured multiple dedicated compartments and built-in smart control screens to cater to users' needs for healthy and compartmentalised storage. The seamless built-in 603 series were equipped with bottom-mounted circulating air curtains, dual-axis hinge doors, MRA low-oxygen cellaring freshness preservation and smart dynamic disinfection and purification technologies. The product offered users dedicated storage, ultimate freshness, and seamless integration with home furnishings. In the first half of the year, Casarte brand's market share in products priced above RMB15,000 reached 50.5%.

Haier brand unveiled T-style refrigerator — the latest addition to Boguan (博观) series, featuring compartmentalised storage and full-space freshness preservation technology. It became the top model in the RMB20,000 price range within 3 weeks of its launch, thus contributed to a 34% year-on-year revenue increase of the full-space freshness preservation series (average price > RMB6,000). In addition, seamless built-in series and large freezer series both achieved revenue growth of over 50%.

Leader brand has launched a new line of practical products with light-coloured exteriors and minimalist interiors targeting at young customers. It also offered customisation of the appearance with iCase products, catering to the individual users' desire for visual appeal and value for money.

The freezer business launched the Xinlan (鑫蓝) large freezer targeting small and medium-sized fresh food merchants. This popular product offered unparalleled freezing power, optimal energy efficiency, and time-saving defrosting capabilities. It fulfilled users' need for low-temperature food preservation, thus contributed to a 2.3-percentage-point year-on-year increase in the market share of large freezers.

Export business

During the reporting period, the Company leveraged innovative preservation technology to upgrade high-end products, including T-door refrigerators, S+ refrigerators, and French door refrigerators, thereby grasping opportunities in the high-end customised market. According to China IoL, the Company's cumulative export volume from January to June 2023 has increased by 22.9% year-on-year.

(2) *Kitchen appliance business*

During the reporting period, kitchen appliance revenue reached RMB2.138 billion, a year-on-year increase of 7.5%. According to CMM, the Company's offline retail share increased 0.9 percentage points year-on-year to 8.9%, ranking among the top three, while online retail share rose 0.6 percentage points to 4.6%.

During the period, the Company implemented technology oriented long-term roadmap, increased R&D investment and accelerated the building of cooking and gourmet laboratories. In response to growing demand for improved extraction and precise heat control, the Company increased product competitiveness by integrating cutting-edge technologies from GEA and FPA with focuses on cooking environment and cooking performance.

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Casarte range hood's smart air technology has undergone continuous upgrades, enabling more precise and smarter control of air flow based on the environment and user habits. During the period, the retail revenue of Casarte's constant air range hood surged 45%. Casarte also launched new stove that could expand heating surface area by 40%, contributing to 118% revenue increase of stoves with five rings.

The Company persistently enhanced high-end products to meet growing demand for integrated and built-in products. The latest built-in ovens, steamers, and steam ovens aim at improving effectiveness and fresh steaming, tender roasting, and easy cleaning, in order to improve cooking effects and convenience. CMM ranks the Group number four in integrated units with 8.23% retail market share; while steamer oven's revenue grew by 249%.

Export business

Export revenue grew by over 50%, benefiting from high-end brand building initiatives including launching built-in set products to improve market recognition and grow market share.

2. Household Clothing Solutions

During the reporting period, revenue amounted to RMB15.345 billion, representing a 3.8% increase compared to the same period in 2022.

According to CMM, the Group's retail market share reached 47.1% offline and 40.3% online, up 1.2 percentage points and 0.1 percentage points respectively.

Replacement and upgrade demand continue to drive growth in the laundry sector. To address consumers' increasingly sophisticated demand to wash and care for delicate fabrics and materials, the Company unveiled "Casarte F2 washer & dryer combo" at this year's AWE in April. Equipped with industry's first 3D vision technology and flat built-in design, this new bestseller monitors and adjusts the drying of each load using 3D technology, thus significantly reduces drying time for heavy items and improves energy efficiency performance; and it is made even more user friendly with ultra flat built-in design and compact height of 150cm. This new product strengthened Casarte's premium leadership with market share in units priced above RMB15,000 exceeding 70%.

In the first half this year, the Company consolidated leadership in tumble dryers with 40% market share offline and 41% online, up 3 and 8 percentage points, respectively. The Company also started construction of new factory in Shanghai, which is expected to add two million units in capacity when production ramps up.

The Company also made considerable progress in developing retail-oriented competitiveness. Numerous advertising campaigns and promotions are created catering for new homeowners, urban house renovators and rural users, whose characteristic demands are profiled, analysed and better captured. In addition, digitally enhanced packages have been used to improve interaction in order to strengthen presence and capture increasing foot traffic in shopping malls.

Export market

During the reporting period, export revenue maintained steady growth driven by global product upgrade, including the successful launch of wash and dry Combo in the US and H700 series in Europe, leading to the price index reach 144, ranking first in the industry.

3. Air Solutions

During the reporting period, sales revenue reached RMB23.147 billion, a year-on-year increase of 18.9%.

(1) Home air conditioner business

During the reporting period, the Company recorded domestic revenue growth of 25%, by accelerating transformation in product innovation, network expansion, retail development and supply chain cost optimization.

According to CMM, the Group's retail share of air conditioners (standing & wall-mounted units) across all channels in the first half of 2023 was 16.4%, up 0.6 percentage points year-on-year. The share in lower-tier channels grew a significant 7.1 percentage points to 22%.

The Company enhanced product competitiveness by leveraging module-driven capabilities and implementing product iteration systems. During the period, the Company introduced Casarte Nebula (星云) the industry's first integrated high-energy air conditioner. This product uses advanced technologies, including twin-tower light air technology, hydro-oxygen air wash technology, and equilibrium temperature dehumidification, to achieve large-volume air circulation and long-distance airflow. It can effectively remove seven types of pollutants and increase two types of healthy particles in the air, thereby creating a comfortable and healthy environment. The product drove market share of standing units priced above RMB10,000 to surpass 39%, ranking top in the industry. Casarte's air conditioners grew rapidly in the first half of 2023.

Targeting young users of Gen Z, Leader's new Vitality (元气) air conditioner pioneered dual-wing omnidirectional wind technology, which blows cold air upwards at a 15° angle while sending warm air downwards at 90° angle, minimize the discomfort from direct cold air blow. This product helped Leader brand achieve over 50% revenue growth in its air conditioners.

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Considering residential central air conditioners' dependence on installation, the Company strengthened design, installation, and service capabilities. We were the first Company in the industry to introduce a 7-star service standard, and our "Residential Central Air-conditioning Installation Service Standard" was recognised as a benchmark by air conditioning service industry. The Group also accelerated the establishment of residential central air conditioner training hubs that incorporate user experience, employee training, product retailing, and brand image, aiming at redefining user interactions. In the first half of the year, the Group developed over 1,360 air conditioner franchise stores, achieved 30% in store conversion rate, and raised high-end residential central air conditioners' revenue contribution to 26%.

During the reporting period, the Company focused on enhancing supply chain network and improving in-house component manufacturing capacities to increase cost competitiveness. In March 2023, the computer board factory commenced mass production in Zhengzhou with an annual output of 2 million sets and potential cost saving of over RMB10 million. In early April 2023, compressor joint venture with Shanghai Highly officially laid the foundation in Zhengzhou, aiming to establish integrated compressor supply capabilities.

Export business

The Company made efforts to enhance network presence overseas, including proactively developing professional HVAC channels and chain retailers in Southeast Asia, as well as accelerating the construction of distribution networks in fourth and fifth-tier markets in South Asia to boost retail market share. During the reporting period, the Company began to introduce solution-based products, including RV air conditioners and solar-powered air conditioners, to tap into growth opportunities in niche markets and for energy efficient products. Export revenue remained stable with a notable improvement in profitability.

(2) *Smart building business*

During the reporting period, the Company built upon existing HVAC business and expanded into heat pumps and smart building management, by providing solutions for "smart and low-carbon architecture", thereby capitalised on the opportunities presented by the upgrading of buildings' energy efficiency standards and the growing adoption of clean energy.

In the first half of 2023, the Company's smart building business experienced rapid revenue growth. According to China IoL, our market share grew steadily to 9.6%, up 0.3 percentage points year-on-year, while export market share went up by 0.6 percentage points to 16%.

The Company remained committed to developing technological innovations including magnetic levitation, air suspension, and high-efficiency heat exchange. We maintained leadership in high-speed variable-frequency and smart IoT technologies, and created energy-efficient solutions. (1) The air-suspending centrifugal chiller utilised air bearing, oil-free lubrication technologies, resulting in 50% energy savings compared to ordinary chiller units, with no need for oil system replacement. This design increased reliability and reduced failure rate by 80%. (2) The introduction of MX-super IoT-based multi-split units was the industry's first smart solution for 1,000-square-meter spaces. The maximum capacity of a single module could reach 24 HP, up to 4 units could run in parallel to achieve maximum output of 96 HP, while occupying 50% less floor space. It could be conveniently installed at various locations such as the rooftop, mechanical floor, refuge floor, podium floor, and the ground floor to enhance the energy efficiency of building equipment and systems. (3) HVAC plant room scenario-based solutions utilizes AI smart control while reducing 50% energy usage. To address the replacement needs of chiller plant rooms, the Group introduced a wireless smart control solution that facilitated the installation of new equipment under 3 days without any down times.

To stay at the forefront of the heat pump industry, the Company capitalised on growing clean energy requirements and expanded product applications. The newly launched variable frequency high-temperature heat pump could provide 90°C hot water under full working conditions. It could be remotely controlled using Haier Smart Cloud Platform, and it has been widely used by clients from electroplating, slaughterhouses, petroleum, food processing, textile printing and dyeing industries, as well as on urban gentrification projects. During the reporting period, the Company's heat pump revenue grew over 20%; China IoL estimated the Group's domestic market share to be 17.7%, up 3.9 percentage points year-on-year.

During the reporting period, the Company won the bid for Shenzhen Metro Line 14 with integrated solution of maglev air- and water-cooled chillers, which could achieve a plant room COP of 5.0 or above. The Company also collaborated with China Resources Group to provide smart and efficient IoT-based multi-split solutions for China Resources Land's office buildings, shopping centres, and hotels.

Export business

The Company continued to expand product portfolio and optimise product mix. For example, the Company received significant orders from clients in the Middle East for T3 variable frequency series that could operate under high-temperature. The Group's magnetic centrifugal chiller has also been selected by Qinhuai Data Centre project due for its outstanding energy efficiency and easily detachable structure. In overseas markets, the Group focused on building sales centres that encompassed user experience, product display, employee training, and product sales to demonstrate professionalism. During the reporting period, export revenue grew by over 40%.

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4. ***Household Water Solutions***

The water heater and water purifier business is committed to providing users with safe, smart, and comfortable whole-house water solutions. During the reporting period, sales revenue amounted to RMB7.478 billion, a year-on-year increase of 10.2%.

The Company's robust performance is driven by long term focus on user-centric technologies.

Several new units were added to the established Crystal Tank and Dual Tank series, featuring water purification and home mineral spa experience, capturing consumers' specific demand for water quality, temperature, water volume and attractive design, this product helps the Group consolidate leadership in electric tanks. Gas tank revenue grew by 19%. Casarte pioneered dual motor constant temperature technology that controls water temperature and volume separately, effectively reducing water temperature fluctuation when shower is interrupted halfway.

During the reporting period, the Company also launched the industry's first whole house water solution online design platform, so designers and sales teams in 265 SAN YI NIAO outlets and 624 home improvement outlets could help millions of users visualise comprehensive water heater and purification solutions.

During the reporting period, the Company strengthened its water purification business with several new products that addressing users' concerns with water quality and mineral levels. Casarte's Mineral Spring water purifier helped with expanding market share in products priced RMB5,000 and above.

5. ***China operation: accelerating reforms and taking the initiative to achieve sustainable growth***

During the reporting period, the Company accelerated retail-oriented digitalisation through mechanism reforms, policy restructuring and the development of digital platforms, which improved acquisition and conversion of user traffic, enhanced management of user assets, and achieved sustainable growth. In the first half of 2023, the Company's home appliance business in China realised a year-on-year revenue growth of over 10%.

In response to fragmentation user traffic, the Group followed users demand and enhanced presence across online and offline platforms. By implementing full-life-cycle digital management platforms, the Group was able to devise omnichannel strategies based on regional user traffic analysis. The management capabilities of sale outlets were significantly improved leveraging digitally enhanced distributor screening and store planning. During the reporting period, the Group developed 1,957 stores, realizing additional revenue of over RMB1 billion.

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Offline channels:

In first and second-tier markets, the Group focused on expansion within shopping malls and home improvement channels by adding 82 new stores in shopping malls and 143 new stores in home improvement channels. In third and fourth-tier markets, emphasis was on building retail capabilities of high-end product suites, facilitated by retail-oriented digitalisation from selling individual products to offering scenario-based solutions, so as to improve conversion rates and increase the proportion of sales derived from product suites.

Online channels:

On traditional e-commerce platforms, the Group optimised outlet coverage, improved product planning, and upgraded store display to enhance resource allocation. The Group also expanded Casarte's product offerings on mainstream platforms and launched light-coloured product lines tailored for young users. On content generating platforms, the Group focused on content creation and store operation while developing live streaming capabilities, thereby facilitated user interactions and improved conversions. During June 18th shopping festival, the Company's retail sales went up by 40% year-on-year, with over 60% growth in retail sales of high-end Casarte products. The Group's market shares of refrigerators, washing machines, water heaters, and freezers also topped the industry online.

The Company expanded multi-brand portfolio catering for user groups including luxury, high-end, mass market, and Gen Z, capturing opportunities for growth in various market segments.

Casarte brand grew steadily leveraging product leadership, comprehensive set offerings and distribution network renovation. During the reporting period, Casarte's market share went up 1.4 percentage points reaching 14.2%.

During the reporting period, Casarte also unveiled upgrade plan, redefining high-end lifestyles for elite users featuring original technologies, spatial experience, and smart lifestyle. The Company strengthened competitiveness of product sets by launching the industry's first white colour range Casarte Light Year White (光年白) series, tailored specifically for wealthy young individuals seeking quality life. The revenue contribution from set products increased by 6 percentage points in the first half of 2023. The Group also enhanced presence in shopping malls and developed lifestyle scenarios to accelerate high-end traffic acquisition and conversion.

During the reporting period, the Company accelerated Fisher & Paykel's development in luxury home appliance market in China. Leveraging strong user base, extensive distribution network, and well-established service coverage, the Group was able to set up experience stores in luxury building materials market and prestigious shopping malls while collaborating with renowned architects and designers to provide affluent individuals with social kitchen and luxury laundry solutions.

6. *Inspired by “Smart Living, Better Homes”, SAN YI NIAO offers smart scenario-based solutions leveraging core competencies in Smart Home Brain, scenario-based solutions, design tools, in-store operations and digital platform.*

During the reporting period, the Company focused on transforming SAN YI NIAO stores using asset-light approach in collaborating with ecosystem partners and utilizing digital tools to improve traffic conversion. Nesting Interior Design Platform was developed featuring intelligent matching, 3D design, VR water and electricity design, to provide designers with professional support. The platform added 4,000 home appliance models to assist designers and at store front. Leveraging Casarte's Light Year series and Haier's health-conscious sets, SAN YI NIAO introduced additional 105 new solutions during the reporting period, with focus on smart kitchen and whole-house smart lighting solutions, all of which helped with achieving sales of 4,000 sets of Light Year White series.

(II) Overseas home appliances and smart home business

During the reporting period, the Company's overseas sales revenue was RMB66.917 billion, an increase of 8.8% compared to the same period in 2022. Revenue growth was mainly driven by commitment to high-end strategy and launch of leading products with increased price indices, for instance, Monogram, high-end brand in North America achieved double-digit growth against the headwind. The Company also capitalised on the demand for energy-efficient products. In the European market, over 50% of washing machines obtained class A energy-efficiency, while HVAC revenue grew significantly. The Group also expanded distribution network, improved retail capabilities, reduced costs and improved efficiency leveraging efficient global collaborative systems, at the same time, efforts have been made to grow presence along the Belt and Road Initiative to grasp development opportunities.

1. *North America:*

Despite macro weaknesses in North America, the Company outgrew the industry with sales revenue of RMB39.133 billion, up 4.5% year-on-year and expanded market share.

The Company remained committed to building premium market leadership with successful launch of innovative products such as GE Profile UltraFast Combo that is designed to revolutionize the laundry experience by washing and drying a large load in two hours, while using smart technology combining fast air flow at lower temperatures to maximize care of fabrics. Since debuting at the Kitchen & Bath Industry Show earlier this year, the UltraFast Combo has been recognized by several associations and media companies for being an innovative smart home product. This all-in-one solution was awarded “the Best Home Technology Product for the 10th annual Best of IBS awards” by the National Association of Home Builders (NAHB), which recognizes outstanding building products and services based on the products’ innovation, functionality, design as well as builder and consumer friendliness. It was also awarded “2023 Sustainable Products of the Year” by Green Builder for its energy saving capabilities and the “Design Meets Tech Award” by Connected Design.

The Company continued to develop pro-centric products and differentiated dealer support programmes under its Air and Water Solutions business. Three new product lines were showcased at this year’s AHR Expo, including GE Appliances Residential Ducted HAC, GE Zoneline UltimateV12 and RealMAX atmospheric gas water heaters. In addition, the Company also launched Pro Solutions Partner Programme to offer dealers financing, marketing support and extended labour warranties.

In March this year, IoT Breakthrough, a leading market intelligence organization that recognizes the top companies, technologies and products in the global IoT market announced GE Appliances as winner of the “Smart Appliance Company of The Year award” for the fifth time. In August, GE Appliances was named one of the Best Workplaces for Innovators by Fast Company magazines for encouraging innovations and creating life-enhancing digital technologies to consumers.

2. Europe:

During the reporting period, the Company achieved sales revenue of RMB13.278 billion in Europe, up 29.6% year-on-year. Volume market share increased by 1.1 percentage points to 7.9% and revenue retail share grew 1.7 percentage points reaching 7.1%, ranking 4th and 5th respectively.

Leveraging product competitiveness, the Company was able to improve brand positioning. The 525cm ultrathin and standard washing machine from Haier’s H700 series does not only save space, it is also equipped with Anti-bacterial technology, double spay and comprehensive range of fabric care solutions. 7,800 units have been sold during the reporting period, and a total of 31,000 units have been ordered.

Various efforts have also been made to improve marketing and distribution network. In Italy, the Company formed partnership with premium kitchen distributor Lube and celebrated the opening of its first 001 Store in Rome; in Spain, the new boutique and 26 store-within-store specializing in scenario-solutions helped market share grow from 11% to 14% in MediaMart. The Company also became Official Partner of some of the world’s top tennis tournaments including Grand Slam tournament Roland Garros, the Nitto ATP Finals, and ATP Masters tournaments.

Section III Management Discussion and Analysis

Meanwhile, the company remained committed to leveraging IoT technologies and integrating resources from ecosystem partners. During the reporting period, WashPass, the first washing ecosystem was launched with Nuncas®. Available on hOn APP, this washing machine comes with a subscription including installation, maintenance, and refill of the active ingredients to create a professional washing experience at home.

3. *Australia & New Zealand:*

Home appliances industry was challenged by weak momentum and intensified price competition in Australia and New Zealand during the reporting period. The Company realised sales revenue of RMB2.95 billion, down 15.5% year-on-year. Leveraging long term commitment to technological and product innovations, the Company launched FPA60 built-in refrigerator and H20 dish washer to add to its modern kitchen solution packages. Haier brand also introduced the industry's first and only one-side T door refrigerator with large fridge and smaller freezer space. This new unit attracted wide interest from leading distributors immediately after launch. In addition, digital tools were also used in Australia to facilitate end-to-end order tracking, thus increasing operational efficiency and improving traffic conversion.

4. *South Asia:*

During the reporting period, revenue amounted to RMB5.955 billion, an increase of 23.5% year-on-year.

In India, the Group focused on meeting local demands with launching variable temperature French door refrigerators that catering for vegetarian diets. This product was recognised as one of the 'Annual Most Innovative Products' by the Indian government, capturing a market share of 20%. The Group enhanced competitiveness in the supply chain by boosting in-house components production and establishing a manufacturing base that is both cost-effective and highly efficient. During the reporting period, the Company's volume market share rose 0.7 percentage points to 10.7%, ranking top three in the industry for the first time.

In Pakistan, the Company continued to hold the top spots in market shares for refrigerators, freezers, air conditioners and washing machines, with retail volume share reaching 41%, up 4 percentage points year-on-year. The Group implemented high-end brand transformation by rolling out the multi-brand strategy of Casarte, Haier and Candy, catering to the diverse consumer needs, and established 70 high-end experience stores. The Group strengthened supply chain development to enable local production of kitchen appliances, and continued to build franchise network in third and fourth-tier markets.

5. ***Southeast Asia:***

During the reporting period, sales revenue amounted to RMB3.107 billion, up 6.3% year-on-year.

In Thailand, the Group strengthened product innovation and launched self-cleaning air conditioners and washing machines, winning local “Product Innovation” awards. The Group’s market shares of home air conditioners and refrigerators have risen to the first place. The Group also developed presence in chain retailers and deployed digital tools to enhance operational efficiency. In Vietnam, the Group launched attractive and easy-to-operate AI-powered washing machines to meet the needs of female local users, resulting in washing machine market share leaping to the top of the industry. The Group also swiftly responded to opportunities in the air conditioning industry and achieved a record high market share. In the Philippines, the Group focused on the dual-brand strategy of Haier and Candy, increased the revenue contribution of high-end products, and captured the largest market share for high-end T-door refrigerators. In Indonesia, the Group promoted the transformation and upgrades in high-end channels and achieved double-digit growth.

6. ***Japan:***

During the reporting period, revenue amounted to RMB1.947 billion, up 6.0% year-on-year.

During this period, the Company remained committed to the dual-brand strategy of AQUA and Haier, and enhanced high-end product lineup with differentiated offerings such as the TZ/TX/icafe refrigerators series, front-load/dryer series, and the Slim& deep freezers. This strategy accelerated the transition to high-end market, as revenue contributed of high-end products rose to 36%. AQUA heat pump front-load washer and Haier variable-frequency washer have received the “Best Recommendation Award” from the renowned Japanese magazine “Smart”. AQUA’s smart community laundry business maintained market leadership through creating cross-industry scenarios, developing new operation models, and replicating successful strategies overseas.

During the period, the Company’s combined volume share for freezers, refrigerators and washing machines continued to top the industry at 18.6%, of which refrigerators ranked first with 16.8% market share, freezers ranked first with 50.4%, and washing machines ranked third with market share of 17.7%.

(III) accelerating digitalisations to enhance efficiency and optimise operation

Improving the competitive edge of individual product models by developing digital platforms for product planning and R&D.

The Company established an integrated R&D digital platform to connect product planning with the procurement system, thereby enabling smart design and asynchronous development of modules, promoting the use of common parts, increasing the procurement scale per module, and reducing purchasing costs. During the reporting period, total number of components was reduced by 16.6% year-on-year. The Company also developed a digital simulation platform, which reduced the resources required for physical prototypes and experiments through virtual diagnosis, design, and verification, thus improving the success rate of initial designs and shortening development cycles.

Section III Management Discussion and Analysis

Promoting the construction of digital platforms for procurement and supply chain to enhance cost competitiveness.

The Company created a digital platform to handle the entire supplier journey from introduction to collaboration and termination of contract, which streamlined business processes, and shortened the supplier onboarding time by 50%. The Group also implemented online tools such as shortlisted supplier pools, component costing models, and AI-driven big data analysis for similar materials to reduce procurement costs.

Leveraging annual production capacity planning, quarterly and monthly production and sales coordination, and weekly smart order reviews, the Group could instantly respond to orders and ensure timely delivery, resulting in improved manufacturing efficiency. The Group reformed order processing system, where production was made based on forecasted orders and shipments were driven by actual orders, thereby speeding up order response. In the first half of 2023, inventory turnover days went down by 18%.

The manufacturing platform optimised resource allocation by integrating key elements such as labour, materials and equipment, thus visualising production processes, to increase the standard cycle completion rate by 18% year-on-year.

The logistics platform focused on delivering finished products, and achieved end-to-end visualisation in terms of “production, sales, warehousing, delivery and installation” through vehicle-cargo matching and digital warehousing, resulting in a 16% increase in warehouse utilisation.

Promoting the development of user experience cloud platform to enhance user experience and improve efficiency.

Centring around the journey of “purchase, delivery, installation, usage, and service,” the Group reconstructed over 240 scenarios and visualised 1,269 indicators to achieve end-to-end traceability. The Group also integrated 10 business functions, connecting user needs and complaints to every responsible unit, so as to close gaps and minimise discrepancies, and increased consumer satisfaction by 14% in the first half of the year. In terms of service digitalisation, the entire process from user-submitted service requests to servicemen arriving at the door has been streamlined in order to facilitated smart diagnosis and enhance service efficiency.

The Group established media centre, content centre, event centre, and business opportunity management centre to facilitate online activities, user interaction and traffic conversion. In the first half of the year, revenue contribution from digitally aided retail increased 28%.

The Group accelerated digitalisation and established data-driven management systems, which enabled the use of digital desktops, automated system scheduling, and improved operational efficiency of its workforce.

Development plan for the second half of the year

The Company will continue to strengthen the three-level brand strategy transformation from high-end brand → scenario-based brand → ecosystem brand. We will press ahead with digitalisation for all processes to improve operational efficiency, provide better user experience, and enhance user value. We will implement profit-oriented mechanism transformations to improve operational quality.

In the domestic market, we will further the advancement of end-to-end digital transformation, leveraging digital tools and implementing organisational changes to integrate the entire process from product definition to R&D, manufacturing, supply chain, sales, and after-sales services, thereby to facilitate efficient synergies, and increase the percentage of market-leading products. We will also emphasize the adoption of lean manufacturing principles, and leverage digital tools to address issues such as low component commonality and to enhance production efficiency. We will focus on upgrading the Casarte brand to improve its long-term competitiveness and solidify its foundation for growth. In the home air conditioner business, we will continue to strengthen our business foundation and improve organisational efficiency to increase market share and profitability. For SAN YI NIAO, we will continue to invest in its five core capabilities, including “the Smart Home Brain, scenario-based solutions, design tools, store operations, and digital platform capabilities”. We will enrich our range of scenario-based solutions, drive the application of interior design tools at retail end, and foster the upgrade of sales models, to improve user experience and store output, and enhance the user value we deliver.

In overseas markets, our brand portfolio provides comprehensive coverage of all users and caters to the needs of different user segments. We will continue to improve the competitiveness of our high-end brands and enhance the price index and profitability of our products. We will focus on improving the competitive edge of individual product models and upgrading the product mix in advantageous industries, as well as seizing opportunities in growing sectors such as home air conditioning, commercial air conditioning, and kitchen appliances to generate business growth. We will create meaningful touchpoints, enhance interactions with end users, and improve our sales capabilities for smart home appliance product sets. We will prioritise profit-oriented end-to-end management to improve overseas profit margins.

Significant changes in the Company’s operating conditions during the reporting period, and matters occurring during the reporting period that have and expected to have a significant impact on the Company’s operating conditions

☐ Applicable ☒ Not Applicable

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis of principal business

1. Table of movement analysis on the related items in financial statements

Unit and Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating revenue	131,626,581,506.56	121,640,067,379.35	8.21
Operating cost	91,555,264,412.99	84,818,768,956.56	7.94
Selling expenses	18,768,944,057.44	17,606,475,316.07	6.60
Administrative expenses	5,461,681,481.50	5,140,311,538.47	6.25
Financial expenses	-9,349,613.72	-200,558,018.91	N/A
R&D expenses	5,025,786,116.64	4,598,032,317.91	9.30
Net cash flow generated from operating activities	6,790,530,462.54	5,965,070,983.86	13.84
Net cash flow generated from investing activities	-4,333,325,021.19	-4,164,668,747.75	N/A
Net cash flow generated from financing activities	-1,267,997,912.18	2,125,608,361.90	-159.65
Taxes and surcharge	532,576,459.68	357,254,442.59	49.07
Gains on changes in fair value	31,271,562.35	-118,790,175.68	N/A
Credit impairment loss	-165,968,929.36	-258,076,846.14	N/A
Gains on disposal of assets	-20,647,304.64	31,589,207.10	-165.36

Section III Management Discussion and Analysis

Reasons for the significant changes:

Reasons for the changes in financial expenses: it was primarily attributable to the increase in our interest expenses in the current period over the corresponding period.

Reasons for the changes in net cash flow from financing activities: the increase of 159.65% in our net cash flows from financing activities over the corresponding period was primarily attributable to the new borrowings raised and proceeds from additional issuance during the corresponding period.

Reasons for the changes in taxes and surcharge: the increase of 49.07% in our taxes and surcharge over the corresponding period was primarily attributable to the increase in value-added tax payable and the corresponding increase in taxes and surcharge recognized during the current period.

Reasons for the gains on changes in fair value: it was primarily attributable to the increase in fair value change of forward contracts, etc. over the same period.

Reasons for changes in credit impairment loss: it was primarily attributable to the decrease in the provision for bad debts of receivables in the current period

Reasons for the change in gains on disposal of assets: the decrease of 165.36% in our gains on disposal of assets over the corresponding period was primarily attributable to the recognition of losses on disposal of assets in the current period and the recognition of gains on disposal of assets in the corresponding period.

2. *Detailed explanation on significant changes in the operation types and the components of profit or sources of profit of the Company during the period*

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

Section III Management Discussion and Analysis

(III) Analysis of assets and liabilities

√ Applicable □ Not Applicable

1. Assets and liabilities

Unit: RMB

Items	Amount as at the end of the period	Percentage of amount at the end of the period over total assets (%)	Amount as at the end of the corresponding period of last year	Percentage of amount at the end of the corresponding period of last year over total assets (%)	Percentage of change in amount from the end of the corresponding period of last year to current period (%)
Monetary funds	55,641,485,513.56	22.59	54,161,702,227.39	22.96	2.73
Receivables	21,742,220,596.23	8.83	15,886,628,623.99	6.73	36.86
Inventories	39,026,874,630.78	15.85	41,587,786,307.53	17.63	-6.16
Contract assets	392,384,817.35	0.16	309,930,359.25	0.13	26.60
Investment properties	25,514,429.83	0.01	25,678,492.57	0.01	-0.64
Long-term equity investments	25,183,862,504.91	10.22	24,527,800,290.84	10.40	2.67
Fixed assets	27,270,691,461.27	11.07	27,158,348,424.28	11.51	0.41
Construction in progress	4,675,841,932.96	1.90	4,094,684,500.49	1.74	14.19
Right-of-use assets	4,385,820,465.38	1.78	3,795,225,353.89	1.61	15.56
Short-term borrowings	9,365,184,799.41	3.80	9,672,223,522.36	4.10	-3.17
Contract liabilities	6,251,026,204.67	2.54	9,352,719,895.49	3.96	-33.16
Long-term borrowings	18,366,761,352.03	7.46	13,590,866,873.43	5.76	35.14
Lease liabilities	3,338,912,496.12	1.36	2,824,477,670.61	1.20	18.21
Financial assets held for trading	734,584,929.88	0.30	519,912,880.91	0.22	41.29
Derivative financial assets	100,132,280.78	0.04	183,185,160.51	0.08	-45.34
Debt investments	2,254,869,444.45	0.92	1,034,222,222.22	0.44	118.03
Development expenses	237,607,781.86	0.10	154,480,515.67	0.07	53.81
Derivative financial liabilities	352,914,936.89	0.14	104,594,040.66	0.04	237.41
Other payable	22,901,109,264.17	9.30	17,517,838,565.99	7.42	30.73
Non-current Liabilities due within one year	3,519,285,132.72	1.43	6,294,750,667.08	2.67	-44.09
Other non-current liabilities	72,361,573.14	0.03	107,332,101.07	0.05	-32.58

Section III Management Discussion and Analysis

Explanation of reasons for significant changes:

- 1) Financial assets held for trading increased by 41.29% as compared to the beginning of the period, mainly due to the increase in short-term financial management;
- 2) Derivative financial assets decreased by 45.34% as compared to the beginning of the period, mainly due to the fluctuation in fair value of forward foreign exchange contracts;
- 3) Accounts receivable increased by 36.86% as compared to the beginning of the period, mainly due to the decrease in factoring business of overseas accounts receivable for the current period;
- 4) Debt investments increased by 118.03% as compared to the beginning of the period, mainly due to the increase in long-term time deposits in order to optimize the deposit structure and improve the return on funds;
- 5) Development expenses increased by 53.81% as compared to the beginning of the period, mainly due to the increase in investment in low-carbon and energy-saving projects;
- 6) Derivative financial liabilities increased by 237.41% as compared to the beginning of the period, mainly due to the fluctuation in fair value of forward foreign exchange contracts;
- 7) Contract liabilities decreased by 33.16% as compared to the beginning of the period, mainly due to the increase in advance payment from customers in the fourth quarter of 2022, which resulted in revenue for the current period;
- 8) Other payables increased by 30.73% as compared to the beginning of the period, mainly due to the distribution of dividends from Smart Home;
- 9) Non-current liabilities due within one year decreased by 44.09% as compared to the beginning of the period, mainly due to the repayment of long-term borrowings due within one year;
- 10) Long-term borrowings increased by 35.14% as compared to the beginning of the period, mainly due to the replacement of long-term borrowings due within one year and new policy borrowings;
- 11) Other non-current liabilities decreased by 32.58% as compared to the beginning of the period, mainly due to the purchase of non-current assets to be paid in installments, which was paid during the current period.

Section III Management Discussion and Analysis

2. Overseas Assets

☒ Applicable ☐ Not Applicable

(1) Scope of assets

Among the assets, overseas assets amounted to 12,130,795 (unit and currency: RMB0,000), representing 49.30% of the total assets.

(2) Relevant information on high percentage of overseas assets

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB0,000

Name of overseas asset	Reason for Formation	Operation mode	Operating revenue	Net profit during the
			during the reporting period	reporting period
Overseas Home Appliance and Smart Home Business	Overseas mergers & acquisitions and the Company's own development	Localized Operations with the integration of R&D, manufacturing and marketing	6,691,737	350,111

Note: Net profit stated in the above table represents operating profit.

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

☐ Applicable ☒ Not Applicable

4. Other explanations

☐ Applicable ☒ Not Applicable

(IV) Analysis of investment

1. Overall analysis on external equity investment

☐ Applicable ☒ Not Applicable

Section III Management Discussion and Analysis

(1) Significant equity investment

☐ Applicable ☒ Not Applicable

(2) Significant non-equity investment

☐ Applicable ☒ Not Applicable

(3) Items measured at fair value

Asset Type	Opening Balance	Profits or Losses of Changes in Fair Value during the Period	Cumulative Changes in Fair Value Included in Equity	Provision for Impairment of during the Period	Purchases during the Period	Sold/Redeemed Amount during the Period	Other Changes	Closing Balance
Wealth management products	14,638,968.26	2,626,845.25			428,000,000.00	264,881,193.19		180,384,620.32
Investments in other equity instruments	5,851,882,930.20		29,397,079.24		4,372,766.91	20,000,000.00	46,701,460.44	5,912,354,236.79
Investments in equity instrument held for trading	336,843,065.02	6,761,392.80				1,387,649.45		342,216,808.37
Investment funds	168,430,847.63	23,806,724.21			12,103,931.78		7,641,997.57	211,983,501.19
Derivative financial instruments	61,674,330.75	-118,844,830.95	-199,207,840.57				3,595,684.66	-252,782,656.11
Total	6,433,470,141.86	-85,649,868.69	-169,810,761.33	—	444,476,698.69	286,268,842.64	57,939,142.67	6,394,156,510.56

Note: As of 30 June 2023, the aggregate balance of foreign exchange derivative transaction amounted to approximately US\$1.602 billion.

Investment in securities

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Type of Securities	Securities Code	Securities Abbreviation	Initial investment cost	Sources of funding	Carrying amount at the beginning of the Period	Profit and loss arising from changes in fair value during the Period	Accumulated fair value changes included in equity	Purchases during the Period	Disposals during the Period	Investment profit or loss during the period	Carrying amount at the end of the Period	Accounting items
Stock	601328	Bank of Communications	1,803,769.50	Self-funding	6,457,074.48		272,357.90				6,729,432.38	Investments in other equity instruments
Stock	600827	Bailian Group	154,770.00	Self-funding	477,382.56						477,382.56	Investments in other equity instruments
Stock	300183	Neusoft Carrier	18,713,562.84	Self-funding	9,419,316.30						9,419,316.30	Investments in other equity instruments
Stock	000959	Beijing Shougang	99,999,996.80	Self-funding	70,074,347.20	-5,018,587.20					65,055,760.00	Financial assets held for trading
Stock	688455	KENGIC	29,450,000.00	Self-funding	157,181,890.00	11,779,980.00					168,961,870.00	Financial assets held for trading
Total	/	/	150,122,099.14	/	243,610,010.54	6,761,392.80	272,357.90				250,643,761.24	/

Explanation of investment in securities

☐ Applicable ☒ Not Applicable

Section III Management Discussion and Analysis

Private equity investment

√ Applicable □ Not Applicable

By the end of the reporting period, the Company has historically invested in private equity funds as follows: the Company invested 63.13% share in Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership); Qingdao RRS Huitong Investment Management Co., Ltd. (青岛日日顺汇通投资管理有限公司), a subsidiary of the Company, invested 49% share in Guangzhou Heying Investment Partnership (Limited Partnership); Qingdao Haishang Chuangzhi Investment Co., Ltd. (青岛海尚创智投资有限公司), a subsidiary of the Company, invested 30% share in Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership), a private equity fund, and 50% equity of Qingdao Ririshun Huizhi Investment Co., Ltd., a managing partner of funds; Qingdao Haier Technology Investment Co., Ltd. (青岛海尔科技投资有限公司), a subsidiary of the Company, invested in private equity funds: 1.073% share in Beijing-Tianjin-Hebei Industrial Coordinated Development Investment Fund (Limited Partnership) (京津冀产业协同发展投资基金(有限合伙)), 14.85% share in Shenzhen TopoScend Capital Phase I Fund (Limited Partnership) (深圳市投控东海一期基金(有限合伙)), 24% share in Qingdao Haimu Smart Home Investment Partnership (Limited Partnership), and invested in fund management companies: 5.01% equity of CMG-SDIC Capital Co., Ltd. (国投招商投资管理有限公司), 15% equity of Shenzhen TopoScend Capital Co., Ltd. (深圳市投控东海投资有限公司), 49% equity of Qingdao Haimu Investment Management Co., Ltd.

Derivative investment

√ Applicable □ Not Applicable

RMB0,000

Operator name of derivatives investment	Type of derivatives investment	Initial investment amount of derivatives investment	Starting date	Ending date	Opening investment amount	Amount purchased during the reporting period	Amount sold during the reporting period	Provision for impairment (if any)	Closing investment amount	Proportion of closing investment amount over net assets at	Actual profit or loss for the reporting period
										end of reporting period	
Bank	Forward foreign exchange contract	1,360,076	2023/1/1	2024/6/30	1,360,076				1,157,978		10,680
Bank	Interest rate/exchange rate swap	0	2023/1/1	2023/6/30	0				0		0

Funding sources of derivatives investments

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

Own funds of the Company

Changes in market prices or fair value of products,

1. The profit or loss arising from the foreign exchange forward contracts amounted to RMB106.80 million during the reporting period;

2. The profit or loss arising from the interest rate/exchange rate swap was nil during the reporting period.

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

(V) Sale of material assets and equity

☐ Applicable ☒ Not Applicable

(VI) Analysis on major subsidiaries and Investees

☐ Applicable ☒ Not Applicable

(VII) Structured entities controlled by the Company

☐ Applicable ☒ Not Applicable

V. OTHER DISCLOSURES

(I) Potential risks

☒ Applicable ☐ Not Applicable

- 1. Risk of decreasing market demand due to macroeconomic slowdown.** Sales of white goods as durable consumer appliances are subject to users' income levels and their expectations of future income growth which will have a certain impact on their willingness to purchase products. A slowdown in macroeconomic growth causing a decline in users' purchasing power will have a negative impact on industry growth. In addition, a slowdown in real estate market will also have a negative impact on market demand, which will indirectly affect end-user demand for home appliances.
- 2. Risk of price war caused by intensified industry competitions.** The white goods industry is highly competitive with a high degree of product homogeneity, industry concentration has continued to increase in recent years. However, decrease in market demand and fiercer competition in individual sub-sectors may lead to risks such as price wars. Furthermore, rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation are making it increasingly difficult to profit. Although new products, services and technologies are often associated with higher selling prices, it has become necessary for the Company to invest more in R&D. The Company will actively invest in R&D to attract more users through continuous innovation in products and services, to build a lasting brand awareness.
- 3. Risk of fluctuations in raw material prices.** The Company's products and core components use metal raw materials such as steel, aluminium, and copper, as well as commodities such as plastics and foam. If the prices of raw materials continue to surge, it will put certain pressure on the Company's production and operations. In addition, the Company relies on third party manufacturers and suppliers for key raw materials, components, and manufacturing equipment, as well as OEM suppliers, and any disruption in supply or significant price increases by these suppliers will have a negative impact on the Company's business. As a leader in the industry, the Company will take measures including volume & price adjustment mechanism as well as hedging to reduce the risk of raw material fluctuations on its operations.

Section III Management Discussion and Analysis

4. **Operational risks in overseas business.** The Company has steadily developed its global business and has established production bases, R&D centres, and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year by year. Overseas markets are subject to political and economic situations (including events such as military conflicts and wars), legal systems and regulatory regimes of those countries and regions. Significant changes in these factors will pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impacts, including collaborating with suppliers and distributors, improving production efficiency to offset the impact on the overall cost of sales, potentially expanding the Company's supply resources to other countries, and adopting safety measures to protect its people and assets.
5. **Risk of exchange rate fluctuations.** As the Company expands its global footprint, the import and export of the Company's products involve the exchange of foreign currencies such as the U.S. dollar, the Euro, and the Japanese yen. If the exchange rates of the relevant currencies fluctuate, it will have a certain impact on the Company's financial position and increase its financial costs. In addition, the Company's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of their primary economic environment in which the entity operates and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.
6. **Risk of policy changes.** The home appliance industry is closely related to the consumer market and the real estate market. Changes in macroeconomic policies, consumption investment policies, real estate policies and relevant laws and regulations will affect product demand from distributors, which in turn will affect product sales of the Company. The Company will closely monitor changes in the relevant policies, laws, and regulations, and make forecasts of market changes, in order to ensure further development of the Company.
7. **Credit risk.** There is possibility that the Company will be unable to collect all trade receivables from its distributors, or distributors are not able to settle the Company's trade receivables in a timely manner, in which the Company's business, financial status, and operation performance may be affected. In relation to this risk, the Company will maintain flexibility by offering credit period of 30 to 90 days to certain distributors based on their credit history and transaction amount.
8. **Inventory risk.** Excess inventory might occur as the Company cannot always accurately predict trends and events and maintain appropriate inventory levels; thus, the Company may be forced to offer discounts or promotions to manage the slow-moving inventory. On the other hand, a shortage of inventory may lead to loss of sales opportunities for the Company. However, the Company will manage its inventory and adjust according to market situation and will conduct regular impairment assessment of its inventory.

(II) Other disclosures

☐ Applicable ☒ Not Applicable

Section IV Corporate Governance

I. INTRODUCTION TO THE GENERAL MEETINGS OF SHAREHOLDERS

Meeting	Date	Index for details of websites designated for publishing resolutions	Date of disclosure	Resolutions approved
2022 Annual General Meeting	26 June 2023	For details, please refer to the Announcement on Resolutions passed at the 2022 Annual General Meeting, 2023	27 June 2023	Considered and approved the resolutions related to annual report, internal control audit report, profit distribution proposal, re-appointment of auditor, external guarantees, routine connected transactions, general mandate to issue additional shares / repurchase shares and employee stock ownership plan, etc.
2023 First A Shares Class Meeting		First A Shares Class Meeting, 2023 First H Shares Class Meeting of Haier Smart Home Co., Ltd. (L2023-027) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers		Considered and approved the resolutions for general mandate to repurchase shares, etc.
2023 First D Shares Class Meeting				
2023 First H Shares Class Meeting				

Preferred shareholders whose voting rights have been restored requested an extraordinary general meeting

☐ Applicable ☒ Not Applicable

Explanation of Shareholders' general meeting

☒ Applicable ☐ Not Applicable

The 2022 Annual General Meeting and the 2023 First A/D/H Shares Class Meetings of the Company was held in successive order by way of on-site voting, off-site voting and network voting by poll at Room B101, Haier Rendanheyi Research Center, Haier Science and Technology Innovation Ecological Park, No.1 Haier Road, Qingdao, the PRC, in the afternoon on 26 June 2023, considering the annual report and other relevant resolutions. The total number of the shares of the Company carrying voting right amounted to 9,328,695,050 shares (of which 6,199,132,811 shares were A shares, 271,013,973 shares were D shares and 2,858,548,266 shares were H shares). 1,031 shareholders and proxies, representing 6,422,740,689 shares or 68.85% of the total number of the shares of the Company carrying voting right, were present at the 2022 Annual General Meeting. 955 shareholders and proxies, representing 4,126,409,131 shares or 66.56% of the total number of A shares of the Company carrying voting rights, were present at the 2023 First A Shares Class Meeting; 66 shareholders and proxies, representing 175,964,322 shares or 64.93% of the total number of D shares of the Company carrying voting rights, were present at the 2023 First D Shares Class Meeting; 9 shareholders and proxies, representing 2,122,075,173 shares or 74.24% of the total number of H shares of the Company carrying voting rights, were present at the 2023 First H Shares Class Meeting. The Directors, supervisors, and senior management of the Company as well as the lawyers engaged by the Company also attended the abovementioned four meetings. The abovementioned meetings were convened by the Board of the Company and Chairman Mr. Li Huagang presided over the meetings. The Company had 9 Directors, of whom 9 Directors attended the meetings; the Company had 3

Section IV Corporate Governance

supervisors, of whom 3 supervisors attended the meeting. The secretary to the Board of the Company attended the abovementioned meetings and other members of senior management of the Company were invited to attend the abovementioned meetings.

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

☐ Applicable ☒ Not Applicable

Explanation of changes in Directors, supervisors and senior management of the Company

☐ Applicable ☒ Not Applicable

III. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION OF CAPITAL RESERVE

Proposal for interim profit distribution and proposal for reverse conversion into share capital

Whether distributed or converted

No

IV. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

(I) Relevant incentive events disclosed in provisional announcements but without subsequent development or changes during implementation

√ Applicable ☐ Not Applicable

Summary of Matters	Query Index
<p>Cancellation of certain 2021 and 2022 equity incentive options: In view of the fact that the second exercise period of the first/reserved grant portion of the 2021 A Share Option Incentive Scheme and the first exercise period of the 2022 A Share Option Incentive Scheme of the Company did not meet the exercise conditions, and due to the resignation of some of the incentive recipients, the Company cancelled the corresponding 11,391,979 share options and 27,934,987 share options that had been granted but had not yet been exercised.</p>	<p>For details, please refer to the Announcement of Haier Smart Home Co., Ltd on the Cancellation of Certain Share Options in the 2021 A Share Option Incentive Scheme, the 2022 A Share Option Incentive Scheme disclosed by the Company on 28 April 2023, the Announcement of Haier Smart Home Co., Ltd on the Completion of Cancellation of Certain Share Options in the 2021 A Share Option Incentive Scheme, the 2022 A Share Option Incentive Scheme and relevant contents disclosed by the Company on 31 May 2023.</p>
<p>Introduction of New Phase of A Share and H Share Employee Stock Ownership Plan: In order to further improve the governance mechanism of the Company, create shareholder value and promote the comprehensive implementation of the Company's IoT smart home ecological brand strategy, the Company considered and introduced the 2023 H Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd (Draft) and the 2023 A Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd (Draft) at the 5th meeting of the 11th session of the Board of Directors held by the Company on 27 April 2023 and the 2022 Annual General Meeting held by the Company on 26 June 2023. During the reporting period, the Company promoted the opening of accounts and other related works for the 2022 A Share and H Share Employee Stock Ownership Plan.</p>	<p>For details, please refer to the 2023 A Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd (Draft), the 2023 H Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd (Draft) disclosed by the Company on 28 April 2023 and the Announcement of Resolutions at the General Meeting and relevant contents disclosed by the Company on 27 June 2023.</p>

Section IV Corporate Governance

(II) Incentive events not disclosed in provisional announcements or with subsequent development

Equity incentive

☐ Applicable ☒ Not Applicable

Other explanations

☐ Applicable ☒ Not Applicable

Employee stock ownership plan

☐ Applicable ☒ Not Applicable

Other Incentives

☐ Applicable ☒ Not applicable

Section V Environmental and Social Responsibilities

1. ENVIRONMENTAL INFORMATION

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

√ Applicable ☐ Not Applicable

1. Information on pollutant discharge

√ Applicable ☐ Not Applicable

The Company's direct/indirect non-wholly owned subsidiaries Hefei Haier Refrigerator Co., Ltd. ("Hefei Refrigerator"), Qingdao Haier Special Refrigerator Co., Ltd. ("Qingdao Special Refrigerator"), Wuhan Haier Water Heater Co., Ltd. ("Wuhan Water Heater"), Wuhan Haier Freezer Co., Ltd. ("Wuhan Freezer"), Wuhan Haier Electronics Co., Ltd. ("Wuhan Air-Conditioning") and Qingdao Haier (Jiaozhou) Air-conditioning Co., Ltd. ("Jiaozhou Air-Conditioning") are among the key emission units announced by the local environmental protection department. The main information on pollutant discharge is as follows:

(1) **Hefei Refrigerator**

① Main pollutants:

Wastewater. According to the *Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial)* (HJ 978-2018), Development Zone Energy should apply for a pollutant discharge permit and detect 8 types of pollutants (including specific pollutants), namely, total nitrogen (as N), total phosphorus (as P), rate of flow, suspended solids, PH, Chemical oxygen demand (COD), ammonia nitrogen (NH₃-N), and five-day biochemical oxygen demand (BOD₅)

Exhaust gas. According to the *Volatile Organic Unorganized Emission Control Standard* (GB 37822-1-2019), Development Zone Energy should apply for a pollutant discharge permit and detect pollutants. Main types of atmospheric pollutants: particulate matter, non-methane total hydrocarbons

② Way of discharge: continuous discharge

③ Number and distribution of discharge outlets: 1 sewage, at the north entrance of the refrigerator Park; 23 exhaust gas, at the refrigerator block A(10), block B(10), and Phase III Factory(3)

Section V Environmental and Social Responsibilities

- ④ Concentration of discharge and discharge standard:
According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount (2022 data) are as follows:

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	99.95 mg/L	37.55 tons	300 tons	No
2	Ammonia nitrogen	12.59 mg/L	4.93 tons	28 tons	No
3	total nitrogen	30.28 mg/L	11.69 tons	20 tons	No
4	total phosphorus	2.19 mg/L	0.87 tons	5 tons	No

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

(2) **Qingdao Special Refrigerator**

- ① Main Pollutants:
Exhaust gas. According to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (HJ 978-2018), Qingdao Special Refrigerator should apply for a pollutant discharge permit and detect the primary type of pollutant in the atmosphere, namely non-methane hydrocarbon (VOC), with the maximum concentration of discharge not exceeding 60mg/m³. A qualified third-party testing unit is commissioned to conduct organic exhaust gas concentration testing and issue a report on a quarterly basis.

Wastewater: There is no wastewater generated by the business department, and the domestic wastewater is discharged into the municipal sewage network through the sewage pipes in Haier Industrial Park.

- ② Way of discharge: Continuous emission
- ③ Number and distribution of discharge outlets: two in total, one for absorption exhaust port at the west side of the Special Refrigerator plant roof, and one for foam exhaust port at the west side of the Special Refrigerator plant roof.

Section V Environmental and Social Responsibilities

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

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

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	Non-methane hydrocarbon	4.725 mg/m ³	0.1423 tons	No total amount of discharge control	No

- ⑤ Pollutant discharge standards implemented: Volatile Organic Compounds Discharge Standards Part 7: Other Industries in Shandong Province (DB37/2801.7-2019)

(3) *Wuhan water heater*

- ① Main pollutants:
Wastewater. According to the Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial) (HJ 978-2018), Wuhan water heater should apply for a pollutant discharge permit and detect 9 types of pollutants (including specific pollutants), namely, COD, total zinc, suspended solids, ammonia nitrogen (NH₃-N), five-day biochemical oxygen demand (BOD₅), PH, anionic surface active agent, total phosphorus, and animal and vegetable oils.
- ② Way of discharge: indirect discharge
- ③ Number and distribution of discharge outlets: one, on the southwest of the wastewater treatment plant, pipeline discharge

Section V Environmental and Social Responsibilities

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

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

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	40 mg/L	3.012 tons	9.075 ton	No
2	Ammonia nitrogen	0.336 mg/L	0.376 tons	0.9075 ton	No

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

(4) Wuhan freezer

- ① Main pollutants:
Wastewater. According to the *Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial)* (HJ 978-2018), Wuhan freezer should apply for a pollutant discharge permit and detect 9 types of pollutants (including specific pollutants), namely, COD, total zinc, suspended solids, ammonia nitrogen (NH₃-N), five-day biochemical oxygen demand (BOD₅), PH, anionic surface active agent, total phosphorus, and animal and vegetable oils.
- ② Way of discharge: indirect discharge
- ③ Number and distribution of discharge outlets: one, on the south of the wastewater treatment plant, pipeline discharge

Section V Environmental and Social Responsibilities

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

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

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	COD	17 mg/L	0.61 tons	No registration management regarding the requirement of the total amount	No
2	Ammonia nitrogen	0.552 mg/L	0.02 tons	No registration management regarding the requirement of the total amount	No

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

(5) **Wuhan Air-Conditioning**

- ① Main Pollutants :

Organic exhaust gas. Exhaust gas pollutant discharge refers to the Integrated emission standard of air pollutants, and the primary type of pollutant in the atmosphere detected are namely non-methane hydrocarbon (VOC), with the maximum concentration of discharge not exceeding 120mg/m³. A qualified third-party testing unit is commissioned to conduct organic exhaust gas concentration testing and issue a report on a half-yearly basis.

- ② Way of discharge: Continuous discharge

- ③ Number and distribution of discharge outlets: Five in total, one degreasing exhaust port at the south side of the plant roof, and three stamping exhaust ports at the south side of the plant roof and one spraying exhaust port at the north side of the spraying workshop

Section V Environmental and Social Responsibilities

- ④ Concentration and total amount of discharge and approved total amount of discharge: No control regarding the total amount of discharge of organic exhaust gas

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	VOC	8mg/m ³	1.53 tons	No control regarding the total amount of discharge of VOC	no

- ⑤ Implementation of Grade 2 standards according to Table 2 indicated in the national Integrated emission standard of air pollutants (GB16297-1996)

(6) Jiaozhou Air-Conditioning

- ① Main Pollutants:
Hazardous waste. According to the national directory, 11 types of hazardous waste detected are namely: waste oil, sludge, slag powder, computer boards, activated carbon, cotton filters, lightning tubes, soldering flux buckets, paint buckets, packaging bags and forklift battery.
- ② Way of discharge: Hazardous waste is transferred to a qualified hazardous waste disposal unit for disposal
- ③ Total amount of discharge and approved total amount of discharge:

No.	Name of hazardous waste	Total amount of transfer (tons)	Total amount of managed plan (tons)	Whether it is excessive discharge
1	Waste cotton filters	0.15	0.5	No
2	Waste oil	12.54	35	No
3	Soldering flux buckets	0.48	1.5	No
4	Waste forklift battery	18.36	22	No
5	Sludge	29.46	45	No
6	Waste paint buckets	0.96	5	No
7	Waste activated carbon	3.62	8	No

- ④ Pollutant discharge standards implemented: Directory of National Hazardous Wastes (Version 2021), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste

Section V Environmental and Social Responsibilities

2. Construction and operation of pollution prevention and treatment facilities:

☒ Applicable ☐ Not Applicable

Jiaozhou Air-Conditioning, Wuhan Freezer, Wuhan Water Heater have one, one and two wastewater treatment plants with a designed treatment capacity of 300 tons/day, 360 tons/day, 300 tons/day and 260 tons/day, respectively. The construction, maintenance and daily operation of all wastewater treatment facilities are conducted in accordance with the requirements of national and local environmental laws and regulations. Information on all wastewater discharge is subject to 24-hour online monitoring and such monitored information is transmitted to environmental authorities in a real-time manner. All equipment is operating normally. Wastewater discharge is in compliance with the prescribed standards. In addition, the Company fully promotes all plants to install exhaust treatment facilities and VOCs online monitoring facilities. All equipment is operating normally and exhaust produced is treated by the prevention and treatment facilities before compliant release and is monitored.

3. Environmental impact assessment of construction projects and other environmental protection administrative permits

☒ Applicable ☐ Not Applicable

The Company and its subsidiaries execute construction project implementation and production in accordance with the requirements of laws and regulations and strictly comply with the “three simultaneous” principle requirements of environmental protection for construction projects in the process of environmental impact assessment, and have passed environmental assessment acceptance and are not involved in any environmental illegal conducts such as construction before approval.

4. Emergency plans for environmental incidents

☒ Applicable ☐ Not Applicable

The Company and its subsidiaries have formulated Emergency Plans for Environmental Incidents in accordance with the requirements of laws and regulations and organized drills, and continue to improve and upgrade the plans based on drill results.

5. Self-monitoring environmental programs

☒ Applicable ☐ Not Applicable

All pollutants of the Company are regularly tested and the Company complies with national and local environmental standard requirements in respect of all pollutant discharge. Wastewater collected is subject to standard treatment and is released in a compliant manner. It is under real-time monitoring through the automatic online wastewater monitoring system, which shares its information with Haier Smart Energy System. In March 2017, the Company passed the upgraded certification in relation to ISO14001 environment

Section V Environmental and Social Responsibilities

management system. In May 2021, a professional certification firm was appointed to conduct a review and audit on the operation of ISO14001 system in 2020, where satisfactory results were obtained to demonstrate its good operating condition; In May 2022, a second review and audit was conducted on the operation of the system in 2021; In May 2023, a third review and audit was conducted on the operation of the system in 2022.

6. Administrative penalty due to environmental issues during the Reporting Period

☐ Applicable ☒ Not Applicable

7. Other environmental information that should be disclosed

☐ Applicable ☒ Not Applicable

(II) Explanation on environmental protection of companies other than major pollutant-emission units

☒ Applicable ☐ Not Applicable

1. Administrative penalty due to environmental issues

☐ Applicable ☒ Not Applicable

2. Other environmental information disclosure with reference to major pollutant-emission units

☒ Applicable ☐ Not Applicable

All division of the Company execute construction project implementation and production in accordance with the requirements of laws and regulations and strictly comply with the “three simultaneous” requirements of environmental protection for construction projects in the process of environmental impact assessment, and have passed environmental assessment acceptance and are not involved in any environmental illegal conducts such as construction before approval.

Section V Environmental and Social Responsibilities

Through Haier Smart Energy Center, an industry leading energy big data analysis system, the Company implements centralized dynamic monitoring and digitalized management in respect of major energy consumption, such as water, electricity and gas, of all plants across the country by utilizing automatized and informationalized technology and an integrated management model. It automatically collects precise information on energy resources and completes prediction and analysis of energy consumption information to optimize energy adjustment, reduce energy consumption per unit production to achieve low-carbon production.

3. Reasons for failure to disclose other environmental information

☐ Applicable ☒ Not Applicable

(III) Explanation of the subsequent progress or changes in the disclosure of environmental information content during the Reporting Period

☒ Applicable ☐ Not Applicable

The Company will continue to maintain and improve existing results and strictly comply with existing environmental protection and emission standards to achieve compliant emission.

(IV) Relevant information favorable to ecological protection, pollution prevention and control and environmental responsibility fulfillment

☒ Applicable ☐ Not Applicable

During the reporting period, Hefei Refrigerator actively participated in the declaration of “Zero-waste Factories” organised by environmental protection department of the local government. With an aim to achieve “effective energy conservation, lower energy consumption, less pollution and higher efficiency”, it firmly stays on the path of green development with priority given to ecological conservation. The Company and each of its subsidiaries faithfully implement the national “dual carbon” strategy by integrating low-carbon, recycling, energy conservation and emission reduction into daily operations, actively exploring the carbon reduction model throughout the whole product life cycle and continuously promoting green industrial upgrade. As a leader in green development, we work together with our peers to march towards a greener, win-win and sustainable future with concerted effort to safeguard our homeland.

Section V Environmental and Social Responsibilities

(V) Measures taken during the Reporting Period to reduce its carbon emission and their effectiveness

√ Applicable ☐ Not Applicable

During the reporting period, all relevant entities of the Company actively carried out its work in carbon reduction, and some examples of our carbon reduction measures are as follows:

- (1) Conducting greenhouse gas inventory: some of our factories have conducted greenhouse gas inventory, established a greenhouse gas inventory system (ISO14064) and obtained certificates from accreditation agencies;
- (2) Application of solar energy as a form of clean energy: new photovoltaic on-grid power generation was to replace thermal power to reduce carbon emissions;
- (3) Efficient transformation of energy use: reasonable production scheduling was achieved in the factories in the park to improve the productivity of personnel and production lines and reduce idle energy consumption losses in production lines, leading to more efficient energy use;
- (4) Intelligent energy management with upgrades in digital technologies: with the master energy control system, the Company has implemented remote collection of energy data and real-time monitoring of park production and domestic energy use, which enabled timely warning of energy wastage at terminals through big data analysis to effectively enhance the efficiency of energy use, thereby reducing carbon emissions;
- (5) Promoting energy saving and emission reduction in the daily operations of offices: As an important part of the production and operation of the park, the activities of the staff have a non-negligible impact on carbon emissions. Carbon emission occurs every moment in clothing, food, housing, transportation, and use of items in daily life, so more promotional campaigns are organized to enhance the awareness of energy saving and emission reduction among all staff, such as timely replacement of clothing to reduce the use of air-conditioning at moderate temperature, replacement of energy-saving lamps in rooms, double-sided printing of paper, and repeated recycling of tap water.

2. Particulars on the efforts to consolidate and expand its achievements in poverty alleviation and rural area invigoration

☒ Applicable ☐ Not Applicable

The Company emphasizes poverty alleviation and rural revitalization. In accordance with the series of national planning and documentation requirements, the Company provides targeted assistance within the authority granted on the general meeting in respect of, among others, donations to revitalize the rural areas.

For years, the Company has made genuine contributions to education to improve the basic cultural quality of people in poverty, with an emphasis on shoring up the weak link of the education sector and stopping inter-generational poverty. As of now, the Company, Haier Group Companies (the effective controller of the Company) and its subordinate enterprises (“Haier Group”) have constructed over 300 hope primary schools and hope secondary schools, covering 26 provinces, municipalities and autonomous regions in the PRC. It also offers continuous resource assistance to such schools every year to effectively boost the base education capacity in poverty regions and improve education quality. During the reporting period, in order to implement the “Ten thousand enterprises help ten thousand villages* (万企帮万村)” targeted poverty alleviation programme and assist in poverty alleviation, the Company’s “Ten thousand enterprises help ten thousand villages* (万企帮万村)” targeted poverty alleviation donation activity and the distribution ceremony of “Benefit Card” home appliances subsidies were held in the Guanwa Community of Jingshan Township, which provided the poverty-stricken people with support as much as possible. In addition, the Company provided financial support to Wuchuan Autonomous County.

In the first half of 2023, the Company spent approximately RMB3.65 million on targeted poverty alleviation, which was mainly used for education and poverty alleviation, in poverty regions. The Company actively responded to the government’s call and practiced social responsibility.

Section VI Significant Issues

I. FULFILLMENT STATUS OF UNDERTAKINGS

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

√ Applicable □ Not Applicable

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date and term of undertakings	Any deadline for performance	Whether performed in a timely and strict way
Undertaking related to significant reorganization	Eliminate the property right defects in land etc.	Haier Group Corporation	During the period from September 2006 to May 2007, the Company issued shares to Haier Group Corporation ("Haier Group") to purchase the controlling equity in its four subsidiaries, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司), Guizhou Haier Electronics Co., Ltd. (贵州海尔电器有限公司). With regard to the land and property required in the operation of Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司) (the "Covenantees"), Haier Group made an undertaking (the "2006 Undertaking"). According to the content of 2006 Undertaking and then condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the unavailability of such land and property.	27 September 2006, long-term	Yes	Yes
	Address competition issues	Haier Smart Home Co., Ltd.	Prior to the Transaction (hereinafter "the Transaction" refers to the transaction in relation to the privatisation of Haier Electronics by Haier Smart Home), Haier Electric was a controlling subsidiary of the Company and did not compete with the Company; after the completion of the Transaction, Haier Electric became a wholly-owned or controlling subsidiary of the Company and no new competition with the Company existed or will arise. There is no new peer competition or potential competition between the Company and other related parties controlled by the controlling shareholders or the de facto controllers of the Company.	31 July 2020 long-term	Yes	Yes

Section VI Significant Issues

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
	Address connected transactions	Haier Group Corporation	1. The Transaction constitutes a connected transaction and the connected transaction procedures performed under the Transaction are in compliance with the relevant regulations. The pricing of the connected transaction is fair and there are no circumstances under which the interests of the listed company and the non-connected shareholders are prejudiced. 2. Upon completion of the Transaction, the Company and its affiliates will take lawful and effective measures to minimize and regulate the connected transactions with the listed company, take the initiative to safeguard the interests of the listed company and all shareholders, and refrain from taking advantages of connected transactions for improper benefits. 3. Provided that there is no conflict with laws and regulations, if connected transactions between the Company and its affiliates and the listed company occur or exist which cannot be avoided or for which there are reasonable reasons, the Company and its affiliates will legally enter into a transaction agreement with the listed company to ensure strict compliance with the procedures of connected transactions required by the laws, regulations, regulatory documents and the articles of association of the Company, conduct transactions in accordance with the principles of marketability and fair prices to ensure the fairness and compliance of connected transactions, and refrain from taking advantages of such connected transactions to engage in any acts that are detrimental to the interests of the listed company or its minority shareholders, and at the same time, comply with the information disclosure obligations in accordance with relevant regulations.	29 July 2020, long-term	Yes	Yes

Section VI Significant Issues

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
	Address competition issues	Haier Group Corporation	<p>1. The Company and its controlling subsidiary, Haier COSMO Co., Ltd., were principally engaged in investment business during the reporting period, and the Company and its controlling subsidiary, Haier COSMO Co., Ltd. (including its subsidiaries and entities with more than 30% shareholding), have no real or potential competition with Haier Smart Home; 2. the domestic and overseas white goods businesses and assets held by the Company (including the Company's subsidiaries and entities with more than 30% shareholding) have been injected into Haier Smart Home through asset consolidation and equity transfer in accordance with the commitments made by the Company in January 2011 and the requirements for adjusting such commitments as considered and approved by Haier Smart Home at its 2014 annual general meeting; 3. Since the acquisition of 100% of Haier New Zealand Investment Holding Company Limited (which holds 100% of the shares in Fisher & Paykel Appliances Holdings Limited) by Haier Smart Home's offshore subsidiary, Haier Singapore Investment Holding Co., Ltd., following the completion in July 2018, the Company (including the Company's subsidiaries and entities with more than 30% shareholding) and Haier Smart Home do not have any competing relationship in any business areas both within and outside the PRC. During the reporting period, the Company (including the Company's subsidiaries and entities with more than 30% shareholding) did not have any new peer competition with Haier Smart Home; 4. Upon completion of the Transaction, the Company (including the Company's subsidiaries and entities with more than 30% shareholding) and its affiliates do not have any new or potential peer competition with Haier Smart Home; 5. During the period when the Company is the controlling shareholder of Haier Smart Home and the shares of Haier Smart Home are listed on the Hong Kong Stock Exchange, the Company and its other subsidiaries and entities with more than 30% shareholding will not operate any business that competes with the business engaged by Haier Smart Home and will not engage in real or potential competition with Haier Smart Home.</p>	29 July 2020, long-term	Yes	Yes

Section VI Significant Issues

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
	Others	Haier Group Corporation	<p>Upon completion of the Transaction, the Company will strictly comply with the Company Law, the Securities Law, the relevant regulations of the China Securities Regulatory Commission, the Shanghai Stock Exchange and the articles of association of Haier Smart Home, etc., fairly exercise shareholders' rights and fulfill shareholders' obligations, refrain from taking advantage of its shareholding position for improper benefits, ensure the listed company will continue to be completely separate from the Company and other enterprises on which the Company exercises control and exerts significant influence in terms of management, personnel, assets, finance, organization and business operations, and maintain the continued independence of the listed company in terms of management, personnel, assets, finance, organization and business operations. Upon completion of the Transaction, the Company will comply with the provisions of the Notice on Several Issues concerning Regulating Fund Transactions between Listed Companies and Their Affiliates and the External Guarantee of Listed Companies and the Circular of China Securities Regulatory Commission and China Banking Regulatory Commission on Regulating the External Guaranties Provided by Listed Companies to regulate the external guarantees by listed companies and their subsidiaries, and will not misappropriate the funds of the listed company and their subsidiaries. The Company undertakes to strictly fulfill the above commitments. In the event that the interests of the listed company are damaged as a result of any breach of the above commitments by the Company and other enterprises on which the Company exercises control and exerts significant influence, the Company will legally bear the corresponding liability for damage.</p>	29 July 2020, long-term	Yes	Yes

Section VI Significant Issues

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
	Address connected transactions	HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	1. The Transaction constitutes a connected transaction and the connected transaction procedures performed under the Transaction are in compliance with the relevant regulations. The pricing of the connected transaction is fair and there are no circumstances under which the interests of the listed company and the non-connected shareholders are prejudiced. 2. Upon completion of the Transaction, the Company and other enterprises on which the Company exercises control will take lawful and effective measures to minimize and regulate the connected transactions with the listed company, take the initiative to safeguard the interests of the listed company and all shareholders, and refrain from taking advantages of connected transactions for improper benefits. 3. Provided that there is no conflict with laws and regulations, if connected transactions between the Company and other enterprises on which the Company exercise control and the listed company occur or exist which cannot be avoided or for which there are reasonable reasons, the Company and other enterprises on which the Company exercises control will legally enter into a transaction agreement with the listed company to ensure strict compliance with the procedures of connected transactions required by the laws, regulations, regulatory documents and the articles of association of the Company, conduct transactions in accordance with the principles of marketability and fair prices, and refrain from taking advantages of such connected transactions to engage in any acts that are detrimental to the interests of the listed company or its minority shareholders, and at the same time, comply with the information disclosure obligations in accordance with relevant regulations. 4. Any covenants and arrangements between the Company and other enterprises on which the Company exercise control and the listed company in relation to connected transactions shall not prevent the other party from conducting business or dealing with any third party for its own benefit and on equal competitive terms in the market.	29 July 2020, long-term	Yes	Yes

Section VI Significant Issues

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 refinancing	Eliminate the property right defects in land etc.	Haier Group Corporation	Haier Group Corporation undertakes that it will assure Haier Smart Home and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that Haier Smart Home or any of its subsidiaries suffers any economic loss due to the fact that leased property has no relevant ownership certificate, Haier Group Corporation will make compensation to impaired party in a timely and sufficient way and take all reasonable and practicable measures to support the impaired party to recover to normal operation before the occurrence of loss. Upon the expiration of relevant leasing period, Haier Group Corporation will grant or take practicable measures to assure Haier Smart Home and its subsidiaries of priority to continue to lease the property at a price not higher than the rent in comparable market at that time. Haier Group Corporation will assure Haier Smart Home and its subsidiaries of the constant, stable, free and unobstructed use of self-built property and land of the Group. In the event that Haier Smart Home or any of its subsidiaries fails to continue to use self-built property according to its own will or in original way due to the fact that self-built property has no relevant ownership certificate, Haier Group Corporation will take all reasonable and practicable measures to eliminate obstruction and impact, or will support Haier Smart Home or its affected subsidiary to obtain alternative property as soon as possible, if Haier Group Corporation anticipates it is unable to cope with or eliminate the external obstruction and impact with its reasonable effort. For details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures</i> (L2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.	24 December 2013, long-term	Yes	Yes
Undertakings related to equity incentive	Others	Haier Smart Home Co., Ltd	The Company will not provide loans or any other forms of financial assistance, including guaranteeing their loans, to any incentive recipient for acquiring relevant stock options under this incentive plan.	15 September 2021/28 June 2022, the completion of equity incentive implementation	Yes	Yes
Other undertakings	Asset injection	Haier Group Corporation	Inject the assets of Haier Photoelectric to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2025. For more details, please refer to the <i>Announcement of Haier Smart Home Co., Ltd. on the Changes of Some Commitments on Asset Injection</i> (L2020-024) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 30 April 2020.	December 2015 to June 2025	Yes	Yes

Section VI Significant Issues

II. NON-OPERATING UTILIZATION OF FUNDS BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD.

☐ Applicable ☒ Not Applicable

III. INFORMATION ON NON-COMPLIANCE GUARANTEES

☐ Applicable ☒ Not Applicable

IV. INFORMATION ON INTERIM AUDIT

☐ Applicable ☒ Not Applicable

V. CHANGES IN MATTERS COVERED BY THE NON-STANDARD AUDIT OPINION ON THE PREVIOUS YEAR'S ANNUAL REPORT AND ITS HANDLING

☐ Applicable ☒ Not Applicable

VI. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

☐ Applicable ☒ Not Applicable

VII. MATERIAL LITIGATION AND ARBITRATION MATTERS

☐ Material litigation and arbitration matter during the reporting period

☒ No material litigation and arbitration matters during the reporting period

VIII. PUNISHMENT AND CORRECTION ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS DUE TO SUSPECT OF LAW VIOLATIONS AND THE ISSUE OF RECTIFICATION

☐ Applicable ☒ Not applicable

IX. EXPLANATION OF THE INTEGRITY STATUS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLER DURING THE REPORTING PERIOD

☐ Applicable ☒ Not applicable

X. SIGNIFICANT RELATED-PARTY TRANSACTIONS

(I) Related-party transactions relating to daily operation

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Pursuant to the “Product and Materials Purchase Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation” (《海尔智家股份有限公司与海尔集团公司之产品及物料采购框架协议》) and “Service Purchase Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation” (《海尔智家股份有限公司与海尔集团公司之服务采购框架协议》) considered and approved at the 28th meeting of the 10th session of the Board of Directors and the 2021 Annual General Meeting, and the “Resolution of Haier Smart Home Co., Ltd. on Renewing the Framework Agreement on Financial Services with Haier Group Corporation and Estimated Amount of Connected Transactions” (《海尔智家股份有限公司关于与海尔集团公司续签〈金融服务框架协议〉暨预计关联交易额度的议案》) considered and approved at the 18th meeting of the 10th session of the Board of Directors and the 2020 Annual General Meeting, the Company has made estimation on the connected transactions for the next three years, as detailed in the aforesaid announcements regarding the resolutions of the meetings.

For the actual performance of the Company’s connected transactions in the first half of 2023, please refer to “XII. Related parties and related-party transactions” under section X — Financial and Accounting Report set out in this regular report.

3. Matters not disclosed in temporary announcements

☐ Applicable ☒ Not applicable

Section VI Significant Issues

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

(IV) Amounts due to or from related parties

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

3. Matters not disclosed in temporary announcements

☐ Applicable ☒ Not applicable

(V) Financial business between the Company and the finance company with which it has a related relationship, the company's controlling finance company and related parties

☒ Applicable ☐ Not applicable

1. Deposit business

☒ Applicable ☐ Not applicable

Unit and Currency: RMB

Related party	Relationship	Maximum daily deposit limit	Range of deposit interest	Balance as at the beginning of the period	Changes of the period		Balance as at the end of the period
					Total amount deposited during the period	Total amount withdrawn during the period	
Haier Finance Co., Ltd.	Subsidiary of Haier Group	34 billion	0.00012% to 5.32%	31,432,615,224.52	258,505,160,653.43	256,685,459,490.05	33,252,316,387.90
Total	/	/	/	31,432,615,224.52	258,505,160,653.43	256,685,459,490.05	33,252,316,387.90

2. Lending business

☒ Applicable ☐ Not applicable

Unit and Currency: RMB

Related party	Relationship	Loan limit	Range of loan interest	Balance as at the beginning of the period	Changes of the period		Balance as at the end of the period
					Total amount deposited during the period	Total amount withdrawn during the period	
Haier Finance Co., Ltd.	Subsidiary of Haier Group	10 billion	0-4.5%	60,000,000.00		60,000,000.00	0.00
Total	/	/	/	60,000,000.00		60,000,000.00	0.00

Section VI Significant Issues

3. Trustee business or other finance businesses

☒ Applicable ☐ Not applicable

Unit and Currency: RMB

Related party	Relationship	Type of business	Total amount	Actual number of occurrence
Haier Finance Co., Ltd.	Subsidiary of Haier Group	Foreign exchange derivatives products	5.5 billion	3,054,405,905.60
Haier Finance Co., Ltd.	Subsidiary of Haier Group	Service charge	80 million	7,917,428.19

4. Others

☐ Applicable ☒ Not applicable

(VI) Other material related transactions

☐ Applicable ☒ Not applicable

(VII) Others

☐ Applicable ☒ Not applicable

XI. SIGNIFICANT CONTRACTS AND THEIR EXECUTION

1 Trusteeship, contracting and leasing

☐ Applicable ☒ Not applicable

During the reporting period, the Company had no material escrow matters. Up to now, the following entrusted assets that have been approved by the Company's shareholders' meeting are still in effect:

According to Haier Group's commitment in 2011 on further supporting the development of Qingdao Haier and resolving peer competition to reduce connected transactions, based on the fact that Qingdao Haier Optoelectronics Co., Ltd. (青岛海尔光电有限公司) and its subsidiaries, the main body of Haier Group engaging in the color television business, are still in a period of transformation and integration, and their financial performance has not yet met the Company's expectations, Haier Group is unable to complete the transfer before the aforesaid commitment period. Haier Group intends to entrust the Company with the operation and management of the escrow assets and pay the Company an annual escrow fee of RMB1 million during the escrow period.

2 Significant guarantees performed and outstanding during the reporting period

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB0'000

External guarantees provided by the Company (excluding guarantees for subsidiaries)															
Guarantor	Relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Date of occurrence of the guarantee (date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Status of principle liabilities	Collateral (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether there is a counter-guarantee	Whether Related-party guarantee or not	Relationship
Total amount of guarantee occurred during the reporting period (excluding guarantees for subsidiaries)															
Total balance of guarantee at the end of the reporting period (A) (excluding guarantees for subsidiaries)															
Guarantees provided by the Company for subsidiaries															
Total amount of guarantees for subsidiaries occurred during the reporting period															
Total balance of guarantees for subsidiaries at the end of the reporting period (B)															
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)															
Total amount of guarantee (A + B)															
Ratio of total amount of guarantees to net assets of the Company (%)															
Including:															
Amount of guarantees for shareholders, ultimate controllers and their related parties (C)															
Amount of debt guarantees provided directly or indirectly for the secured party with asset-liability ratio exceeding 70% (D)															
The amount of total amount of guarantee in excess of 50% of net assets (E)															
Total amount of the above three guarantees (C + D + E)															
Explanation of possibly bearing related discharge duty for premature guarantees															
Explanation of guarantee status															

3 Other major contracts

☐ Applicable ☒ Not Applicable

XII. STATEMENT ON OTHER SIGNIFICANT EVENTS

√ Applicable ☐ Not Applicable

- (1) **Entrusted wealth management:** By the end of the reporting period, the balance of the Company's entrusted wealth management amounted to RMB5.255 billion. Under the premise of ensuring sufficient capital required by the principal operating activities and daily operations, the Company and some of its subsidiaries purchased some low-risk wealth management products and structured deposits from major commercial banks to improve the yield of temporarily-idle funds and the return for shareholders within the authority of the president's office meeting and under the condition of ensuring fund safety.
- (2) **Progress of the A-share repurchase:** On 27 April 2023, the Company convened the 5th meeting of the 11th session of the Board of Directors, which considered and approved the Resolution in Relation to the Repurchase Plan of a Portion of Public A Shares of Haier Smart Home Co., Ltd. It approved the Company to use its own funds to repurchase a portion of A shares of the Company by way of centralised bidding. The repurchase price is no more than RMB32 per share and the proposed total repurchase amount is no more than RMB3.0 billion and no less than RMB1.5 billion. The period of this repurchase is within 12 months from the date the Board considered and approved the resolution of repurchase of shares. As at the end of the reporting period, the Company had repurchased a total of 25,847,600 shares, representing 0.27% of the total share capital of the Company. The highest price purchased was RMB23.90 per share and the lowest price was RMB21.20 per share, and the amount paid was RMB579,132,930.98. For details, please refer to the announcements on the related progress disclosed by the Company on a monthly basis.

Section VII Changes in Shares and Information About Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of Changes in shares

1. Table of Changes in shares

Unit: share

	Prior to changes		Increase/decrease in shares					After changes	
	Amount	Percentage	Issue of new shares	Bonus shares	Reserves converted to	Others	Sub-total	Amount	Percentage
		(%)			shares				(%)
I. Restricted shares									
1. State-owned shares									
2. Shares held by state-owned legal entities									
3. Other domestic entities held shares									
Including:									
Shares held by domestic non-state-owned legal entities									
Shares held by domestic individuals									
4. Shares held by foreign entities									
Including:									
Shares held by offshore legal entities									
Shares held by offshore individuals									
II. Non-restricted shares	9,446,598,493	100.00					-8,483,600	9,438,114,893	
1. Ordinary shares in RMB	6,308,552,654	66.78						6,308,552,654	
2. Domestically listed foreign-owned Shares									
3. Offshore listed foreign-owned Shares	3,138,045,839	33.22				-8,483,600	-8,483,600	3,129,562,239	
4. Others									
III. Total shares	9,446,598,493	100.00				-8,483,600	-8,483,600	9,438,114,893	

Section VII Changes in Shares and Information About Shareholders

2. Statement on the changes in shares

☒ Applicable ☐ Not Applicable

Cancellation of H share repurchase: On 28 June 2022, the 2021 Annual General Meeting, the First Class Meeting of 2022 for A shares, the First Class Meeting of 2022 for D shares and the First Class Meeting of 2022 for H shares of the Company considered and approved the Resolution on Proposing the General Meeting to Grant the General Mandate to the Board of Directors to Repurchase not more than 10% of the Total Number of H shares of the Company in Issue of Haier Smart Home Co., Ltd., in which the Company intends to repurchase H shares and cancel them within the agreed period. During the reporting period, the Company repurchased a total of 8,483,600 H shares and all such shares have been cancelled.

Based on the above, during the reporting period, the share capital of the Company was changed from 9,446,598,493 shares at the beginning of the reporting period to 9,438,114,893 shares.

Section VII Changes in Shares and Information About Shareholders

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

(II) **Changes in shares with selling restrictions**

☐ Applicable ☒ Not Applicable

II. INFORMATION ON SHAREHOLDERS

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

Total number of ordinary shareholders by the end of the reporting period	162,489
Total numbers of preferential shareholders with restoration of voting rights by the end of the reporting period	0

Section VII Changes in Shares and Information About Shareholders

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

Unit: share

Shareholdings of top ten shareholders

Name of shareholder (full name)	Increase/ decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Status of shares pledged, marked or frozen		Nature of shareholder
					Status	Number	
HKSCC NOMINEES LIMITED (Note)		2,231,357,319	23.64		Unknown		Unknown
Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)		1,258,684,824	13.34		None		Domestic non-state- owned legal entity
Haier Group Corporation		1,072,610,764	11.36		None		Domestic non-state- owned legal entity
Hong Kong Securities Clearing Co., Ltd.		677,016,590	7.17		None		Unknown
HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED		538,560,000	5.71		None		Foreign legal entity
China Securities Finance Corporation Limited		182,592,654	1.93		None		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	1.83		None		Domestic non-state- owned legal entity
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青岛海创智管理 咨询企业(有限合伙))		133,791,058	1.42		None		Domestic non-state- owned legal entity
ALIBABA INVESTMENT LIMITED		83,823,993	0.89		Unknown		Foreign legal entity
Agricultural Bank of China Limited — Yifangda Consumer Industry Equity Securities Investment Fund		60,843,184	0.64		None		Unknown

Section VII Changes in Shares and Information About Shareholders

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
HKSCC NOMINEES LIMITED	2,231,357,319	Overseas listed foreign shares	2,231,357,319
Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)	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.	677,016,590	RMB ordinary	677,016,590
HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	538,560,000	Overseas listed foreign shares	538,560,000
China Securities Finance Corporation Limited	182,592,654	RMB ordinary	182,592,654
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
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青岛海创智管理咨询企业(有限合伙))	133,791,058	RMB ordinary	133,791,058
ALIBABA INVESTMENT LIMITED	83,823,993	Overseas listed foreign shares	83,823,993
Agricultural Bank of China Limited — Yifangda Consumer Industry Equity Securities Investment Fund	60,843,184	RMB ordinary	60,843,184
Explanation on repurchase account of top ten shareholders	As of the end of the reporting period, the repurchase accounts of the Company held a total of 112,853,243 shares.		

Section VII Changes in Shares and Information About Shareholders

Name of shareholder	Number of tradable shares held without selling restrictions	Class and number of shares	
		Class	Number
Explanation on delegated voting rights, entrusted voting rights, abstained voting rights of the above shareholders	Nil		
Related parties or parties acting in concert among the aforesaid shareholders	(1)	Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司) is a 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), HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED 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: HKSCC NOMINEES LIMITED is the Banking Collection Account for the shareholders of the Company's H-shares, which is the original data provided by China Hong Kong securities registration agency to the Company after the merger according to local market practices and technical settings, not representing the ultimate shareholder.

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

Section VII Changes in Shares and Information About Shareholders

III. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

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

☐ Applicable ☒ Not Applicable

Other explanations

☐ Applicable ☒ Not Applicable

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

☒ Applicable ☐ Not Applicable

Unit: 0'000 shares

Name	Position	Number of stock options held at the beginning of the period	Number of stock options newly granted during the reporting period	Exercisable shares options during the reporting period	Shares from stock option exercised during the reporting period	Number of stock options held at the end of the period
Li Huagang	Director	91.39	0	18.28	0	73.12
Gong Wei	Director	45.70	0	9.14	0	36.56
Xie Juzhi	Executive	91.39	0	18.28	0	73.12
Li Pan	Executive	45.70	0	9.14	0	36.56
Song Yujun	Executive	31.21	0	6.24	0	24.97
Zhao Yanfeng	Executive	46.82	0	9.36	0	37.46
Huang Xiaowu	Executive	45.70	0	9.14	0	36.56
Wu Yong	Executive	22.85	0	4.57	0	18.28
Li Yang	Executive	45.70	0	9.14	0	36.56
Guan Jiangyong	Executive	22.85	0	4.57	0	18.28
Liu Xiaomei	Executive	11.65	0	0	0	8.74
Total	/	500.96	0	97.86	0	400.21

Section VII Changes in Shares and Information About Shareholders

(III) Other explanations

☐ Applicable ☒ Not Applicable

IV. CHANGES IN CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

☐ Applicable ☒ Not Applicable

Section VIII Relevant Information of Preferred Shares

☐ Applicable ☒ Not Applicable

Section IX Relevant Information of Corporate Bonds

I. ENTERPRISE BOND, CORPORATE BOND, AND NON-FINANCIAL CORPORATE DEBT FINANCING INSTRUMENTS

☐ Applicable ☒ Not Applicable

II. CONVERTIBLE CORPORATE BOND

☐ Applicable ☒ Not Applicable

Section X Financial Report

I. AUDIT REPORT

☐ Applicable ☒ Not Applicable

II. FINANCIAL STATEMENTS

Consolidated Balance Sheet

30 June 2023

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	30 June 2023	31 December 2022
Current assets:			
Monetary funds	VII.1	55,641,485,513.56	54,161,702,227.39
Provision of settlement fund			
Funds lent			
Financial assets held for trading	VII.2	734,584,929.88	519,912,880.91
Derivative financial assets	VII.3	100,132,280.78	183,185,160.51
Bills receivable	VII.4	10,495,699,695.28	9,624,191,838.15
Accounts receivable	VII.5	21,742,220,596.23	15,886,628,623.99
Financing receivables			
Prepayments	VII.6	1,320,534,071.51	1,109,114,343.41
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VII.7	2,746,235,275.21	2,401,113,902.55
Including: Interest receivable		706,805,733.78	513,320,376.79
Dividend receivable			
Financial assets purchased under resale agreements			
Inventories	VII.8	39,026,874,630.78	41,587,786,307.53
Contract assets	VII.9	392,384,817.35	309,930,359.25
Assets held for sale			
Non-current assets due in one year			
Other current assets	VII.10	4,089,032,500.27	4,692,946,083.94
Total current assets		136,289,184,310.85	130,476,511,727.63
Non-current assets:			
Loans and advances granted			
Debt investments	VII.11	2,254,869,444.45	1,034,222,222.22
Other debt investments			
Long-term receivables		302,494,994.66	305,070,001.45
Long-term equity investments	VII.12	25,183,862,504.91	24,527,800,290.84
Investments in other equity instruments	VII.13	5,912,354,236.79	5,851,882,930.20

Section X Financial Report

Items	Notes	30 June 2023	31 December 2022
Other non-current financial assets			
Investment properties	VII.14	25,514,429.83	25,678,492.57
Fixed assets	VII.15	27,270,691,461.27	27,158,348,424.28
Construction in progress	VII.16	4,675,841,932.96	4,094,684,500.49
Biological assets for production			
Oil and gas assets			
Right-of-use assets	VII.17	4,385,820,465.38	3,795,225,353.89
Intangible assets	VII.18	10,772,404,503.26	10,505,881,377.21
Development cost	VII.19	237,607,781.86	154,480,515.67
Goodwill	VII.20	24,639,555,391.77	23,643,595,643.87
Long-term prepaid expenses	VII.21	810,071,466.35	759,883,174.20
Deferred income tax assets	VII.22	1,209,374,679.11	1,724,040,928.42
Other non-current assets	VII.23	2,332,458,174.06	1,880,736,891.63
Total non-current assets		110,012,921,466.66	105,461,530,746.94
Total assets		246,302,105,777.51	235,938,042,474.57
Current liabilities:			
Short-term borrowings	VII.24	9,365,184,799.41	9,672,223,522.36
Borrowings from central bank			
Due to banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities	VII.25	352,914,936.89	104,594,040.66
Bills payable	VII.26	23,187,832,976.22	25,098,557,730.06
Accounts payable	VII.27	47,160,319,625.82	41,878,607,182.94
Receipts in advance			
Contract liabilities	VII.28	6,251,026,204.67	9,352,719,895.49
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			
Payables for staff's remuneration	VII.29	3,419,419,922.12	4,050,464,754.37
Taxes payable	VII.30	3,005,344,046.94	2,876,221,892.91
Other payables	VII.31	22,901,109,264.17	17,517,838,565.99
Including: Interest payable			
Dividend payable		5,299,410,272.79	1,246,573.35
Fees and commissions payable			
Reinsurance Accounts payables			
Liabilities held for sale			
Non-current liabilities due within one year	VII.32	3,519,285,132.72	6,294,750,667.08
Other current liabilities	VII.33	1,431,239,433.13	1,850,426,115.79
Total current liabilities		120,593,676,342.09	118,696,404,367.65

Items	Notes	30 June 2023	31 December 2022
Non-current liabilities:			
Deposits for insurance contracts			
Long-term borrowings	VII.34	18,366,761,352.03	13,590,866,873.43
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VII.35	3,338,912,496.12	2,824,477,670.61
Long-term payables	VII.36	43,686,763.73	44,240,087.94
Long-term payables for staff's remuneration	VII.37	1,074,202,443.83	1,010,547,202.34
Estimated liabilities	VII.38	1,761,498,273.35	1,611,029,220.17
Deferred income	VII.39	961,687,013.36	948,935,134.05
Deferred income tax liabilities	VII.22	2,094,815,467.45	2,358,860,559.19
Other non-current liabilities		72,361,573.14	107,332,101.07
Total non-current liabilities		27,713,925,383.01	22,496,288,848.80
Total liabilities		148,307,601,725.10	141,192,693,216.45
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII.40	9,438,114,893.00	9,446,598,493.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII.41	23,993,726,933.33	23,877,037,324.76
Less: treasury stock		4,572,635,271.76	3,857,807,196.38
Other comprehensive income	VII.42	2,145,734,558.09	1,990,683,498.45
Special reserve			
Surplus reserve	VII.43	4,014,190,623.24	4,014,190,623.24
General risk provisions			
Undistributed profits	VII.44	61,662,044,044.81	57,983,751,470.60
Total equity attributable to owners (or shareholders) of the Parent Company		96,681,175,780.71	93,454,454,213.67
Minority shareholders' interests		1,313,328,271.70	1,290,895,044.45
Total owners' equity (or shareholders' equity)		97,994,504,052.41	94,745,349,258.12
Total liabilities and owners' equity (or shareholders' equity)		246,302,105,777.51	235,938,042,474.57

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Section X Financial Report

Balance Sheet of the Parent Company

30 June 2023

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	30 June 2023	31 December 2022
Current Assets:			
Monetary funds		7,208,829,680.38	5,747,356,591.19
Financial assets held for trading			
Derivative financial assets			
Bills receivable			
Accounts receivable	XVIII.1	1,233,075,337.42	913,643,071.06
Financing receivables			
Prepayments		3,115,793.21	3,116,793.21
Other receivables	XVIII.2	19,552,192,080.92	14,387,031,657.57
Including: Interest receivable		61,817,349.90	29,783,516.95
Dividend receivable		1,244,013,185.59	1,015,840,000.00
Inventories		4,257,323.34	9,245,507.97
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		1,453,125,718.19	1,642,423,149.85
Total current assets		29,454,595,933.46	22,702,816,770.85
Non-current assets:			
Debt investments		1,354,869,444.45	1,034,222,222.22
Other debt investments			
Long-term receivables			
Long-term equity investments	XVIII.3	54,756,983,288.06	52,744,139,527.87
Investments in other equity instruments		1,618,513,056.48	1,618,513,056.48
Other non-current financial assets			
Investment properties			
Fixed assets		154,921,098.23	167,043,774.16
Construction in progress		10,353,351.08	2,667,680.62
Biological assets for production			
Oil and gas assets			
Right-of-use assets			357,996.03
Intangible assets		44,773,526.95	48,239,513.12
Development cost			
Goodwill			
Long-term prepaid expenses		2,912,930.81	3,910,065.39
Deferred income tax assets			
Other non-current assets		1,294,805,641.19	1,302,773,743.02

Section X Financial Report

Items	Notes	30 June 2023	31 December 2022
Total non-current assets		59,238,132,337.25	56,921,867,578.91
Total assets		88,692,728,270.71	79,624,684,349.76
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable			
Accounts payables		794,483,497.68	521,733,555.60
Receipts in advance			
Contract liabilities		12,605,139.93	13,084,442.85
Payables for staff's remuneration		4,621,311.00	9,696,654.18
Taxes payable		1,718,888.26	7,479,878.13
Other payables		45,932,717,477.31	32,659,845,830.05
Including: Interest payable			
Dividends payable		5,297,529,553.10	
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		9,490,609.56	5,876,886.89
Total current liabilities		46,755,636,923.74	33,217,717,247.70
Non-current liabilities:			
Long-term borrowings		3,298,000,000.00	2,195,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payable			
Long-term payables for staff's remuneration			
Estimated liabilities			
Deferred income		13,798,300.00	12,355,000.00
Deferred income tax liabilities		420,805,600.57	420,805,600.57
Other non-current liabilities			
Total non-current liabilities		3,732,603,900.57	2,628,160,600.57
Total liabilities		50,488,240,824.31	35,845,877,848.27
Owners' equity (or Shareholders' equity):			
Paid-in capital (or share capital)		9,438,114,893.00	9,446,598,493.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		27,487,762,552.35	27,300,899,019.76
Less: treasury stock		2,906,103,457.34	2,308,138,558.42
Other comprehensive income		602,091,349.74	602,091,349.74
Special reserve			
Surplus reserve		3,409,044,397.79	3,409,044,397.79

Section X Financial Report

Items	Notes	30 June 2023	31 December 2022
Undistributed profits		173,577,710.86	5,328,311,799.62
Total owners' equity (or shareholders' equity)		38,204,487,446.40	43,778,806,501.49
Total liabilities and owners' equity (or shareholders' equity)		88,692,728,270.71	79,624,684,349.76
Person in charge of the Company: Li Huagang			
Person in charge of accounting function: Gong Wei			
Person in charge of accounting department: Ying Ke			

Consolidated Profit Statement

January-June 2023

Unit and Currency: RMB

Items	Notes	2023 Interim	2022 Interim
I. Total operating revenue		131,626,581,506.56	121,640,067,379.35
Including: Operating revenue	VII.45	131,626,581,506.56	121,640,067,379.35
Interest income			
Insurance premiums earned			
Fee and commission income			
II. Total cost of operations		121,334,902,914.53	112,320,284,552.69
Including: Operating cost	VII.45	91,555,264,412.99	84,818,768,956.56
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 surcharges	VII.46	532,576,459.68	357,254,442.59
Selling expenses	VII.47	18,768,944,057.44	17,606,475,316.07
Administrative expenses	VII.48	5,461,681,481.50	5,140,311,538.47
R&D expenses	VII.49	5,025,786,116.64	4,598,032,317.91
Financial expenses	VII.50	-9,349,613.72	-200,558,018.91
Including: Interest expenses		875,078,615.27	348,353,122.72
Interest income		614,901,983.30	362,928,829.17
Add: other income	VII.51	601,365,025.76	546,249,657.56
investment income (losses are represented by "-")	VII.52	1,129,768,360.36	1,170,336,743.41
Including: Investment income of associates and joint ventures		1,078,905,972.36	936,511,207.40
Income generated from the derecognition of financial assets measured at amortized cost (losses are represented by "-")			
Exchange gain (losses are represented by "-")			
Gains on net exposure hedges (losses are represented by "-")			
Income from change in fair value (losses are represented by "-")	VII.53	31,271,562.35	-118,790,175.68
Loss on credit impairment (losses are represented by "-")	VII.54	-165,968,929.36	-258,076,846.14

Section X Financial Report

Items	Notes	2023 Interim	2022 Interim
Loss on assets impairment (losses are represented by “-”)	VII.55	-779,748,575.44	-707,061,947.81
Gain from disposal of assets (losses are represented by “-”)	VII.56	-20,647,304.64	31,589,207.10
III. Operating profit (losses are represented by “-”)		11,087,718,731.06	9,984,029,465.10
Add: non-operating income	VII.57	58,784,451.61	68,907,687.69
Less: non-operating expenses	VII.58	32,299,513.21	43,535,551.68
IV. Total profit (total losses are represented by “-”)		11,114,203,669.46	10,009,401,601.11
Less: income tax expense	VII.59	2,069,496,385.86	2,000,315,202.76
V. Net profit (net losses are represented by “-”)		9,044,707,283.60	8,009,086,398.35
(I) Classification by continuous operation			
1. Net profit from continuous operation (net losses are represented by “-”)		9,044,707,283.60	8,009,086,398.35
2. Net profit from discontinued operation (net losses are represented by “-”)			
(II) Classification by ownership of the equity			
1. Net profit attributable to shareholders of the Parent Company (net losses are represented by “-”)		8,963,875,999.84	7,959,684,042.65
2. Profit or loss attributable to minority shareholders (net losses are represented by “-”)		80,831,283.76	49,402,355.70
VI. Other comprehensive income, net of tax	VII.60	136,824,101.13	2,864,992,299.95
(I) Other comprehensive income attributable to owners of the Parent Company, net of tax		155,051,059.64	2,866,524,948.88
1. Other comprehensive income that cannot be reclassified into the profit or loss		36,663,726.03	-45,646,560.54
(1) Changes arising from re-measurement of defined benefit plans		32,438,331.87	4,562,166.91
(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		4,225,394.16	-50,208,727.45

Items	Notes	2023 Interim	2022 Interim
(4) Changes in fair value of credit risks of the enterprise			
2. Other comprehensive income to be reclassified into the profit or loss		118,387,333.61	2,912,171,509.42
(1) Other comprehensive income that can be transferred into profit or loss under equity method		-15,508,344.88	108,350,151.43
(2) Changes in fair value of other debt investments			
(3) Reclassified financial assets that are credited to other comprehensive income			
(4) Credit impairment provision for other debt investments			
(5) Reserve for cash flow hedging		-193,755,242.84	25,995,214.10
(6) Exchange differences on translation of financial statements denominated in foreign currencies		327,650,921.33	2,777,826,143.89
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax		-18,226,958.51	-1,532,648.93
VII. Total comprehensive income		9,181,531,384.73	10,874,078,698.30
(I) Total comprehensive income attributable to the owners of Parent Company		9,118,927,059.48	10,826,208,991.53
(II) Total comprehensive income attributable to the minority shareholders		62,604,325.25	47,869,706.77
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XX.1	0.97	0.85
(II) Diluted earnings per share (RMB/share)	XX.1	0.96	0.85

For business combination under common control occurring in the current period, the net profit of the acquiree before the combination was RMB0, and the net profit of the acquiree for the previous period was RMB6,271,553.65.

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Section X Financial Report

Profit Statement of the Parent Company

January-June 2023

Unit and Currency: RMB

Items	Notes	2023 Interim	2022 Interim
I. Operating income	XVIII.4	327,406,706.84	93,323,883.33
Less: operating cost	XVIII.4	286,220,868.43	80,891,389.46
Taxes and surcharges		3,754,801.82	1,171,987.68
Selling expenses		4,603,666.69	4,615,963.20
Administration expenses		377,868,026.53	328,116,657.42
R&D expenses		6,617,045.16	5,806,423.66
Financial expenses		-92,308,439.54	-42,487,430.75
Including: Interest expenses		32,509,056.33	4,530,273.29
Interest income		115,693,759.65	53,365,585.67
Add: other income		1,361,535.00	17,240,565.58
investment income (losses are represented by “-”)	XVIII.5	400,717,692.54	548,236,536.95
Including: Investment income of associates and joint ventures		144,556,606.76	137,123,178.78
Derecognition income on financial assets measured at amortized cost (losses are represented by “-”)			
Gains on net exposure hedges (losses are represented by “-”)			
Income from change in fair value (losses are represented by “-”)			
Loss on credit impairment (losses are represented by “-”)		47,441.31	116,871.97
Loss on assets impairment (losses are represented by “-”)			
Gain from disposal of assets (losses are represented by “-”)			35,074,022.45
II. Operating profit (losses are represented by “-”)		142,777,406.60	315,876,889.61
Add: non-operating income		97,965.97	204,216.74
Less: non-operating expenses		78,702.83	28,698.02
III. Total profit (total losses are represented by “-”)		142,796,669.74	316,052,408.33
Less: income tax expenses		1,205.40	
IV. Net profit (net losses are represented by “-”)		142,795,464.34	316,052,408.33

Items	Notes	2023 Interim	2022 Interim
(I) Net profit from continuous operations (net losses are represented by “-”)		142,795,464.34	316,052,408.33
(II) Net profit from discontinued operations (net losses are represented by “-”)			
V. Other comprehensive income, net of tax			-2,564,158.17
(I) Other comprehensive income that cannot be reclassified into the profit or loss			
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			
4. Changes in fair value of credit risks of the enterprise			
(II) Other comprehensive income to be reclassified into the profit or loss			-2,564,158.17
1. Other comprehensive income that can be transferred into profit or loss under equity method			-2,564,158.17
2. Changes in fair value of other debt investments			
3. Reclassified financial assets that are credited to other comprehensive income			
4. Credit impairment provision for other debt investments			
5. Reserve for cash flow hedging			
6. Exchange differences on translation of financial statements denominated in foreign currencies			
7. Others			
VI. Total comprehensive income		142,795,464.34	313,488,250.16
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Person in charge of the Company: Li Huagang
Person in charge of accounting function: Gong Wei
Person in charge of accounting department: Ying Ke

Section X Financial Report

Consolidated Cash Flow Statement

January-June 2023

Unit and Currency: RMB

Items	Notes	2023 Interim	2022 Interim
I. Cash flow from operating activities:			
Cash received from the sale of goods and rendering services		131,285,030,662.96	125,851,561,877.12
Net increase in customer and inter-bank deposits			
Net increase in borrowing from the central bank			
Net cash increase in borrowing from other financial institutes			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Cash received from interest, fee and commissions			
Net increase in placement from banks and other financial institutions			
Net increase in cash received from repurchase operation			
Net cash received from customer deposits for trading in securities			
Refunds of taxes		1,055,963,172.82	1,359,618,593.20
Cash received from other related operating activities	VII.61	1,004,688,596.01	841,653,468.08
Sub-total of cash inflows from operating activities		133,345,682,431.79	128,052,833,938.40
Cash paid on purchase of goods and services		90,336,797,328.28	89,623,874,730.21
Net increase in loans and advances of customers			
Net increase in deposits in the PBOC and inter-bank			
Cash paid for compensation payments under original insurance contract			
Net increase in cash lent			
Cash paid for interest, bank charges and commissions			

Items	Notes	2023 Interim	2022 Interim
Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees		14,745,533,991.16	13,714,753,125.85
Cash paid for all types of taxes		7,627,692,738.30	5,096,870,980.52
Cash paid to other operation related activities	VII.62	13,845,127,911.51	13,652,264,117.96
Sub-total of cash outflows from operating activities		126,555,151,969.25	122,087,762,954.54
Net cash flow from operating activities	VII.66	6,790,530,462.54	5,965,070,983.86
II. Cash flow from investing activities:			
Cash received from recovery of investments		5,129,042,704.70	4,997,285,703.11
Cash received from return on investments		484,178,075.61	423,887,380.66
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		74,087,510.81	74,590,057.10
Net cash received from disposal of subsidiaries and other operating entities		2,000,000.00	
Other cash received from investment activities	VII.63	15,362,098.03	
Sub-total of cash inflows from investing activities		5,704,670,389.15	5,495,763,140.87
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		3,727,907,256.47	3,342,824,864.02
Cash paid for investments		6,303,165,775.56	6,274,280,514.60
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities			37,326,510.00
Other cash paid on investment activities	VII.64	6,922,378.31	6,000,000.00
Sub-total of cash outflows from investing activities		10,037,995,410.34	9,660,431,888.62
Net cash flow from investing activities		-4,333,325,021.19	-4,164,668,747.75

Section X Financial Report

Items	Notes	2023 Interim	2022 Interim
III.Cash flow from financing activities:			
Cash received from capital contributions			986,491,004.94
Including: Cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		11,553,402,031.97	8,047,351,638.86
Other cash received from financing activities			1,000,235.35
Sub-total of cash inflows from financing activities		11,553,402,031.97	9,034,842,879.15
Cash paid on repayment of loans		10,428,924,467.65	4,695,505,438.44
Cash paid on distribution of dividends, profits or repayment of interest expenses		817,299,422.27	337,151,305.96
Including: Dividend and profit paid to minority shareholders by subsidiaries			
Other cash paid to financing activities	VII.65	1,575,176,054.23	1,876,577,772.85
Sub-total of cash outflows from financing activities		12,821,399,944.15	6,909,234,517.25
Net cash flow from financing activities		-1,267,997,912.18	2,125,608,361.90
IV.Effect of fluctuations in exchange rates on cash and cash equivalents		482,296,933.74	230,069,372.19
V. Net increase in cash and cash equivalents		1,671,504,462.91	4,156,079,970.20
Add: balance of cash and cash equivalents at the beginning of the period	VII.67	53,391,699,929.49	45,204,217,909.49
VI.Balance of cash and cash equivalents at the end of the period	VII.67	55,063,204,392.40	49,360,297,879.69

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Cash Flow Statement of the Parent Company

January-June 2023

Unit and Currency: RMB

Items	Notes	2023 Interim	2022 Interim
I. Cash flow from operating activities:			
Cash received from the sale of goods and rendering of services		33,292,958.65	25,976,480.20
Refunds of taxes			7,799,497.52
Other cash received from operating activities		65,817,539.47	311,936,036.56
Sub-total of cash inflows from operating activities		99,110,498.12	345,712,014.28
Cash paid on purchase of goods and services		80,721,248.11	141,857.64
Cash paid to and on behalf of employees		27,717,542.52	24,825,638.14
Cash paid for all types of taxes		16,713,598.66	1,578,405.68
Other cash paid to operation activities		27,993,348.41	81,136,892.33
Sub-total of cash outflows from operating activities		153,145,737.70	107,682,793.79
Net cash flow from operating activities		-54,035,239.58	238,029,220.49
II. Cash flow from investing activities:			
Cash received from recovery of investments		4,623,000,000.00	803,860,000.00
Cash received from return on investments		81,202,353.24	72,346,255.88
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets			35,206,354.85
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from investment activities			
Sub-total of cash inflows from investing activities		4,704,202,353.24	911,412,610.73
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		4,137,180.77	15,544,095.62
Cash paid for investments		6,647,572,258.00	2,173,745,507.20

Section X Financial Report

Items	Notes	2023 Interim	2022 Interim
Net cash paid on acquisition of subsidiaries and other operating entities			
Other cash paid on investment activities		1,057,569,045.00	1,521,600,000.00
Sub-total of cash outflows from investing activities		7,709,278,483.77	3,710,889,602.82
Net cash flow from investing activities		-3,005,076,130.53	-2,799,476,992.09
III.Cash flow from financing activities:			
Cash received from capital contributions			940,041,004.94
Cash received from borrowings		1,110,000,000.00	2,100,000,000.00
Other cash received from financing activities		4,223,807,260.09	1,408,448,043.37
Sub-total of cash inflows from financing activities		5,333,807,260.09	4,448,489,048.31
Cash paid on repayment of borrowings		7,000,000.00	
Cash paid on distribution of dividends, profits or repayment of interest expenses		32,820,559.74	3,091,905.56
Other cash paid on financing activities		780,445,507.58	1,409,796,873.02
Sub-total of cash outflows from financing activities		820,266,067.32	1,412,888,778.58
Net cash flow from financing activities		4,513,541,192.77	3,035,600,269.73
IV.Effect of fluctuations in exchange rates on cash and cash equivalents		7,043,266.53	-3,465,214.53
V. Net increase in cash and cash equivalents		1,461,473,089.19	470,687,283.60
Add: balance of cash and cash equivalents at the beginning of the period		5,747,356,591.19	4,043,535,735.48
VI.Balance of cash and cash equivalents at the end of the period		7,208,829,680.38	4,514,223,019.08

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Statement of Changes in Owner's Equity

January-June 2023

Unit and Currency: RMB

Equity attributable to owners of the Parent Company															
2023 Interim															
Equity attributable to owners of the Parent Company															
Other equity instruments															
Other															
comprehensive															
income															
Less: treasury															
stock															
Capital reserve															
Special reserve															
Surplus reserve															
General risk															
provision															
Undistributed															
profits															
Others															
Sub-total															
Minority equity															
Total owners' equity															
Items	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury stock	comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others	Sub-total	Minority equity	Total owners' equity
I. Closing balance for the previous year	9,446,538,493.00				23,852,037,324.76	3,857,807,196.38	1,990,683,498.45		4,014,190,622.24		57,976,944,921.36		93,422,647,664.43	1,290,885,044.45	94,713,542,709.88
Add: changes in accounting policies															
Error correction for prior period															
Business combination under common control															
Others					25,000,000.00						6,806,549.24		31,806,549.24		31,806,549.24
II. Opening balance for the current year	9,446,538,493.00				23,877,037,324.76	3,857,807,196.38	1,990,683,498.45		4,014,190,622.24		57,983,751,470.60		93,454,454,213.67	1,290,885,044.45	94,745,349,258.12
III. Increase/decrease for the current period (decrease is represented by "-")	-8,483,600.00				116,689,608.57	714,828,075.38	155,051,059.64				3,678,292,574.21		3,226,721,567.04	22,433,227.25	3,249,154,794.29
(I) Total comprehensive income							155,051,059.64				8,968,875,989.84		9,118,927,059.48	62,604,325.25	9,181,531,384.73
(II) Capital injection and reduction by owners	-8,483,600.00				116,689,608.57	714,828,075.38					-606,622,066.81		-606,622,066.81	-31,886,976.12	-638,519,042.93
1. Ordinary shares invested by owners															-31,886,976.12
2. Capital contribution by holders of other equity instruments															
3. Share-based payment included in owners' equity															
4. Others	-8,483,600.00				390,681,388.30	714,828,075.38							390,681,388.30		390,681,388.30
(III) Profit distribution					-273,991,759.73						-5,297,529,553.10		-5,297,529,553.10	-8,274,121.88	-5,305,803,674.98
1. Withdrawal of surplus reserves															
2. Withdrawal of provisions for general risks															
3. Distribution to owners (for shareholders)															
4. Others															
(IV) Internal transfer of owner's equity															
1. Transfer of capital reserves into capital (or share capital)															
2. Transfer of surplus reserves into capital (or share capital)															
3. Surplus reserves used for remedying loss															
4. Changes in defined benefit plans carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserve															
1. Withdrawal for the period															
2. Utilization for the period															
(VI) Others															
IV. Closing balance for the period	9,438,114,893.00				23,993,726,933.33	4,572,635,271.76	2,145,734,559.09		4,014,190,622.24		11,946,127.47		11,946,127.47	1,313,282,271.70	97,994,504,032.41

Section X Financial Report

Items	2022 Interim									
	Equity attributable to owners of the Parent Company					Equity attributable to owners of the Parent Company				
	Other equity instruments					Other equity instruments				
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision
I. Closing balance for the previous year	9,338,704,530.00			118,017,507.59	22,665,374,739.46	2,424,038,819.70	-1,176,851,659.92	3,438,615,909.84	79,985,092,528.06	1,289,500,806.72
Add: changes in accounting policies										
Error correction for prior period										
Business combination under common control					25,000,000.00				46,254,911.01	
Others										
II. Opening balance for the current year	9,338,704,530.00			118,017,507.59	22,690,374,739.46	2,424,038,819.70	-1,176,851,659.92	3,438,615,909.84	80,031,347,439.07	1,289,500,806.72
III. Increase/decrease for the current period (decrease is represented by "-")	48,097,740.00			-36,677,120.16	1,241,554,888.94	1,538,651,010.37	2,865,524,948.88		6,400,550,791.82	36,040,777.65
(I) Total comprehensive income							2,865,524,948.88		10,826,228,991.53	47,869,706.77
(II) Capital injection and reduction by owners	48,097,740.00			-36,677,120.16	1,238,717,313.17	1,538,651,010.37			-288,523,377.36	-11,072,350.20
1. Ordinary shares issued by owners	41,413,600.00				888,627,404.94				940,041,004.94	-11,072,350.20
2. Capital contribution by holders of other equity instruments	6,673,840.00			-36,677,120.16	134,131,565.36				104,128,286.20	928,988,654.74
3. Share-based payment included in owners' equity					332,853,517.66				332,853,517.66	
4. Others					-128,885,115.79	1,538,651,010.37			-1,065,546,186.16	
(III) Profit distribution									-4,320,445,666.86	-756,578.92
1. Withdrawal of surplus reserves										
2. Withdrawal of provisions for general risks										
3. Distribution to owners (or shareholders)									-4,320,445,666.86	-756,578.92
4. Others										
(IV) Internal transfer of owner's equity										
1. Transfer of capital reserves into capital (or share capital)										
2. Transfer of surplus reserves into capital (or share capital)										
3. Surplus reserves used for remedying loss										
4. Changes in defined benefit plans carried forward to related earnings										
5. Other comprehensive income carried forward to related earnings										
6. Others										
(V) Special reserve										
1. Withdrawal for the period										
2. Utilization for the period										
(VI) Others				81,240,387.43	23,931,329,638.40	3,962,669,830.07	1,683,673,248.36	3,438,615,909.84	180,473,258.74	51,806,236,006.33
N. Closing balance for the period	9,446,791,970.00				2,837,935.77	3,962,669,830.07	1,683,673,248.36	3,438,615,909.84	183,310,844.51	1,285,541,586.37
									86,431,698,230.89	81,757,439,817.26

Person in charge of the Company: Li Huagang Person in charge of accounting function: Gong Wei Person in charge of accounting department: Ying Ke

Statement of Changes in Owners' Equity of the Parent Company

January-June 2023

Unit and Currency: RMB

Items	Paid-in capital (or share capital)	Other equity instruments			2023 Interim		Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury stock					
I. Closing balance for the previous year	9,446,598,493.00				27,300,899,019.76	2,308,138,558.42	602,091,349.74		3,409,044,397.79	5,328,311,799.62	43,778,806,501.49
Add: changes in accounting policies											
Error correction for prior period											
Others											
II. Opening balance for the current year	9,446,598,493.00				27,300,899,019.76	2,308,138,558.42	602,091,349.74		3,409,044,397.79	5,328,311,799.62	43,778,806,501.49
III. Increase/decrease for the current period (decrease is represented by "-")	-8,483,600.00				186,863,532.59	597,964,898.92				-5,154,734,088.76	-5,574,319,055.09
(I) Total comprehensive income										142,795,464.34	142,795,464.34
(II) Capital injection and reduction by owners	-8,483,600.00				186,863,532.59	597,964,898.92					-419,584,966.33
1. Ordinary shares invested by owners											
2. Capital contribution by holders of other equity instruments											
3. Share-based payment included in owners' equity					360,860,541.25						360,860,541.25
4. Others	-8,483,600.00				-173,997,008.66	597,964,898.92					-780,445,507.58
(III) Profit distribution										-5,297,529,553.10	-5,297,529,553.10
1. Withdrawal of surplus reserves											
2. Distribution to owners (or shareholders)										-5,297,529,553.10	-5,297,529,553.10
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4. Changes in defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others											
IV. Closing balance for the period	9,438,114,893.00				27,487,762,552.35	2,906,103,457.34	602,091,349.74		3,409,044,397.79	173,577,710.86	38,204,487,446.40

Section X Financial Report

Items	Paid-in capital (or share capital)	Other equity instruments			2022 Interim			Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income				
I. Closing balance for the previous year	9,398,704,530.00				25,802,279,483.13	1,495,170,675.08	621,302,944.83		2,833,469,684.39	4,468,575,626.52	41,629,161,593.79
Add: changes in accounting policies											
Error correction for prior period											
Others											
II. Opening balance for the current year	9,398,704,530.00				25,802,279,483.13	1,495,170,675.08	621,302,944.83		2,833,469,684.39	4,468,575,626.52	41,629,161,593.79
III. Increase/decrease for the current period (decrease is represented by "-")	48,087,440.00				1,319,643,690.83	1,406,832,569.06	-2,564,158.17			-4,004,393,258.53	-4,046,058,854.93
(I) Total comprehensive income							-2,564,158.17			316,052,408.33	313,488,250.16
(II) Capital injection and reduction by owners	48,087,440.00				1,319,643,690.83	1,406,832,569.06					-39,101,438.23
1. Ordinary shares invested by owners	41,413,600.00				898,627,404.94						940,041,004.94
2. Capital contribution by holders of other equity instruments	6,673,840.00				97,454,446.20						104,128,286.20
3. Share-based payment included in owners' equity					323,222,114.26						323,222,114.26
4. Others					339,725.43	1,406,832,569.06					-1,406,492,843.63
(III) Profit distribution										-4,320,445,666.86	-4,320,445,666.86
1. Withdrawal of surplus reserves											
2. Distribution to owners (or shareholders)										-4,320,445,666.86	-4,320,445,666.86
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4. Changes in defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others											
IV. Closing balance for the period	9,446,791,970.00				27,121,923,173.96	2,902,003,244.14	618,738,786.66		2,833,469,684.39	464,182,367.99	37,583,102,738.86

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

III. GENERAL INFORMATION OF THE COMPANY

1. Overview of the Company

√ Applicable ☐ Not Applicable

The predecessor of Haier Smart Home Co., Ltd. (herein after referred to as the Company) was Qingdao Refrigerator Factory, which was established in 1984. As permitted to offering by People's Bank of China, Qingdao Branch on 16 December 1989, and approved by Qing Ti Gai [1989] No.3 on 24 March 1989, based on the reconstruction of the original Qingdao Refrigerator Factory, a limited company was set up by directional fund raising of RMB150 million. In March and September 1993, as approved by the document of Qing Gu Ling Zi [1993] No. 2 and No. 9 issued by the pilot leading team of Qingdao joint stock company, the Company was converted from a directional offering company to a public subscription company and issued additional 50 million shares to the public and listed with trading on Shanghai Stock Exchange in November 1993. In October 2018, D-shares in issue of the Company were listed on the China Europe International Exchange AG. In December 2020, H-shares in issue of the Company were listed on the Stock Exchange of Hong Kong Limited by way of introduction.

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

The Company is mainly engaged in research and development, manufacturing and sales of home appliances including refrigerators/freezers, kitchen appliances, air- conditioners, laundry appliances and water appliances, and other smart home business, as well as providing smart home packaged solutions.

The ultimate holding company of the Company is Haier Group Corporation.

These financial statements have been approved for publication by the Board of the Company on 30 August 2023.

2. Scope of consolidated financial statements

√ Applicable ☐ Not Applicable

For details of changes in the scope of consolidated financial statements for the current period, please refer to "VIII. Changes in Consolidation Scope" and "IX. Interest in Other Entities" of this note.

IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

The financial statements of the Company were prepared on the going concern basis according to the transactions and matters actually occurred, in accordance with the *Accounting Standards for Business Enterprises — Basic Standards* published by the Ministry of Finance, specific accounting standards, and guidance on application of accounting standards for business enterprises, interpretations to accounting standards for business enterprises and other relevant requirements (herein after collectively referred to as the “Accounting Standards for Business Enterprises”) which issued subsequently, and in combination with the disclosure provisions of the *Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No.15: General Provisions for Financial Report (Revised in 2014)* of CSRC as well as the following significant accounting policies and accounting estimation.

2. Going Concern

☒ Applicable ☐ Not Applicable

The Company has ability to continue its operation for at least 12 months since the end of the reporting period and there are no significant events affecting its ability to continue as a going concern.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

☒ Applicable ☐ Not Applicable

According to the characteristics of its production and operation, the Company formulated a series of specific accounting policies and accounting estimates, including the provisions for impairment for accounts receivable (Note V.10); the measurement of inventories (Note V.11); the depreciation and amortization of the investment properties (Note V.13); the depreciation of fixed assets (Note V.14); the amortization of intangible assets (Note V.18); the criterion for determining of long-term assets impairment (Note V.19); and the date of revenue recognition (Note V.25), etc.

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises, which accurately and completely reflected information relating to the financial condition as at 30 June 2023, the operating results of January to June 2023 and cash flow of the Company.

2. Accounting period

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

3. Operating cycle

√ Applicable ☐ Not Applicable

A normal operating cycle refers to the period from the Company's acquisition of assets for processing to their realisation in cash or cash equivalents. The Company takes 12 months as an operating cycle, which is also the classification basis for the liquidity of its assets and liabilities.

4. Recording currency

Renminbi is the recording currency of the Company.

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

√ Applicable ☐ Not Applicable

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

(1) Business combinations under common control

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

For business combination under common control, the transferor's assets and liabilities obtained by the Company (as the acquirer) in a business combination are accounted for at the carrying amount of the transferor in the ultimate controller's consolidated financial statements as at the date of combination, except for adjustments due to differences in accounting policies. The difference between the carrying amount of the combination consideration paid by the Company (or the aggregate nominal value of shares issued) and the carrying amount of net assets obtained in a business combination shall be adjusted to capital reserve, in case the capital reserve is insufficient for the elimination, the retained earnings shall be adjusted.

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

(2) Business combinations not under common control

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

In business combination involving entities not under common control, the cost of combination of the Company (as the acquirer) shall be the sum of the assets paid, obligations incurred or assumed and the fair value of the equity securities issued by the Company for obtaining control of the transferor at the date of acquisition. Intermediary fees (such as audit, legal services and valuation consultancy) and other relevant management fees incurred by the Company for the purpose of business combination are credited in profit or loss in the period when they occurred. Transaction fees for the equity instruments or debt instruments issued by the Company as combination consideration is included in the initial recognition amount of such equity instruments or debt instruments. Contingent consideration involved shall be recorded as the combination cost based on its fair value on the acquisition date. Should any new or further evidence arise within 12 months after the acquisition date and makes it necessary to adjust the contingent consideration on the acquisition date, the goodwill arising from the business combination shall be amended accordingly.

The cost of combination and identifiable net assets obtained by the Company (as the acquirer) in a business combination involving entities not under common control are measured at fair value on the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the transferor's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the transferor's identifiable net assets, the difference is initially recognized in profit or loss for the current year after the Company conducted a review of computation for the identifiable assets, liabilities or fair value of contingent liabilities and combination cost, and where the combination cost is still lower than the fair value of the identifiable net assets of the transferor obtained during the course of combination, then the difference is recorded in the profit and loss.

6. Preparation method of consolidated financial statements√ Applicable ☐ Not Applicable**(1) Scope of consolidated financial statements**

The Company incorporated all subsidiaries under its control (including the separate entities controlled by the Company) into the scope of consolidation financial statements, including the enterprises under the Company's control, divisible part in the investees and structured entities. Control refers to the Company having power over the investee and is entitled to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of those return.

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

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

(3) Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared by the Company on the basis of the financial statements of the Company and subsidiaries and based on other relevant information. In preparing the consolidated financial statements, all significant balances, transactions and unrealized profits between the Company and subsidiaries and among subsidiaries are eliminated. In preparing the consolidated financial statements, the Company treats the entire enterprise group as one accounting entity and reflects the overall financial position, operating results and cash flows of the Group in accordance with the requirements for recognition, measurement and presentation of relevant accounting standards for enterprises and consistent accounting policies. The owner's equity of the subsidiaries not attributable to the Company shall be presented separately as 'minority equity' under the owner's equity item in the consolidated balance sheet. The minority equity attributable to net profit or loss of subsidiaries in the current period shall be presented as 'minority interest' under the 'net profit' item in the consolidated profit statement. Where the amount of loss of a subsidiary attributable to the minority shareholders exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against minority equity. The long-term equity investment of the Company held by the subsidiaries, deemed as treasury stock of the corporate group as well as the reduction of owners' equity, shall be presented as 'Less: Treasury stock' under the owner's equity item in the consolidated balance sheet.

(4) Accounting treatment of subsidiaries acquired from combination

For subsidiaries acquired from business combination under common control of the Company, the opening amount of the consolidated balance sheet is adjusted, as if the business combination has taken place since the ultimate controller began its control. The income, expenses and profits of subsidiaries or business combinations from the beginning of the current period to the end of the reporting period are included in the consolidated profit statement. The cash flows from the beginning of the current period to the end of the reporting period of a subsidiary or business combination are included in the consolidated cash flow statement, and the related items in the comparative statements are adjusted. Where control can be exercised over the investee under the same control due to additional investment and other reasons, the Company shall deem the parties participating in the business combination to have made adjustments in their current status when the ultimate controller began its control. Equity investments held by the Company before control of the transferor are recognised for profit or loss, other comprehensive income and other changes in net assets between the later of the date on which the original equity interest is acquired and the date on which the Company and the transferor are under the same control and the date of combination, which are offset against the opening retained earnings or current profit or loss, respectively, in the period of the comparative statements.

For subsidiaries acquired from business combination under non-common control, the opening amount of the consolidated balance sheet is not adjusted. The income, expenses and profits of the subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated profit statement. The cash flows of the subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated statement of cash flows. Where control can be exercised over an investee that is not under the same control due to additional investment or other reasons, the Company remeasures the equity interest of the investee held before the purchase date based on the fair value of the equity interest at the purchase date, and the difference between the fair value and its carrying amount is included in the current investment income. Where the equity interest in the transferor held before the purchase date relates to other comprehensive income under the equity method and other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution, other comprehensive income and other changes in owner's equity relating thereto are transferred to investment income of the current period as at the purchase date, except for other comprehensive income arising from the remeasurement of net liabilities or changes in net assets of defined benefit plans by the investee.

(5) Dispose of equity interests in subsidiaries achieved in stages until losing control

① General treatment

During the Reporting Period, when the Company disposes of a subsidiary or business, the income, expenses and profits of that subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated income statement of the Company; The cash flows from the beginning of the period to the disposal date of the subsidiary or operation are included in the consolidated statement of cash flows of the Company.

When control over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company remeasures the remaining equity investment after disposal at its fair value at the date when control is lost. The difference between the sum of the consideration obtained on disposal of the equity interest and the fair value of the remaining equity interest, less the sum of the share of the net assets of the original subsidiary calculated by the Company based on the original shareholding ratio and goodwill calculated on a continuing basis from the date of purchase or consolidation, is included in investment income in the period in which control is lost and goodwill is written off. The Company converts other comprehensive income relating to the equity investment in the original subsidiary, etc to investment income in the current period when control is lost.

② ***Disposal of subsidiaries step by step***

Where the Company disposed of equity investment in a subsidiary step by step through multiple transactions until control is lost, for example, the terms, conditions and economic impact of each transaction that disposes of the equity investment in a subsidiary meet one or more of the following conditions, the Company accounts for multiple transactions as a single transaction:

- i. The transactions were entered into simultaneously or with mutual influence in mind;
- ii. The transactions as a whole are capable of achieving a complete commercial outcome;
- iii. The occurrence of one transaction depends on the occurrence of at least one other transaction;
- iv. The transaction is uneconomical by itself but economic when considered in conjunction with other transactions.

Where each transaction that disposes of an equity investment in a subsidiary until control is lost is a blanket transaction, the Company accounts for each transaction as a transaction that disposes of the subsidiary and loses control; However, the Company recognises the difference between each disposal price before the loss of control and the share of net assets of the subsidiary corresponding to the disposal of the investment as other comprehensive income in the consolidated financial statements and is transferred to profit or loss in the period in which control is lost when control is lost.

Where each transaction that disposes of an equity investment in a subsidiary until the loss of control is not a blanket transaction, the relevant policy for partial disposal of an equity investment in a subsidiary without loss of control is accounted for before the loss of control by the Company; When control is lost, accounting is performed in the same manner as would be done for a disposal subsidiary.

(6) Purchase of minority interests in subsidiaries

The difference between the Company's costs of newly acquired long-term equity investment resulting from the purchase of minority interests and the share of net assets attributable to the subsidiary calculated on an ongoing basis from the date of purchase (or the date of combination) based on the newly increased shareholding ratio, the equity premium in the capital reserve in the consolidated balance sheet is adjusted, and if the equity premium in the capital reserve is insufficient to offset, the retained earnings is adjusted.

(7) Partial disposal of equity investments in subsidiaries without loss of control

The Company adjusts the equity premium in the capital reserve in the consolidated balance sheet for the difference between the disposal price obtained from the partial disposal of the long-term equity investment in the subsidiary without loss of control and the share of the net assets of the subsidiary that would continue to be calculated from the purchase date or the combination date corresponding to the disposal of the long-term equity investment, or adjust the retained earnings if the equity premium in the capital reserve is insufficient to offset.

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

☒ Applicable ☐ Not Applicable

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

(1) Joint operations

Joint operations refer to a joint arrangement in which the Company is a party and is entitled to relevant assets and obligations of this arrangement.

The Company recognizes the following items in relation to its interest in a joint operation, and accounts the same in accordance with relevant accounting standards for business enterprises: ① recognize the assets held solely by the Company, and recognize assets held jointly by the Company in appropriation to the share of the Company; ② recognize the obligations assumed solely by the Company, and recognize obligations assumed jointly by the Company in appropriation to the share of the Company; ③ recognize revenue from disposal of joint operations in appropriation to the share of the Company; ④ recognize revenue from disposal of joint operations in appropriation to the share of the Company; ⑤ recognize fees solely occurred by the Company and recognize fees from joint operations in appropriation to the share of the Company.

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

(2) Joint ventures

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

8. Recognition standard for cash and cash equivalents

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

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

9. Foreign currency businesses and translation of foreign currency statements

√ Applicable ☐ Not Applicable

(1) Foreign currency transactions

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

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

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

(2) Translation of foreign currency financial statements

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

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

Foreign currency cash flow and cash flows of a foreign subsidiary of the Company is translated using the approximate rate of the spot exchange rate on the date of the cash flows. The impact of exchange rate changes on cash amount is regarded as a reconciliation item and reflected separately in the cash flow.

When disposing overseas operations, the translation difference in the foreign currency financial statements as shown in the owner's equity of the balance sheet and related to the overseas operation shall be transferred from owner's equity to profit or loss in the current period of disposal. If part of the overseas operations is disposed of, the translation difference in the foreign currency financial statements of the disposal part shall be calculated based on the proportion of the disposal and transferred to profit or loss in the current period of disposal.

10. Financial instruments

☒ Applicable ☐ Not Applicable

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

(1) Classification, recognition and measurement of financial assets

On initial recognition of a financial asset, according to the business model for managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies financial assets into: Financial assets measured at amortized cost; financial assets measured at fair value through other comprehensive income; financial assets measured at fair value through profit or loss of the current period.

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

1) **The debt instruments held by the Company:**

① *Financial assets measured at amortized cost*

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

② *Financial assets measured at fair value through other comprehensive income*

The Company's business mode for managing such financial assets is: With the aim of obtaining contractual cash flow and selling the financial assets, the contractual cash flow characteristics of such financial assets shall be consistent with the basic lending arrangements. Such financial assets are measured at fair value through other comprehensive income, but impairment gains and losses, exchange gains and losses, and interest income calculated by the effective interest method are included in profit and loss of the current period. Such financial assets of the Company mainly include financing receivables and other creditor's rights investments. The Company lists other creditor's rights investments matured within one year (including one year) from the balance sheet date as non-current assets matured within one year; other creditor's rights investments matured within one year (including one year) when being obtained are listed as other current assets.

③ *Financial assets measured at fair value through profit or loss of the current period*

The Company classifies financial assets other than those above measured at amortized cost and those measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss of the current period. In addition, at the time of initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company designated some financial assets as financial assets measured at fair value through profit or loss of the current period. Such financial assets are subsequently measured at fair value and changes in fair value are included in profit or loss of the current period. Such financial assets that are matured more than one year and are expected to be held for more than one year from the balance sheet date are listed as other non-current financial assets.

2) *Equity instrument investments of the Company:*

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

In addition, the Company designated some non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income, which are listed as other equity instrument investments. Such designation cannot be revoked once made. The Company includes the relevant dividends and interest income of such financial assets in profit and loss of the current period, and changes in fair value are included in other comprehensive income. When the financial asset is derecognised, the Company transfers the cumulative gain or loss previously included in other comprehensive income directly to retained earnings and is not included in profit or loss of the current period.

(2) Classification, recognition and measurement of financial liabilities

On initial recognition, financial instruments or their components issued by the Company are classified into financial liabilities or equity instruments based on the contractual terms of the financial instruments and the economic nature, rather than solely on its legal form, together with the definition of financial liability and equity instruments.

The Company classifies financial liabilities as financial liabilities at fair value through profit and loss of the current period and other financial liabilities at initial recognition.

Financial liabilities at fair value through profit and loss of the current period are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any interest expenses related to the financial liabilities are recognized in profit or loss of the current period. The financial liabilities at fair value through profit and loss of the current period of the Company mainly consist of financial liabilities held for trading.

Other financial liabilities are subsequently measured at amortized costs using effective interest method. Other financial liabilities of the Company are financial liabilities measured at amortized cost, including bills payable, accounts payable, other payables, borrowings, bonds payable, etc. Such financial liabilities are recognized initially at fair value less transaction costs and subsequently measured using the effective interest method. Financial liabilities with a maturity of less than one year (including one year) are listed as current liabilities; those with maturity of more than one year but are mature within one year from the balance sheet date (including one year) are listed as non-current liabilities due within one year; the rest are presented as non-current liabilities.

(3) Classification and treatment of financial liabilities and equity instruments

The Company classifies financial liabilities and equity instruments on the following principles: (1) Where the Company is unable to unconditionally avoid delivering cash or another financial asset to fulfil a contractual obligation, the contractual obligation meets the definition of a financial liability. Although some financial instruments do not explicitly include the terms and conditions imposing the contractual obligation to deliver cash or another financial asset, they may indirectly give rise to the contractual obligation through other terms and conditions. (2) Where a financial instrument shall or may be settled in the Company's own equity instrument, consideration shall be given to whether the Company's own equity instrument as used to settle the instrument is a substitute of cash or another financial asset or the residual interest in the assets of the Company after deducting all of its liabilities. In the former case, the instrument shall be the Company's financial liability; in the latter case, the instrument shall be the equity instrument of the Company. Under certain circumstances whereby a financial instrument contract stipulates that the Company shall or may use its own equity instrument to settle the financial instrument, and the amount of the contractual right or obligation equal to the number of its own equity instruments to be received or delivered multiplied by their fair value at the time of settlement, the contract shall be classified as a financial liability, regardless of whether the amount of the contractual right or obligation is fixed, or fluctuates in full or in partly in response to changes in a variable other than the market price of the Company's own equity instruments (for example an interest rate, a commodity price or a financial instrument price).

When classifying a financial instrument (or a component thereof) in consolidated financial statements, the Company shall consider all terms and conditions agreed between members of the Group and the holders of the financial instrument. If the Group as a whole has an obligation in respect of the instrument to settle it by delivering cash or another financial asset or in such a way that it would be a financial liability, such instrument shall be classified as a financial liability.

If the financial instrument or its component is attributable to the financial liability, the relevant interests, dividends, gains or losses, and gains or losses arising from redemption or refinancing, shall be recorded in the profit or loss of the current period.

If the financial instrument or its component is attributable to equity instrument, the Company treats it as change in equity when it is issued (including refinanced), repurchased, sold or cancelled. Changes in fair value of equity instrument is not recognized by the Company. Transaction costs related to equity transactions are deducted from equity. The Company recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

(4) Recognition and measurement on transfer of financial assets

A financial asset shall be de-recognized when one of the following conditions is met: ① the contractual right for receiving cash flows from the financial asset is terminated; ② the financial asset is transferred, and the risk and rewards of ownership of the financial asset have been substantially transferred to the transferee; and ③ the financial asset is transferred; the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but ceases the control over the financial asset. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and the control over the financial asset is not ceased, the financial asset and the related financial liabilities should be recognized based on the degree of continuing involvement. The degree of continuing involvement means the level of risks borne by the Company resulting from the change in value of the financial asset.

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

For financial assets that are sold with recourse or endorsement, the Company needs to determine whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial asset shall be derecognized. If the risk and rewards of ownership of the financial asset have been substantially retained, the financial asset shall not be de-recognized. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company shall assess whether the control over the financial asset is retained, and the financial assets shall be accounted for according to the above paragraphs.

(5) Derecognition of financial liabilities

If the current obligation of a financial liability (or part of it) has been discharged, the Company derecognizes the financial liability (or part of the financial liability). The Company (borrower) enters into an agreement with the lender to replace the original financial liability in the form of a new financial liability, and if the new financial liability is substantially different from the original financial liability, the original financial liability is derecognized and the new financial liability is recognized. If the Company makes substantial changes to the contractual terms of the original financial liability (or a part thereof), the original financial liability is derecognized and the new financial liability is recognized in accordance with the revised terms.

If the financial liability (or a part thereof) is derecognized, the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognized in current profit or loss.

(6) Offsetting financial assets and financial liabilities

When the Company has the legal right to offset recognized financial assets and financial liabilities, and the legal right can be executed at present, and the Company has a plan to settle the financial assets and financial liabilities at the same time or at net amount, the financial assets and financial liabilities can be presented in the balance sheet at net amount after offsetting. Except for the above circumstances, financial assets and financial liabilities cannot be offset and shall be presented separately in the balance sheet.

(7) Determination of fair value of financial assets and financial liabilities

Fair value is the amount at which an asset could be sold or a liability could be transferred between willing parties in an orderly transaction on a measurement date. The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. Quoted price in the active market represents quoted price which can be easily obtained periodically from exchange market, brokers, industry associations or pricing services agency, etc., which is the transactions amount in arm's length transactions. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, discounted cash flow analysis and option pricing models, etc. During the valuation, the Company adopts an applicable valuation technique under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and the Company should maximize the use of relevant observable inputs. When related observable inputs can't be acquired or are not feasible to be acquired, then use unobservable inputs.

In summary, the Company categorizes inputs for fair value measurement into three levels and uses the inputs by the order of Level 1, Level 2 and Level 3. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: unobservable inputs for the asset or liability.

(8) Impairment of financial assets

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

The Company considers reasonable and reliable information about past events, current conditions and forecasts of future economic conditions, and takes the risk of default as a weight, and calculates the probability-weighted amount of the present value of the difference between the cash flow receivable and the cash flow expected to be received of the contract to confirm the expected credit losses.

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

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

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

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

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

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

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

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

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

11. Inventories

☒ Applicable ☐ Not Applicable

(1) *Classification of inventories*

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

(2) *Pricing of dispatch of inventory*

The actual cost of inventories upon delivery is calculated using the weighted average method.

(3) *Impairment provision for inventory*

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

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

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

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

(4) *Inventory system*

The Company adopts the perpetual inventory system as its inventory system.

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

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

12. Long-term equity investments

√ Applicable ☐ Not Applicable

Long-term equity investments in this section refer to equity investments held by the Company that give it control, joint control or significant influence over the investee.

(1) Recognition of initial cost of investment

- ① For long-term equity investment obtained from business consolidation under common control, the initial cost is measured at the combining party's share of the carrying amount of the equity of the combined party; for a long-term equity investment obtained from business consolidation not under common control, the initial cost is the consolidation cost at the date of acquisition;
- ② The Company invested in other equity investment other than long-term equity investments acquired through combination, the initial investment cost of long-term equity investments acquired with cash payment is the acquisition price actually paid; the initial investment cost of long-term equity investments acquired with the issuance of equity-based securities is represented by the fair value of equity-based securities; the initial investment cost of long-term equity investments acquired through debt restructuring is determined in accordance with relevant provisions under "Accounting Standards for Business Enterprises No.12 — Debt Restructuring"; the initial investment cost acquired in exchange for non-monetary assets shall be determined in accordance with relevant provisions of the standard.

(2) Subsequent measurement and recognition of profit or loss

- ① Cost method

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

- ② Equity method

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

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

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

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

- ① Change of measurement at fair value to accounting under equity method: where the equity investment originally held have no control, joint control or significant impact on the investee, and that are accounted according to the Standards for Recognition and Measurement of Financial Instruments and can impose common control or place significant impact on the investee due to addition of investment which resulted in the increase of shareholding, the investee shall take the fair value of the equity investment originally held determined in accordance with the Standards for Recognition and Measurement of Financial Instruments plus the fair value of the consideration payable for new investment as the initial investment cost accounted after the equity method is adopted.
- ② Change of measurement at fair value or accounting under equity method to cost method: the equity investment originally held by the investor with no control, joint control or significant impact on the investee and accounted according to the Standards for Recognition and Measurement of Financial Instruments, or the long-term equity investment originally held in associates or joint ventures that can impose control over the investee due to addition of investment, shall be accounted as long-term equity investment formed by combination of relevant enterprises.

- ③ Change of accounting under equity method to measurement at fair value: for the long-term equity investment originally held with common control or significant impact on the investee that can no longer impose common control or significant impact on the investee due to a decrease of shareholding as a result of factors such as partial disposal, the remaining equity investment shall be accounted in accordance with Standards for Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact no longer exists and the book value is included in profit or loss.
- ④ Change of cost method to equity method or measured at fair value: For loss of control in the invested company due to reasons such as partial disposal of equity investment, in the preparation of separate financial statements, the residual equity which can apply common control or impose significant influence to the invested company after disposal shall be accounted for under equity method. Such residual equity shall be treated as accounting for under equity method since the equity is obtained and adjusted. For residual equity which cannot apply common control or impose significant influence after disposal, it shall be accounted for in accordance with relevant requirements of “Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instrument”, and the difference between the fair value and the carrying value of residual equity on the date loss of control shall be included in the profit or loss for such period. In the preparation of combined financial statements, it shall be accounted for in accordance with relevant requirements of “Accounting Standards for Business Enterprises No. 33 — Combined Financial Statements”.

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

Joint control is the contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. If all the parties or a group of parties must act in concert to decide on the relevant activities of certain arrangement, it can be considered that all parties or a group of parties have collective control over the arrangement. When determining if there is any joint control, it should first be determined if the arrangement is controlled collectively by all parties or a combination of parties, and then determined whether decisions about activities related to the arrangement must be made by the unanimous agreement of those parties who have collective control over the arrangement. If there are two or more party groups that can collectively control certain arrangement, it does not constitute joint control. When determining if there is any joint control, the relevant protection rights will not be taken into account.

Significant influence is the power of the investor to participate in the decision-making of an investee's financial and operational policies, but neither control nor jointly control the formulation of such policies with other parties. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held directly or indirectly and the potential voting rights held by the Company and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account by the Company.

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% of the voting shares of the investee, it is generally considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in the production and operational decisions of the investee and cannot pose significant influence in this situation.

The Company usually determines whether there is significant influence on the investee through the following one or several circumstances:

- ① Representation at the board or similar authority of the investee.
- ② Participation in the decision-making process of the investee's financial and operational policies.
- ③ Having important transactions with the investee.
- ④ Posting of management personnel at the investee.
- ⑤ Providing key technical data to the investee.

Having one or several of the above circumstances does not mean that the Company must have significant influence on the investee. The Company needs to comprehensively consider all the facts and circumstances to make an appropriate judgment.

(5) Methods of impairment test and provision for impairment

At the balance sheet date, the Company reviews whether there are signs for the impairment of long-term equity investments. If yes, the recoverable amount is determined through impairment test and provision for impairment is made based on the difference between the recoverable amount and the carrying value. Impairment loss will not be reversed in subsequent accounting periods once provision is made for it. The recoverable amount is the higher of net fair value of long-term equity investments on disposal and the present value of estimated future cash flow.

(6) Disposal of long-term equity investments

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

13. Investment properties

(1) Types and measurement models of investment properties

The Company's investment properties include the following types: leased land-use rights, leased buildings and land-use rights held for transfer upon appreciation.

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

(2) Adoption of cost model as accounting policy

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

At the balance sheet date, the Company reviews whether there are signs for impairment of investment properties. If yes, the recoverable amount is recognized through an impairment test and provision for impairment is made based on the difference between the carrying value and the recoverable amount. Impairment loss will not be reversed in subsequent accounting periods once provision is made for it.

Where the investment properties are sold, transferred, retired or damaged, the differences from disposal after deducting the carrying amount and related taxes are recognised in profit or loss for the current period by the Company. When the Company has evidence indicating the self-occupied houses and buildings are converted to leasing or leasing out its properties held for sale under operating leases, the carrying amount of such fixed assets, intangible assets or inventories before the conversion are transferred to investment properties. When the Company has evidence indicating the property held to earn rentals or for capital appreciation are converted to self-occupation or the property intended for operating lease purpose are open for sale, the carrying amount of such properties before the conversion are transferred to fixed assets, intangible asset or inventories.

14. Fixed assets

(1). Recognition criteria and measurement of fixed assets

The Company's fixed assets are tangible assets that are held for production of goods, provision of labor services, leasing or operation and management purposes, and have a useful life of more than one fiscal year, which are recognized when the following conditions are met:

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

Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets of the Company are initially measured at cost. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation costs and installation expenses. If the payment for a purchased fixed asset is deferred beyond the normal credit terms, the cost of the fixed asset shall be determined based on the present value of the instalment payments. The difference between the actual payment and the present value of the purchase price is recognised in profit or loss over the credit period, except for such difference that is capitalised according to Accounting Standard for Business Enterprises No. 17 — Borrowing Costs (ASBE No. 17).

(2). Classification of fixed assets and depreciation method

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

The type, depreciation method, estimated useful lives, estimated residual ratio and yearly depreciation of the Company's fixed assets are as follows:

Type of asset	Depreciation method	Estimated useful lives (years)	Estimated net residual ratio
Buildings	Life average method	8-40	0-5%
Machinery equipment	Life average method	4-20	0-5%
Transportation equipment	Life average method	5-10	0-5%
Office and other equipment	Life average method	3-10	0-5%

(3). Method of test and provision for impairment of fixed assets

At the balance sheet date, the Company reviews whether there are signs for impairment of the fixed assets. If yes, the recoverable amount is recognized through an impairment test and provision for impairment is made based on the difference between the carrying value and the recoverable amount. Impairment loss will not be reversed in subsequent accounting periods once provision is made for it.

(4). Disposal of fixed assets

When fixed assets are disposed of or are expected to fail to generate economic benefits after the use or disposal, the fixed assets shall be derecognized. The difference of the income from sales, transfer, retirement or damage of fixed assets deducting the book value and related taxes should be included in the current profit and loss.

15. Construction in progress

☒ Applicable ☐ Not Applicable

(1) Measurement of construction in progress

Costs of construction in progress are recognised based on actual construction expense, including various necessary construction expenses incurred during construction, borrowing costs to be capitalised before reaching estimated usable status and other relevant fees.

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

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

- ① The construction of the fixed assets (including installation) has been completed or substantially completed;
- ② The fixed asset has been used for trial production or operation and it is evidenced that the asset can operate ordinarily or steadily produce qualified products; or the result of trial operation proves that it can operate normally or be opened for business;

- ③ Further expenditure incurred for construction of the fixed asset is very minimal or remote;
- ④ The constructed fixed asset reaches or almost reaches the design or contractual requirements, or complies with the design or contractual requirements.

(3) Method of test and provision for impairment of impairment of construction in progress

At the balance sheet date, the Company reviews the construction in progress to check whether there is any sign of impairment. If yes, the recoverable amount is recognized through an impairment test and provision for impairment is made based on the difference between the carrying value and the recoverable amount. Impairment loss will not be reversed in subsequent accounting periods once provision is made for it.

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

16. Borrowing costs

☒ Applicable ☐ Not Applicable

(1) Recognition principles for capitalization of borrowing costs

The Company's borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in current profit or loss based on the amount incurred. Qualifying assets for capitalization include fixed assets, investment properties and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or for sale.

(2) Computation of capitalized amount

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

Period of suspended capitalization: Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and the suspension lasts for more than 3 months.

Computation of capitalized amount: ① Specific borrowings will be determined based on the actual interest expense incurred in the current period of the special borrowings less the interest income from unutilized borrowings deposited in banks or investment income from temporary investment; ② Normal borrowings utilized are calculated based on the weighted average of the asset expenses accumulated exceeding the asset expenses of the portion of special borrowings multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on weighted average interest rate of normal borrowings; ③ For borrowings with discount or premium, the discount or premium which should be amortized in each accounting period is determined based on the effective interest rate method and an adjustment should be made to the amount of interests in each period.

17. Right-of-use assets

☒ Applicable ☐ Not Applicable

Right-of-use assets are the right of the Company as a lessee to use leased assets during the lease term. On the commencement date of the lease term, the Company as lessee recognizes the right-of-use assets and lease liabilities for the lease, except for short-term leases and low value assets leases which are treated with practical expedient.

The Company's right-of-use assets shall be initially measured at the costs. The costs include:

- (1) initial measurement amount of the lease liability;
- (2) a lease payment paid on or before the date of commencement of the lease period, where there was lease incentive, such incentives shall be deducted;
- (3) initial direct costs incurred by the Company as lessee;
- (4) costs expected to be incurred by the Company for demolition and removal of leased assets, restoration of the premises where the leased assets are located, or restoration of the leased assets to the conditions of the lease terms.

The Company accrues depreciation for right-of-use assets using the life average method. If the Company can reasonably determine that the ownership of the leased asset can be acquired at the expiration of the lease term, the leased asset shall be depreciated within its remaining useful life. If the Company cannot reasonably determine that the ownership of the leased asset can be acquired at the expiration of the lease term, the leased asset shall be depreciated within the lease term or its remaining useful life (whichever is shorter).

The Company determines whether the right-of-use assets are impaired in accordance with the provisions of *Accounting Standards for Business Enterprises No. 8 — Asset Impairment* and performs accounting treatment on the identified impairment losses.

When the lease liabilities are remeasured in accordance with the Standards, the Company adjusts the book value of the right-of-use assets accordingly. If the book value of the right-of-use assets is reduced to zero, but needs a further reduction in the measurement of the lease liabilities, the Company recognizes any remaining amount of the remeasurement in current profit or loss.

If the lease change results in a narrower lease or a shorter lease term, the Company reduces the book value of the right-of-use assets accordingly and recognizes the related gains or losses of the partially terminated or completely terminated leases into current profit and loss. For other lease changes which result in the remeasurement of lease liabilities, the Company adjusts the book value of the right-of-use assets accordingly.

18. Intangible assets

Intangible assets are the identifiable non-monetary assets which have no physical form and are possessed or controlled by the Company, and are recognized when the following conditions are met:

- ① it is probable that economic benefits attributable to the intangible assets will flow into the Company;
- ② the costs of the intangible assets can be measured reliably.

(1) Measurement of intangible assets

Intangible assets of the Company are initially recognized at costs. The actual costs of purchased intangible assets include the consideration and relevant expenses actually paid. For intangible assets contributed by investors, relevant actual costs are determined based on the value agreed in the investment contract or agreement. But if the value agreed in the investment contract or agreement is not a fair value, the actual costs should be determined based on the fair value. The cost of a self-developed intangible asset is the total expenditure incurred in bringing the asset to its intended use. Intangible assets acquired in a business combination not under common control that are owned by the acquiree but not recognised in its financial statements are recognised as intangible assets at fair value on initial recognition of the acquiree's assets.

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

(2) Criterion of determining indefinite useful life

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

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

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

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

At the balance sheet date, the Company reviews intangible assets to check whether there is any sign of impairment. If yes, the recoverable amount is recognized through an impairment test and provision for impairment is made based on the difference between the carrying value and the recoverable amount. Impairment loss will not be reversed in subsequent accounting periods once provision is made for it.

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

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

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

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

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

19. Impairment of long-term assets

☒ Applicable ☐ Not Applicable

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

Goodwill arising from a business combination and an intangible asset with an indefinite useful life is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

When the Company carries out impairment test of the goodwill, the carrying amount of the goodwill, arising from business combination, shall be allocated to the related asset groups on reasonable basis since the acquisition date, or to the related asset group portfolios if it is difficult to be allocated to the related asset groups. When the carrying amount of the goodwill is allocated to the related asset groups or asset group portfolios, it shall be allocated in the proportion of the fair value of each asset group or asset group portfolio against the total fair value of related asset groups or asset group portfolios. If it is difficult to measure the fair value reliably, it shall be allocated in the proportion of the carrying amount of each asset group or asset group portfolio against the total carrying amount of related asset groups or asset group portfolios. When impairment test is made by the Company to the related asset groups or asset group portfolios including goodwill, if there is a sign that the related asset groups or asset group portfolios are prone to impair, the Company shall first conduct impairment test on the asset

groups or asset group portfolios excluding goodwill, calculate the recoverable amount and recognize the corresponding impairment loss by comparing with its carrying amount. The Company shall then conduct impairment test on the asset groups or asset group portfolios including goodwill and compare the carrying amount (including the carrying amount of allocated goodwill) of related asset groups or asset group portfolios with the recoverable amount thereof. Impairment loss shall be recognized in accordance with the differences when the recoverable amount of the related asset groups or asset group portfolios is lower than the carrying amount thereof. The amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

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

20. Long-term prepaid expense

☒ Applicable ☐ Not Applicable

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

21. Staff's remuneration

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

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

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

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

22. Lease liabilities

☒ Applicable ☐ Not Applicable

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

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

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

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

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

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

23. Estimated liability

☒ Applicable ☐ Not Applicable

(1) Criterion for determining of estimated liability

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

(2) Measurement of estimated liability

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

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

24. Share-based payments

☒ Applicable ☐ Not Applicable

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

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

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

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

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

25. Revenue

√ Applicable ☐ Not Applicable

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

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

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

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

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

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

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

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

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

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

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

(1) Sale of goods

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

(2) Construction contract income

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

(3) Warranty obligations

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

26. Government grants

√ Applicable ☐ Not Applicable

(1) Types of government grants

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

(2) Accounting treatment of government grants

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

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

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

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

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

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

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

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

(5) Recognition of government grants

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

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

27. Deferred income tax assets/deferred income tax liabilities

√ Applicable ☐ Not Applicable

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

- (1) Based on the difference between the carrying amount and the tax base amount of an asset or a liability (items not recognized as assets and liabilities but their tax base is ascertained by the tax laws and regulations, the tax base is the difference), deferred income tax asset or deferred income tax liability is calculated using the applicable tax rate prevailing at the expected time of recovering the asset or discharging the liability.
- (2) Deferred income tax asset is recognized to the extent that there is enough taxable income for the deduction of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there will be enough taxable income in the future for the deduction of the deductible temporary difference, the deferred income tax asset not recognized in previous accounting period is recognized. If there is no sufficient evidence that there will be enough taxable income in the future for the deduction of the deferred income tax asset, the carrying value of the deferred income tax asset is reduced.
- (3) Deferred income tax liability is recognized for taxable temporary difference arising from investments in subsidiaries and associated companies, unless the Company could control the time of reversal of the temporary differences and the temporary differences would not be probably reversed in the foreseeable future. For deductible temporary differences arising from investments in subsidiaries and associated companies, deferred income tax asset is recognized if the temporary difference will be very probably reversed in the foreseeable future and it is highly probable that taxable income will be available in the future to deduct the deductible temporary difference.
- (4) No deferred income tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable income (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that apply to the period when the asset is expected to be recovered or the liability is expected to be settled.

28. Other significant accounting policies and accounting estimations

√ Applicable ☐ Not Applicable

(1) Asset securitization business

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

The Company has evaluated the extent to which it transfers the risks and rewards of assets to other entities and the extent it exercises control over such entities while applying the accounting policy in respect of securitization of financial assets:

- ① The financial asset is derecognized when the Company transfers substantially all the risks and rewards of ownership of the financial asset;
- ② Recognition of the financial asset is continued when the Company retains substantially all the risks and rewards of ownership of the financial asset;
- ③ When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company evaluates whether it retains control over the financial asset. If the Company does not retain control, it derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Company retains control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

(2) Hedge accounting

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

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

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

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

(3) Explanations on significant accounting estimates

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

On the balance sheet date, the Company needs to have judgments, estimates and assumptions about the following items on the financial statements:

① Estimated liabilities

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

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② Provision of expected credit losses

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

③ Impairment provision of inventories

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

④ Fair value of financial instruments

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

⑤ Impairment of investment in other equity instruments

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

⑥ Provision of long-term assets impairment

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

⑦ Depreciation and amortization

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

⑧ Deferred income tax assets

Deferred income tax asset is recognized by the Company for all the uncompensated tax losses to the extent that there is sufficient taxable profit for the deduction of loss. In order to determine the amount of deferred income tax assets, the management of the Company needs to predict the timing and the amount of taxable profits in the future by making abundant judgments, as well as through the strategy of tax planning.

⑨ Income tax

In the ordinary course of business of the Company, the ultimate tax treatment and calculations of some transactions are uncertain. Whether some items could be presented before taxation shall be approved by relevant tax authorities. Where there are differences between the final tax outcome of these items and the initial estimated amount, such differences will impact the current and deferred tax in the period of final confirmation.

⑩ Provisions for sales rebates

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

29. Changes in the significant accounting policies and accounting estimates√ Applicable ☐ Not Applicable

Particulars of and reasons for changes in accounting policies	Date of issue	Date of adoption
Accounting Standards for Business Enterprises Interpretation No. 16 (“Interpretation No. 16”)	November 2022	1 January 2023

The Company and its subsidiaries have adopted the standard of the Interpretation No. 16 on 1 January 2023. For deferred tax assets and liabilities recognised in respect of the lease liabilities and right-of-use assets related to a single transaction at the beginning of the earliest period when the Interpretation No. 16 was adopted for the presentation of the financial statements, the net amount of the deferred tax assets and liabilities after offsetting was equal to the amounts originally recognised on a net basis, with no impact on the consolidated balance sheet items presented at the net amount after offsetting. The impact of the changes in accounting policies on deferred tax assets and deferred tax liabilities before offsetting as at 1 January 2023 was as follows:

Item	Before policy changes	Impact of changes	After policy changes
Deferred tax assets			
before offsetting	4,038,915,158.86	868,657,062.49	4,907,572,221.35
Deferred tax liabilities			
before offsetting	4,673,734,789.63	868,657,062.49	5,542,391,852.12
Offset amount	-2,314,874,230.44	-868,657,062.49	-3,183,531,292.93
Deferred tax assets			
after offsetting	1,724,040,928.42		1,724,040,928.42
Deferred tax liabilities			
after offsetting	2,358,860,559.19		2,358,860,559.19

VI. TAXATION**1. Main tax categories and rates**

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

2. Preferential tax

√ Applicable ☐ Not Applicable

Companies subjected to preferential tax:

Name of company	Tax rate	Preferential tax
Qingdao Haier Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Dishwasher Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Freezer Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Electronics Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Freezer Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Limited	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Zhengzhou Haier Air-conditioning Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Shenyang Haier Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hai Gao Design and Manufacture Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hairi Hi-Tech Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Technology Development Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Freezer Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Central Air Conditioning Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise

Name of company	Tax rate	Preferential tax
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Zero Micro Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Electronic Plastic Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Wei Xi Intelligent Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air Conditioning Electronics Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Lingli Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Shanghai Haier Medical Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Shanghai Haier Smart Technology Co., Ltd. (上海海尔智能科技有限公司)	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Yunshang Yuyi IOT Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier (Shenzhen) R&D Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Guangdong Heilong Intelligent Technology Co. Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Dalian Haier Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Tianjin Haier Cleaning Electrical Appliances Co., Ltd. (天津海尔洗涤电器有限公司)	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise

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Name of company	Tax rate	Preferential tax
Qingdao Economic and Technological Development Zone Haier Water Heater Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Water Heater Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Drum Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Strauss Water Equipment Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Strauss Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier New Energy Electric Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Lexin Cloud Technology Co., Ltd. (青岛海尔乐信云科技有限公司)	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Drum Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Smart Electrics Equipment Co. Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Smart Living Appliance Co. Ltd. (青岛海尔智慧生活电器有限公司)	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Jiangxi Haier Medical Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Electrical Appliance Sales Co., Ltd. and some Western companies	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Air-conditioning Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Refrigeration Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Guizhou Haier Electronics Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Hairishun Home Appliance Sales Co., Ltd. (重庆海日顺家电销售有限公司) and some Western companies	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

Name of company	Tax rate	Preferential tax
Chongqing Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Water Heater Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Drum Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Qingdao Haier Technology Co., Ltd.	10.00%	entitled to the preferential taxation policies as a key software enterprise

VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	9,276,508.90	5,312,391.11
Deposit in bank	54,386,531,893.78	52,978,303,924.04
Other monetary funds	1,245,677,110.88	1,178,085,912.24
Total	55,641,485,513.56	54,161,702,227.39
Including: Total amount deposit overseas	13,222,758,823.10	11,963,648,575.80

2. Financial assets held for trading

Items	Closing balance	Opening balance
Short-term wealth management products	180,384,620.32	14,638,968.26
Investment in equity instruments	342,216,808.37	336,843,065.02
Investment fund	211,983,501.19	168,430,847.63
Total	734,584,929.88	519,912,880.91

3. Derivative financial assets

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange contracts	98,319,153.53	178,992,877.32
Forward commodity contracts	1,813,127.25	4,192,283.19
Total	100,132,280.78	183,185,160.51

4. Bills receivable**(1) Details of bills receivable**

Items	Closing balance	Opening balance
Bank acceptance notes	10,239,074,495.52	9,390,227,149.92
Commercially acceptance notes	260,562,885.61	237,902,374.08
Balance of bills receivable	10,499,637,381.13	9,628,129,524.00
Allowance for bad debts	3,937,685.85	3,937,685.85
Bills receivable, net	10,495,699,695.28	9,624,191,838.15

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

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision	Other increases	Reversal	Write-off/ other movement	
Allowance for bad debts	3,937,685.85					3,937,685.85
Total	3,937,685.85					3,937,685.85

The Company's bills receivable was mainly generated from daily operation activities such as sales of commodity, provision of labor, etc., and the allowance for bad debts was measured based on expected credit loss over the entire duration whether there exist significant financing components.

The bills receivable pledged by the Company at the end of the period was RMB8,131,377,594.61 (amount at the beginning of the period: RMB8,716,194,311.64).

5. Accounts receivable

① Accounts receivable are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	21,731,301,617.76	15,940,556,486.40
1-2 years	896,282,247.63	744,911,486.13
2-3 years	298,064,719.69	277,269,661.37
Over 3 years	181,809,877.16	129,303,240.96
Accounts receivable, balance	23,107,458,462.24	17,092,040,874.86
Allowance for bad debts	1,365,237,866.01	1,205,412,250.87
Accounts receivable, net	21,742,220,596.23	15,886,628,623.99

② By method of provision of allowance for bad debts

√ Applicable ☐ Not Applicable

Categories	Closing balance			Carrying value
	Book balance	Allowance for bad debts	Percentage of provision (%)	
Account receivables subject to provision for bad debts on a separate basis	668,670,134.13	659,660,046.48	98.65	9,010,087.65
Account receivables subject to provision for bad debts on a collective basis	22,438,788,328.11	705,577,819.53	3.14	21,733,210,508.58
Total	23,107,458,462.24	1,365,237,866.01	5.91	21,742,220,596.23

(continued)

Categories	Opening balance			Carrying value
	Book balance	Allowance for bad debts	Percentage of provision (%)	
Account receivables subject to provision for bad debts on a separate basis	669,106,556.78	658,051,988.70	98.35	11,054,568.08
Account receivables subject to provision for bad debts on a collective basis	16,422,934,318.08	547,360,262.17	3.33	15,875,574,055.91
Total	17,092,040,874.86	1,205,412,250.87	7.05	15,886,628,623.99

③ Account receivables subject to provision for bad debts on a collective basis

√ Applicable ☐ Not Applicable

Aging	Balance as at the end of the period		
	Book Balance	Allowance for bad debts	Percentage of provision (%)
Within 1 year	21,536,299,514.37	460,150,811.39	2.14
1-2 years	521,218,109.16	46,563,866.96	8.93
2-3 years	229,765,584.36	100,367,802.68	43.68
Over 3 years	151,505,120.22	98,495,338.50	65.01
Total	22,438,788,328.11	705,577,819.53	3.14

(continued)

Aging	Balance as at the beginning of the period		
	Book Balance	Allowance for bad debts	Percentage of provision (%)
Within 1 year	15,627,590,996.07	340,620,524.49	2.18
1-2 years	445,226,708.15	33,709,717.14	7.57
2-3 years	231,744,330.03	90,123,931.89	38.89
Over 3 years	118,372,283.83	82,906,088.65	70.04
Total	16,422,934,318.08	547,360,262.17	3.33

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- ④ Changes in allowance for bad debts of accounts receivable in the current period:

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision for the current period	Other increase	Reversal	Write-off/other movement	
Allowance for bad debts	1,205,412,250.87	266,868,732.80		91,621,780.14	15,421,337.52	1,365,237,866.01

- ⑤ The aggregate amount of the top 5 account receivables as at the end of the period was RMB7,814,725,596.81, accounting for 33.82% of the book balance of account receivables (amount at the beginning of the period: RMB3,981,240,561.25, accounting for 23.29%).

- ⑥ Actual write-off of accounts receivable in the current period

The amount of accounts receivable actually written off in the current period is RMB22,054,320.92 (amount for the corresponding period: RMB13,058,370.53) and there is no important bad debt write-off of accounts receivable.

- ⑦ The company's accounts receivable that were terminated due to the transfer of financial assets in the current period.

At the end of the period, the amount of accounts receivable that were terminated due to the transfer of financial assets was RMB4,607,639,593.81 (amount at the beginning of the period: RMB7,752,646,133.49) and the transfer method was outright sale factoring/asset securitization.

- ⑧ Restricted accounts receivable in the current period

The amount of accounts receivable restricted at the end of the period is RMB2,138,633,123.64 (amount at the beginning of the period: RMB1,944,980,392.98).

6. Prepayments

(1) Prepayments are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	1,224,019,867.00	1,085,953,965.16
1-2 years	82,909,151.02	9,481,169.76
2-3 years	9,426,694.14	7,826,299.09
Over 3 years	4,178,359.35	5,852,909.40
Total	1,320,534,071.51	1,109,114,343.41

(2) The amount of the top 5 in the prepayments at the end of the period totals RMB180,818,230.92, which accounts for 13.69% of the book balance of prepayment (amount at the beginning of the period: RMB285,279,364.51, accounting for 25.72%).

7. Other receivables

Items	Closing balance	Opening balance
Interest receivable	706,805,733.78	513,320,376.79
Other receivables	2,039,429,541.43	1,887,793,525.76
Total	2,746,235,275.21	2,401,113,902.55

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Interest receivable

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Within one year	453,749,959.10	365,716,532.95
1-2 years	193,664,120.98	117,786,419.18
2-3 years	38,804,913.97	19,790,000.00
Over 3 years	20,586,739.73	10,027,424.66
Total	706,805,733.78	513,320,376.79

(1) Other receivables

① Other receivables are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	1,390,633,305.80	1,415,479,963.79
1-2 years	296,629,907.75	217,023,682.62
2-3 years	98,020,174.79	23,617,332.57
Over 3 years	385,330,257.74	387,192,496.32
Other receivables balance	2,170,613,646.08	2,043,313,475.30
Allowance for bad debts	131,184,104.65	155,519,949.54
Other receivables, net	2,039,429,541.43	1,887,793,525.76

② The total amount of the top 5 other receivables at the end of the period is RMB676,333,122.65, which accounts for 31.16% of the book balance of other receivables (amount at the beginning of the period: RMB913,820,290.12, accounting for 44.72%).

③ Provision of allowance for bad debts

Allowance for bad debts	Stage 1 Expected credit losses for the coming 12 months	Stage 2 Lifetime expected credit losses (not credit-impaired)	Stage 3 Lifetime expected credit losses (credit-impaired)	Total
Balance as at the beginning of the period	133,616,436.54		21,903,513.00	155,519,949.54
Provision for the current period	4,490,945.92			4,490,945.92
Reversal for the current period	12,384,884.27		1,384,084.95	13,768,969.22
Write-off and others for the current period	-3,808,093.46		18,865,915.05	15,057,821.59
Balance as at the end of the period	129,530,591.65		1,653,513.00	131,184,104.65

④ Changes in allowance for bad debt provision of other receivables in the current period

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision for the current period	Other increase	Reversal	Write-off/ other movement	
Allowance for bad debts	155,519,949.54	4,490,945.92		13,768,969.22	15,057,821.59	131,184,104.65

⑤ Other receivables written off during the period

The amount of other receivables actually written off in the current period is RMB18,910,375.10 (amount for the corresponding period: RMB306,025.66), and no significant other receivables are written off for bad debts.

⑥ Other receivables mainly include deposits, quality guarantees, employee loans, tax refunds, and advance payments, etc.

8. Inventories

(1) Details of Inventories

Items	Closing balance		Opening balance	
	Book value balance	Impairment provision	Book value balance	Impairment provision
Raw material	5,696,796,547.03	188,164,385.65	6,220,344,034.47	171,673,251.23
Work in progress	116,094,591.24		74,028,876.21	
Finished goods	34,764,879,936.79	1,362,732,058.63	36,903,949,735.10	1,438,863,087.02
Total	40,577,771,075.06	1,550,896,444.28	43,198,322,645.78	1,610,536,338.25

(2) Impairment provision of inventories

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other Increase	Reversal	Write-off/other movement	
Raw material	171,673,251.23	23,446,084.85		3,849,498.32	3,105,452.11	188,164,385.65
Work in progress						
Finished goods	1,438,863,087.02	588,926,551.80		109,022,234.74	556,035,345.45	1,362,732,058.63
Total	1,610,536,338.25	612,372,636.65		112,871,733.06	559,140,797.56	1,550,896,444.28

9. Contract assets

(1) Details

Items	Closing balance		Opening balance	
	Book value balance	Impairment Provision	Book value balance	Impairment Provision
Relating to construction service contract	466,471,066.00	74,086,248.65	379,905,624.96	69,975,265.71
Total	466,471,066.00	74,086,248.65	379,905,624.96	69,975,265.71

(2) Impairment provision

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision for the current period	Other increase	Reversal	Write-off/other movement	
Relating to construction service contract	69,975,265.71	4,110,982.94				74,086,248.65
Total	69,975,265.71	4,110,982.94				74,086,248.65

10. Other current assets

(1) Details

Items	Closing balance		Opening balance	
	Book value balance	Impairment provision	Book value balance	Impairment provision
Bank deposit for financial products	1,447,066,286.66		1,642,421,944.45	
Taxes to be deducted	2,286,276,696.84		2,710,565,806.36	
Return cost receivable	559,241,779.17	269,894,630.51	563,233,565.88	280,818,239.06
Others	66,342,368.11		57,543,006.31	
Total	4,358,927,130.78	269,894,630.51	4,973,764,323.00	280,818,239.06

(2) Impairment provision

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other Increase	Reversal	Write-off/other movement	
Return cost receivables	280,818,239.06	269,894,630.51			280,818,239.06	269,894,630.51
Total	280,818,239.06	269,894,630.51			280,818,239.06	269,894,630.51

11. Debt investments

Items	Closing balance		Opening balance	
	Principal	Interest	Principal	Interest
Time deposit— long-term	2,200,000,000.00	54,869,444.45	1,000,000,000.00	34,222,222.22
Total	2,200,000,000.00	54,869,444.45	1,000,000,000.00	34,222,222.22

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12. Long-term equity investments

√ Applicable □ Not Applicable

Investees	Opening balance	Increase/decrease for the period				Declaration of cash dividends or profits
		Investment increase	Investment profit recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	
Associate:						
Haier Group Finance Co., Ltd.	7,560,187,324.04		316,482,151.52	-9,220,365.69		-235,200,000.00
Bank of Qingdao Co., Ltd.	2,934,085,854.00		190,867,189.68			-76,288,906.40
Wolong Electric (Jinan) Motor Co., Ltd.	174,697,807.74		12,444,173.12			
Qingdao Hegang New Material Technology Co., Ltd.	314,802,331.45		6,618,828.26			
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	319,245,649.36		890,827.17			-9,552,551.66
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	715,461,260.26		59,119,761.19			
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	413,367,540.80		6,280,892.60			-17,510,692.75
Qingdao Haier multimedia Co., Ltd.	153,550,234.50		-16,852,864.55			
Anhui Kunhe Intelligent Technology Co., Ltd.*	1,997,782.61					
Zhejiang Futeng Fluid Technology Co., Ltd.*	77,807,408.84					
Beijing Mr. Hi Network Technology Company Limited	7,507,759.75					
Hongtong Environmental Technology (Guangzhou) Co., Ltd.*		4,500,000.00				
Beijing ASU Tech Co., Ltd.	12,829,433.78		-11,232,376.16			
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	6,914,487.73					
Qingdao Haimu Investment Management Co., Ltd.	2,521,766.42		-22,008.54			
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	58,905,912.88		-238,863.11			
Haineng Wanja (Shanghai) Technology Development Co., Ltd.*	772,938.88					
Qingdao Guochuang Intelligent Home Appliance Research Institute Co., Ltd.	45,016,334.20		2,477,779.47			
Guangzhou Heying Investment Partnership (Limited Partnership)	285,793,577.87			-21,503,315.00		
Qingdao Home Wow Cloud Network Technology Co., Ltd.	2,547,217.00		-336,971.16			

* For identification purposes only

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Investees	Opening balance	Increase/decrease for the period				
		Investment increase	Investment profit recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits
Bingji (Shanghai) Corporate Management Co., Ltd.	1,014,425,293.04		20,868,519.47			
Youjin (Shanghai) Corporate Management Co., Ltd.	1,843,591,441.88		37,942,762.66			
RRS (Shanghai) Investment Co., Ltd.	3,351,166,257.98		68,986,841.20			
Haier Best Water Technology Co., Ltd.	148,369,638.40		5,286,278.08			
Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)	238,806,947.64			20,415,567.30		
Qingdao Ririshun Huizhi Investment Co., Ltd.	4,083,482.78					
Qingdao Xinchenghui Technology Co., Ltd.	8,598,002.89		-218,930.32			
EuropaltersItaliaS.r.l.	15,760,505.28	-15,760,505.28				
OryginLLC	13,918,442.26	9,512,519.87				
Konan Electronic Co., Ltd.	67,770,092.99		382,702.68	-2,978,193.94		-230,850.00
HNR Company (Private) Limited	74,366,909.55		23,481,658.71	-6,813,630.42		
HPZ LIMITED	88,751,047.98		-20,901,562.28	-19,632,307.56		
CONTROLADORAMABES. A.deC.V.	4,685,927,386.53		390,599,106.00	23,869,702.77	-12,600,608.82	-67,531,073.10
Middle East Airconditioning Company, Limited	8,820,101.55		-692,668.60	354,197.66		
Total	24,652,368,172.86	-1,747,985.41	1,092,233,227.09	-15,508,344.88	-12,600,608.82	-406,314,073.91

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(Continued)

Investees	Increase/decrease for the period		Closing balance	Impairment provision
	Other movement	Disposal of the investment		Closing balance
Associate:				
Haier Finance Co., Ltd.			7,632,249,109.87	
Bank of Qingdao Co., Ltd.			3,048,664,137.28	
Wolong Electric (Jinan) Motor Co., Ltd.			187,141,980.86	
Qingdao Hegang New Material Technology Co., Ltd.			321,421,159.71	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)			310,583,924.87	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			774,581,021.45	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			402,137,740.65	-21,000,000.00
Qingdao Haier Multimedia Co., Ltd			136,697,369.95	-88,300,000.00
Anhui Kunhe Intelligent Technology Co., Ltd.*			1,997,782.61	
Zhejiang Futeng Fluid Technology Co., Ltd.*			77,807,408.84	
Beijing Mr. Hi Network Technology Company Limited			7,507,759.75	-7,507,759.75
Hongtong Environmental Technology (Guangzhou) Co., Ltd.*			4,500,000.00	
Beijing ASU Tech Co., Ltd.			1,597,057.62	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.		-6,914,487.73		
Qingdao Haimu Investment Management Co., Ltd.			2,499,757.88	
Qingdao Haimu Zhijia Investment Partnership (Limited Partnership)			58,667,049.77	
Haineng Wanjia (Shanghai) Technology Development Co., Ltd.*			772,938.88	

Investees	Increase/decrease for the period		Closing balance	Impairment provision
	Other movement	Disposal of the investment		Closing balance
Qingdao Guochuang Intelligent Home Appliance Research Institute Co., Ltd.			47,494,113.67	
Guangzhou Heying Investment Partnership (Limited Partnership)			264,290,262.87	
Qingdao Home Wow Cloud Network Technology Co., Ltd.			2,210,245.84	
Bingji (Shanghai) Corporate Management Co., Ltd.			1,035,293,812.51	
Youjin (Shanghai) Corporate Management Co., Ltd.			1,881,534,204.54	
RRS (Shanghai) Investment Co., Ltd.			3,420,153,099.18	
Haier Best Water Technology Co., Ltd.			153,655,916.48	
Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)			259,222,514.94	
Qingdao Ririshun Huizhi Investment Co., Ltd.			4,083,482.78	
Qingdao Xinshenghui Technology Co., Ltd.			8,379,072.57	
EuropaltersItaliaS.r.l.				
OryginLLC			23,430,962.13	
Konan Electronic Co., Ltd.			64,943,751.73	
HNR Company (Private) Limited			91,034,937.84	
HPZ LIMITED			48,217,178.14	
CONTROLADORAMABES. A.deC.V.			5,020,264,513.38	
Middle East Airconditioning Company, Limited			8,481,630.61	-845,634.54
Total	-6,914,487.73		25,301,515,899.20	-117,653,394.29

13. Investment in other equity instruments

√ Applicable □ Not Applicable

(1) Details of investment in other equity instruments at the end of the period:

Unit and Currency: RMB

Items	Closing balance	Opening balance
SINOPEC Fuel Oil Sales Corporation Limited	1,519,232,955.16	1,234,500,000.00
COSMO IOT Technology Co., Ltd.	2,817,408,000.00	2,817,408,000.00
Others	1,575,713,281.63	1,799,974,930.20
Total	5,912,354,236.79	5,851,882,930.20

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

Items	Amount for the current period
SINOPEC Fuel Oil Sales Corporation Limited	16,008,958.50
Others	1,910,251.35
Total	17,919,209.85

14. Investment properties

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

Items	Houses and buildings	Land use rights	Total
I. Original book value			
1. Opening balance	36,651,784.35	2,128,550.51	38,780,334.86
2. Increase for the period			
(1) Outsourced			
(2) Inventories\fixed assets\construction in progress transferred in			
(3) Increase in business combinations			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Change in foreign exchange rate and others	779,147.60		779,147.60
5. Closing balance	37,430,931.95	2,128,550.51	39,559,482.46

Items	Houses and buildings	Land use rights	Total
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	12,430,985.69	670,856.60	13,101,842.29
2. Increase for the period			
(1) Provision or amortization	681,981.80	20,118.11	702,099.91
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Change in foreign exchange rate and others	241,110.43		241,110.43
5. Closing balance	13,354,077.92	690,974.71	14,045,052.63
III. Impairment provision			
1. Opening balance			
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Change in foreign exchange rate and others			
5. Closing balance			
IV. Book value			
1. Closing book value	24,076,854.03	1,437,575.80	25,514,429.83
2. Opening book value	24,220,798.66	1,457,693.91	25,678,492.57

- (2) The depreciation and amortization amount charge for the period is RMB702,099.91 (amount for the corresponding period: RMB669,390.08).
- (3) The recoverable amount of the investment real estate of the Company at the end of the period is not less than its book value, so no provision for impairment is made.

15. Fixed assets

Overall presented as

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Fixed assets	27,270,243,076.11	27,158,348,424.28
Disposals of fixed assets	448,385.16	
Total	27,270,691,461.27	27,158,348,424.28

(1) Fixed assets:

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value			
1. Opening balance	14,637,131,005.80	31,324,534,257.57	193,143,213.57
2. Increase for the period			
(1) Acquisition	151,416.09	407,110,085.54	1,248,468.37
(2) Construction in progress transferred in	306,068,742.04	869,590,717.83	10,844,589.49
(3) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or Write-off	37,097,971.20	235,453,121.81	4,855,444.54
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	102,235,305.91	549,422,765.51	-2,398,985.90
5. Closing balance	15,008,488,498.64	32,915,204,704.64	197,981,840.99
II. Accumulated depreciation			
1. Opening balance	4,538,423,308.23	16,035,153,335.30	119,070,640.87
2. Increase for the period			
(1) Provision	322,561,141.52	1,374,247,641.39	11,479,245.38
(2) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or write-off	19,172,410.25	195,778,380.25	4,426,024.15
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	61,177,815.76	297,557,504.05	841,482.33
5. Closing balance	4,902,989,855.26	17,511,180,100.49	126,965,344.43

Items	Houses and buildings	Production equipment	Transportation equipment
III. Impairment provision			
1. Opening balance	28,586,023.90	16,202,770.28	110,029.00
2. Increase for the period			
(1) Provision	1,106,322.83	5,068,356.22	
(2) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or Write-off		1,305,299.85	
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	-873,442.87	-22,342.32	-2,105.56
5. Closing balance	28,818,903.86	19,943,484.33	107,923.44
IV. Book value			
1. Closing book value	10,076,679,739.52	15,384,081,119.82	70,908,573.12
2. Opening book value	10,070,121,673.67	15,273,178,151.99	73,962,543.70

(Continued)

Items	Office furniture	Others	Total
I. Original book value			
1. Opening balance	1,324,636,809.03	2,916,743,458.84	50,396,188,744.81
2. Increase for the period			
(1) Acquisition	13,619,927.16	38,873,697.67	461,003,594.83
(2) Construction in progress transferred in	68,368,453.97	132,648,182.44	1,387,520,685.77
(3) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or Write-off	8,958,773.71	109,615,778.70	395,981,089.96
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	11,409,715.13	38,806,040.77	699,474,841.42
5. Closing balance	1,409,076,131.58	3,017,455,601.02	52,548,206,776.87
II. Accumulated depreciation			
1. Opening balance	788,864,149.17	1,708,674,462.66	23,190,185,896.23
2. Increase for the period			
(1) Provision	95,726,548.18	132,785,364.84	1,936,799,941.31
(2) Increase in business combinations			

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Items	Office furniture	Others	Total
3. Decrease for the period			
(1) Disposal or Write-off	7,622,726.62	77,985,761.72	304,985,302.99
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	9,146,682.19	35,731,433.43	404,454,917.76
5. Closing balance	886,114,652.92	1,799,205,499.21	25,226,455,452.31
III. Impairment provision			
1. Opening balance	243,387.38	2,512,213.74	47,654,424.30
2. Increase for the period			
(1) Provision	39,067.78		6,213,746.83
(2) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or Write-off	4,080.32		1,309,380.17
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	-7,821.69	-144,830.07	-1,050,542.51
5. Closing balance	270,553.15	2,367,383.67	51,508,248.45
IV. Book Value			
1. Closing book value	522,690,925.51	1,215,882,718.14	27,270,243,076.11
2. Opening book value	535,529,272.48	1,205,556,782.44	27,158,348,424.28

- (2) In the current period, the balance of the construction in progress transferred to the original value of the fixed assets is in total RMB1,387,520,685.77 (amount for the corresponding period: RMB2,044,129,761.22).

- (3) As at 30 June 2023, the net book value of the buildings for which the Company has not yet obtained certificates of title was RMB1.857 billion (opening amount of RMB2.037 billion), of which RMB1.826 billion was put into use at the end of 2022 and the relevant certificates of title were being processed. The Company can legally and effectively occupy and operate the above-mentioned buildings for which no certificates of title have been obtained.
- (4) There was no mortgage secured by the fixed assets mortgage at the end of the period, and there was no mortgage secured by the fixed assets mortgage at the beginning of the period.
- (5) Disposals of fixed assets

Items	Closing balance	Opening balance	Reason for transferring to disposal
Others	448,385.16		Retirement
Total	448,385.16		

16. Construction in progress

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Construction in progress	4,675,841,932.96	4,094,684,500.49
Construction materials		
Total	4,675,841,932.96	4,094,684,500.49

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(1) Balance of construction in progress

√ Applicable □ Not Applicable

Unit and Currency: RMB

Projects	Closing balance		Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision
Europe Candy Project	664,994,525.97		664,994,525.97	467,370,049.46	
Qingdao Air Conditioning Electronics Project	360,505,021.09		360,505,021.09	313,855,913.14	
America GEA Project	347,979,805.43		347,979,805.43	338,096,215.95	
Shanghai Washing Appliances Project	338,248,596.70		338,248,596.70	315,004,188.48	
Qingdao HVAC Project	278,456,642.72		278,456,642.72	365,555.56	
Eastern European Project	254,146,857.47		254,146,857.47	392,579,594.60	
Zhengzhou New Energy Project	225,758,431.82		225,758,431.82	197,524,472.64	
Qingdao Water Ecology Technology Project	213,649,684.86		213,649,684.86	92,905,882.13	
New Zealand FPA Project	169,081,527.98		169,081,527.98	176,619,361.43	
Qingdao Jiaozhou Washing Appliances Project	130,940,468.79		130,940,468.79	93,825,106.07	
Chongqing Water Heater Project	103,009,444.62		103,009,444.62	61,350,349.63	
Hefei Drum Washing Machine Project	84,647,805.15		84,647,805.15	98,411,863.30	
Foshan Freezer Project	74,637,240.12		74,637,240.12	97,616,741.69	
Special Refrigerator Project	71,737,926.03		71,737,926.03	66,136,656.59	
Hailiyuan Recycling Technology Project	69,708,484.47		69,708,484.47	75,470,633.24	
Chongqing Washing Appliances Project	69,020,092.98		69,020,092.98	59,889,999.86	
Qingdao Central Air Conditioner Project	61,594,348.96		61,594,348.96	29,216,265.88	
Qingdao Dishwasher Project	60,639,123.39		60,639,123.39	64,842,812.91	
Qingdao Smart Appliances Project	53,964,974.70		53,964,974.70	67,092,916.99	
Tianjin Washing Appliances Project	49,250,077.45		49,250,077.45	59,146,925.20	
Zhengzhou Air Conditioner Project	46,113,903.60		46,113,903.60	546,460.15	
Others	948,855,669.26	1,098,720.60	947,756,948.66	1,028,027,154.51	1,210,618.92
Total	4,676,940,653.56	1,098,720.60	4,675,841,932.96	4,095,895,119.41	1,210,618.92

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

Project Name	Opening balance	Increase for the current period	Transfer to fixed tax	Other decrease	Change in foreign exchange rate and others	Closing balance	Source of fund
Europe Candy Project	467,370,049.46	540,757,295.31	211,569,369.22		-131,563,449.58	664,994,525.97	Self-funding
Qingdao Air Conditioning Electronics Project	313,855,913.14	51,742,568.97	5,093,461.02			360,505,021.09	Self-funding
America GEA Project	338,096,215.95	156,988,345.60	159,685,180.55		12,580,424.43	347,979,805.43	Self-funding
Shanghai Washing Appliances Project	315,004,188.48	23,244,408.22				338,248,596.70	Self-funding
Qingdao HVAC Project	365,555.56	278,091,087.16				278,456,642.72	Self-funding
Eastern European Project	392,579,594.60	116,858,497.57	217,851,214.05		-37,440,020.65	254,146,857.47	Self-funding
Zhengzhou New Energy Project	197,524,472.64	41,579,582.26	13,345,623.08			225,758,431.82	Self-funding
Qingdao Water Ecology Technology Project	92,905,882.13	120,743,802.73				213,649,684.86	Self-funding
New Zealand FPA Project	176,619,361.43	83,156,754.04	91,564,951.03		870,363.54	169,081,527.98	Self-funding
Qingdao Jiaozhou Washing Appliances Project	93,825,106.07	37,115,362.72				130,940,468.79	Self-funding
Chongqing Water Heater Project	61,350,349.63	53,200,000.96	11,540,905.97			103,009,444.62	Self-funding
Hefei Drum Washing Machine Project	98,411,863.30	5,396,985.97	19,161,044.12			84,647,805.15	Self-funding
Foshan Freezer Project	97,616,741.69	6,449,691.15	29,429,192.72			74,637,240.12	Self-funding
Special Refrigerator Project	66,136,656.59	25,679,345.43	20,078,075.99			71,737,926.03	Self-funding
Hailiyuan Recycling Technology Project	75,470,633.24	14,506,226.47	20,268,375.24			69,708,484.47	Self-funding
Chongqing Washing Appliances Project	59,889,999.86	13,012,405.40	3,882,312.28			69,020,092.98	Self-funding
Qingdao Central Air Conditioner Project	29,216,265.88	40,485,605.18	8,107,522.10			61,594,348.96	Self-funding
Qingdao Dishwasher Project	64,842,812.91	3,770,475.26	7,974,164.78			60,639,123.39	Self-funding
Qingdao Smart Appliances Project	67,092,916.99	9,619,713.03	22,747,655.32			53,964,974.70	Self-funding
Tianjin Washing Appliances Project	59,146,925.20	3,238,445.14	13,135,292.89			49,250,077.45	Self-funding
Zhengzhou Air Conditioner Project	546,460.15	46,174,601.59	607,158.14			46,113,903.60	Self-funding/fund raising
Others	1,028,027,154.51	451,511,089.59	531,586,711.17		904,136.33	948,855,669.26	Self-funding/fund raising
Total	4,095,895,119.41	2,123,322,289.75	1,387,628,209.67		-154,648,545.93	4,676,940,653.56	

(3) Impairment provision of construction in progress

Project name	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Change in foreign exchange rate and others	Closing balance
Lejia IOT Project	837,735.85					837,735.85
Other	372,883.07		107,523.90		-4,374.42	260,984.75
Total	1,210,618.92		107,523.90		-4,374.42	1,098,720.60

17. Right-of-use assets

Items	Houses and buildings	Production equipment	Transportation equipment
I. Original book value:			
1. Opening balance	4,673,699,908.83	37,374,188.44	213,211,277.75
2. Increase for the current period			
(1) Increase	766,981,092.95	573,908.00	38,057,315.40
3. Decrease for the current period			
(1) Disposal	270,408,600.92	1,104,153.96	23,249,569.32
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others	109,994,689.30	257,443.86	2,366,209.94
5. Closing balance	5,280,267,090.16	37,101,386.34	230,385,233.77
II. Accumulated amortization			
1. Opening balance	1,284,083,200.17	18,972,328.56	125,499,329.46
2. Increase for the current period			
(1) Provision	460,362,630.22	2,560,133.55	33,983,793.47
3. Decrease for the current period			
(1) Disposal	170,330,845.22	1,104,153.96	22,455,647.53
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others	30,721,312.40	86,274.62	-3,967,299.01
5. Closing balance	1,604,836,297.57	20,514,582.77	133,060,176.39
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others			
5. Closing balance			
IV. Book Value			
1. Closing book value	3,675,430,792.59	16,586,803.57	97,325,057.38
2. Opening book value	3,389,616,708.66	18,401,859.88	87,711,948.29

(Continued)

Items	Office furniture	Other	Total
I. Original book value:			
1. Opening balance	53,135,501.06	364,530,322.79	5,341,951,198.87
2. Increase for the current period			
(1) Increase	232,812,790.34	105,558,304.02	1,143,983,410.71
3. Decrease for the current period			
(1) Disposal	679,880.54		295,442,204.74
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others	7,759,892.58	17,484,855.37	137,863,091.05
5. Closing balance	293,028,303.44	487,573,482.18	6,328,355,495.89
II. Accumulated amortization			
1. Opening balance	22,851,405.90	95,319,580.89	1,546,725,844.98
2. Increase for the current period			
(1) Provision	10,340,096.44	50,335,427.89	557,582,081.57
3. Decrease for the current period			
(1) Disposal	679,880.54		194,570,527.25
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others	561,792.36	5,395,550.84	32,797,631.21
5. Closing balance	33,073,414.16	151,050,559.62	1,942,535,030.51
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others			
5. Closing balance			
IV. Book Value			
1. Closing book value	259,954,889.28	336,522,922.56	4,385,820,465.38
2. Opening book value	30,284,095.16	269,210,741.90	3,795,225,353.89

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18. Intangible assets

√ Applicable □ Not Applicable

Items	Proprietary technology	Licenses and franchises	Land use rights
I. Original book value			
1. Opening balance	2,045,745,341.24	4,641,652,220.77	1,617,778,038.37
2. Increase for the current period			
(1) Purchase		127,234.88	217,056,009.69
(2) Internal research and development	67,033,935.23		
(3) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	28,872,015.88	227,865,976.69	5,278,068.76
5. Closing balance	2,141,651,292.35	4,869,645,432.34	1,840,112,116.82
II. Accumulated amortization			
1. Opening balance	1,177,726,697.55	1,012,993,222.17	246,593,605.24
2. Increase for the current period			
(1) Provision	104,395,920.96	90,044,784.44	38,937,948.60
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	21,804,973.30	46,609,316.21	756,325.61
5. Closing balance	1,303,927,591.81	1,149,647,322.82	286,287,879.45
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others			

Items	Proprietary technology	Licenses and franchises	Land use rights
5. Closing balance			
IV. Book Value			
1. Closing book value	837,723,700.54	3,719,998,109.52	1,553,824,237.37
2. Opening book value	868,018,643.69	3,628,658,998.60	1,371,184,433.13

(Continued)

Items	Trademark rights	Application management software and others	Total
I. Original book value			
1. Opening balance	2,582,976,744.57	5,344,358,234.62	16,232,510,579.57
2. Increase in the current period			
(1) Purchase		156,084,629.39	373,267,873.96
(2) Internal research and development		173,599,388.36	240,633,323.59
(3) Increase in business combination			
3. Decrease for the current period			
(1) Disposal		63,204,022.79	63,204,022.79
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	111,038,637.85	99,408,981.47	472,463,680.65
5. Closing balance	2,694,015,382.42	5,710,247,211.05	17,255,671,434.98
II. Accumulated amortization			
1. Opening balance		3,265,730,771.74	5,703,044,296.70
2. Increase in the current period			
(1) Provision		391,213,427.35	624,592,081.35
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal		33,039,874.28	33,039,874.28
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others		95,885,383.38	165,055,998.50
5. Closing balance		3,719,789,708.19	6,459,652,502.27

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Items	Trademark rights	Application management software and others	Total
III. Impairment provision			
1. Opening balance		23,584,905.66	23,584,905.66
2. Increase in the current period			
(1) Provision		28,311.57	28,311.57
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others		1,212.22	1,212.22
5. Closing balance		23,614,429.45	23,614,429.45
IV. Book value			
1. Closing book value	2,694,015,382.42	1,966,843,073.41	10,772,404,503.26
2. Opening book value	2,582,976,744.57	2,055,042,557.22	10,505,881,377.21

At the end of the period, the intangible assets developed through the Company accounted for 20.74% of the original value (at the beginning of the period : 20.47%).

19. Development cost

Items	Opening balance	Increase for the period	Decrease for the period			Change in foreign exchange rate and others	Closing balance
			Confirmed as an intangible asset	Included in Current profit and loss	Disposal of subsidiaries		
91ABD.ERP IT Program	7,539,118.42	15,735,011.57	7,471,378.12			587,691.83	16,390,443.70
low-carbon and energy-saving Project		77,643,503.53					77,643,503.53
Others	146,941,397.25	346,050,812.15	233,161,945.47	100,345,093.76		-15,911,335.54	143,573,834.63
Total	154,480,515.67	439,429,327.25	240,633,323.59	100,345,093.76		-15,323,643.71	237,607,781.86

20. Goodwill

Items	Opening balance	Increase for the period	Decrease for the period	Change in foreign exchange rate and others	Closing balance
GEA	20,681,717,264.22			776,368,136.04	21,458,085,400.26
Candy	1,929,953,985.15			118,091,999.09	2,048,045,984.24
Others	1,031,924,394.50	102,436,911.98		-937,299.21	1,133,424,007.27
Total	23,643,595,643.87	102,436,911.98		893,522,835.92	24,639,555,391.77

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

The recoverable amount of the asset group (including goodwill) is calculated with discounted estimated future cash flow method based on a management-approved 5–15 years budget. Future cash flows beyond the budget period are estimated using the estimated perpetual annual growth rate. The perpetual annual growth rate (mainly 2%) adopted by the management is consistent with industry forecast data and does not exceed the long-term average growth rate of each product. The management determines the compound income growth rate (mainly 2.29%–6.50%) and the EBITDA profit margin (mainly 5.11%–13.15%) based on historical experience and market development forecasts, and adopts the pre-tax interest rate that can reflect the specific risks of the relevant asset group as the discount rate (mainly 10.4%–16.25%). The management analyzes the recoverable amount of each asset group based on these assumptions and believes that there is no need to make provision for goodwill.

21. Long-term prepaid expenses

Items	Opening balance	Increase for the current period	Amortization for the current period	Other decrease	Change in foreign exchange rate and others	Closing balance
Renovation	457,806,490.36	229,016,427.22	214,133,432.57		3,970.33	472,693,455.34
Improvement on leased property	146,458,109.22	31,832,639.54	15,544,173.80		1,259,574.93	164,006,149.89
Others	155,618,574.62	48,769,049.92	28,293,692.22		-2,722,071.20	173,371,861.12
Total	759,883,174.20	309,618,116.68	257,971,298.59		-1,458,525.94	810,071,466.35

22. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets before elimination

Items	Closing balance	Opening balance
Provision for assets impairment	459,216,865.16	486,504,423.79
Liabilities	2,643,585,609.13	2,392,703,222.82
Internal unrealized earnings eliminated due to combination	426,881,409.73	848,773,608.23
Uncovered losses	232,784,216.45	217,344,490.61
R&D expenses	866,307,772.03	615,110,766.72
Others	302,013,820.85	347,135,709.18
Total	4,930,789,693.35	4,907,572,221.35

(2) Deferred income tax liabilities before elimination

Item	Closing balance	Opening balance
Asset amortisation	4,099,895,099.19	3,875,255,150.79
Remeasurement of fair value of the remaining equity interest on the date of loss of control	878,623,804.46	878,623,804.46
Changes in fair value of investments in other equity instruments	293,193,619.84	293,662,487.81
Others	544,517,958.20	494,850,409.06
Total	5,816,230,481.69	5,542,391,852.12

(3) The deferred income tax assets and the deferred income tax liabilities eliminated at the end of this period was RMB3,721,415,014.24 (amount at the beginning of the period: RMB3,183,531,292.93).

23. Other non-current assets

Item	Closing balance	Opening balance
Prepayments for equipment and land	2,118,960,332.56	1,671,590,606.02
Others	213,497,841.50	209,146,285.61
Total	2,332,458,174.06	1,880,736,891.63

24. Short-term borrowings

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Item	Closing balance	Opening balance
Borrowings — secured by pledge	180,484,052.01	82,727,127.97
Borrowings — secured by guarantee	7,000,000.00	101,506,733.93
Borrowings — unsecured	9,114,905,384.70	9,479,489,787.33
Interest payable for short-term borrowings	62,795,362.70	8,499,873.13
Total	9,365,184,799.41	9,672,223,522.36

25. Derivative financial liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Item	Closing balance	Opening balance
Forward foreign exchange contracts	346,817,213.83	92,580,419.48
Forward commodity contracts	6,097,723.06	12,013,621.18
Total	352,914,936.89	104,594,040.66

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26. Bills payable

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Item	Closing balance	Opening balance
Commercially acceptance notes	51,885,099.14	2,212,721,304.36
Bank acceptance notes	23,135,947,877.08	22,885,836,425.70
Total	23,187,832,976.22	25,098,557,730.06

27. Accounts payable

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Item	Closing balance	Opening balance
Accounts payable	47,160,319,625.82	41,878,607,182.94
Total	47,160,319,625.82	41,878,607,182.94

The ending book balance is mainly the unpaid expenditures on material and labour.

28. Contract liabilities

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Item	Closing balance	Opening balance
Contract liabilities	6,251,026,204.67	9,352,719,895.49
Total	6,251,026,204.67	9,352,719,895.49

The book balance at the end of the period was mainly due to the advance payment that has been collected and has not yet performed the contractual obligations.

29. Payables for staff's remuneration**(1) Payables for staff's remuneration**√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Short-term remuneration	3,815,730,531.14	13,491,231,398.22	14,115,423,960.44	3,191,537,968.92
II. Post-employment benefits-defined contribution plan	65,446,167.35	728,655,472.93	699,112,731.92	94,988,908.36
III. Termination benefits	35,166,874.40	277,307,461.54	304,204,085.49	8,270,250.45
IV. Other benefits due within one year	134,121,181.48	18,167,078.79	27,665,465.88	124,622,794.39
Total	4,050,464,754.37	14,515,361,411.48	15,146,406,243.73	3,419,419,922.12

(2) Short-term remuneration√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Salaries, bonus, allowance and benefit	2,659,565,504.91	10,002,795,704.30	10,616,686,791.02	2,045,674,418.19
II. Employee welfare	333,049,384.20	473,562,865.35	495,677,161.57	310,935,087.98
III. Social benefit	224,360,701.36	927,072,638.54	942,422,351.56	209,010,988.34
IV. Housing fund	5,036,607.14	295,062,937.57	261,872,382.72	38,227,161.99
V. Labor union fee and education fee	9,025,442.26	54,429,387.97	59,735,051.64	3,719,778.59
VI. Short-term compensated absences	260,622,518.13	268,276,739.50	269,886,159.15	259,013,098.48
VII. Others	324,070,373.14	1,470,031,124.99	1,469,144,062.78	324,957,435.35
Total	3,815,730,531.14	13,491,231,398.22	14,115,423,960.44	3,191,537,968.92

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(3) Defined contribution plan

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for current the period	Closing balance
I. Basic pension insurance	64,162,379.08	678,566,464.02	662,438,086.89	80,290,756.21
II. Unemployment insurance	346,829.94	17,866,223.49	17,748,148.00	464,905.43
III. Enterprise annuity payment	936,958.33	32,222,785.42	18,926,497.03	14,233,246.72
Total	65,446,167.35	728,655,472.93	699,112,731.92	94,988,908.36

(4) Termination benefits

Items	Closing balance	Opening balance
Termination compensation	8,270,250.45	35,166,874.40
Total	8,270,250.45	35,166,874.40

30. Taxes payable

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Value-added tax	1,113,053,099.21	860,587,585.73
Enterprise income tax	1,569,022,348.60	1,704,621,792.80
Individual income tax	95,323,159.10	100,208,772.52
City maintenance and construction tax	40,061,438.67	28,891,872.00
Education surcharge	18,238,161.65	14,945,658.71
The electrical and electronic products waste treatment fund	91,159,372.00	97,068,373.00
Other taxes	78,486,467.71	69,897,838.15
Total	3,005,344,046.94	2,876,221,892.91

31. Other payables√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Dividends payable	5,299,410,272.79	1,246,573.35
Other payables	17,601,698,991.38	17,516,591,992.64
Total	22,901,109,264.17	17,517,838,565.99

(1) Dividends payables

Name of company	Closing balance	Opening balance
Haier Cosmo Co., Limited	712,415,610.38	
Haier Group Corporation	607,097,692.42	
Other Shareholders of Social Shares	3,979,896,969.99	1,246,573.35
Total	5,299,410,272.79	1,246,573.35

(2) Other payables√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Other payables	17,601,698,991.38	17,516,591,992.64
Total	17,601,698,991.38	17,516,591,992.64

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

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32. Non-current liabilities due within one year

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within one year	19,143,918.09	2,854,446,929.32
Lease liabilities due within one year	979,431,504.82	903,249,632.59
Estimated liabilities due within one year	2,520,709,709.81	2,537,054,105.17
Total	3,519,285,132.72	6,294,750,667.08

33. Other current liabilities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Payable refund	580,015,990.29	624,887,787.38
Tax amount to be written off	825,061,115.54	1,198,555,405.78
Others	26,162,327.30	26,982,922.63
Total	1,431,239,433.13	1,850,426,115.79

34. Long-term borrowings

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings — secured by guarantee		23,550,000.00
Borrowings — unsecured	18,366,761,352.03	13,567,316,873.43
Total	18,366,761,352.03	13,590,866,873.43

Interest rates of long-term loans of the Company ranged from 2.20% to 6.30%.

35. Lease liabilities

Items	Closing balance	Opening balance
Lease liabilities	4,318,344,000.94	3,727,727,303.20
Less: lease liabilities due within one year	979,431,504.82	903,249,632.59
Total	3,338,912,496.12	2,824,477,670.61

36. Long-term payables

Items	Closing balance	Opening balance
Investment from CDB development fund	36,500,000.00	36,500,000.00
Others	7,186,763.73	7,740,087.94
Less: long-term payables due within one year		
Total	43,686,763.73	44,240,087.94

Under the Investment Contract of China Development Fund executed by the Company and its subsidiaries including Qingdao Haier Air Conditioner Gen Corp., Ltd., Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited together with China Development Fund Co. Ltd. in 2015 and 2016, China Development Fund Co. Ltd. invested RMB73 million in Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited. China Development Fund Co. Ltd. obtained an annual return of 1.2% by means of dividends or buyback premium for the above investments. As at the end of the period, subsidiaries of the Company repurchased RMB36.50 million.

37. Long-term payables for staff's remuneration

☒ Applicable ☐ Not Applicable

(1) Long-term payables for staff's remuneration

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
I. Post-employment benefits-net liability of defined benefit plan	391,834,022.84	417,072,669.76
II. Termination benefits	467,975,538.86	386,522,704.17
III. Provision for work-related injury compensation	214,392,882.13	206,951,828.41
Total	1,074,202,443.83	1,010,547,202.34

(2) Defined benefit plan

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

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

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

① **The defined benefit plan of Haier Asia Co., Ltd., a subsidiary of the Company.**
Actuarial assumption used in the defined benefit plan

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

Present value of defined benefit obligations

Items	Amount
I. Opening balance	253,301,981.31
II. Defined benefit cost recognized in current profit or loss	-928,052.75
1. Current service cost	-928,052.75
2. Past service cost	
3. Settlement gains (loss indicated in “-”)	
4. Interest expenses	
III. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss (gain indicated in “-”)	
IV. Other changes	-10,930,430.49
1. The consideration paid at the time of settlement	
2. Benefits paid	
3. Exchange differences	-10,930,430.49
V. Closing balance	241,443,498.07

Fair value of plan assets

Items	Amount
I. Opening balance	293,745,142.73
II. Defined benefit cost recognized in current profit or loss	
1. Interest income	
III. Defined benefit cost recognized in other comprehensive income	
1. Return on plan assets (except those included in net interests)	
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-18,169,503.70
1. Employer contributions	-600,443.06
2. Benefits paid	-5,003,405.32
3. Exchange differences	-12,565,655.32
V. Closing balance	275,575,639.03

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

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	-40,443,161.42
II. Defined benefit cost recognized in current profit or loss	-928,052.75
III. Defined benefit cost recognized in other comprehensive income	
IV. Other changes	7,239,073.21
V. Closing balance	-34,132,140.96

The average term for the defined benefit obligation is 11.73 years at the balance sheet date.

- ② **The defined benefit plan of Roper Corporation, a subsidiary of the Company**
Roper Corporation, a subsidiary of the Company, has provided qualified staff with defined benefit plan for post-retirement health care benefits.

Actuarial assumptions used in defined benefit plans

Item	Rate
Discount rate	5.59%

Present value of defined benefit obligations

Item	Amount
I. Opening balance	123,777,420.24
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	9,687,091.34
1. Current period service cost	5,277,772.41
2. Past service cost	
3. Settlement gains ((loss indicated in “—”)	
4. Interest expenses	4,409,318.93
IV. Defined benefit cost recognized in other comprehensive income	-45,267,739.89
1. Actuarial loss (gain indicated in “—”)	-45,267,739.89
V. Other changes	-5,382,153.84
1. The consideration paid at the time of settlement	
2. Benefits paid	-8,401,002.70
3. Exchange differences	3,018,848.86
VI. Closing balance	82,814,617.85

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	123,777,420.24
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	9,687,091.34
IV. Defined benefit cost recognized in other comprehensive income	-45,267,739.89
V. Other changes	-5,382,153.84
VI. Closing balance	82,814,617.85

The average term for the defined benefit obligation is 11.22 years at the balance sheet date.

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

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

Actuarial assumptions used in defined benefit plans

Item	Rate
Discount rate	5.51%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	195,104,194.13
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	9,994,742.42
1. Current period service cost	
2. Past service cost	
3. Settlement gains (loss indicated in “-”)	
4. Interest expenses	9,994,742.42
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss (gain indicated in “-”)	
V. Other changes	-21,370,853.88
1. The consideration paid at the time of settlement	
2. Benefits paid	-28,022,650.00
3. Exchange differences	6,651,796.12
VI. Closing balance	183,728,082.67

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	195,104,194.13
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	9,994,742.42
IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	-21,370,853.88
VI. Closing balance	183,728,082.67

④ **The defined benefit plan of Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company.**

Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company, has provided qualified staff with defined benefit plan for post-retirement pension.

Actuarial assumptions used in defined benefit plans

Item	Rate
Discount rate	5.51%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	126,866,875.02
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	6,303,537.72
1. Current service cost	136,528.81
2. Past service cost	
3. Settlement gains (loss indicated in “-”)	
4. Interest expenses	6,167,008.91
IV. Defined benefit cost recognized in other comprehensive income	
1. Actuarial loss (gain indicated in “-”)	
V. Other changes	-36,510,318.91
1. The consideration paid at the time of settlement	
2. Benefits paid	-40,023,767.34
3. Exchange differences	3,513,448.43
VI. Closing balance	96,660,093.83

Fair value of plan assets

Items	Amount
I. Opening balance	92,039,772.87
II. Defined benefit cost recognized in current profit or loss	
1. Interest income	
III. Defined benefit cost recognized in other comprehensive income	
1. Return on plan assets (except those included in net interests)	
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-25,257,079.47
1. Employer contributions	4,263,284.95
2. Benefits paid	-31,950,334.14
3. Exchange differences	2,429,969.72
V. Closing balance	66,782,693.40

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	34,827,102.15
II. Business combination not under common control	
III. Defined benefit cost recognized in current profit or loss	6,303,537.72
IV. Defined benefit cost recognized in other comprehensive income	
V. Other changes	-11,253,239.44
VI. Closing balance	29,877,400.43

(3) Provision for work-related injury compensation

Haier U.S. Appliance Solutions, Inc., a subsidiary of the Company, made a provision for work-related injury claims for the staff injured during the production accidents from 1 January 1991, which was used to pay for the claim made by the injured staff. The provision was calculated by Beechercarlson Insurance Services, LLC., based on actuarial method and a discount rate of 3.72%.

Items	Amount
I. Opening balance	206,951,828.41
II. Business combination not under common control	
III. Compensation recognized in current profit and loss	46,154,353.19
IV. Actual compensation paid in the current period	-46,463,403.63
V. Other changes	7,750,104.16
VI. Closing balance	214,392,882.13

Classification of the balance of defined benefit plan

Items	Closing balance	Opening balance
Short-term salary	23,283,167.71	36,444,790.69
Long-term salary	391,834,022.84	417,072,669.76
Total	415,117,190.55	453,517,460.45

38. Estimated liabilities

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance
Pending litigation	18,469,174.18	32,333,083.62
Others	262,077,808.56	299,431,322.56
Projection of three guarantees and installation fees	1,330,482,237.43	1,429,733,867.17
Total	1,611,029,220.17	1,761,498,273.35

Significant assumption and estimation relating to projection of three guarantees and installation fees: the Company reasonably estimated the three guarantees and installation fee rate based on its actual expenses on the three guarantees and installation fees as well as sales data in the past. The Company estimated the three guarantees and installation fees that are likely to be incurred in the future according to its policies on the three guarantees and installation fees, as well as the actual sales data.

39. Deferred income

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Government grants	948,935,134.05	72,999,793.50	60,247,914.19	961,687,013.36
Total	948,935,134.05	72,999,793.50	60,247,914.19	961,687,013.36

40. Share capital

Categories of shares	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Restricted shares				
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic individuals				
4. Shares held by offshore non-state-owned legal entities				
II. Non-restricted shares	9,446,598,493		8,483,600	9,438,114,893
1. Ordinary shares in RMB	6,308,552,654			6,308,552,654
2. Domestic listed foreign Shares				
3. Offshore listed foreign Shares	3,138,045,839		8,483,600	3,129,562,239
4. Others				
III. Total shares	9,446,598,493		8,483,600	9,438,114,893

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41. Capital reserve

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Capital premium (share capital premium)	22,275,237,959.89		273,991,759.73	22,001,246,200.16
Other capital reserve	1,601,799,364.87	390,681,368.30		1,992,480,733.17
Total	23,877,037,324.76	390,681,368.30	273,991,759.73	23,993,726,933.33

The main reasons for the change in share premium:

The cancellation of treasury stock during the period resulted in the decrease in share premium of RMB173,997,008.66; the common control combination occurred during the period resulted in the decrease in share premium by RMB70,000,000.00.

The main reasons for the change in other capital reserve: The amortized share-based payment for the period included in other capital reserve was RMB390,681,368.30.

42. Other comprehensive income

Items	Amount for the current period					Others	Closing balance
	Opening balance	Amount before income tax in the current period	Deduction of impact on income tax	Amount attributable to the parent company after tax	Amount attributable to minority shareholders after tax		
a	-241,549,088.46	-15,508,344.88		-15,508,344.88			-257,057,433.34
b	3,926,810.45	-205,933,491.47	9,483,229.06	-193,755,242.84	-2,695,019.57		-189,828,432.39
c	1,251,780,016.89	312,200,171.06		327,650,921.33	-15,450,750.27		1,579,430,938.22
d	869,623,580.17	29,397,079.24	-25,252,906.68	4,225,394.16	-81,221.60		873,848,974.33
e	106,902,179.40	41,736,048.01	-9,297,683.21	32,438,331.87	32.93		139,340,511.27
Total	1,990,683,498.45	161,891,461.96	-25,067,360.83	155,051,059.64	-18,226,958.51		2,145,734,558.09

Notes:

(1) Items a, b, and c are other comprehensive income that will be reclassified into profit or loss, the details are as follows:

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

Item b represents cash flow hedge reserves (effective portion of profit or loss generated from cash flow hedge).

Item c represents the balance arising from translation of foreign currency financial statements.

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

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

Item e represents changes arising from remeasurement of net liabilities or assets of defined benefit plans.

43. Surplus reserve√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Statutory surplus reserve	3,966,533,821.65			3,966,533,821.65
Discretionary surplus reserve	26,042,290.48			26,042,290.48
Reserve fund	11,322,880.64			11,322,880.64
Enterprise development fund	10,291,630.47			10,291,630.47
Total	4,014,190,623.24			4,014,190,623.24

Pursuant to the Company Law of the People's Republic of China and the Articles of Association, the Company is required to appropriate the statutory surplus reserve at 10% of its net profit of current year.

44. Undistributed profits√ Applicable ☐ Not Applicable

Items	Amounts
Undistributed profits at the end of previous year	57,976,944,921.36
Changes in accounting policies	
Business combination under common control	6,806,549.24
Undistributed profits at the beginning of the year	57,983,751,470.60
Add: net profit attributable to owners of the parent company	8,963,875,999.84
Other transfer in	11,946,127.47
Adjustment due to implementation of enterprise accounting standard	
Profit available for appropriation for the year	66,959,573,597.91
Less: appropriation of statutory surplus reserve	
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	5,297,529,553.10
Undistributed profits at the end of period	61,662,044,044.81

45. Operating income and operating cost

(1) Operating income

Items	Amount for the current period	Amount for the previous period
Primary business	130,794,605,634.37	121,030,459,783.59
Other business	831,975,872.19	609,607,595.76
Total	131,626,581,506.56	121,640,067,379.35

(2) Primary business income and primary business cost by product category

Categories	Amount for the current period		Amount for the previous period	
	Primary business income	Primary business cost	Primary business income	Primary business cost
Air conditioner	27,990,491,459.04	19,980,348,155.19	23,670,538,686.34	17,107,788,658.52
Refrigerator	40,302,800,944.89	27,987,308,901.78	37,913,367,317.50	26,475,741,807.66
Kitchen appliance	19,700,572,437.04	13,561,433,684.52	18,750,037,462.88	12,816,780,100.13
Water appliance	7,458,185,872.45	4,356,557,669.16	6,713,300,912.43	3,934,510,287.34
Washing machine	28,125,479,757.35	18,950,800,863.91	26,516,919,361.82	17,907,657,332.94
Equipment product and integrated channel services	7,217,075,163.60	6,540,223,461.39	7,466,296,042.62	6,440,093,281.13
Total	130,794,605,634.37	91,376,672,735.95	121,030,459,783.59	84,682,571,467.72

46. Taxes and surcharge

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
City construction tax	211,267,062.08	122,226,136.72
Education surcharge	129,147,500.90	88,480,235.93
Property tax	37,815,087.40	28,716,064.84
Land use tax	10,889,390.91	7,536,240.97
Stamp duty	118,585,679.99	91,460,460.03
Others	24,871,738.40	18,835,304.10
Total	532,576,459.68	357,254,442.59

47. Selling expenses√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Selling expenses	18,768,944,057.44	17,606,475,316.07
Total	18,768,944,057.44	17,606,475,316.07

The Company's selling expenses are mainly salary expenses, logistic and storage expenses, advertising and promotion expenses, and after-sales expenses etc.

48. Administrative expenses√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Administrative expenses	5,461,681,481.50	5,140,311,538.47
Total	5,461,681,481.50	5,140,311,538.47

The Company's management expenses are mainly salary expenses, administrative office expenses, depreciation and amortization of assets fees, etc.

49. R&D expenses√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Item	Amount for the current period	Amount for the previous period
R&D expenses	5,025,786,116.64	4,598,032,317.91
Total	5,025,786,116.64	4,598,032,317.91

The Company's R&D expenses are mainly salary expenses, R&D equipment expenses, design and R&D fees.

50. Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expenses	875,078,615.27	348,353,122.72
Less: Interest income	614,901,983.30	362,928,829.17
Less: Cash discount	59,172,643.28	79,106,314.27
Exchange gains and losses (gains are represented by '-')	-288,204,003.86	-169,143,266.33
Others	77,850,401.45	62,267,268.14
Total	-9,349,613.72	-200,558,018.91

Interest expenditure in lease liabilities in the current period is RMB54,418,808.15 (amount for the corresponding period: RMB37,961,657.33).

51. Other income

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Government grants related to revenue	557,482,171.75	493,179,590.59
Government grants related to assets	43,882,854.01	53,070,066.97
Total	601,365,025.76	546,249,657.56

52. Investment income (losses are represented by '-')

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investment calculated by equity method	1,078,905,972.36	936,511,207.40
Investment income from disposal of long-term equity investment	2,936,581.54	11,181,922.82
Investment income from other equity instrument investments during holding period	17,919,209.85	2,596,583.32
Income from wealth management products	30,006,596.61	42,007,117.65
Investment income from disposal of financial assets at fair value through profit or loss		178,039,912.22
Total	1,129,768,360.36	1,170,336,743.41

53. Gains on changes in fair value (losses are represented by “-”)

Items	Amount for the current period	Amount for the previous period
Changes in fair value of forward foreign exchange contracts		-53,088,495.38
Changes in fair value of equity investments	6,761,392.80	-24,266,144.66
Changes in fair value of fund investments products	23,806,724.21	-43,056,624.92
Others	703,445.34	1,621,089.28
Total	31,271,562.35	-118,790,175.68

54. Credit impairment loss (losses are represented by “-”)

Items	Amount for the current period	Amount for the previous period
Bad debts losses on accounts receivable	-175,246,952.66	-222,677,055.12
Bad debts losses on other receivables	9,278,023.30	-3,907,480.73
Bad debts losses on bills receivable		-31,492,310.29
Total	-165,968,929.36	-258,076,846.14

55. Impairment loss on assets (losses are represented by “-”)

Items	Amount for the current period	Amount for the previous period
Impairment losses on inventory	-499,500,903.59	-371,859,276.93
Impairment losses on other current assets	-269,894,630.51	-335,202,670.88
Impairment losses on fixed assets	-6,213,746.83	
Impairment losses on construction in progress		
Impairment losses on intangible assets	-28,311.57	
Impairment losses on long-term equity investment		
Impairment losses on contract assets	-4,110,982.94	
Total	-779,748,575.44	-707,061,947.81

56. Gains on disposal of assets (losses are represented by “-”)

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	9,697,510.22	38,409,742.18
Losses on disposal of non-current assets	-30,344,814.86	-6,820,535.08
Total	-20,647,304.64	31,589,207.10

57. Non-operating income

√ Applicable ☐ Not Applicable

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	810,466.84	96,551.42
Quality claims and fines	18,063,839.13	26,011,423.15
Others	39,910,145.64	42,799,713.12
Total	58,784,451.61	68,907,687.69

58. Non-operating expenses

Items	Amount for the current period	Amount for the previous period
Losses on disposal of non-current assets	4,986,722.70	9,060,187.94
Others	27,312,790.51	34,475,363.74
Total	32,299,513.21	43,535,551.68

59. Income tax expenses**(1) Statement of income tax expenses**

Items	Amount for the current period	Amount for the previous period
Current income tax expenses	1,878,888,468.16	1,240,405,103.19
Deferred income tax expenses	190,607,917.70	759,910,099.57
Total	2,069,496,385.86	2,000,315,202.76

(2) Current reconciliation between accounting profit and income tax expenses

Items	Amounts
Total accounting profit	11,114,203,669.46
Income tax expenses calculated pursuant to statutory tax rate(s)	2,778,550,917.37
Impact from different tax rates applicable to subsidiaries	-849,083,080.82
Impact from adjustment to income tax in prior periods	-172,683,764.29
Impact from non-taxable income	-302,592,522.82
Impact from non-deductible cost, expense and loss	109,517,247.44
Impact from deductible provisional differences or deductible losses of unrecognized deferred tax	581,291,307.14
Others	-75,503,718.16
Total income tax expense	2,069,496,385.86

60. Other comprehensive income

√ Applicable ☐ Not Applicable

Please refer to Note VII. 42 for details.

61. Other cash received from operating activities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Deposits and securities	97,555,295.08
Government grants	387,142,763.36
Non-operating income excluding government grants	26,511,078.87
Interest income	411,472,201.42
Others	82,007,257.28
Total	1,004,688,596.01

62. Other cash paid to operating activities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Cash paid on selling expenses	10,249,268,213.42
Cash paid on administrative and R&D expenses	3,474,855,473.01
Cash paid on financial expenses	57,225,034.72
Non-operating expenses	3,765,039.59
Others	60,014,150.77
Total	13,845,127,911.51

63. Other cash received from investment activities

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Acquisition of subsidiaries	15,265,835.02
Others	96,263.01
Total	15,362,098.03

64. Other cash paid to investment activities√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Disposal of subsidiaries	6,922,378.31
Total	6,922,378.31

65. Other cash paid to financing activities√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Repurchase of shares	897,308,684.04
Cash paid to lease	549,040,170.19
Cash paid for acquisition of subsidiaries through business combination under common control	70,000,000.00
Purchase of minority interests in subsidiaries	26,677,200.00
Capital reduction of minority shareholders	32,150,000.00
Total	1,575,176,054.23

66. Net profit adjusted to cash flow of operating activities

Net profit adjusted to cash flow of operating activities	Amount for the current period	Amount for the previous period
1. Net profit	9,044,707,283.60	8,009,086,398.35
Add: impairment provision for assets	945,717,504.80	965,138,793.95
Depreciation of fixed assets	2,495,084,122.79	2,206,879,661.56
Amortization of intangible assets	624,592,081.35	446,162,246.74
Amortization of long-term prepaid expenses	257,971,298.59	183,520,989.34
Losses on disposal of fixed assets, intangible assets and other long-term assets ('-' represents 'gains')	24,823,560.50	-22,625,570.58
Loss and gains on change of fair value ('-' represents 'gains')	-31,271,562.35	118,790,175.68
Financial expenses ('-' represents 'gains')	586,874,611.41	179,187,219.23
Loss on investments ('-' represents 'gains')	-1,129,768,360.36	-1,170,336,743.41
Decrease in deferred income tax assets ('-' represents 'increase')	167,338,912.59	404,639,263.48
Increase of deferred income tax liabilities ('-' represents 'decrease')	23,269,005.11	355,270,836.09
Decrease in inventories ('-' represents 'increase')	2,061,410,773.14	-1,486,709,880.77
Decrease of operational account receivables ('-' represents 'increase')	-7,214,512,184.59	-3,327,019,952.50
Increase of operational account payables ('-' represents 'decrease')	-1,469,139,831.65	-1,283,514,973.88
Others	403,433,247.61	386,602,520.58
Net cash flow generated from operational activities	6,790,530,462.54	5,965,070,983.86
2. Significant investment and financing activities not involving cash inflows and outflows:		
Capital transferred from debts		104,128,286.20
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
3. Net changes of cash and cash equivalents:		
Cash balance at the end of the period	55,063,204,392.40	49,360,297,879.69
Less: cash balance at the beginning of the period	53,391,699,929.49	45,204,217,909.49
Add: cash equivalents balance at the end of the period		
Less: cash equivalents balance at the beginning of the period		
Net increase of cash and cash equivalents	1,671,504,462.91	4,156,079,970.20

67. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	55,063,204,392.40	53,391,699,929.49
Including: cash on hand	9,276,508.90	5,312,391.11
Bank deposits always available for payment	54,386,531,893.78	52,978,303,924.04
Other monetary funds always available for payment	667,395,989.72	408,083,614.34
II. Cash equivalents		
Including: Bond investments due within three months		
III. Closing balance of cash and cash equivalents	55,063,204,392.40	53,391,699,929.49

68. Monetary items in foreign currency

Items	Closing balance			Opening balance		
	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
Monetary funds						
USD	1,357,885,660.37	7.2258	9,811,810,204.70	1,290,843,958.56	6.9646	8,990,211,833.81
EUR	62,657,160.60	7.8771	493,556,719.76	47,915,506.82	7.4229	355,672,015.56
JPY	4,788,688,694.25	0.050094	239,884,571.45	2,642,036,348.79	0.052358	138,331,739.15
HKD	386,478,386.16	0.9220	356,333,072.04	647,479,463.24	0.8933	578,393,404.51
Others			2,964,318,986.93			2,630,279,781.27
Subtotal			13,865,903,554.88			12,692,888,774.30
Accounts receivables						
USD	1,212,869,716.78	7.2258	8,763,953,999.52	770,735,456.70	6.9649	5,368,095,382.34
EUR	493,845,255.84	7.8771	3,890,068,464.78	480,679,854.02	7.4229	3,568,038,488.40
JPY	3,198,713,044.48	0.050094	160,236,331.25	4,448,523,930.25	0.052358	232,915,815.94
Others			5,577,933,729.78			3,648,407,445.01
Subtotal			18,392,192,525.33			12,817,457,131.69
Short-term borrowings						
USD	337,613,289.30	7.2258	2,439,526,105.79	337,460,553.02	6.9646	2,350,277,767.57
EUR	451,793,222.38	7.8771	3,558,820,391.98	551,092,544.77	7.4229	4,090,704,850.58
JPY	2,062,700,922.27	0.050094	103,328,940.00		0.052358	
HKD	2,600,762,515.57	0.9220	2,397,903,039.36	2,600,000,000.00	0.8933	2,322,580,000.00
Others			436,936,714.60			518,039,984.83
Subtotal			8,936,515,191.73			9,281,602,602.98
Accounts payables						
USD	1,981,247,523.00	7.2258	14,316,098,351.69	1,941,535,383.62	6.9646	13,522,017,332.77
EUR	278,613,968.27	7.8771	2,194,670,089.44	626,564,863.63	7.4229	4,650,928,326.21
JPY	7,207,385,924.26	0.050094	361,046,790.49	7,649,104,013.60	0.052358	400,491,787.94
NZD	157,171,385.01	4.4003	691,601,245.45	150,709,317.71	4.4162	665,562,488.87
Others			3,558,778,339.29			3,276,292,812.40
Subtotal			21,122,194,816.36			22,515,292,748.19
Non-current liabilities due in one year						
USD	144,292,967.06	7.2258	1,042,632,121.38	501,395,115.52	6.9646	3,492,016,421.53
EUR	92,658,787.96	7.8771	729,882,538.61	82,207,419.42	7.4229	610,217,453.64
JPY	142,631,071.19	0.050094	7,144,960.88	2,057,044,588.88	0.052358	107,702,740.58
RUB	603,084,790.09	0.0834	50,297,271.49	471,424,350.04	0.0942	44,408,173.77
Others			353,602,255.21			86,526,344.63
Subtotal			2,183,559,147.57			4,340,871,134.15

Items	Closing balance			Opening balance		
	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
Long-term borrowings						
USD	1,266,360,000.00	7.2258	9,150,464,088.00	742,230,000.00	6.9646	5,169,335,058.00
EUR	596,367,832.17	7.8771	4,697,649,050.76	698,254,017.68	7.4229	5,183,069,747.86
RUB				250,000,000.00	0.0942	23,550,000.00
Others			1,011,421,765.20			1,014,924,067.59
Subtotal			14,859,534,903.96			11,390,878,873.45

VIII.CHANGES OF CONSOLIDATION SCOPE

1. Business combination not under common control

√ Applicable ☐ Not Applicable

(1) Business combination not under common control occurring in the current period

√ Applicable ☐ Not Applicable

Unit and Currency: EUR

Name of the acquiree	Point of time of acquisition of equity	Cost for acquisition of equity	The proportion of equity acquired (%)	Method of acquisition of equity	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from acquisition date to the end of the period	Net profit of the acquiree from acquisition date to the end of the period
Europaltners Italia Srl	April 2023	2,292,460	100	Acquisition	April 2023	Equity delivery	4,308,308	-205,872

(2) Combination cost and goodwill

√ Applicable ☐ Not Applicable

Unit and Currency: EUR

Items	Europaltners Italia Srl
— Cash	EUR 2,292,460.00
— Contingent consideration	
Total combination cost	EUR 2,292,460.00
Less: acquired share of fair value of net identifiable assets	EUR -10,711,934.00
Amount of goodwill	EUR 13,004,394.00

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(3) Identifiable assets and liabilities of the acquiree on the combination date

√ Applicable ☐ Not Applicable

Unit and Currency: EUR

Items	Europaltners Italia Srl	
	Fair value (EUR)	Book value (EUR)
Monetary funds	97,231.00	97,231.00
Accounts receivables	4,470,509.00	4,470,509.00
Inventories	516,481.00	516,481.00
Other current assets	934,716.00	934,716.00
Long-term asset	339,897.00	339,897.00
Short-term borrowings	-3,026,876.00	-3,026,876.00
Accounts payables	-173,081.00	-173,081.00
Taxes payable	-33,253.00	-33,253.00
Payables for staff's remuneration	-418,771.00	-418,771.00
Other payables	-10,189,660.00	-10,189,660.00
Estimated liabilities	-2,784,819.00	-2,784,819.00
Lease liabilities	-120,569.00	-120,569.00
Long-term payables for staff's remuneration	-323,739.00	-323,739.00
Net assets	-10,711,934.00	-10,711,934.00
Less: minority interests		
Net assets acquired	-10,711,934.00	-10,711,934.00

2. Business consolidation under common control

√ Applicable ☐ Not Applicable

(1). Business combination under common control occurring in the current period

Name of the acquiree	The proportion of equity acquired in the business combination	The basis for the transaction of constituting business combination under common control	Combination date	Recognition basis of combination date
Shanghai Haier Smart Technology Co., Limited	100.00%	Controlled by Haier Group Corporation before and after combination	2023.1	Subject equity-related right and obligation transferred to the Company

(Continued)

Name of the acquiree	The income of the acquiree from the beginning of the current period to combination date	Net profit of the acquiree from the beginning of the current period to combination date	The income of the acquiree during the comparison period	Net profit of the acquiree during the comparison period
Shanghai Haier Smart Technology Co., Limited	N/A	N/A	60,386,152.68	6,271,553.65

(2). Combination cost

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Combination cost	Cash	Equity
Shanghai Haier Smart Technology Co., Limited	70,000,000.00	N/A

(3). Assets and liabilities of the acquiree

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Shanghai Haier Smart Technology Co., Limited	
	Combination date	End of the previous period
Monetary funds	22,886,544.88	22,886,544.88
Accounts receivables	183,024,484.05	183,024,484.05
Inventories	45,073,195.71	45,073,195.71
Other current assets	530,506.71	530,506.71
Deferred income tax assets	1,817,890.71	1,817,890.71
Less: Accounts payables	189,302,217.18	189,302,217.18
Short-term borrowings	28,848,789.90	28,848,789.90
Taxes payable	3,375,065.74	3,375,065.74
Net assets	31,806,549.24	31,806,549.24

3. Disposal of subsidiary

Whether single disposal of investment in subsidiary will result in losing control power:

Items	Qingdao Haishuzhi Enterprise Consulting Service Co., Ltd.
Equity disposal price	
Proportion of equity disposal	100%
Method of equity disposal	Cancellation
Time of loss-of-control	2023.1
Basis for determination the time of loss-of-control	Cancellation
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level	-733.51

4. Changes of consolidation scope due to other reasons

√ Applicable ☐ Not Applicable

- (1) During the period, Chongqing Haier Water Heater Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary, Qingdao Jingxiang Precision Manufacturing Co. (青岛净享精密制造有限公司).
- (2) During the period, Qingdao Haier Home AI Industry Innovation Center Co., Ltd. established a wholly-owned subsidiary, Qingdao Haier Yikang Technology Co., Ltd. (青岛海尔益康科技有限公司).

IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1). Composition of the Group

Name of subsidiary	Principal place of business	Place of registration	Nature of business	% of the voting rights		Acquiring method
				Shareholding Direct	Indirect	
Flourishing Reach Limited	Mainland of China	British Virgin Islands	Group company, which mainly engage in investment holding, the production and sale of washing machines and water heaters, distribution service	100.00%	100.00%	Establishment
Haier Electronics Group Co., Ltd.	Mainland of China and Hong Kong	Bermuda	Group company, which mainly engage in investment holding, the production and sale of water equipment, distribution service	100.00%	100.00%	Establishment
Haier U.S. Appliance Solutions, Inc.	the United States	the United States	Group company, which mainly engage in home appliances production and distribution business		100.00%	Establishment
Haier Singapore Investment Holding Co., Ltd.	Singapore and other overseas areas	Singapore	Group company, which mainly engage in home appliances production and distribution business		100.00%	Business combination under common control
Haier New Zealand Investment Holding Company Limited	New Zealand	New Zealand	Group company, which mainly engage in home appliances production and distribution business		100.00%	Business combination under common control
Candy S.p.A	Europe	Italy	Group company, which mainly engage in home appliances production and distribution business		100.00%	Business combination not under common control
Qingdao Haier Air Conditioner Gen Corp., Ltd.*	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and sale of household air-conditioners	100.00%	100.00%	Business combination under common control
Guizhou Haier Electronics Co., Ltd.*	Huichuan District, Zunyi City, Guizhou Province	Huichuan District, Zunyi City, Guizhou Province	Manufacture and sale of refrigerator	59.00%	59.00%	Business combination under common control
Hefei Haier Air-conditioning Co., Limited*	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air- conditioners	100.00%	100.00%	Business combination under common control

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of the voting rights	Acquiring method
				Direct	Indirect		
Wuhan Haier Electronics Holding Co., Ltd.*	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air- conditioners	60.00%		60.00%	Business combination under common control
Qingdao Haier Air- Conditioner Electronics Co., Ltd.*	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of air- conditioners	100.00%		100.00%	Business combination under common control
Qingdao Haier Information Plastic Development Co., Ltd.*	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacturing of plastic products	100.00%		100.00%	Business combination under common control
Dalian Haier Precision Products Co., Ltd.*	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and sale of precise plastics	90.00%		90.00%	Business combination under common control
Hefei Haier Plastic Co., Ltd.*	Hefei Economic & Technological Development Area	Hefei Economic & Technological Development Area	Manufacture and sale of plastic parts	95.17%	4.83%	100.00%	Business combination under common control
Qingdao Meier Plastic Powder Co., Ltd.*	Qingdao Development Zone	Qingdao Development Zone	Manufacture of plastic powder, plastic sheet and high-performance coatings	40.00%	60.00%	100.00%	Business combination under common control
Chongqing Haier Precision Plastic Co., Ltd.*	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Plastic products, sheet metal work, electronics and hardware	90.00%	10.00%	100.00%	Business combination under common control
Qingdao Haier Refrigerator Co., Ltd.*	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and production of fluorine-free refrigerators	100.00%		100.00%	Establishment
Qingdao Haier Refrigerator (International) Co., Ltd.*	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	Manufacture of refrigerators	100.00%		100.00%	Establishment
Qingdao Household Appliance Technology and Equipment Research Institute*	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and development of home appliances mold and technological equipment	100.00%		100.00%	Establishment
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.*	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development and sales of health- related small home appliance	98.33%		98.33%	Establishment
Qingdao Haier Special Refrigerator Co., Ltd.*	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00%		100.00%	Establishment
Qingdao Haier Dishwasher Co., Ltd.*	Qingdao Development Zone	Qingdao Development Zone	Manufacture of dish washing machine and gas stove	100.00%		100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of the voting rights	Acquiring method
				Direct	Indirect		
Qingdao Haier Special Freezer Co., Ltd.*	Qingdao Development Zone	Qingdao Development Zone	Research, manufacture and sales of freezer and other refrigeration products	100.00%		100.00%	Establishment
Dalian Haier Air- conditioning Co., Ltd.*	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Air conditioner processing and manufacturing	90.00%		90.00%	Establishment
Dalian Haier Refrigerator Co., Ltd.*	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Refrigerator processing and manufacturing	100.00%		100.00%	Establishment
Qingdao Haier Electronic Plastic Co., Ltd.*	Qingdao Development Zone	Qingdao Development Zone	Development, assembling and sales of plastics, electronics and products	100.00%		100.00%	Establishment
Wuhan Haier Freezer Co., Ltd.*	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Research, manufacture and sales of freezer and other refrigeration products	95.00%	5.00%	100.00%	Establishment
Qingdao Haidarui Procurement Service Co., Ltd.*	Qingdao High-tech Zone	Qingdao High-tech Zone	Development, purchase and sale of electrical products and components	98.00%	2.00%	100.00%	Establishment
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.*	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and application of home appliances, communication, electronics and network engineering technology	91.46%	1.01%	92.74%	Establishment
Chongqing Haier Air- conditioning Co., Ltd.*	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sales of air conditioners	76.92%	23.08%	100.00%	Establishment
Qingdao Haier Precision Products Co., Ltd.*	Qianwang ang Road, Jiaonan City	Qianwang ang Road, Jiaonan City	Development and manufacture of precise plastic, metal plate, mold and electronic products for home appliances		70.00%	70.00%	Establishment
Qingdao Haier Air Conditioning Equipment Co., Ltd.*	Jiaonan City, Qingdao	Jiaonan City, Qingdao	Manufacture of home appliances and electronics		100.00%	100.00%	Establishment
Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd.*	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	100.00%	Establishment
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.*	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	100.00%	Establishment
Chongqing Haier Electronics Sales Co., Ltd.*	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of home appliances	95.00%	5.00%	100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of the voting rights	Acquiring method
				Direct	Indirect		
Chongqing Haier Refrigeration Appliance Co., Ltd.*	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Processing and manufacturing of refrigerator	84.95%	15.05%	100.00%	Establishment
Hefei Haier Refrigerator Co., Ltd.*	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Processing and manufacturing of refrigerator	100.00%		100.00%	Establishment
Qingdao Haier Intelligent Building Technology Co., Ltd.*	Qingdao Development Zone	Qingdao Development Zone	Air-conditioning engineer		100.00%	100.00%	Establishment
Chongqing Goodaymart Electric Appliance Sale Co., Ltd.*	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of home appliances and electronics		51.00%	51.00%	Establishment
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited*	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air- conditioners		100.00%	100.00%	Establishment
Qingdao Haier Component Co., Ltd.*	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sales of plastic and precise sheet metal products		100.00%	100.00%	Establishment
Haier Shareholdings (Hong Kong) Limited*	Hong Kong	Hong Kong	Investment	100.00%		100.00%	Establishment
Harvest International Company*	Cayman Islands	Cayman Islands	Investment		100.00%	100.00%	Establishment
Shenyang Haier Refrigerator Co., Ltd.*	Shenbei New Area, Shenyang City	Shenbei New Area, Shenyang City	Manufacture and sales of refrigerator	100.00%		100.00%	Establishment
Foshan Haier Freezer Co., Ltd.*	Sanshui District, Foshan City	Sanshui District, Foshan City	Manufacture and sales of freezer	100.00%		100.00%	Establishment
Zhengzhou Haier Air- conditioning Co., Ltd.*	Zhengzhou Economic and Technological Development Zone	Zhengzhou Economic and Technological Development Zone	Manufacture and sales of air conditioner	100.00%		100.00%	Establishment
Qingdao Haidayuan Procurement Service Co., Ltd.*	Qingdao Development Zone	Qingdao Development Zone	Development, purchase and sale of electrical products and components	100.00%		100.00%	Establishment
Qingdao Haier Intelligent Technology Development Co., Ltd.*	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and research of home appliance products	100.00%		100.00%	Establishment
Qingdao Hairi High Technology Co., Ltd.*	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, manufacture and sales of product model and mould		100.00%	100.00%	Business combination under common control
Qingdao Hai Gao Design and Manufacture Co., Ltd.*	Qingdao High-tech Zone	Qingdao High-tech Zone	Industrial design and prototype production		75.00%	75.00%	Business combination under common control

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of the voting rights	Acquiring method
				Direct	Indirect		
Beijing Haier Guangke Digital Technology Co., Ltd.*	Beijing	Beijing	Development, promotion and transfer of technology		55.00%	55.00%	Business combination under common control
Shanghai Haier Medical Technology Co., Ltd.*	Shanghai	Shanghai	Wholesale and retail of medical facility		66.87%	66.87%	Establishment
Qingdao Haier Technology Co., Ltd.*	Qingdao	Qingdao	Development and sales of software and information product	100.00%		100.00%	Business combination under common control
Qingdao Haier Technology Investment Co., Ltd.*	Qingdao	Qingdao	Entrepreneurship investment and consulting	100.00%		100.00%	Establishment
Qingdao Casarte Smart Living Appliances Co., Ltd.*	Qingdao	Qingdao	Development, production and sales of appliances		100.00%	100.00%	Establishment
Qingdao Haichuangyuan Appliances Sales Co., Ltd.*	Qingdao	Qingdao	Sales of home appliances and digital products		100.00%	100.00%	Establishment
Haier Overseas Electric Appliance Co., Ltd.*	Qingdao	Qingdao	Sales of home appliances, international freight forwarding	100.00%		100.00%	Establishment
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.*	Dalian	Dalian	Sales of home appliances, international freight forwarding	100.00%		100.00%	Business combination under common control
Qingdao Haier Central Air Conditioning Co., Ltd.*	Qingdao	Qingdao	Production and sales of air conditioners and refrigeration equipment		100.00%	100.00%	Establishment
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.*	Hefei	Hefei	Sales of home appliances		100.00%	100.00%	Establishment
Qingdao Weixi Smart Technology Co., Ltd.*	Qingdao	Qingdao	Intelligent sanitary ware		71.43%	71.43%	Establishment
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.*	Beijing	Beijing	Software development	100.00%		100.00%	Establishment
Haier (Shanghai) Electronics Co., Ltd.*	Shanghai	Shanghai	Sales, research and development of home appliances	100.00%		100.00%	Establishment
Shanghai Haier Zhongzhi Fang Chuang Ke Management Co., Ltd.*	Shanghai	Shanghai	Business management consulting, chuankge management	100.00%		100.00%	Establishment
Qingdao Haier Smart Kitchen Appliance Co., Ltd.*	Qingdao	Qingdao	Production and sales of kitchen smart home appliances		100.00%	100.00%	Establishment
GE Appliance (Shanghai) Co., Ltd.*	Shanghai	Shanghai	Sales of home appliances		100.00%	100.00%	Establishment
Qingdao Haier Special Refrigerating Appliance Co., Ltd.*	Qingdao	Qingdao	Production and sales of home appliances		100.00%	100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	% of the voting rights		Acquiring method
				Shareholding Direct	Indirect	
Beijing Zero Micro Technology Co., Ltd.*	Beijing	Beijing	Promotion of technological development		55.00%	Establishment
Laiyang Haier Smart Kitchen Appliance Co., Ltd.*	Laiyang	Laiyang	Production and sales of home appliances		100.00%	Establishment
Hefei Haier Air Conditioning Electronics Co., Ltd.*	Hefei	Hefei	Production and sales of home appliances		100.00%	Establishment
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.*	Shanghai	Shanghai	Research and development of home appliances		100.00%	Establishment
Haier (Shenzhen) R&D Co., Ltd.*	Shenzhen	Shenzhen	Development, research and technical services of household and commercial electrical appliances		100.00%	Establishment
Guangzhou Haier Air Conditioner Co., Ltd.*	Guangdong	Guangdong	Manufacturing of refrigeration and air conditioning equipment		100.00%	Establishment
Qingdao Yunshang Yuyi IOT Technology Co., Ltd.*	Qingdao	Qingdao	IoT technology research and development		60.00%	Establishment
Qingdao Haizhi Robotics Co., Ltd.*	Qingdao	Qingdao	Asset management, equity investment		100.00%	Establishment
Qingdao Jijia Cloud Intelligent Technology Co., Ltd.*	Qingdao	Qingdao	R&D and sales of lighting appliances		80.00%	Establishment
Qingdao Haimeihui Management Consulting Co., Ltd.	Qingdao	Qingdao	Leasing and business services		100.00%	Establishment
Wuxi Yunshang Internet of Clothing Technology Co., Ltd.*	Wuxi	Wuxi	Internet of Things technology R & D		100.00%	Establishment
Qingdao Haidacheng Procurement Service Co., Ltd.*	Qingdao	Qingdao	Development, purchase and sale of electrical products and components	100.00%		Establishment
Guangdong Heilong Intelligent Technology Co. Ltd*	Guangzhou	Guangzhou	Scientific research and technology service sector		76.72%	Business combination not under common control
Beijing Haixianghui Technology Co., Ltd.*	Beijing	Beijing	Scientific research and technology service sector		100.00%	Establishment
Qingdao Hairuijiejing Electronics Co., Ltd.*	Qingdao	Qingdao	Electronic equipment technology research, development, transfer, consulting and services		51.00%	Business combination not under common control

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of the voting rights	Acquiring method
				Direct	Indirect		
Haier Smart Home Experience Cloud Ecological Technology Co., Ltd.*	Qingdao	Qingdao	Technology development of smart home products, whole furniture customization, etc.	100.00%		100.00%	Establishment
Haier Smart Home (Qingdao) Network Co., Ltd.*	Qingdao	Qingdao	Technical services, development, consulting, transfer, etc.		100.00%	100.00%	Establishment
Haier Smart Home (Qingdao) Network Operation Co., Ltd.*	Qingdao	Qingdao	Residential interior decoration, professional construction operation, special equipment installation, upgrading and repair, etc.		100.00%	100.00%	Establishment
Qingdao Internet of Wine Technology Co., Ltd.*	Qingdao	Qingdao	Urban distribution and transportation services, import and export of goods, technology import and export and food business, etc.		100.00%	100.00%	Establishment
Qingdao Linghai Air Conditioning Equipment Co., Ltd.*	Qingdao	Qingdao	Manufacture and production of air conditioner and refrigeration equipment		100.00%	100.00%	Establishment
Shenzhen Yunshang Internet of Clothes Technology Co., Ltd.*	Shenzhen	Shenzhen	Import and export business, Internet, Internet of things, big data, AI, AR and technical services operation		100.00%	100.00%	Establishment
Qingdao Haixiangxue Human Resources Co., Ltd.*	Qingdao	Qingdao	Professional intermediary activities	100.00%		100.00%	Establishment
Jiangxi Haier Medical Technology Co., Ltd.*	Jiangxi	Jiangxi	Wholesale and retail of medical equipment		100.00%	100.00%	Establishment
Qingdao Haizhi Yunlan Technology Co., Ltd.*	Qingdao	Qingdao	Technical service development		100.00%	100.00%	Establishment
Qingdao Haishengze Technology Co., Ltd.*	Qingdao	Qingdao	Air conditioning equipment technical services		100.00%	100.00%	Establishment
Qingdao Hailiyuan Recycling Technology Co., Ltd.*	Qingdao	Qingdao	Electrical and electronic products waste treatment		100.00%	100.00%	Establishment
Qingdao Haier HVAC Equipment Co., Ltd.*	Qingdao	Qingdao	Manufacture and sale of air- conditioners	75.00%	25.00%	100.00%	Establishment
Qingdao Haier Home AI Industry Innovation Center Co., Ltd.*	Qingdao	Qingdao	Integrated service of AI industry application system		100.00%	100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	% of the voting rights		Acquiring method
				Shareholding Direct	Indirect	
Zhejiang Weixi IoT Technology Co., Ltd.*	Zhejiang	Zhejiang	IoT application service		100.00%	Establishment
Qingdao Haier Quality Inspection Co., Ltd.*	Qingdao	Qingdao	Inspection and testing of home appliance	100.00%		Business combination under common control
Qingdao Haiyongcheng Certification Service Co., Ltd.*	Qingdao	Qingdao	Product certification service		100.00%	Business combination under common control
Qingdao Zhonghai Borui Testing Technology Service Co., Ltd.*	Qingdao	Qingdao	Home appliance testing and technology consulting		100.00%	Business combination under common controls
Qingdao Haier Special Plastic Development Co., Ltd.*	Qingdao	Qingdao	Manufacture and sale of refrigerator doors		100.00%	Business combination under common controls
Haier Robot Technology (Qingdao) Co., Ltd.*	Qingdao	Qingdao	Manufacture and sale of service robots		100.00%	Business combination under common controls
Qingdao Ririshun Service Co., Ltd.*	Qingdao	Qingdao	After-sale service of home appliances		100.00%	Business combination under common controls
Qingdao Haizhiling Air Conditioning Engineering Co., Ltd.*	Qingdao	Qingdao	Software development and sale of daily necessities		100.00%	Establishment
Haier Smart Home (Xiongan, Hebei) Technology Co., Ltd.*	Qingdao	Qingdao	Promotion of energy-saving technology		100.00%	Establishment
Qingdao Ruibo Ecological Environmental Technology Co., Ltd.*	Qingdao	Qingdao	Environmental and AI technology consulting	100.00%		Establishment
Qingdao Sanyiniaio Technology Co., Ltd.*	Qingdao	Qingdao	Technology service and advertisement design		100.00%	Establishment
Qingdao Jingzhi Recycle Environmental Technology Co., Ltd.*	Qingdao	Qingdao	Operation of dangerous waste		100.00%	Establishment
Qingdao Yunshang Jieshen Yilian Technology Co., Ltd.*	Qingdao	Qingdao	Professional cleaning and sale of daily necessities		51.00%	Establishment
Shanghai Yunshang Yuyi IoT Technology Co., Ltd.*	Shanghai	Shanghai	Professional cleaning and sale of daily necessities		100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	% of the voting rights		Acquiring method
				Shareholding Direct	Shareholding Indirect	
Shijiazhuang Yunshang Yilian Technology Co., Ltd.*	Shijiazhuang	Shijiazhuang	Professional cleaning and sale of daily necessities		51.00%	Establishment
Nanjing Yunshang Yilian Technology Co., Ltd.*	Nanjing	Nanjing	Professional cleaning and sale of daily necessities		80.00%	Establishment
Shanxi Yunshang Yilian Technology Co., Ltd.*	Shanxi	Shanxi	Professional cleaning and sale of daily necessities		51.00%	Establishment
Tianjin Yunshang Yilian Technology Co., Ltd.*	Tianjin	Tianjin	Professional cleaning and sale of daily necessities		51.00%	Establishment
Chongqing Yunshang Haihong Yilian Technology Co., Ltd.*	Chongqing	Chongqing	Professional cleaning and sale of daily necessities		51.00%	Establishment
Chengdu Yunshang Meier Yilian Technology Co., Ltd.	Chengdu	Chengdu	Professional cleaning and sale of daily necessities		51.00%	Establishment
Beijing Yunshang Yilian Technology Co., Ltd.	Beijing	Beijing	Professional cleaning and sale of daily necessities		51.00%	Establishment
Chengdu Yunshang Yilian Technology Co., Ltd.	Chengdu	Chengdu	Professional cleaning and sale of daily necessities	100.00%	100.00%	Establishment
Qingdao Haier Water Ecology Technology Co., Ltd.	Qingdao	Qingdao	Technical services, development, consulting	100.00%	100.00%	Establishment
Qingdao Haixiangmian Technology Co., Ltd.*	Qingdao	Qingdao	Sale of food and daily necessities	100.00%	100.00%	Establishment
Qingdao Haier Kitchen IoT Technology Co., Ltd.*	Qingdao	Qingdao	Technology service and sale of daily necessities	100.00%	100.00%	Establishment
Tibet Haifeng Intelligent Innovation Technology Co., Ltd.*	Tibet	Tibet	Development of software and medical equipment	100.00%	100.00%	Establishment
Qingdao Haixiangzhi Technology Co., Ltd.*	Qingdao	Qingdao	Manufacturing of home appliances	100.00%	100.00%	Establishment
Qingdao Haier Refrigeration Appliance Co., Ltd.*	Qingdao	Qingdao	Manufacturing of home appliances	100.00%	100.00%	Establishment
Chongqing Haier Washing Appliance Co., Ltd.*	Chongqing	Chongqing	Manufacturing of home appliances	100.00%	100.00%	Establishment
Microenterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd.*	All over the country	All over the country	Sales of home appliances			Establishment

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Reasons for including subsidiaries in which the Company has 50% or less of the equity into the scope of consolidated financial statements:

At the end of the reporting period, the Company had substantial control over the finance and operation decisions of enterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd*, which were included into the scope of consolidated financial statements.

(2). Material non-wholly owned subsidiaries

Name of subsidiary	Shareholding of minority shareholders	Profit or loss attributable to minority shareholders in the current period	Dividends		Balance of minority interests at the end of the period
			announced to be distributed to minority shareholders in the current period	to minority shareholders in the current period	
Guizhou Haier Electronics Co., Ltd.*	41.00%	7,804,274.43			121,526,167.98
Wuhan Haier Electronics Co., Ltd.*	40.00%	5,916,977.69	-8,000,000.00		253,353,839.37

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(3). Summarized financial information in respect of material non-wholly owned subsidiaries

Name of subsidiary	Closing balance					
	Current assets	Non-current Assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guizhou Haier Electronics Co., Ltd.*	504,363,908.40	79,788,445.71	584,152,354.11	281,754,066.42	5,993,000.00	287,747,066.42
Wuhan Haier Electronics Co., Ltd.*	1,047,819,707.79	128,389,588.18	1,176,209,295.97	542,824,697.54		542,824,697.54

(continued)

Name of Subsidiary	Opening balance					
	Current assets	Non-current Assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guizhou Haier Electronics Co., Ltd.*	470,967,911.51	74,062,299.71	545,030,211.22	261,666,739.20	5,993,000.00	267,659,739.20
Wuhan Haier Electronics Co., Ltd.*	924,844,806.17	133,143,608.30	1,057,988,414.47	412,163,241.37		412,163,241.37

Name of subsidiary	Amount for the current period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Guizhou Haier Electronics Co., Ltd.*	714,552,506.74	19,034,815.67	19,034,815.67	-27,399,823.80
Wuhan Haier Electronics Co., Ltd.*	1,297,917,803.23	14,792,444.23	14,792,444.23	-121,090,029.67

(continued)

Name of subsidiary	Amount for the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Guizhou Haier Electronics Co., Ltd.*	687,283,541.12	13,097,320.09	13,097,320.09	-258,232,502.08
Wuhan Haier Electronics Co., Ltd.*	820,118,983.24	2,313,384.36	2,313,384.36	-40,171,033.70

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2. Control over subsidiaries' transactions despite change in owners' equity in subsidiaries

☒ Applicable ☐ Not Applicable

- (1). Descriptions of change in owners' equity in subsidiaries: capital increase by minority shareholders of the Company's subsidiaries resulted in the change in the Company's shareholding ratio.
- (2). Impact of the transactions on minority interests and the equity attributable to shareholders of the Parent Company:

Items	Others
Total consideration for acquisition/disposal	58,827,200.00
Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed	88,821,951.07
Difference	-29,994,751.07
Including: capital reserve adjustment	-29,994,751.07

3. Interests in joint ventures or associates

√ Applicable □ Not Applicable

(1) Joint ventures or associates

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Shareholding	Accounting treatment of investment
Haier Finance Co., Ltd.*	Qingdao	Qingdao	Financial services	42.00%	Equity method
Bank of Qingdao Co., Ltd.*	Qingdao	Qingdao	Commercial Bank	8.19%	Equity method
Wolong Electric (Jinan) Motor Co., Ltd.*	Jinan	Jinan	Motor Manufacturing	30.00%	Equity method
Qingdao Hegang New Material Technology Co., Ltd.*	Qingdao	Qingdao	Steel plate Manufacturing	23.94%	Equity method
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)*	Qingdao	Qingdao	Venture Capital	63.13%	Equity method
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.*	Qingdao	Qingdao	Manufacturing of household appliances	45.00%	Equity method
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.*	Qingdao	Qingdao	Manufacturing of household appliances	49.00%	Equity method
Qingdao Haier Multimedia Co., Ltd.*	Qingdao	Qingdao	R&D and sales of televisions	20.20%	Equity method
Anhui Kunhe Intelligent Technology Co., Ltd.*	Hefei	Hefei	Electrical equipment R&D	30.00%	Equity method
Zhejiang Futeng Fluid Technology Co., Ltd.*	Huzhou	Huzhou	Gas compression machinery development and manufacturing	48.00%	Equity method
Hongtong Environmental Technology (Guangzhou) Co., Ltd.*	Guangzhou	Guangzhou	Machinery and equipment development and manufacturing	15.00%	Equity method
Beijing ASU Tech Co. Ltd*	Beijing	Beijing	Technical service import and export business	34.15%	Equity method
Qingdao Haimu Investment Management Co., Ltd.*	Qingdao	Qingdao	Investment Management	49.00%	Equity method
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)*	Qingdao	Qingdao	Investment Management	24.00%	Equity method
Haineng Wanjia (Shanghai) Technology Development Co., Ltd.*	Shanghai	Shanghai	Construction	20.00%	Equity method
Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd.*	Qingdao	Qingdao	Development of home appliances	35.51%	Equity method
Guangzhou Heying Investment Partnership (Limited Partnership)*	Guangzhou	Guangzhou	Investment	49.00%	Equity method
Qingdao Java Cloud Network Technology Co., Ltd.*	Qingdao	Qingdao	Home online service	22.10%	Equity method
Bingji (Shanghai) Corporate Management Co., Ltd.*	Shanghai	Shanghai	Investment management	45.00%	Equity method
Youjin (Shanghai) Corporate Management Co., Ltd.*	Shanghai	Shanghai	Investment management	45.00%	Equity method
RRS (Shanghai) Investment Co., Ltd.*	Shanghai	Shanghai	Investment management	45.00%	Equity method
Haier Best Water Technology Co., Ltd.*	Qingdao	Qingdao	Water equipment technology development service	49.00%	Equity method

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Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Shareholding	Accounting treatment of investment
Huizhi Xiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)*	Qingdao	Qingdao	Investment management	30.00%	Equity method
Qingdao RRS Huizhi Investment Co., Ltd.*	Qingdao	Qingdao	Investment management	50.00%	Equity method
Qingdao Xinchenghui Technology Co., Ltd.*	Qingdao	Qingdao	Technology service development	20.00%	Equity method
Konan Electronic Co., Ltd.	Japan	Japan	Motor Manufacturing	50.00%	Equity method
HPZ LIMITED	Nigeria	Nigeria	Manufacturing of household appliances	25.01%	Equity method
HNR Company (Private) Limited	Pakistan	Pakistan	Manufacturing of household appliances	31.72%	Equity method
Controladora Mabe S.A.deC.V.	Mexico	Mexico	Manufacturing of household appliances	48.41%	Equity method
Middle East Air conditioning Company, Limited	Saudi Arabia	Saudi Arabia	Sales of household appliances	49.00%	Equity method

(2). Major financial information of significant associates

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

① **Basic information of significant associates:**

Haier Finance Co., Ltd. (hereinafter referred to as “Finance Company”) was established by Haier Group Corporation and its three affiliates via capital contribution. The place of registration and principal place of business of the Finance Company is Yulong International Center, No.178-2 Haier Road, Laoshan District, Qingdao City. The Company’s subsidiaries hold an aggregate of 42.00% equity in the Finance Company.

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② **Financial Information of significant associates:**

Items	Finance company	
	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Current assets	60,760,261,748.08	62,367,859,305.44
Non-current assets	14,106,525,430.12	12,622,422,390.73
Total assets	74,866,787,178.20	74,990,281,696.17
Current liabilities	56,217,272,559.98	56,509,751,262.74
Non-current liabilities	477,492,928.25	480,084,424.03
Total liabilities	56,694,765,488.23	56,989,835,686.77
Minority equity interests		
Equity interest attributable to shareholders of the Parent Company	18,172,021,689.97	18,000,446,009.40
Including: share of net assets calculated based on shareholding percentage	7,632,249,109.79	7,560,187,323.95
Operating income	903,641,445.71	1,033,551,173.17
Net profit	753,528,932.20	758,762,130.10
Other comprehensive income	-21,953,251.63	18,240,788.11
Total comprehensive income	731,575,680.57	777,002,918.21
Dividend received from associates for the year	235,200,000.00	218,400,000.00

(3). **Summarized financial information of insignificant joint ventures or associates**

Investment in Associates	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Bank of Qingdao Co., Ltd.*	3,048,664,137.28	2,934,085,854.00
Wolong Electric (Jinan) Motor Co., Ltd.*	187,141,980.86	174,697,807.74
Qingdao Hegang New Material Technology Co., Ltd.*	321,421,159.71	314,802,331.45
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)*	310,583,924.87	319,245,649.36
Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd.*	774,581,021.45	715,461,260.26
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.*	402,137,740.65	413,367,540.80
Qingdao Haier Multimedia Co., Ltd.*	136,697,369.95	153,550,234.50

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Investment in Associates	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Anhui Kunhe Intelligent Technology Co., Ltd.*	1,997,782.61	1,997,782.61
Zhejiang Futeng Fluid Technology Co., Ltd.*	77,807,408.84	77,807,408.84
Beijing Mr. Hi Network Technology Company Limited*	7,507,759.75	7,507,759.75
Hongtong Environmental Technology (Guangzhou) Co., Ltd.*	4,500,000.00	
Beijing ASU Tech Co., Ltd.*	1,597,057.62	12,829,433.78
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.*		6,914,487.73
Qingdao Haimu Investment Management Co., Ltd.*	2,499,757.88	2,521,766.42
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)*	58,667,049.77	58,905,912.88
Haineng Wanjia (Shanghai) Technology Development Co., Ltd.*	772,938.88	772,938.88
Qingdao Guochuang Intelligent Home Appliance Research Institute Co., Ltd.	47,494,113.67	45,016,334.20
Guangzhou Heying Investment Partnership (Limited Partnership)*	264,290,262.87	285,793,577.87
Qingdao Java Cloud Network Technology Co., Ltd.*	2,210,245.84	2,547,217.00
Bingji (Shanghai) Corporate Management Co., Ltd.*	1,035,293,812.51	1,014,425,293.04
Youjin (Shanghai) Corporate Management Co., Ltd.*	1,881,534,204.54	1,843,591,441.88
RRS (Shanghai) Investment Co., Ltd.*	3,420,153,099.18	3,351,166,257.98
Haier Best Water Technology Co., Ltd.*	153,655,916.48	148,369,638.40
Huizhi Xiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)*	259,222,514.94	238,806,947.64
Qingdao RRS Huizhi Investment Co., Ltd.*	4,083,482.78	4,083,482.78
Qingdao Xinshenghui Technology Co., Ltd.*	8,379,072.57	8,598,002.89
Europalters Italia S.r.l.		15,760,505.28
Orygin LLC	23,430,962.13	13,918,442.26
Konan Electronic Co., Ltd.	64,943,751.73	67,770,092.99
HNR Company (Private) Limited	91,034,937.84	74,366,909.55
HPZ LIMITED	48,217,178.14	88,751,047.98
Controladora Mabe S.A.deC.V.	5,020,264,513.38	4,685,927,386.53
Middle East Airconditioning Company, Limited	8,481,630.61	8,820,101.55
Total book value of investment	17,669,266,789.33	17,092,180,848.82
Total amount of the following financial data of associates calculated based on shareholding percentage		
Net profit	775,751,075.57	635,985,295.85
Other comprehensive income	-6,287,979.19	100,213,218.25
Total comprehensive income	769,463,096.38	736,198,514.10

* For identification purposes only

X. SEGMENT REPORT

√ Applicable ☐ Not Applicable

The Company principally engaged in manufacture and sales of household appliances and relevant services business, manufacture of upstream household appliances parts business and distribution of products of third-party and after-sale business. The Company has three business segments: (1) China smart home business segment; (2) Overseas home appliance and smart home business segment; (3) Other business segments. The management of the Company assesses operating performance of each segment and allocates resources according to the division. Sales between segments were mainly based on market price.

(1) China smart home business segment consists of:

- ① Internet of Food solutions: mainly engages in production and sales of refrigerator/freezers and kitchen appliances.
- ② Internet of Clothing solutions: mainly engages in production and sales of washing machine products.
- ③ Air energy solutions: mainly engages in production and sales of air conditioners products.
- ④ Whole house water solutions: mainly engages in production and sales of water home appliances such as water heaters and water purification products.

(2) Overseas home appliance and smart home business segment mainly includes overseas business segments such as GEA, FPA, Candy, etc.

(3) Other business segments: mainly include channel, equipment components, small home appliance business and others.

Due to centralized management under the headquarters or exclusion from the assessment scope of segment management, the total assets of segments exclude monetary funds, financial assets held for trading, derivative financial assets, dividends receivable, held-for-sale financial assets, other current assets, debt investment, long-term accounts receivable, long-term equity investment, other equity instruments investment, other non-current financial assets, goodwill and deferred income tax assets; the total liabilities of segments exclude long-term and short-term borrowings, financial liabilities held for trading, derivative financial liabilities, taxes payable, interests payable, dividends payable, held-for-sale liabilities, bonds payable, deferred income tax liabilities and other non-current liabilities; profits of segments exclude financial expenses, profit or loss in fair value changes, income from investment, and income on disposal of assets, Non-value-added tax refundable upon imposition component of other income, non-operating incomes and expenses and income tax.

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(1) Information of reportable segments *Segment information for the current period*

Segment information	China smart home business				
	Internet of Food solutions		Air energy solutions	Internet of clothing solutions	Whole house water solutions
	Refrigerator/ freezers	Kitchen appliances	Air conditioners	Washing machine	Water home appliances
Segment revenue	22,245,174,494.04	2,137,875,956.42	23,146,792,438.69	15,344,804,539.96	7,478,162,983.32
Including: external revenue	20,513,039,963.72	1,738,705,376.32	19,538,642,151.26	12,481,254,443.51	7,304,415,738.43
Inter-segment revenue	1,732,134,530.32	399,170,580.10	3,608,150,287.43	2,863,550,096.45	173,747,244.89
Total segment operating cost	19,468,041,944.43	2,063,803,199.86	22,051,219,308.62	13,846,392,069.50	6,459,188,854.83
Segment operating profit	2,777,132,549.61	74,072,756.56	1,095,573,130.07	1,498,412,470.46	1,018,974,128.49
Total segment assets	23,239,854,352.77	3,000,416,287.43	14,759,714,231.41	12,535,668,264.43	6,684,219,823.16
Total segment liabilities	44,871,598,818.76	2,314,305,595.34	13,561,034,973.63	6,801,347,597.38	6,343,307,329.15

(Continued)

Segment information	Overseas home appliance and smart home business	Other businesses	Inter-segment offsetting	Total
Segment revenue	66,917,369,665.27	40,977,428,705.79	-46,621,027,276.93	131,626,581,506.56
Including: external revenue	66,733,299,471.80	3,317,224,361.52		131,626,581,506.56
Inter-segment revenue	184,070,193.47	37,660,204,344.27	-46,621,027,276.93	
Total segment operating cost	63,416,259,276.82	41,489,657,369.91	-46,696,093,626.21	122,098,468,397.76
Segment operating profit	3,501,110,388.45	-512,228,664.12	75,066,349.28	9,528,113,108.80
Total segment assets	72,929,283,142.22	60,477,592,830.12	-67,392,389,630.21	126,234,359,301.33
Total segment liabilities	41,765,578,113.59	61,273,983,045.51	-67,248,139,515.21	109,683,015,958.15

Segment information for the corresponding period of last year

Segment information	China smart home business				
	Internet of Food solutions		Air energy solutions	Internet of Clothing solutions	Whole house water solutions
	Refrigerator/ freezers	Kitchen appliances	Air conditioners	Washing machine	Water home appliances
Segment revenue	21,744,034,195.34	1,988,398,642.99	19,460,445,551.54	14,783,761,779.19	6,786,264,746.43
Including: external revenue	19,263,438,400.09	1,655,732,227.00	15,920,771,259.18	12,473,357,903.20	6,677,037,998.51
Inter-segment revenue	2,480,595,795.25	332,666,415.99	3,539,674,292.36	2,310,403,875.99	109,226,747.92
Total segment operating cost	19,442,607,634.74	1,943,862,296.11	19,004,620,002.77	13,489,839,349.11	5,938,407,699.27
Segment operating profit	2,301,426,560.60	44,536,346.88	455,825,548.77	1,293,922,430.08	847,857,047.16
Total segment assets	14,577,249,272.86	2,326,675,305.96	15,101,978,985.73	14,156,800,879.35	6,504,143,011.57
Total segment liabilities	34,825,770,806.25	1,674,425,538.49	11,709,730,530.33	8,711,401,637.34	5,287,383,764.72

(Continued)

Segment information	Overseas home appliance and smart home business	Other business	Inter-segment offsetting		Total
Segment revenue	61,480,633,415.58	43,401,983,597.38	-48,005,454,549.10		121,640,067,379.35
Including: external revenue	61,195,622,271.60	4,454,107,319.77			121,640,067,379.35
Inter-segment revenue	285,011,143.98	38,947,876,277.61	-48,005,454,549.10		
Total segment operating cost	57,846,314,400.88	43,853,376,910.48	-48,144,459,161.32		113,374,569,132.04
Segment operating profit	3,634,319,014.70	-451,393,313.10	139,004,612.22		8,265,498,247.31
Total segment assets	64,106,295,908.67	46,347,928,710.47	-43,827,387,969.79		119,293,684,104.82
Total segment liabilities	34,773,662,612.50	56,195,162,275.64	-43,594,453,939.48		109,583,083,225.79

(2) Geographical information

“Other countries/regions” in this report refers to all other countries/regions (including Hong Kong and Macau Special Administration Region and Taiwan) other than the mainland China for the purpose of information disclosure.

External transaction revenue

Items	Amount for the current period	Amount for the previous period
Mainland China	63,324,130,550.55	59,139,897,434.39
Other countries/regions	68,302,450,956.01	62,500,169,944.96
Including:		
America	39,133,384,718.31	37,433,676,787.86
Australia	2,949,512,878.44	3,489,830,122.80
South Asia	5,954,521,760.73	4,822,648,942.01
Europe	13,278,015,975.79	10,245,305,312.81
Southeast Asia	3,107,279,065.87	2,922,334,445.85
Central East and Africa	1,162,600,377.18	1,163,078,229.45
Japan	1,947,027,593.72	1,836,927,420.37
Others	770,108,585.97	586,368,683.81
Total	131,626,581,506.56	121,640,067,379.35

Total non-current assets

Items	Closing balance	Opening balance
Mainland China	63,324,130,550.55	59,139,897,434.39
Other countries/regions	68,302,450,956.01	62,500,169,944.96
Total	131,626,581,506.56	121,640,067,379.35

The total non-current assets exclude debt investment, long-term accounts receivable, long-term equity investment, other equity instrument investments, other non-current financial assets, goodwill and deferred income tax assets.

XI. DISCLOSURE OF FAIR VALUE
1. Assets and liabilities measured at fair value

The level to which the fair value measurement result belongs is determined by the lowest level of inputs which are significant to the fair value measurement as a whole:

Level 1: Unadjusted quotes for the same asset or liability in an active market

Level 2: Inputs that are directly or indirectly observable for related assets or liabilities, except for Level 1 inputs.

Level 3: Unobservable inputs of related assets or liabilities.

At the end of the period

Items	Inputs used for fair value measurement			Total
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	
Continuously measured at fair value				
Financial assets held for trading	446,001,131.19	180,384,620.32	108,199,178.37	734,584,929.88
Including: Bank wealth management products		180,384,620.32		180,384,620.32
Investment fund	211,983,501.19			211,983,501.19
Investment in equity instruments	234,017,630.00		108,199,178.37	342,216,808.37
Derivative financial assets		100,132,280.78		100,132,280.78
Including: Forward foreign exchange contract		98,319,153.53		98,319,153.53
Forward commodity contract		1,813,127.25		1,813,127.25
Other equity instruments	16,626,131.24		5,895,728,105.55	5,912,354,236.79
Including: Equity instruments measured at fair value and changes of which included in other comprehensive income	16,626,131.24		5,895,728,105.55	5,912,354,236.79
Derivative financial liabilities		352,914,936.89		352,914,936.89
Including: Forward foreign exchange contract		346,817,213.83		346,817,213.83
Forward commodity contracts		6,097,723.06		6,097,723.06

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At the beginning of the period

Items	Input used for fair value measurement			Total
	Quotes in an	Important	Important	
	active market	observable	unobservable	
	(Level 1)	(Level 2)	(Level 3)	
Continuously measured at fair value				
Financial assets held for trading	395,687,084.83	14,638,968.26	109,586,827.82	519,912,880.91
Including: Bank wealth management products		14,638,968.26		14,638,968.26
Investment fund	168,430,847.63			168,430,847.63
Investment in equity instruments	227,256,237.20		109,586,827.82	336,843,065.02
Derivative financial assets		183,185,160.51		183,185,160.51
Including: Forward foreign exchange contract		178,992,877.32		178,992,877.32
Forward commodity contract		4,192,283.19		4,192,283.19
Other equity instruments	16,353,773.34	1,027,550,923.67	4,807,978,233.19	5,851,882,930.20
Including: Equity instruments measured at fair value and changes of which included in other comprehensive income	16,353,773.34	1,027,550,923.67	4,807,978,233.19	5,851,882,930.20
Derivative financial liabilities		104,594,040.66		104,594,040.66
Including: Forward foreign exchange contract		92,580,419.48		92,580,419.48
Forward commodity contracts		12,013,621.18		12,013,621.18
Other non-current liabilities			16,916,789.10	16,916,789.10
Including: put option liability			16,916,789.10	16,916,789.10

For financial instruments traded in an active market, the Company determines its fair value based on its quotes in an active market; for financial instruments not traded in an active market, the Company uses valuation techniques to determine its fair value.

2. The basis for determining the fair value of the continual Level 2 fair value measurement items

Items	Closing fair value	Valuation techniques
Financial assets held for trading		
Including: Bank wealth management products	180,384,620.32	Discounted cash flow
Derivative financial assets		
Including: Forward exchange contract	98,319,153.53	Discounted cash flow
Forward commodity contract	1,813,127.25	Discounted cash flow
Derivative financial liabilities		
Including: Forward exchange contract	346,817,213.83	Discounted cash flow
Forward commodity contract	6,097,723.06	Discounted cash flow

3. Continual Level 3 fair value measurement major items, the valuation techniques adopted and information of important parameters

Items	Fair value at the end of the period	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Other equity instruments					
Including: 1. COSMO IoT Technology Co., LTD. (卡奥斯物联科技股份有限公司)	2,817,408,000.00	Market approach	1. Average EV/ Sales multiple of peers	1. 1.46 to 1.48	1. 1% increase (decrease) in average EV/Sales multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB116 million.
			2. Discount for lack of marketability	2. 19% to 21%	2. 1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by RMB146 million.

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Items	Fair value at the end of the period	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
2. SINOPEC Fuel Oil Sales Corporation Limited (中国石化销售股份有限公司)	1,519,232,955.16	Market approach	1. Average P/E multiple of peers	1. 33.07 to 33.73	1. 1% increase (decrease) in average P/E multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB15.19 million.
			2. Discount for lack of marketability	2. 25.23% to 27.23%	2. 1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by RMB20.59 million.

4. Financial instruments not measured at fair value

Financial assets and financial liabilities not measured at fair value include: monetary funds, bills receivable, accounts receivable, other receivables, other current assets, long-term and short-term borrowings, bills payable, accounts payable, other payables, long-term payables, bonds payable, etc. The difference between the book value and the fair value of financial assets and financial liabilities not measured at fair value at the end of the period is small.

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Explanation for basis of identifying related party

According to Accounting Standards for Business Enterprises No. 36 — Related Party Disclosures, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party. Parties (two or more than two) are also considered to be related if they are subject to common control, joint control or significant influence from another party.

According to Management Practices for Information Disclosure of Listed Company (China Securities Regulatory Commission Order No. 182), related legal entity or individual will be identified as related parties in certain occasions.

(II) Relationships between related parties

1. Information about the parent company and other companies holding shares of the Company

Name of enterprise	Type of enterprise	Registered place	Registered capital	Legal representative	Relationships with the Company	Interest in the Company	Voting rights to the Company
Haier Group Corporation	Collective ownership company	Qingdao High-tech Zone Haier Park	311,180,000	Zhou Yunjie	Parent Company	11.36%	11.36%
Haier COSMO Co., Ltd.	Joint-stock company	Qingdao High-tech Zone Haier Park	631,930,000	Zhou Yunjie	Subsidiary of Parent Company	13.34%	13.34%
HCH (HK) Investment Management Co., Limited	Private company	Hong Kong	HKD 10,000	/	Parties acting in concert of Parent Company	5.71%	5.71%
Qingdao Haier Venture & Investment Information Co., Ltd.	Company with limited liability	Qingdao Free Trade Zone	923,000,000	Zhou Yunjie	Parties acting in concert of Parent Company	1.83%	1.83%
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	Limited partnership	Qingdao High-tech Zone Haier Park	118,924,416	/	Parties acting in concert of Parent Company	1.42%	1.42%
Haier International Co., Limited	Private company	Hong Kong	HKD 2	/	Parties acting in concert of Parent Company	0.62%	0.62%

2. Subsidiaries of the Company

The details of the subsidiaries of the Company are detailed in Note IX. 1 the disclosure of interests in subsidiaries

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3. Joint ventures and associates of the Company

The information of material joint ventures or associates of the Company are detailed in Note VII. 12 and Note IX. 3.

4. Related company with no controlling relationship

Name of company	Relationship with the Company
Chongqing Zhonglian Energy Technology Co., Ltd.	Subsidiary of Haier Group
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Subsidiary of Haier Group
Hongkong Gooday Supply Chain Management Limited	Subsidiary of Haier Group
Shanghai Cotai Supply Chain Management Co., Ltd.	Subsidiary of Haier Group
Shandong COSMO Smart Carbon Technology Co., Ltd. (山东卡奥斯智碳科技有限公司)	Subsidiary of Haier Group
Gooday Supply Chain Technologies Co., Ltd.	Subsidiary of Haier Group
Gooday (Qingdao) International Supply Chain Service Co., Ltd.	Subsidiary of Haier Group
Qingdao Goodaymart Supply Chains Co., Ltd.	Subsidiary of Haier Group
Qingdao Manniq Intelligent Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Maidirui Ecological Environment Technology Co., Ltd. (青岛迈帝瑞生态环境科技有限公司)	Subsidiary of Haier Group
Qingdao Oasis Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Haina Cloud Intelligent System Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Parts Procurement Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Trading Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.	Subsidiary of Haier Group
COSMO Energy Technology Co., Ltd. (卡奥斯能源科技有限公司)	Subsidiary of Haier Group
COSMO Moulds (Qingdao) Co., Ltd. (卡奥斯模具(青岛)有限公司)	Subsidiary of Haier Group

Name of company	Relationship with the Company
Henan Ririshun Electronics Co., Ltd. (河南日日顺电器有限公司)	Subsidiary of Haier Group
Haier Digital Technology (Qingdao) Co., Ltd. (海尔数字科技(青岛)有限公司)	Subsidiary of Haier Group
Feiketeng Intelligent Technology (Qingdao) Co., Ltd. (斐科腾智能科技(青岛)有限公司)	Subsidiary of Haier Group
Dalian Haier International Trade Co., Ltd.	Subsidiary of Haier Group
Chongqing Zhonglian Energy Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Trade Co., Ltd.	Subsidiary of Haier Group
Qingdao Dingteng Industrial Technology Co., Ltd. (青岛顶腾工业科技有限公司)	Subsidiary of Haier Group
Haier International Co., Ltd.	Subsidiary of Haier Group
Qingdao Haironghui Commercial Factoring Co., Ltd. (青岛海融汇商业保理有限公司)	Subsidiary of Haier Group
Qingdao Haier New Materials R&D Co., Ltd.	Subsidiary and associate of Haier Group
Qingdao Haier Multi-media Co., Ltd.	Associate
Controladora Mabe S.A.de C.V.	Associate
HNR Company (Private) Limited	Associate
HPZ Limited	Associate
Mitsubishi Heavy Industry Haier (Qingdao) Air Conditioner Co., Ltd.	Associate
Wolong Electric (Jinan) Motor Co., Ltd.	Associate
Qingdao HBIS Composite New Material Co., Ltd.	Subsidiary of associate
Hefei Hegang New Material Technology Co., Ltd.	Subsidiary of associate

(III) Related party transactions

1. Details of the goods and services purchased by the Company from the related parties are as follows:

Related parties	Amount for the current period	Amount for the previous period
Controladora Mabe S.A.de C.V.	5,353,771,339.60	5,992,396,585.28
Qingdao Haier Parts Procurement Co., Ltd.	3,608,931,862.86	3,457,957,900.64
HNR Company (Private) Limited	1,642,887,548.69	2,225,964,262.84
Gooday Supply Chain Technologies Co., Ltd.	1,635,118,057.32	2,566,920,774.21
Shanghai Cotai Supply Chain Management Co., Ltd.	710,764,662.41	760,063,618.26
Chongqing Haier Electrical Appliances Sales Co., Ltd.	623,669,202.51	1,428,396,771.15
Dalian Haier International Trade Co., Ltd.	239,260,166.14	208,746,767.78
Hongkong Gooday Supply Chain Management Limited	230,897,560.82	
Qingdao Haier International Travel Agency Co., Ltd.	89,089,979.11	61,297,205.85
COSMO Energy Technology Co., Ltd. (卡奥斯能源科技有限公司)	76,761,901.60	69,569,511.99
Shandong COSMO Smart Carbon Technology Co., Ltd. (山东卡奥斯智碳科技有限公司)	64,696,625.16	80,950,701.68
Other related parties	2,136,924,689.06	3,081,357,658.81
Total	16,412,773,595.28	19,933,621,758.48

2. Details of the Company's sales of goods to the related parties are as follows:

Related parties	Amount for the current period	Amount for the previous period
HNR Company (Private) Limited	910,139,552.47	371,766,028.14
Controladora Mabe S.A.de C.V.	641,206,803.16	540,669,324.96
Qingdao Haier International Trade Co., Ltd.	372,641,570.39	231,644,878.27
Qingdao Haier Parts Procurement Co., Ltd.	278,395,066.75	244,922,357.53
Qingdao Oasis Technology Co., Ltd.	67,494,605.40	35,266,249.63
HPZ Limited	64,486,834.50	46,402,303.46
Qingdao Haier Multi-media Co., Ltd.	59,259,332.48	62,200,352.87
Qingdao Maidirui Ecological Environment Technology Co., Ltd. (青岛迈帝瑞生态环境科技有限公司)	23,449,912.73	13,919,083.64
Other related parties	157,593,684.21	477,834,122.77
Total	2,574,667,362.09	2,024,624,701.27

3. Payables and receivables from related parties

Items and name of customers	Closing Balance	Opening Balance
Bills receivable:		
Qingdao Haier International Trade Co., Ltd.	16,080,000.00	
Qingdao Haina Cloud Intelligent System Co., Ltd.	14,611,877.83	9,196,905.30
Haier Digital Technology (Qingdao) Co., Ltd. (海尔数字科技(青岛)有限公司)	3,781,061.75	2,338,177.61
Other related parties	8,774,282.17	110,146,954.46
Accounts receivable:		
HNR Company (Private) Limited	1,616,118,570.73	887,316,060.44
Controladora Mabe S.A.de C.V.	211,439,142.79	155,980,651.90
HPZ Limited	107,438,423.43	117,899,486.73
Qingdao Haier Parts Procurement Co., Ltd.	73,740,269.15	155,500,553.65
Mitsubishi Heavy Industry Haier (Qingdao) Air Conditioner Co., Ltd.	31,140,335.33	5,022,843.27
Qingdao Haier International Trade Co., Ltd.	29,370,484.20	147,208,453.41
Qingdao Haina Cloud Intelligent System Co., Ltd.	28,427,659.21	24,917,701.10
Qingdao Maidirui Ecological Environment Technology Co., Ltd. (青岛迈帝瑞生态环境 科技有限公司)	22,384,360.62	12,210,497.95
Chongqing Zhonglian Energy Technology Co., Ltd.	20,861,198.77	48,870,443.21
Other related parties	105,082,043.85	155,667,307.33
Prepayments:		
Qingdao Haier New Materials R&D Co., Ltd.	6,306,045.31	8,445,024.12
HNR Company (Private) Limited		110,370,091.99
Other related parties	31,742,435.43	37,160,925.21
Other receivables:		
Qingdao Haier International Trade Co., Ltd.	50,907,797.74	3,055,976.92
Controladora Mabe S.A.de C.V.	12,511,805.09	12,158,833.50
Other related parties	57,447,464.36	64,740,632.55
Bills payable:		
Qingdao Haier New Materials R&D Co., Ltd.	290,861,916.47	386,075,771.04
Hefei Hegang New Material Technology Co., Ltd.	14,910,195.07	24,471,564.49
Qingdao HBIS Composite New Material Co., Ltd.	21,961,066.66	12,149,382.48
Wolong Electric (Jinan) Motor Co., Ltd.	35,185,356.00	37,773,640.00
Other related parties		181,325,558.83

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Items and name of customers	Closing Balance	Opening Balance
Accounts payable:		
Controladora Mabe S.A.de C.V.	1,434,091,790.96	1,299,452,149.83
HNR Company (Private) Limited	617,699,398.96	
Qingdao Haironghui Commercial Factoring Co., Ltd. (青岛海融汇商业保理有限公司)	233,892,380.58	
Dalian Haier International Trade Co., Ltd.	183,356,349.75	150,178,673.56
Qingdao Haier International Trade Co., Ltd.	174,144,261.90	257,531,848.99
Hongkong Gooday Supply Chain Management Limited	156,672,005.81	250,478,107.49
Qingdao Haier Parts Procurement Co., Ltd.	112,362,213.86	1,860,747,884.39
Qingdao Haier New Materials R&D Co., Ltd.	101,368,554.33	101,958,410.60
Other related parties	470,317,218.34	500,560,356.11
Contract liabilities:		
Wolong Electric (Jinan) Motor Co., Ltd.	46,079,010.86	51,422,207.69
Chongqing Zhonglian Energy Technology Co., Ltd.	17,217,306.92	17,215,206.92
Other related parties	11,849,997.26	13,569,890.19
Other payables:		
Gooday Supply Chain Technologies Co., Ltd.	683,802,257.28	485,473,357.04
Shanghai Cotai Supply Chain Management Co., Ltd.	159,364,583.86	113,720,815.14
Gooday (Qingdao) International Supply Chain Service Co., Ltd.	88,152,940.91	140,136,176.89
Qingdao Goodaymart Supply Chains Co., Ltd.	60,775,443.02	30,669,122.96
Feiketeng Intelligent Technology (Qingdao) Co., Ltd. (斐科腾智能科技(青岛)有限公司)	54,577,602.50	759,000.00
Other related parties	256,634,889.13	315,114,706.81

4. Other related party transactions

- (1) On 29 April 2021, Haier Group Corporation and Haier Group Finance Co., Ltd. (hereafter, the "Finance Company") renewed the Financial Services Framework Agreement, and the "Resolution on the Renewal of the Financial Services Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation and the Estimated Amount of Connected Transaction" was considered and passed at the 2020 Annual General Meeting held on 25 June 2021. The Financial Services Framework Agreement became effective from the passing of the resolution at the general meeting.

Various current balances of the Company and the Finance Company are as follows:

Items	Closing Balance	Opening Balance
Monetary funds deposited at the Finance Company	33,252,316,387.90	31,432,615,224.52
Interest receivable from the Finance Company	661,964,473.38	468,636,097.70
Loans of the Finance Company		60,000,000.00
Interest payable to the Finance Company		46,158.00
Bank acceptance note issued	14,699,167,787.91	21,620,704,761.58
Foreign exchange derivatives of the Finance Company	-11,020,984.32	-2,293,511.73

Various balances of the Company and the Finance Company are as follows:

Items	Amount for the current period	Amount for the previous period
Interest income of the Finance Company	353,842,566.54	260,517,401.68
Interest expense of the Finance Company	413,964.86	4,004,749.21
Service fee of the Finance Company	7,917,428.19	13,688,276.03
Spot foreign exchange business (foreign exchange settlement and sale)	3,287,657,392.00	2,373,997,630.96

- (2) The lease expense of the Company and its subsidiaries for production and operation leased from related parties for the current period was RMB49 million (amount for the corresponding period: RMB60 million).
- (3) Related information on the guarantor of the Company's guaranteed borrowings as a related party at the end of period:

Lender	Closing Balance	Opening Balance	Guarantor
Haier Russian Industries Ltd.		60,000,000.00	Haier Group Corporation
Shanghai Haier Smart Technology Co., Ltd. (上海海尔智能科技有限公司)	7,000,000.00		Senior management of a subsidiary
Total	7,000,000.00	60,000,000.00	

- (4) Haier Group Corporation provided joint liability guarantee for certain bills payable of the subsidiaries of the Company with the guaranteed amount of RMB1,775 million at the end of the period (amount at the beginning of the period: RMB2,311 million).

(IV) Pricing policy

1. Related party sales

Some related parties purchase components through the independent procurement platform of the Company, purchase electrical appliances for sales from the Company, and receive after-sales services, R&D service, housing rental and other business provided by the company due to their business needs. In April 2022, according to the implementation of connected transactions in the early stage and the relevant listing requirements in Hong Kong, the Company and Haier Group Corporation revised and signed the Product and Materials Sales Framework Agreement, the Service Provision Framework Agreement and the Property Leasing Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included that both parties should agree on the price which is not less favourable than those provided by the Company to the Independent Third Parties on arm's length to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement commenced from 1 January 2023 to 31 December 2025, which can be renewed for another three years upon expire.

2. Related parties Procurement

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements of part of raw materials. Moreover, the Company entrusted Haier Group Corporation and its subsidiaries to provide the Company with logistics and distribution, energy and power, basic research and testing, equipment leasing, house leasing and maintenance, greening and cleaning, gift procurement, design, consulting, various ticket booking and other services. In April 2022, according to the implementation of connected transactions in the early stage and the relevant listing requirements in Hong Kong, the Company and Haier Group Corporation revised and signed the Product and Materials Sales Framework Agreement, the Service Provision Framework Agreement and the Property Leasing Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included that both parties should agree on the price which is not less favourable than those provided by the Company to the Independent Third Parties on arm's length to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement commenced from 1 January 2023 to 31 December 2025, which can be renewed for another three years upon expire.

3. Financial aspect

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation, its subsidiaries and other companies. According to the Financial Service Agreement entered among the Company, Haier Group Corporation and other parties, the price of financial services is determined by the principle of not less favourable than market value fair. The Company is entitled to decide whether to keep cooperation relationship with them with the knowledge of the price prevailing in the market and in combination with its own interests. While performing the agreement, the Company could also require other financial service institutions to provide related financial services basing on actual situation. In order to meet the Company's demands such as the avoidance of foreign exchange fluctuation risk, the Company may choose Haier Group Finance Co., Ltd. to provide some foreign exchange derivative business after comparing with comparable companies. The Company will uphold the safe and sound, appropriate and reasonable principle, under which all foreign exchange capital business shall have a normal and reasonable business background to eliminate speculative operation. At the same time, the Company has specified the examination and permission rights, management positions and responsibilities at all levels for its foreign exchange capital business to eradicate the risks of operation by persons and improved its response speed to risks on the premise that the risks are effectively controlled. In June 2021, the Company and Haier Group Corporation signed the Financial Services Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included the deposit interest rate not lower than the maximum interest rate of major banks listed and the loan interest rate not less favourable than the market price to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement expires at 31 December 2023, which can be renewed for another three years upon expire.

4. Others

The Company signed the Intellectual Property Licensing Framework Agreement with Haier Group Corporation in November 2020. According to the agreement, Haier Group has agreed to grant or procure its subsidiaries and contact persons to grant the license to the Company at nil consideration to use all its intellectual property rights, including but not limited to trademarks, patents, copyrights and logos for the products, packaging, services and business introduction documents of the Company. The date of the Intellectual Property Licensing Framework Agreement shall be permanently effective from the H Share listing date. When such specific intellectual property rights expire and are not renewed by Haier Group, our right to use certain intellectual property rights under the Intellectual Property Licensing Framework Agreement will terminate.

XIII.SHARE-BASED PAYMENTS

(1) Share Options

Number of Share Options	Number for the current period
At the beginning of the period	155,282,110.00
Granted during the period	
Vested during the period	
Lapsed during the period	-39,326,966.00
At the end of the period	115,955,144.00

(2) Restricted Shares

Number of restricted shares	Number for the current period	Number for the previous period
At the beginning of the period	8,765,875.00	4,438,027.00
Granted during the period	6,139,263.00	
Vested during the period		
Lapsed during the period		
At the end of the period	14,905,138.00	4,438,027.00

- (3) Based on the latest available subsequent information, such as change in number of vesting employee, result condition of the Company and evaluation of personal performance appraisal of incentive targets, the Company makes the best estimation of the number of vesting equity instruments, based on which, the Company includes services received for the current period in relevant costs of expenses in accordance with the fair value of the equity instrument on the date of grant, and accordingly included in the capital reserve.

Expense recognized in respect of the share-based payment incentive plan for the period: RMB340,000,000 for the stock ownership plan; RMB21,000,000 for the share options; and HKD31,000,000 for the restricted shares.

As of the end of the period, balance associated with the above share-based payment incentive plans provided in the capital reserve amounted to RMB1,346,000,000.

XIV.CONTINGENCIES

☐ Applicable ☒ Not Applicable

As of 30 August 2023, the Company has no significant contingencies that need to be disclosed.

XV. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

As of 30 August 2023, the Company has no significant events subsequent to the balance sheet date that need to be disclosed.

XVI. RISKS RELATED TO FINANCIAL INSTRUMENTS

√ Applicable □ Not Applicable

The book value of various financial instruments on the balance sheet date is as follows:

Financial assets

Items	Closing balance			Total
	Financial assets measured at fair value and changes of which included in current profit and loss	Measured at amortized cost	Financial assets measured at fair value and changes of which included in other comprehensive income	
Monetary funds		55,641,485,513.56	55,641,485,513.56	
Financial assets held for trading	734,584,929.88		734,584,929.88	
Derivative financial assets			100,132,280.78	100,132,280.78
Bills receivable		10,495,699,695.28	10,495,699,695.28	
Accounts receivable		21,742,220,596.23	21,742,220,596.23	
Other receivables		2,746,235,275.21	2,746,235,275.21	
Other current assets		1,447,066,286.66	1,447,066,286.66	
Debt investments		2,254,869,444.45	2,254,869,444.45	
Long-term receivables		302,494,994.66	302,494,994.66	
Other equity instruments			5,912,354,236.79	5,912,354,236.79

Financial assets (Continued)

Items	Opening balance			Total
	Financial assets measured at fair value and changes of which included in current profit and loss	Measured at amortized cost	Financial assets measured at fair value and changes of which included in other comprehensive income	
Monetary funds		54,161,702,227.39	54,161,702,227.39	
Financial assets held for trading	519,912,880.91		519,912,880.91	
Derivative financial assets			183,185,160.51	183,185,160.51
Bills receivable		9,624,191,838.15	9,624,191,838.15	
Accounts receivable		15,886,628,623.99	15,886,628,623.99	
Other receivables		2,401,113,902.55	2,401,113,902.55	
Other current assets		1,642,421,944.45	1,642,421,944.45	
Debt investments		1,034,222,222.22	1,034,222,222.22	
Long-term receivables		305,070,001.45	305,070,001.45	
Other equity instruments			5,851,882,930.20	5,851,882,930.20

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Financial liabilities

Items	Closing balance		Total
	Financial liabilities measured at fair value	Financial liabilities measured at amortized cost	
Short-term borrowings		9,365,184,799.41	9,365,184,799.41
Derivative financial liabilities	352,914,936.89		352,914,936.89
Bills payable		23,187,832,976.22	23,187,832,976.22
Accounts payable		47,160,319,625.82	47,160,319,625.82
Other payables		22,901,109,264.17	22,901,109,264.17
Non-current liabilities due within one year		19,143,918.09	19,143,918.09
Long-term borrowings		18,366,761,352.03	18,366,761,352.03
Long-term payables		43,686,763.73	43,686,763.73

Financial liabilities (Continued)

Items	Opening balance		Total
	Financial liabilities measured at fair value	Financial liabilities measured at amortized cost	
Short-term borrowings		9,672,223,522.36	9,672,223,522.36
Derivative financial liabilities	104,594,040.66		104,594,040.66
Bills payable		25,098,557,730.06	25,098,557,730.06
Accounts payable		41,878,607,182.94	41,878,607,182.94
Other payables		17,517,838,565.99	17,517,838,565.99
Non-current liabilities due within one year		2,854,446,929.32	2,854,446,929.32
Long-term borrowings		13,590,866,873.43	13,590,866,873.43
Long-term payables		44,240,087.94	44,240,087.94
Other non-current liabilities	16,916,789.10		16,916,789.10

Please refer to related items in Note VII for details on each of the financial instruments of the Company. Risks related to these financial instruments and the risk management policies taken by the Company to mitigate these risks are summarized below. The management of the Company manages and monitors these risk exposures to ensure the above risks are well under control.

1. Credit risk

The credit risk of the Company mainly arises from bank deposits, bills receivable, accounts receivable, interest receivable, other receivables and wealth management products.

(1) The Company's bank deposits and wealth management products are mainly deposited in Haier Finance Co., Ltd., state-owned banks and other large and medium-sized listed banks. The interest receivables are mainly the accrued interests from fixed deposits which are deposited in the above banks. The Group does not believe there is any significant credit risk due to defaults of its counterparties which would cause any significant loss. (2) Accounts receivable and bills receivable: The Company only trades with approved and reputable third parties. All customers who are traded by credit are subject to credit assessment according to the policies of the Company, and the payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivable on an ongoing basis and purchases credit insurance for receivables of large-amount credit customers in order to ensure the Company is free from material bad debts risks. (3) Other receivables of the Company mainly include export tax refund, borrowings and contingency provision. The Company strengthened its management and continuous monitoring in respect of these receivables and relevant economic business based on historical data, so as to ensure that the Company's significant risk of bad debts is controllable and will be further reduced.

2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in fulfilling obligations associated with financial liabilities. To control such risk, the Company utilizes various financing methods such as notes settlement and bank loans to strive for a balance between sustainable and flexible financing. It also has obtained bank credit facilities from several commercial banks to satisfy its needs for working capital and capital expenditures.

3. Exchange rate risk

The Company's businesses are based in mainland China, USA, Japan, Southeast Asia, South Asia, central and east Africa, Europe, and Australia, etc. and are settled in RMB, USD, and other currencies.

The Company's overseas assets and liabilities denominated in foreign currencies as well as transactions to be settled in foreign currencies expose the Company to fluctuations in exchange rates. The Company's finance department is responsible for monitoring the size of transactions in foreign currencies and assets and liabilities denominated in foreign currencies to minimize the risk of exposure to fluctuation in exchange rate; the Company resorts the way of signing forward foreign exchange contracts to avoid the risk of exchange fluctuation.

4. Interest rate risk

The Company's interest rate risk arises primarily from its long- and short-term bank loans and bonds payables which are interest-bearing debts. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Group determines the relative proportion of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

XVII. OTHER SIGNIFICANT EVENTS

The Company has no other significant events that need to be disclosed.

XVIII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

Aging	Closing balance	Opening balance
Within 1 year	639,733,948.19	379,679,227.77
1-2 years	185,637,967.37	533,963,843.29
2-3 years	407,731,056.68	
Over 3 years		
Accounts receivable, balance	1,233,102,972.24	913,643,071.06
Allowance for bad debts	27,634.82	
Accounts receivable, net	1,233,075,337.42	913,643,071.06

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

Items	Opening Balance	Increase for the current period		Decrease for the current period		Closing Balance
		Provision for the current period	Other increase	Reversal	Write-off and other movement	
Allowance for bad debts		27,634.82				27,634.82

Items	Opening Balance	Increase for the current period		Decrease for the current period		Closing Balance
		Provision for the current period	Other increase	Reversal	Write-off and other movement	
Allowance for bad debts		27,634.82				27,634.82

2. Other receivables

Items	Closing balance	Opening balance
Interest receivable	61,817,349.90	29,783,516.95
Dividend receivable	1,244,013,185.59	1,015,840,000.00
Other receivables	18,246,361,545.43	13,341,408,140.62
Total	19,552,192,080.92	14,387,031,657.57

(1) Interest receivable:

Items	Closing balance	Opening balance
Within 1 year	61,817,349.90	29,783,516.95
Over 1 year		
Total	61,817,349.90	29,783,516.95

(2) Dividend receivable:

Aging	Closing Balance	Opening Balance
Within 1 year	1,228,173,185.59	1,000,000,000.00
More than 1 year	15,840,000.00	15,840,000.00
Total	1,244,013,185.59	1,015,840,000.00

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(3) Other receivables:

① The disclosure of other receivables by aging is as follows:

Aging	Closing balance	Opening balance
Within 1 year	9,535,068,221.86	6,278,019,144.67
Over 1 year	8,714,658,206.46	7,066,828,954.97
Other receivables, balance	18,249,726,428.32	13,344,848,099.64
Allowance for bad debts	3,364,882.89	3,439,959.02
Other receivables, net	18,246,361,545.43	13,341,408,140.62

② Changes in allowance for bad debt of other receivables in the current period:

Items	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision for the current period	Other increase	Reversal	Write-off and other movement	
Allowance for bad debts	3,439,959.02			75,076.13		3,364,882.89

3. Long-term equity investment

√ Applicable ☐ Not Applicable

(1) Details of long-term equity investments:

Items	Closing balance		Opening balance	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Long-term equity investments				
Including: long-term equity investments in subsidiaries	51,557,871,986.31	7,100,000.00	49,632,299,728.31	7,100,000.00
Long-term equity investments in associates	3,315,511,301.75	109,300,000.00	3,228,239,799.56	109,300,000.00
Total	54,873,383,288.06	116,400,000.00	52,860,539,527.87	116,400,000.00

(2) Long-term equity investments in subsidiaries

Name of investee	Opening balance	Increase/ Decrease for the current period	Closing balance	Impairment provisions at the end of the period provisions
I. Subsidiaries:				
Chongqing Haier Electronics Sales Co., Ltd.	9,500,000.00		9,500,000.00	
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	34,735,489.79		34,735,489.79	
Qingdao Haier Refrigerator Co., Ltd.	402,667,504.64		402,667,504.64	
Qingdao Haier Special Refrigerator Co., Ltd.	426,736,418.99		426,736,418.99	
Qingdao Haier Information Plastic Development Co., Ltd.	102,888,407.30		102,888,407.30	
Dalian Haier Precision Products Co., Ltd.	41,836,159.33		41,836,159.33	
Hefei Haier Plastic Co., Ltd.	72,350,283.21		72,350,283.21	
Qingdao Haier Technology Co., Ltd.	16,817,162.03		16,817,162.03	
Qingdao Household Appliance Technology and Equipment Research Institute	66,778,810.80		66,778,810.80	
Qingdao Meier Plastic Powder Co., Ltd.	24,327,257.77		24,327,257.77	
Chongqing Haier Precision Plastic Co., Ltd.	47,811,283.24		47,811,283.24	
Qingdao Haier Electronic Plastic Co., Ltd.	69,200,000.00		69,200,000.00	
Dalian Haier Refrigerator Co., Ltd.	138,600,000.00		138,600,000.00	
Dalian Haier Air Conditioner Co., Ltd.	99,000,000.00		99,000,000.00	
Hefei Haier Air-conditioning Co., Limited	79,403,123.85		79,403,123.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	238,758,240.85		238,758,240.85	
Qingdao Haier Air-Condition Electronic Co., Ltd.	1,131,107,944.51		1,131,107,944.51	
Qingdao Haier Air Conditioner General Corp., Ltd.	220,636,306.02		220,636,306.02	
Qingdao Haier Special Freezer Co., Ltd.	471,530,562.76		471,530,562.76	
Qingdao Haier Dishwasher Co., Ltd.	206,594,292.82		206,594,292.82	
Wuhan Haier Freezer Co., Ltd.	47,310,000.00		47,310,000.00	
Wuhan Haier Electronics Co., Ltd.	100,715,445.04		100,715,445.04	
Chongqing Haier Air Conditioner Co., Ltd.	100,000,000.00		100,000,000.00	
Hefei Haier Refrigerator Co., Ltd.	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliances Services Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.	91,750,000.00		91,750,000.00	
Shanghai Haier Zhongzhi Fang Chuang Ke Space Management Co., Ltd.	2,000,000.00		2,000,000.00	
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	100,000,000.00		100,000,000.00	
Haier Shareholdings (Hong Kong) Limited	26,180,674,326.24	1,802,702,258.00	27,983,376,584.24	

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Name of investee	Opening balance	Increase/ Decrease for the current period	Closing balance	Impairment provisions at the end of the period provisions
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air Conditioner Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.00		130,000,000.00	
Qingdao Haier Technology Investment Co., Ltd.	367,505,635.00	42,870,000.00	410,375,635.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.	10,000,000.00		10,000,000.00	
Haier Overseas Electric Appliance Co., Ltd.	500,000,000.00		500,000,000.00	
Haier (Shanghai) Electronics Co., Ltd.	12,500,000.00		12,500,000.00	
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	143,000,000.00		143,000,000.00	
Haier Electronics Group Co., Ltd.	3,979,407,602.61		3,979,407,602.61	7,100,000.00
Flourishing Reach Limited (SPVX)	12,751,300,336.02		12,751,300,336.02	
Qingdao Haidarui Procurement Service Co., Ltd.	107,800,000.00		107,800,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	326,400,000.00		326,400,000.00	
Qingdao Haidacheng Procurement Service Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haier Quality Inspection Co. Ltd.	18,657,135.49		18,657,135.49	
Qingdao Haier Home AI Industry Innovation Center Co. Ltd.	20,000,000.00	80,000,000.00	100,000,000.00	
Haier Smart Home Experience Cloud Ecological Technology Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Ruibo Ecological Environmental Technology Co., Ltd.	55,000,000.00		55,000,000.00	
Total	49,632,299,728.31	1,925,572,258.00	51,557,871,986.31	7,100,000.00

(3) Long-term equity investments in associates

Name of investee	Opening balance	Increase/decrease for the current period			Closing balance	Impairment provisions at the end of the period
		Increase/decrease for the current period	Recognized investment income under equity method	Others		
Wolong Electric (Jinan) Motor Co., Ltd.	168,579,556.35		12,699,100.26		181,278,656.61	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	319,245,649.36		890,827.17	-9,552,551.66	310,583,924.87	
Bank of Qingdao Co., Ltd.	1,162,338,491.42		75,800,061.82	-30,221,860.16	1,207,916,693.08	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	715,461,260.26		59,119,761.19		774,581,021.45	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	413,367,540.80		6,280,892.60	-17,510,692.75	402,137,740.65	21,000,000.00
Qingdao Haier Multimedia Co., Ltd.	153,550,234.49		-16,852,864.54		136,697,369.95	88,300,000.00
Qingdao HBIS New Material Technology Co., Ltd.	295,697,066.88		6,618,828.26		302,315,895.14	
Total	3,228,239,799.56		144,556,606.76	-57,285,104.57	3,315,511,301.75	109,300,000.00

4. Operating revenue and operating cost√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	284,845,756.66	247,445,754.14	53,149,966.60	46,742,634.57
Other business	42,560,950.18	38,775,114.29	40,173,916.73	34,148,754.89
Total	327,406,706.84	286,220,868.43	93,323,883.33	80,891,389.46

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5. Investment income

√ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Investment income from long-term equity investments accounted for using cost method	228,173,185.59	400,000,000.00
Investment income from long-term equity investment accounted for using equity method	144,556,606.76	137,123,178.78
Income from wealth management products	27,987,900.19	11,113,358.17
Investment income from investment in other equity instrument during the holding period		
Total	400,717,692.54	548,236,536.95

XIX. APPROVAL OF FINANCIAL REPORT

This financial report was approved for publication by the Directors of the Company on 30 August 2023.

XX. SUPPLEMENTARY INFORMATION

1. Basic earnings per share and diluted earnings per share

Items	Amount for the current period			Amount for the previous period		
	Earnings per share			Earnings per share		
	(RMB)			(RMB)		
	Weighted average return rate on net assets	Basic earnings per share	Diluted earnings per share	Weighted average return rate on net assets	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Parent Company	9.16%	0.97	0.96	9.23%	0.85	0.85
Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss	8.80%	0.93	0.92	8.71%	0.80	0.80

2. Non-recurring profit or loss

Items	Amount for the current period	Amount for the previous period
Net profit attributable to ordinary shareholders of the Parent Company	8,963,875,999.84	7,959,684,042.65
Less: non-recurring profit or loss	359,898,235.26	468,990,337.27
Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss	8,603,977,764.58	7,490,693,705.38

Statement of non-recurring profit or loss for the current period

Non-recurring profit and loss items	Amount for the current period
Profit and loss on disposal of non-current assets	-21,886,978.96
Government subsidies through the profit and loss, except for government subsidies that are closely related to the Company's normal business operations, comply with national policies and regulations, and continue to be enjoyed in a fixed amount or fixed quantity according to certain standards	409,863,390.47
Gains on investments in subsidiaries, associates and joint ventures in which the investment cost was less than the fair value of identifiable net assets of the investees at the time of acquisition	
Profit and loss from fair value changes of financial assets held for trading and financial liabilities held for trading, as well as investment gains arising from disposal of financial assets held for trading, financial liabilities held for trading and financial assets held for sale, except the effective hedging related to the normal operations of the Company	31,271,562.35
Other non-operating income and expenses except the aforementioned items	30,661,194.26
Effect of minority equity interest (After Tax)	-12,347,767.84
Effect of income tax	-77,663,165.02
Effect of profit from business combination under common control	
Total	359,898,235.26

Chairman of the Board: LI Huagang

Date of approval for publication by the Board: 30 August 2023

Information of amendment☐ Applicable ☒ Not Applicable

Section XI Responsibility Statement

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

Qingdao, 30 August 2023

The Board of Haier Smart Home Co., Ltd

Li Huagang _____

Gong Wei _____