

Stock Code: 600690 (SH) 、 690D (FSE)

Bond Code: 110049

Short Name: Qingdao Haier

Bond Name: Haier Convertible Bonds

Qingdao Haier Co., Ltd.

2018 Annual Report



Haier

海尔智慧家庭
定制美好生活

Importance Notice

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

II. Information of Directors absent from the meeting.

Position of director absent from the meeting	Name of director absent from the meeting	Reason for the absence of director from the meeting	Name of proxy
Director	Liu Haifeng	Personal affair	Wu Changqi

III. Shandong Hexin Certified Public Accountants LLP has issued a standard and unqualified audit report for the Company.

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

V. Proposal of profit distribution and proposal of capitalizing capital reserves for the reporting period examined and reviewed by the Board

Proposal of profit distribution for the reporting period examined and reviewed by the Board: to declare a cash dividend of RMB3.51 per 10 shares (tax inclusive) to all shareholders based on the total number of shares as at the registration date in respect of future proposal for profit distribution.

VI. Disclaimer in respect of forward-looking statements

☒Application ☐Not applicable

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

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

No

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

No

IX. Important Risk Warnings

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

X. Others

☐Application ☒Not application

Chairman: Liang Haishan

Qingdao Haier Co., Ltd.

29 April 2019

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

Contents

SECTION I DEFINITIONS.....	1
SECTION II GENERAL INFORMATION OF THE COMPANY AND KEY FINANCIAL INDICATORS	3
SECTION III SUMMARY OF THE COMPANY’S BUSINESS	9
SECTION IV DISCUSSION AND ANALYSIS ON OPERATIONS.....	17
SECTION V SIGNIFICANT EVENTS	47
SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS .	89
SECTION VII RELEVANT INFORMATION OF PREFERRED SHARES.....	98
SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES	100
SECTION IX CORPORATE GOVERNANCE.....	111
SECTION X RELEVANT INFORMATION ON CORPORATE BONDS.....	121
SECTION XI RESPONSIBILITY STATEMENT	124
SECTION XII FINANCIAL REPORT	125
SECTION XIII DOCUMENTS AVAILABLE FOR INSPECTION.....	329

SECTION I DEFINITIONS

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
MOFCOM	Ministry of Commerce of the PRC
SSE	Shanghai Stock Exchange
The Company, Qingdao Haier	Qingdao Haier Co., Ltd.
Four Major Securities Newspapers	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Haier Electrics, 1169	Haier Electronics Group Co., Ltd. (a company listed in Hong Kong, stock code: 01169.HK)
GEA	GE Appliances, Household Appliance Assets and Business of General Electric
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, freezer, washing machine, clothes dryer and etc. Its business covers over 50 countries/regions across the world. The Company completed the acquisition of 100% equity interest in Haier New Zealand Investment Holding Company Limited on July 2018, and FPA became a wholly-owned subsidiary of the Company.
CMM	China Market Monitor Co., Ltd., established in 1994, has been focusing on research on retail sales in China consumption market for a long term and is the nationally recognized market research institute in terms of appliance area.
Euromonitor	Euromonitor, established in 1972, is the leading strategic market information supplier and owns over 40 years of experience in respect of publishing market report, commercial reference data and on-line database. They create data and analysis on thousands of products and services around the world.
All view cloud	All view cloud (AVC) is a big data integrated solution provider perpendicular to the smart home field, providing enterprises with big data information services, regular data information services and special data services.

IEC	The International Electrotechnical Commission. Founded in 1906, it is the world's first organization for the preparation and publication of international electrotechnical standardization and is responsible for international standardization for electrical engineering and electronic engineering. The goals of the commission include: to effectively meet the needs of the global market; to ensure that the standards and conformity assessment programs are applied globally in a prioritized manner and to the greatest extent; to assess and improve the quality of products and services involved in its standards; to create conditions for the common use of complicated systems; to improve the effectiveness of the industrialization process; to improve human health and safety, and to protect the environment.
11 Interconnected Factories	Shenyang Refrigerator Interconnected Factory, Foshan Front-Loading Washing Machine Interconnected Factory, Zhengzhou Air-conditioner Interconnected Factory, Qingdao Mold Interconnected Factory, Qingdao Water Heater Interconnected Factory, Qingdao FPA Electrical Machine Interconnected Factory, Jiaozhou Air-Conditioner Interconnected Factory, Huangdao Central Air-Conditioner Interconnected Factory, Huangdao Smart Kitchen Appliance Range Hood Interconnected Factory, Huangdao Smart Kitchen Appliance Stove Interconnected Factory, Qingdao Front-Loading Washing Machine Interconnected Factory
“5+7+N” smart full-scene customized full set program	“5” refers to five physical spaces where Haier keeps upgrading, including smart living room, smart kitchen, smart bathroom, smart bedroom and smart balcony. “7” represents seven whole-house solutions, namely whole-house air, whole-house water, whole-house cleansing and maintenance, whole-house security, whole-house interaction, whole-house health and whole-house internet, while N refers to variables, i.e. users may customize their own smart living scene freely based on their living habit, realizing unlimited possibilities.
Model of RenDanHeYi	“Ren” means staff; “Dan” means the need of users, rather than the “orders”, the English word of “Dan”, in narrow sense. The “ <i>RenDanHeYi Model</i> ” encourages the integration of staff with users, and “win-win” means to realize every employee's value while creating value for users.
IEEE	The Institute of Electrical and Electronics Engineers, an international association of electronic technology and information science engineers, is currently the largest non-profit professional technology society in the world. It is committed to the development and research of electrical, electronic, computer engineering and science-related fields, and has now developed into an international academic organization with great influence in terms of the fields of space, computer, telecommunications, biomedicine, power and consumer electronics.

SECTION II GENERAL INFORMATION OF THE COMPANY AND KEY FINANCIAL INDICATORS

I. Information of the Company

Chinese Name	青岛海尔股份有限公司
Chinese Short Name	青岛海尔
English Name	QINGDAO HAIER CO.,LTD.
English Short Name	HAIER
Legal representative	Liang Haishan

II. Contact Person and Contact Information

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

III. Summary of the General Information

Registered address	Haier Industrial Park, Laoshan District, Qingdao City
Postal code	266101
Business address	Haier Information Industrial Park, Laoshan District, Qingdao City
Postal code	266101
Website	http://www.haier.net/en/
Email	9999@haier.com

IV. Place for Information Disclosure and Deposit

Designated newspaper for information disclosure	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily
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Website for publishing of annual report as designated by the CSRC	www.sse.com.cn www.xetra.com ; www.degap.de
Deposit place of annual report	Department of Securities of Qingdao Haier Co., Ltd. Haier Information Industrial Park, No.1 Haier Road, Qingdao City

V. Summarized Information of Shares of the Company

Summarized Information of Shares of the Company				
Type of Shares	Stock Exchange of Shares Listed	Stock Short Name	Stock Code	Stock Short Name Before Variation
A shares	Shanghai Stock Exchange	Qingdao Haier	600690	/
D shares	Frankfurt Stock Exchange	QINGDAO HAIER	690D	/

VI. Other Related Information

Accounting firm engaged by the Company (domestic)	Name	Shandong Hexin Certified Public Accountants LLP
	Business address	26th – 27th Floor, Century Building, No.39 Donghai Road West, Qingdao City
	Name of signing accountant	Wang Hui (王晖), Wang Lin (王琳)
Sponsor responsible for continuing supervision during the reporting period	Name	China International Capital Corporation Limited
	Business address	27th & 28th Floor, China World Tower 2, No. 1 Jianguomenwai Avenue, Beijing
	Name of signing sponsors	Sun Lei (孙雷), Li Yang (李扬)
	Period of continuing supervision	18 January 2019 to 31 December 2020
Financial advisor responsible for continuing supervision during the reporting period	Name	China International Capital Corporation Limited
	Business address	27th & 28th Floor, China World Tower 2, No. 1 Jianguomenwai Avenue, Beijing
	Name of signing representative of financial advisor	Hu Xiaojun (胡霄俊), Li Yang (李扬)
	Period of continuing supervision	12 January 2017 to 31 December 2018

Notes:

(1) Financial advisor is responsible for continuing supervision during the reporting period: On 12 January 2017, the Company issued the Report on the Execution of Acquisition of Significant Assets by

Qingdao Haier Co., Ltd., according to which, the acquisition of significant assets related to the acquisition of the appliance business of General Electric had been completed. As the financial advisor for this acquisition of significant assets, China International Capital Corporation Limited will carry out continuing supervision on the Company during the continuing supervision period.

(2) Sponsor is responsible for continuing supervision: During the reporting period, the Company had an issuance of convertible bonds, and the “Haier Convertible Bonds” were listed on 18 January 2019. China International Capital Corporation Limited, as the sponsor of such issue, is responsible for continuing supervision for the remaining time of the year of listing and the following whole fiscal year.

VII. Key accounting data and financial indicators for the last three years

(I) Key accounting data

Unit and Currency: RMB

Key accounting data	2018	2017		yoy change (%)	2016
		After adjustment	Before adjustment		
Operating revenue	183,316,560, 236.03	163,428,82 5,488.56	159,254,466, 909.46	12.17	119,132,261,66 2.60
Net profit attributable to shareholders of the listed company	7,440,228,85 5.90	6,907,629,1 88.39	6,925,792,32 1.27	7.71	5,041,782,280. 78
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed company	6,601,505,59 9.79	5,624,061,7 08.46	5,624,061,70 8.46	17.38	4,332,453,050. 07
Net cash flow from operating activities	18,934,252,8 99.16	16,703,785, 279.98	16,086,588,0 28.31	13.35	8,135,878,351. 88
	As of 31 December 2018	As of 31 December 2017		yoy change (%)	As of 31 December 2016
		After adjustment	Before adjustment		
Net assets attributable to shareholders of the listed company	39,402,350,7 91.68	33,299,583, 555.63	32,215,515,2 01.45	18.33	26,438,188,226 .56
Total assets	166,699,544, 243.79	157,164,34 5,812.30	151,463,110, 707.63	6.07	131,469,157,34 8.79

(II) Key financial indicators

Key financial indicators	2018	2017		yoy change (%)	2016
		After adjustment	Before adjustment		
Basic earnings per share (RMB per share)	1.210	1.133	1.136	6.80	0.827

Diluted earnings per share (RMB per share)	1.182	1.085	1.088	8.94	0.824
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	1.074	0.922	0.922	16.49	0.71
Weighted average return on net assets (%)	21.00	22.89	23.59	Decreased by 1.89 percent point	20.38
Weighted average return on net assets after deducting non-recurring profit or loss (%)	18.63	19.15	19.15	Decreased by 0.52 percent point	17.56

Explanation of the key accounting data and financial indicators of the Company as at the end of the reporting period for the previous three years

☐Applicable ☒Not applicable

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

(I) Differences in net profit and net asset attributable to shareholders of listed company in financial report disclosed simultaneously according to international accounting standards and according to China Accounting Standards(CAS)

☐Applicable ☒Not applicable

(II) Differences in net profit and net asset attributable to shareholders of listed company in financial report disclosed simultaneously according to overseas accounting standards and according to China Accounting Standards(CAS)

☐Applicable ☒Not applicable

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

☐Applicable ☒Not applicable

IX. Key financial data of 2018 by quarters

Unit and Currency: RMB

	Q1 (January-March)	Q2 (April-June)	Q3 (July-September)	Q4 (October-December)
Operating revenue	43,609,601,739	46,946,801,849	47,582,370,823	45,177,785,825
Net profit attributable to shareholders of listed company	1,952,610,308	2,832,731,503	1,341,445,310	1,313,441,735
Net profit after deduction of non-recurring profit or loss attributable to shareholders of listed company	1,761,919,418	2,714,072,148	1,046,481,812	1,079,032,222

Net cash flow from operating activities	2,170,214,541.28	3,378,067,727.60	5,500,897,538.18	7,885,073,092.10
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Reasons for difference between quarterly data and disclosed regular reporting data

☒Applicable ☐Not Applicable

The difference between the quarterly data and the disclosed regular reporting data was due to the Company's business combination under common control during the reporting period, which resulted in retrospective adjustment to the data.

X. Non-recurring Profit or Loss Items and Amount

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Non-recurring profit or loss items	Amount in 2018
Profit or loss from disposal of non-current assets	214,439,336.04
Profit from disposal of long-term equity investments	259,839,279.75
Government grants included in current profit or loss, except that closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards	640,822,529.56
Gains from the costs of investment in the acquisition of subsidiaries, associated companies and joint ventures being lower than the share of the fair value of the transferor's identifiable net assets	185,413.85
Current net profit or loss of subsidiaries from the business combination under common control from the opening of the period to consolidation date	-59,949,487.99
Profit and loss of changes in fair value arising from holding of financial assets held for trading and financial liabilities held for trading except for valid straddle business relevant to normal business of the company, as well as investment gain realized from disposal of financial assets held for trading, financial liabilities held for trading, financial assets available for sale	-15,161,125.59
Trust fee income from entrusted business	1,493,710.69
Other non-operating income and expenses except the aforementioned items	292,041,683.31
Minority interests	-333,421,256.64
Income tax	-161,566,826.87
Total	838,723,256.11

XI. Items Measured by Fair Value

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Item	Opening balance	Closing balance	Change	Impact on profit
Forward foreign currency contract	92,274,790.28	-54,455,694.11	-146,730,484.39	-21,805,376.31
Short-term wealth management products		1,567,648,908.00	1,567,648,908.00	111,636,330.40
Investment in trading equity instruments		19,322,411.35	19,322,411.35	-2,259,981.90
Interest rate swap agreement	51,339,181.17	57,228,769.39	5,889,588.22	
Contingency consideration	-5,384,860.29	-5,705,307.28	-320,446.99	
Investment in other equity instruments	1,415,354,307.82	1,400,316,460.34	-15,037,847.48	105,245,136.33
Long-term wealth management products		327,358,825.57	327,358,825.57	302,047.25
Bulk effective hedging	37,702,676.06	28,275,122.63	-9,427,553.43	
Total	1,591,286,095.04	3,339,989,495.89	1,748,703,400.85	193,118,155.77

XII.Other

☐Applicable ☒Not Applicable

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

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

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

Since its establishment, the Company has been upholding the concept of “taking the user as right and ourselves as wrong”, while adhering to the spirit of entrepreneurship and innovation and the strategy of keeping up with new developments. The Company has always adhered to overseas independent brand creation and through its persistent efforts and industry integration, it has successively acquired the white goods business of Sanyo of Japan, the household appliances business of GE, the Fisher & Paykel business in New Zealand, holds a 48.41% equity in MABE in Mexico, and acquires Italy-based Candy Company to construct the global competitiveness of the trinity of "R&D, manufacturing and marketing". Through continuous optimization of resource integration capabilities and global strategic synergies, the Company achieves the layout and global operation of the seven world-class brands, including Haier, Casarte, Leader, GE Appliances in the USA, Fisher & Paykel in New Zealand, AQUA in Japan and Italy-based Candy. **In 2018, revenue from overseas operation represented 42% of the total revenue while near 100% of the revenue was generated from self-owned brands.**

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

In face of the opportunities and challenges arising in the Internet of Things (“IoT”) era, the Company, through strategic market moves, has initiated the transformation to the IoT platform and established three leading platforms, including U+ Smart Life platform, COSMOplat industrial internet cloud platform, and Shunguang social group platform to focus on continuous iterations of the user's best experience. By offering smart homes solutions and introducing full-range smart life experiences to consumers, Haier has satisfied the needs of a better life for its customers.

2018 Industry Summary

In 2018, the global economy maintained its moderate growth, but the momentum of growth slowed down gradually due to the intensification of trade protectionism, the continued interest rate increase of the U.S. Federal Reserve, the intensification of capital outflows from emerging economies and the continuing turbulence of financial markets. Given the complex and severe situation at home and abroad, China's economic growth remained within a reasonable range, and its economic structure was constantly optimized; its new momentum for development was growing rapidly; people's livelihood continued to improve.

(I) Performance of domestic white goods industry:

In 2018, affected by the weakening of economic growth and the reduced growth of real estate sales, the household appliances industry grew slightly, showing a trend of fast growth first and slow growth later in the year, and the pressure of growth increased continuously in the third and fourth quarters. According to the calculation by China Market Monitor Co., Ltd. (CMM), the market size of China's household appliances industry (excluding 3C) in 2018 was RMB948 billion, representing an increase of 1.1% yoy; the growth rate of the industry had fallen significantly compared with that in 2017 at 14.1%.

Domestic market in 2018: (1) White goods industry: Domestic retail sales of each white goods sub-industry grew slightly. ① The retail volume and the value of the home-use air-conditioner increased by 3.0% and 5.6% respectively; ② For the refrigerator and washing machine market, replacement demand became the primary driver with weak sales volume growth, while the average prices were boosted by structural upgrading, resulted in retail sales maintaining a slight growth trend: retail volume in the refrigerator industry decreased by 5.9%, but the retail value increased by 7.9%; retail volume and retail value of washing machine increased by 0.1% and 5.4% respectively. **(2) Kitchen and bathroom industry:** ① The water heater industry recorded a decrease of 3.2% in retail volume and a growth of 0.5% in retail value in 2018; ② In the kitchen appliance market, hoods and stoves recorded negative growth of 7.9% and 7.1% respectively in terms of retail value.

The trend of consumption upgrade continued, and the characteristics of experience economy and community economy appeared. ① Brand, quality, design and technology became the major factors influencing the consumption decision. Consumers are willing to pay a premium for "good products", and healthy, smart, artistic products with large capacity are increasingly favored. Innovation in product categories promoted industry upgrading, and the average price continued to rise. High value-added sub-categories such as duplex drum washing machines provided space for price increases. According to CMM's offline observed data, the average retail price in the refrigerator industry in 2018 was RMB4,167, representing an increase of 9.9% yoy; the average retail price in the washing machine industry was RMB2,956, representing an increase of 9.93% yoy. ② The trend of consumption differentiation was obvious, and there were more and more young users. ③ The development of the Internet of Things, Big Data, Artificial Intelligence and other technologies accelerated the

intellectualization trend. The interconnection of intelligent household appliances created a brand new, convenient and smart experience. The requirement for household smart solutions has been constantly raised and pushed the transformation of enterprises from manufacturing and marketing to providing a smart life.

With increasing industry concentration, the leadership becomes a core asset. Haier as a leading enterprise focusing on R&D innovation, brand building, and a long-term strategy, increased its market share by relying on comprehensive advantages accumulated in long term market competition. In 2018, new industrial innovation appeared in the household appliances industry, seeking breakthrough opportunities in design, concept and price.

Offline channels showed a negative growth trend, while the proportion of online channels continued to increase but the growth slowed down. The integration of online and offline channels has progressed. E-commerce platform accelerated the deployment in rural markets. Traditional offline channels were also trying to promote business using e-commerce resources. In this sense, channel ecology has become diversified increasingly.

(II) Performance of overseas white goods industry: Due to the level of economic development and market size in each region, performances differed across markets. ① In the U.S. market, the sales of large appliances was basically the same in 2018 as in 2017 ② In the European market, refrigerators and freezers industries benefited from the increase of the proportion of large-capacity refrigerators including those with open doors and multi-doors; washing products maintained a small single-digit growth due to the increasing proportion of large-capacity washing machines, heat pump dryers and intelligent interconnection products. Sales of cookers and embedded products were basically unchanged compared with 2017. ③ The Japanese market recorded a growth of 3% in 2018. ④ The Australian and New Zealand market experienced a negative growth trend in the household appliances market, impacted by the sustained decline in consumer spending and the weakening of the real estate industry. ⑤ In the South Asia markets, affected by inflation, currency depreciation and other factors, Pakistan's economy fluctuated and the growth of household appliances market slowed down; the Indian market was affected by the depreciation of the rupee, rising costs and weakening demand, so growth was flat and lower than expectation.

2019 Industry Outlook:

Domestic Market: In 2019, it is expected that the national economy will grow steadily at a low rate; the real estate market will continue to grow slowly; and there will be no obvious favorable factors for the external economic environment of the household appliances industry, but industrial restructuring and consumption upgrading will continue. The market of household appliances is dominated by demand of replacement, and the quality and improvement consumption demand will be further released. According to AVC's prediction, the total retail sales of white goods (refrigerators, washing machines and

air conditioners) will reach RMB372.9 billion in 2019, representing a growth of 0.4% yoy. The kitchen and bathroom market will still be at a turning point. It is estimated that the retail sales of kitchen appliances and water heaters will reach RMB62.6 billion and RMB64.3 billion, respectively, representing 2.4% and 1.9% yoy decrease, respectively. Industry concentration will increase, and the advantages of leading enterprises will be further strengthened. Industrial structure upgrade, experience improvement and intellectualization will continue in the household appliances industry. Enterprises with strong technological innovation ability, quality control ability and comprehensive product lines will continue to benefit from industrial upgrading.

Overseas Markets: According to the World Bank's report, *2019 Global Economic Prospects*, the global economy will face more severe downside risks in 2019 due to potential escalating trade tensions and fragile international finance markets. Global growth will decrease from 3% in 2018 to 2.9% in 2019, and the slowdown of economic growth will be reflected in developed, emerging and developing economies at the same time. The macroeconomic slowdown will affect the demand for home appliances.

II. Explanation on significant change on major assets of the Company during the reporting period

☐Applicable ☒Not Applicable

III. Analysis on core competitiveness during the reporting period

☒Applicable ☐Not Applicable

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

(I) World-renowned brand competitiveness, comprehensive brand deployment and leading solution capability for smart household appliances

According to the data published by Euromonitor, Haier has been ranked No. 1 among global large home appliances brands for 10 consecutive years. In segments of refrigerators, washing machines, wine cellars, and freezers, the Company continues to be No. 1 in the world. To meet the personalized and diversified needs of users, the Company has broken down the global technical barriers in the household appliances industry and promoted the healthy development of the industry through the global strategic synergy among seven brands of household appliances, namely Haier, Casarte, Leader, GE Appliances in the U.S., Fisher & Paykel in New Zealand, AQUA in Japan and Candy in Italy, realizing a coverage in

global markets and communities.

Leading the high-end market. In 2018, Casarte's market share of air conditioners above RMB10,000 is 42.7%, representing an annual increase of 7.7 percent point; the market share of Fisher & Paykel, the world's top household appliance brand, is No. 1 in New Zealand and maintains its market leadership.

Based on the all-round deployment of brand, research and development, intellectual building, channel, service, ecology and U+ platform, Haier has built up one of the world's leading white goods, kitchen and bathroom industry clusters, covering refrigerators and freezers, washing machines, air conditioners, water heaters and kitchen appliances, and provides consumers with a complete set of "one-stop, full-scene, customized" solutions for smart household appliances.

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

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

2. Leadership in the development of international standards: As of December 2018, Haier as a household appliance enterprise proposed and reviewed the most proposals for international standard in China: Participated in preparation and revision of 60 international standards and submitted 97 international standard revision proposals. At the same time, Haier is also the household appliance enterprise leading the most industry standards in China and has led and participated in 490 national / industrial standards revisions cumulatively. Haier is the only Chinese household appliance enterprise with a seat in the International Electrotechnical Commission's Market Strategy Bureau (IEC/MSB), and the only household appliance enterprise in China that undertakes the membership in International Standards Technical Subcommittee. Haier took the lead in setting up the IEC TC59/SC59M WG4 Refrigerator Preservation International Standard Working Group and led the development of new international standards for refrigerator preservation. In April 2018, in response to the national "the Belt and Road Initiative", Haier created the standard output model for such initiative; Haier also led the development and official release of the world's first AI standard white paper. In addition, the Smart Home, Internet of Clothing and other international standard projects under the leadership of Haier were approved by IEEE.

3. Up to now, Haier has applied for more than 43,000 patents globally, and the proportion of invention patents is higher than 60%, representing the high quality of R&D. With more than 10,000 overseas invention patents in 25 different countries, Haier is the household appliance enterprise with the most overseas invention patents in China. Haier ranked No. 1 in "2018 Hurun Report on IP

Competitiveness” in China. In the 20th China Patent Awards in November 2018, Haier won 1 gold award for patent and 1 gold award for designing, and 12 excellence awards for patents. Haier has won 7 gold awards cumulatively during past China Patent Awards and the total number of gold awards was the highest in the industry, and the proportion of invention patents is higher than 60%. Haier has won 15 State Prizes for Progress in Science and Technology, the highest honor in China's science and technology sector, becoming the household appliance enterprise with the most State Prizes for Progress in Science and Technology, accounting for over half of the prizes within the industry.

4. Innovative R&D mechanism through the HOPE platform: In parallel to independent innovation, Haier opened its global resources, built HOPE (an open innovation platform) to incorporate users, enterprises and resources into the same interactive ecosystem. In addition, Haier continued to make cross-border and disruptive innovation achievements through the effective collaboration and zero-distance interaction of different roles within the community. Currently, the platform can reach 3.8 million world-leading resources, more than 400,000 registered users, and offers over 6,000 creative ideas on average each year, supporting leadership in products and technologies.

(III) Competitiveness of smart manufacturing that leads to change

1. The core competitiveness of Haier’s smart manufacturing is its commitment to long-term value of users through its user-oriented approach and the transition from large-scale manufacturing to large-scale customization. Haier has established 11 global-leading interconnected factories as examples for the industry, and the interconnected capabilities and ecological system cover the whole process. Such businesses cover refrigerators, washing machines, air-conditioners, water heaters, kitchen appliances, electric motors, molds and other fields, fulfilling user's demand for perfect experiences in high-end personalized products and services. Such initiatives resulted in notable effects: the orders from mass customization with full user involvement accounted for 19%, and the orders from mass customization with full client involvement accounted for 52%. This achieved a breakthrough, which eliminated or shortened the period of products in the warehouses. In addition, operational efficiency throughout the process has been enhanced (e.g. the new product R&D cycle has been shortened by more than 50%).

2. COSMOPlat, China’s first and global-leading industrial Internet platform, digitized and commercialized Haier's interconnected factory model. The platform established independent intellectual property rights and integrated Haier's existing functionalities, such as intelligent equipment, intelligent control, mold, and research institutes. The platform has already collaborated with relevant companies in 15 industries, and offered comprehensive solutions and value-added services by the combination of software, hardware as well as relevant services for the clients’ upgrading and smart manufacturing transformation.

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

1. Through an omni-channel distribution system, the Company has achieved full coverage of the first, second, third and fourth-tier domestic markets and provided convenient shopping experience

anywhere, anytime. The Company also maintained strong strategic cooperation with professional offline distribution platforms for household appliances, such as Gome and Suning, as well as e-commerce platforms, such as Tmall and JD.com. In respect of self-owned channels, Haier has established more than 8,000 county-level stores, and more than 30,000 town-level stores. In the comprehensive store channel, the Company has established a number of clubs, such as V58 and V140 Clubs, to maintain close relationship with major regional distribution enterprises of household appliances. In addition, the Company has accelerated the construction of the front channel contacts. Relying on the advantage of multi-brand and product, the Company will build smart and full-scene experience stores to provide displays, design, sales and services in the end-market, and further improve the channel stickiness.

2. Jushanghui (巨商汇) system covers 100% of dealers' customers, and Yilihuo (易理货) covers all township stores, these two channels allow the Company to realize real-time monitoring of dealers from orders taking, sales processing, inventory management to after-sales services.

3. The storage area of Gooday Logistics occupies an area of 4.70 million square meters with 100,000 registered vehicles. Gooday Logistics offers all-weather 24/7 delivery and installation services, and it is dedicated to providing users with comprehensive, timely and high-quality services.

(V) Excellent global operational capability

Focusing on “building own brand independently”, the Company has completed its deployment of a *triple* network comprising R&D, manufacturing and marketing in major overseas markets through organic growth and mergers and acquisitions, and targets to identify and meet local consumers’ demand. The Company is succeeding in transforming from single-brand globalization to multi-brand cross-industry cross-regional globalization. The Company targets a leap from "going out, going in" to "going up" through the integration of global resources. In 2018, the Company focused on branding and product upgrading, and the Company has accelerated the implementation of the transformation of "RenDanHeYi" overseas, deepened its *triple* strategy of “manufacturing, marketing and R&D”, and continued to promote leading smart home solutions overseas in the Internet of Things era. The proportion of overseas revenue in 2018 reached 42% and nearly 100% of it comes from the Company’s own brands.

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

Integrity culture based on quality and service is the core driver of Haier’s continued success. Leveraging on “user-oriented” and “persistent honesty” values, Haier has turned itself from a collectively owned small factory which was on the verge of bankruptcy into one of the largest white goods manufacturers in the world, while keeping a leading position in world-wide innovation in the Internet era. Haier upholds an user-oriented value, and this value stimulates the spirit of innovation, revolution and entrepreneurship of Haier and motivates Haier to follow the trend and continuously improve and challenge itself, so as to seize development opportunities. The win-win model of combining

individual and goal is the assurance of sustainable development of Haier. In exploring the “RenDanHeYi 2.0, Co-create and Win-win ecosystem”, Haier endeavors to build a win-win ecosystem based on user value interaction in a new stage of e-commerce era to make every employee his/her own CEO and realize their own value while creating value for users, and benefiting every party in the ecosystem.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATIONS

I. Discussion and analysis on operations

Led by smart homes and driven by the model of "*RenDanHeYi*", the Company progressed its product technology innovation, retail transformation and global brand marketing; deepened the triple strategy of "manufacturing, marketing and R&D" for localizing operations in foreign markets; and continuously strengthened competitiveness to achieve growth. Facing the opportunities in the era of the Internet of Things, Haier focused on continuous improvement of user experience, established a win-win and value-added ecological circle with its stakeholders, so as to provide users with a better living solution. In addition, an ecological strategy in the era of the Internet of Things was created to cultivate ecological income.

In 2018, the Company's income, net profit attributable to shareholders of the parent company, and net cash flow generated from operating activities all hit a record high, achieving revenue of RMB183.3 billion, representing an increase of 12.2%. Against the adverse industry trend in the third and fourth quarters of 2018, the Company's revenue in the third and fourth quarters achieved a steady growth of 11.5% and 10.4%, respectively. Net profit attributable to shareholders of the parent company for the whole year amounted to RMB7.44 billion and represented an increase of 7.7%; while net profit attributable to shareholders of the parent company after deduction of non-recurring gains and losses amounted to RMB6.6 billion and represented an increase of 17.4%. Net cash flow generated from operating activities amounted to RMB18.93 billion and represented an increase of 13.4% over the same period of last year.

Market share continued to rise: ① In the global market, according to Euromonitor International, an authoritative international market research organization, Haier ranked first in retail sales of large-scale household appliances globally in 2018. Haier has been ranking first for ten times. Haier Refrigerator and Haier Washing Machine continued to rank first in the world. ② In the domestic market, market share of the whole business line has maintained the overall improvement trend since 2017. According to the monthly retail monitoring report by China Market Monitor Co., Ltd. (CMM), the retail share of Haier refrigerators, washing machines, air conditioners, water heaters, range hoods and stoves in the offline market increased by 3.52, 3.68, 0.43, 1.16, 0.99, 0.66 percent point respectively in 2018. Haier refrigerators and washing machines continued to maintain the first place in the industry and expanded their leading edge, the shares of which were 3.08, 1.89 times as much as those of the second brand respectively, thus realizing the ring leading. ③ In the U.S. market, under the adverse environment of a downturn in the household appliances industry, GEA has increased its market share by more than 3 percent point through the effective replication of the "*RenDanHeYi*" model.

In July 2018, the Company was listed in Fortune 500. In January 2019, as the only Asian household appliances company on the list, it was listed in Fortune magazine as "The Most Appreciated Enterprise

in the World in 2019".

Main Achievements in 2018

(I) Insisting on original technological innovation and leading the development of the industry.

Based on creating the best user experience as the starting point, the Company relied on the global layout of its R&D system through technological upgrades and disruptive innovation, leading the formulation of industry international standards, and continuously launching classic original products, leading the upgrading trend of industry consumption and promoting development of the industry.

1. Refrigerator/freezer business

The Company addressed the experience mode and consumption demand of different user groups, and provided a one-stop healthy diet solution for global users through the process of design, R&D and manufacturing, thus creating a better food and scene experience and continuously increasing market share. In 2018, the share of retail sales in the domestic offline market increased by 3.52 percent point to 35.4%; the share in the domestic online market increased by 4.1 percent point to 31.7%.

The Company led the development trend of industry products. ① Casarte refrigerators stand out in the high-end market, with a revenue growth of 31%. Casarte refrigerators focus on the high-end target audience and provide solutions for the best experience of home integration and high-end food ingredients preservation according to users' high-quality lifestyle. The Company has established a multi-layered and multi-dimensional high-end brand community, which interacts with users, and pushes product design to be more relevant to the user needs. In 2018, the Company generated a new generation of Tiancheng series refrigerators, freely embedded T-609 refrigerators. The platform with freely embedded space and MSA oxygen-control preservation solutions, which can satisfy the needs for fresh capacity of big families with three generations. Focusing on healthy diet lifestyle, the Company launched F+420 Jingqiao series refrigerator, providing the best storage solution with a 2:1:1 golden spacing ratio. It was well-received as soon as it was listed on the market. The "F+" product series also won the international "IFA" award, the national "A+ Star Awards", etc. ② Haier Star Kitchen series refrigerators. The full-space preservation series aims at meeting the storage needs of users for "refrigerated dry and wet storage, with frozen original flavor". It realized the disruptive breakthrough of refrigerated and frozen preservation technology through cross-regional, cross-domain and cross-industry integration of R&D resources. The refrigerator's precisely-controlled breeze technology realizes the mode of on-demand air supply and cooling in different partitions, which not only satisfies the needs of consumers to store food in partitions, but also realizes rapid air supply and cooling of the ingredients in the partition, effectively reducing energy consumption and avoiding repeated refrigeration of food in other partitions. For freezing, the Company provided the world's first smart constant temperature system to achieve defrosting hot air without leakage, and achieve that frozen ingredients will not be repeatedly frozen, which leads to juice and texture loss. Compared with ordinary refrigerators, the freezing

temperature fluctuation is reduced by 75%, the defrosting temperature increase is lowered by 50%, and the juice loss rate is reduced by 18%, thus maintaining the original flavor of frozen ingredients. The full-space preservation technology has been awarded the world's first VDE preservation certification and IEC international preservation standard, and the industry's first "China Patent Gold Award" over the past 29 years.

2. Washing machine business

Under the general trend of consumption upgrading, with an aim of providing the best user experience, the Company adheres to technological innovation and product iteration to bring more convenient, efficient and healthier washing experience to users and achieve better market performance. The share of retail sales in the domestic offline market increased by 3.7 percent point to 33.57%; the domestic online market share increased by 6.5 percent point to 34.4%.

Technological innovation. In response to the problem that some high-end fabrics cannot be washed with water, the Company innovated and improved air-washing technology in 2017, which was continuously upgraded for 18 years, with optional washing parameters and smart cleaning procedures. In addition, Haier's washing machine also iterated a number of innovative technologies such as triple IoT clothing identification, smart washing, machine-on-demand, and KDF clean water washing. On 12 December 2018, the Company's "Key Technology and Industrialization of Sectioned Washing of Roller Washing Machines" won the second-class prize of National Science and Technology Progress Award. It was the only National Science and Technology Progress Award granted to the household appliance industry in 2018. It was the first national science and technology advancement award in the history of roller washing machines, and also the only National Science and Technology Progress Award in the washing machine industry over the past decade.

Product iteration. The Company kept increasing the drum diameter of the washing machine through directly driven crystal technology, achieving greater capacity and better washing results. Casarte Shuangziyunshang provided double-roller partitioned washing, silent washing, washing and drying, and enhanced the user experience; Casarte Xianjian, as the world's first "Know Me Well" IoT washing machine for clothes, is equipped with RFID clothing identification technology that can automatically scan the clothing's identification label, quickly identify the material, color, style and other information, and help the softening and washing technology tailor a special fiber-level washing solution.

3. Home-use air conditioner business

The Company is dedicated to the innovation of smart, efficient and healthy products and technologies, providing users with comfortable air solutions, leading the industry to develop a healthy, comfortable and smart trend, and achieve breakthroughs in the high-end market. In the domestic market, the offline share in 2018 increased by 0.43 percent point to 11.45% and maintained an upward trend for

two consecutive years, of which the market share of RMB 15,000 or above reached 38%, representing an increase of 17.7 percent point; in the global context, according to Euromonitor International, Haier Health Self-cleaning air conditioner accounted for 40.7% market share in 2018, ranking first in the world.

In 2018, Casarte TX VIP cabinets, Fresh Air conditioners and other innovative products were introduced into the market, leading the industry development trend. ① Casarte TX VIP cabinets adopted deep ultraviolet UV sterilization and carbon fiber technology to solve problems such as indoor air turbulence and low oxygen content, smartly identify the best apparent temperature for different users in the same room, and distribute air according to temperature partition to resolve health issues caused by direct blowing by air conditioners such as joint pain, catching a cold and triggering of illnesses from air conditioners. In 2018, Casarte home-use air conditioners achieved revenue growth of more than 60%, and the share of high-end market (6,000+ hanging types, 15,000+ cabinets) reached 20%, representing an increase of 125%. ② Ordinary air conditioners adopted internal air circulation mode, which causes repeat usage of indoor air, which increases carbon dioxide concentration and decreases oxygen content in the case where the room was not well-ventilated. Haier's Fresh Air series products were launched to tackle the problem. The products removed polluted indoor air through double-power constant-temperature technology of fresh air purification and dynamic dual-motor technology of balanced air supply; the five-tier purification function supplies fresh air to adjust indoor air to make us comfortable, and a smart management App was added to provide users with comfortable and a healthy air and smart and convenient control experience.

4. Central air conditioner business

Based on the needs of users in different market segments, we launched a series of energy-saving, smart, healthy and convenient products, and seized market opportunities through personalized solutions to further enhance the brand reputation. In 2018, the share of the central air-conditioning increased by 30%, and the share of domestic market reached 9%, representing an increase of one percent point.

Multi-functional air conditioners. The newly launched MX attains a wide range of temperatures, and has smart, energy-saving and comfortable performance based on previous generation products, achieving “resist heat by low temperature and resist freezing by high temperature”. It realizes heat resistance by providing cold air down to -26 °C and freezing resistance by providing hot air up to +54 °C in summer, with a heating effect that is 30% higher than that of conventional types. It is suitable for most parts of the world including extremely hot and cold regions.

Transportation products. Evaporative cold magnetic suspension products were launched for the fast-growing rail transit market. These products had the advantage of small size, high efficiency, low noise, long life expectancy and easy operation. The advantage of power saving and water saving are evident, and COP (equipment energy efficiency) is >5, which met the requirements of energy saving and

reliability of subways. In view of poor construction conditions of subways, the area occupied by large-scale central air-conditioning equipment, and the difficulty of hoisting the product, the structure is made compact in design, flexible in installation, and requires no additional cooling towers and special machine rooms.

Home products. Relying on the Company's global R&D and design and innovation platform, we strengthened the research and development of Casarte's central air conditioning for high-end users in terms of product comfort, quality and service, and integration of home appliances. The launch of Casarte's DYX central air conditioners improved the appearance of traditional outdoor units. We were the first company in the industry which created 21 ° aesthetic arc appearance, integrated panel and dynamic grille, and achieved integration with the home decorative environment. The original smart breeze mode offered a technological breakthrough with temperature, humidity, cleanliness and air supply control: After the set temperature was reached, the panel closes, and the air deflector evenly distributes with 1,314 micropores with a diameter of 2.5 mm which breaks up the airflow, and air supply speed is close to 0.6 m/s. Precise temperature control and more comfortable air supply is achieved. We were the first in the industry to offer 10-year warranty, exceeding the 10-year life expectancy in the industry.

Internet of Things transformation. Haier's central air conditioning, as the pioneer of IoT central air-conditioning, launched the industry's first E+ IoT cloud platform and a full range of IoT central air-conditioning products with IoT magnetic machines. The IoT central air conditioning standard was defined by three tags: self-networking, self-adaptation and self-optimization. We integrated with open resources such as China Mobile and CAICT, and released the first Internet of Things central air-conditioning model in the industry.

5. Water heater business

Focusing on user's demands in terms of safety, health, smart, comfort, etc., we carried out technological innovation and product upgrades, and provided a full-house integrated smart water solution through a range of electric water heaters, gas water heaters, solar water heaters and air energy heat pumps. We continued to expand our leading edge in the industry. In 2018, the retail share of the domestic offline market increased by 1.16 percent point, reaching 18.11%; the online market retail share increased by 3.6 percent point, reaching 22.2%.

Electric water heater: In view of problems such as long heating time, large space occupation, and vulnerability to bacteria and scaling of traditional electric water heaters, we launched Casarte TM series and Haier Jingxiang series. With the application of 3D instant heating technology, a 15-minute bath only needed to be preheated for 5 minutes, which greatly shortened the waiting time. The heaters had the thickness reduced to 278mm, which greatly reduced the space occupation. In order to protect the user's health during bathing, the double-effect anti-scaling function was offered to effectively suppress the development of scale in the water heaters. Three-stage purification technology removed harmful substances such as sediment, rust, residual chlorine and bacteria in the water. By running the smart

module, the water heater automatically recorded and analyzed the user's water habits, and heated in advance to achieve energy saving and comfort. In 2018, the electric water heater business achieved a breakthrough in the technology and product portfolio strategy through the Haier & Casarte brands. The volume increase in the price segment of RMB3,000 or above was 30%.

Gas water heater: Through the cooperation with China's first-class scientific research institutions, we quickly formed a unique differentiated technology, and launched a series of products featuring patented oxygen-enriched blue flame, NOCO and carbon monoxide security to provide safety for the household gas environment. The precisely-controlled constant temperature realized zero-cold water, and turbocharged technology realized waterfall washing, which constantly improved the user's bathing experience. In 2018, Casarte gas water heater CH3 became the first product in China to pass the European three-star certification for the highest level of hot water comfort in Europe. According to CMM 2018 offline statistics, the Company's share of gas water heater retail sales reached 9.61%, being the top five in the industry, representing an increase of 1.32 percent point over the same period of last year, and the retail share reached 9.6%, representing an increase of 1.6 percent point over the same period of last year.

Air energy water heater: The new generation of TM Power air energy water heaters can automatically match the optimal frequency according to the ambient temperature, and makes it possible that the heat pump can be heated up to a high temperature of 80°C at the energy efficiency ratio COP of up to 6.0. The product won the 2018 Best AWE Environmental Award.

Solar water heater: In response of the shortcomings of traditional water heaters, which adopted heat exchange technology such as slow heating, the need of externally-mounted water tanks and complex pipeline with large space occupation, we created the ALL-IN-ONE series to integrate the collector and the heat storage unit into one, without using externally-mounted water tanks in order to save the space. We advanced to localize the technology of GREEN one TEC Solarindustrie GmbH (the world's largest flat solar heat collector manufacturer, an Austria-based subsidiary of the Company), and introduced directly-heated flat-plate technology, which provides heating at twice the rate of traditional solar water heaters. According to CMM offline data, the Company had retail sales and market shares from solar water heaters of 30.37% and 28.29%, respectively.

6. Kitchen appliance business

Integrating FPA and GEA's globally-leading technological advantages, expanding into high-end solutions and building a smart kitchen experience center, we achieved rapid growth in an unfavorable market environment with negative growth in the kitchen appliance industry through our brands Casarte, Haier and Leader. The kitchen appliance business of the Company (excluding North America) achieved revenue growth of 20%, and Casarte kitchen appliance increased 200%. The retail sales share in the domestic online/offline market increased significantly year-on-year: retail sales share of the range hoods

and stoves in the offline market was 4.51% and 5.38%, respectively, an increase of 0.66, 0.99 percent point, respectively; the retail share of the range hoods and stoves in the online market was 6.29% and 4.01% respectively, representing an increase of 1.6, 1.0 percent point, respectively.

Gas stoves: For the safety hazard caused by "forgetting to turn off the stove", we launched the anti-dry gas stove series. The product was equipped with NTC active heat source tracking technology. Once the oil temperature in the pot exceeded 230°C and the bottom temperature reached 298°C, it would start a flameout protection automatically; for fire without the stove working, it would automatically turn off the heat within 3 minutes to ensure the safety of the stove. The industry's first Standard for Anti-drying Household Gas Cookers was also drafted by the Company. Casarte's four-headed gas stove won the AWE Award, and Haier's four-headed induction stove won the Golden Hook Award for the Third China Integrated Kitchen Industrial Design Awards.

Range hoods: ① Casarte kinetic energy range hoods utilized dual-boosting technology to significantly increase the speed and ability of exhaust discharge, redefined kitchen cleaning technology. It won the global IF Design Award. ② Haier air curtain 8 °oil range hoods set up an air curtain barrier between users and range hoods through the oil smoke capture system, effectively avoiding the spread of lampblack, and it won the Health Pioneer Award from the China Household Electric Appliances Research Institute.

Ovens: Casarte steam energy-embedded refrigerator uses FPA cloud moisture-controlled technology, a dynamic thermal temperature control system and frequency conversion temperature technology to achieve steam energy surrounding, cell-level nutrition, providing $\pm 1^{\circ}\text{C}$ precision temperature control and keeping food flavor and moisture in an ideal stage.

(II) Domestic market: the Company deepened retail transformation to enhance competitiveness and achieved growth against the trend.

In the domestic market in 2018, we continued the transformation "from product selling to scheme selling, from contact to conversion, from branch to contact, from price to value" by promoting smart home solutions, improving the quantity and quality of interactions, deepening marketing transformation, strengthening the superiority of Casarte high-end series, and building the young Leader brand. In 2018, domestic market revenue of refrigerators, washing machines, air conditioners, kitchen appliances and water heaters increased by 14%, 13%, 9%, 16% and 9% respectively.

Transformation from product selling to scheme selling: Leading the trend of embedded and integrated home appliances, the Company relied on its multi-brand and product-wide advantages to promote complete smart home appliance solutions and create a "one-stop, full-scene, customized" experience. In 2018, we built 4 smart home city experience centers, 423 full-house smart home integration stores, and 3,037 branch-wide smart home experience stores. Through the transformation of

products, stores, personnel and platforms, we achieved full sets of products, programs, demonstrations, personnel and services to resolve concerns by providing consumers with one-stop solutions to solve problems from single products to complete sets of products to complete sets of solutions. In 2018, the retail sales of whole house integration channel exceeded RMB5 billion, representing an increase of more than 100%.

Transformation from branch to contact: (1) **Offline channels:** Based on the regional market capacity, we promoted the construction of contact networks in business districts, building material channels and cloud stores, in order to increase the breadth and depth of interactions. By creating service brands such as “one-stop building home” and “love home”, we provided a warm service and experience, and promoted the transformation of store and terminal teams. (2) **Online channels:** ① **E-commerce channel:** The Company improved the mid-to-high-end product category and full-scale layout, built online boutique content to establish a complete communication matrix, and used data tools to achieve interaction with members. We integrated branch-wide management and improved interaction in e-commerce channels to achieve improved operational efficiency. E-commerce retail sales growth in 2018 was 29%. ② **Shunguang:** Taking “home” as the core, community interaction as the basis, and user experience iteration as the guide, the transformation from vertical sales channel to platform was realized by introducing consumer brands related to good life. The number of store owners on the platform increased to 1.6 million, representing an increase of 100%.

Transformation from contact to conversion: The Company deepened the marketing transformation, enhanced the brand's volume, and strengthened the brand's leading position. ① By participating in the comprehensive exhibition of high-standard large-scale home appliances in the industry such as China Home Appliances and Consumer Electronics Expo (AWE) and International Consumer Electronics Show (CES), and cooperating with CCTV's “Challenge the Impossible” and other famous programs, the Company strengthened its brand recognition. ② The Company achieved recognition by targeting users through experiencing activities at stores including free air wash of high-end clothes and half-cutting foods in refrigerators to show solutions to good life and smart living. These activities were shared and made public in communities to support our reputation.

Transformation from price to value: (1) **Casarte brand.** Based on continuous iterations in leading product lineups, contact networks, user experience, etc., Casarte stood out in the high-end market with revenue growth of 44%. ① **High-end market share continued to lead:** CMM data showed that in 2018, Casarte refrigerators priced at RMB10,000 or more had a market share of 36%, representing an increase of 5 percent point; the share of washing machines priced at RMB8,000-10,000 was 48.8%, representing an increase of 8.2 percent point; the share of those priced over RMB10,000 was 76.9%, representing an increase of 8 percent point. ② The Company continued to enhance the brand's volume through the programs of Sixianghui, Villa-style life, Hello Life, and the high-end user circle. ③ The Company extended its contact network. According to the distribution of branches and core business districts, more

than 1,800 Casarte stores were built in 2018, and more than 8,000 Casarte stores and 600 Casarte complete brand halls were accumulatively built. (2) Leader brand. In response to the needs of the youth consumer market, the Leader brand adhered to the concept of “light fashion appliances” and achieved rapid growth through breakthroughs in industrial design, products and marketing. The revenue growth in 2018 was 30%, which was more than 30% for two consecutive years. The Company launched the industry's first set of light fashion home appliance L.ONE, to achieve the youthful of all categories of products and meet the needs of fashion users; the youth community was gathered through the Times Young Creative Awards, music festivals, lifestyle festivals, fashion shows and other diversified marketing tools, so as to create a fashion brand concept and enhance brand influence.

(III) Overseas market: We strive for brand leadership, transformation to high-end brands and achieving all-round growth

To localize branding in the overseas market, the Company promoted the coordination of the global operation system and deepened the *triple* strategy for global deployment. Growth in major regions exceeded that of the industry, and all white goods businesses have achieved a double-digit growth. Detailed businesses and performances in major regions are as follows:

North American Market: the US household appliance market stayed flat and weak in demand and GEA continued to promote the RenDanHeYi model in 2018. It promoted business transformation and revenue in the US increased 13%, the fastest growth observed in the US home appliances market.

The Company established a user-centered organization system, to realize end-to-end management, comprehensive responsibility for business results, and accelerate decision-making speed and product launch speed through 12 internal industry platforms. The Company promoted nationwide marketing campaigns targeting specific customers and regions to build brand image. The Company launched leading products to fill shortcomings. In December 2018, GEA was ranked by TWICE the first in the list of 2018 America top 10 Major Appliance Movers & Shakers.

The Company promoted a global co-operation mechanism to generate synergies. ① Procurement synergy: By the end of 2018, GEA and its headquarters had completed 412 new synergies programs. Global sourcing resources were shared through the Spend Cube (Global Sourcing Big Data) system and the CVI (Global Selected Module Library) system. At the end of 2018, the GSOP (Global Sourcing Operation Platform) began global collaborative negotiations, supporting global teams to collaborate efficiently online. ② Supply chain synergy: We established a global supply chain committee to create a world-class manufacturing platform featuring leading-edge technologies and processes and improve operational efficiency by sharing successful practices.

R&D and product synergy: ① The Global R&D Center and Innovation Center made breakthroughs in many core technologies of home appliances such as ice water technology, heat pump technology,

direct drive motor technology, etc.; we made great achievements in unified engineering platform system, home appliance size engineering, global patent management, global standards management and others; ② GEA's VP of Product led the global product committee meeting where six white good businesses, i.e., refrigerators, washing machines, dishwashers, kitchen appliances, air conditioners and water heaters, were covered. Product leadership and product synergy continued to be the focus.

European market: Continued efforts were made to adhere to the localization and transformation to high-end brands strategy of the RenDanHeYi Business model. We relied on leading products to interact with users and provide customers with comprehensive product portfolios so as to enhance the structure and market reputation. In 2018, the Company's revenue in the European market increased 25%, within which the Russian market revenue increased by 37.8%.

(1) Launch of products. ① The Company improved the product structure by launching products including Cube series refrigerator, drawer-type refrigerator and direct drive frequency variable washing machines. In 2018, the price index exceeded 100 for the first time, and it beat the industry average in Europe. (2) Marketing and channel expansion: ① We replicated a successful channel model in China and continued to implement the transformation to high-end channels to enhance point-of-sale display and shopping experience. ② During exhibitions such as Shanghai Home Expo, Italy MCE Exhibition, German IFA Exhibition and etc., we invited core customers to participate in the Company's launches and visit the pavilions. In this way, we could promote their in-depth understanding of the Company's global layout and innovation strength, and strengthen their confidence in cooperating with the Company. (3) Supply Chain build-up: The Russian refrigerator factory operated at full capacity. We continued construction of Haier Russia Industrial Park and Washing Machine Factory and enhanced the efficiency of responding to localization requirements.

In 2018, the Company acquired Candy Group to further improve brand deployment and intensify the efforts to expand in the European market. We made efforts to improve product categories and enhance the coverage of different customer segments in order to accelerate the business development in Europe.

South Asian market: In 2018, Company business in South Asia grew rapidly, with overall growth of 25%.

Pakistan: In 2018, revenue increased 21.7%, with market share ranking first in the local market, which was 1.5 times of the second player. (1) Product Leadership: We took the leading position by developing a full range portfolio covering efficient, healthy, smart and fashionable products through all-dimensional user interaction and product upgrading and iteration: we launched cleaning-free air-conditioner, UPS uninterrupted refrigeration series air-conditioner, and "ONE TOUCH" automatic washing machine to lead the transformation of the automatic washing machine in the market. ② Brand building: A connection was made between online and offline to create a high-end brand image. Online

products took intelligence as the selling point, and attract attention from interactive advertisements and videos; offline stores continued to intensify the point-of-sale by branding, sample product distribution and demos to lead the home appliance shopping experience and educate the market . ③ Channel construction: Promoted distribution transformation from policy-oriented mechanism, which required overstock to retailing strategy led by user experience.

India: 2018 annual growth rate was 41% and that of high-end products was 74%. (1) Product leadership: The refrigerator business has been guided by the differentiation of BM refrigerators to lead the whole business; washing machines have driven the growth of medium and high-end products through leading technologies such as partition washing and variable frequency direct drive; air conditioners have led from frequency conversion technology to intelligent guidance. Air conditioning and air purification were combined into one. The revenue increase in 2018 was 70%. (2) Channel expansion: Efforts were made to promote retail transformation, standardize channel resources, expand the network horizontally and vertically; we focused on e-commerce and regional chain channels to enhance brand image; the Company focused on TOP100 retailers, especially with retailing and display capability. With the training of direct sellers and standardization of customer product demonstrations, the competitiveness of marketing was improved. (3) Brand and marketing: We levered IPL (Indian Premier League) and Asian Cup to implant products and brands, enhance brand awareness and establish a high-end product image. (4) After-sales: We had 500 after-sales service points, and 24-hour quick response services covering 90% of the region; efforts were made to promote the construction of information systems, empowering 3,000 front-line engineers through an APP platform to solve technical issues; we provided innovative services such as safety measurement and mobile service stations to improve brand reputation. (5) Supply chain: The production of Pune Industrial Park has reached 2.2 million sets. It realized the goal of putting into operation, reaching the design capacity and making profits in the same year. The supply chain order guarantee structure and system construction ensures that the order fulfillment and inventory rate of the Industrial Park continued to increase. The supply demands and response rate of terminal sales were ensured. Efforts were made to promote the work related to new projects in the North Industrial Park.

Southeast Asian market: Continued efforts were made to implement brand building and RenDanHeYi business model. In 2018, business and platform resources were combined to continue promoting business transformation. Outstanding performance was observed in Thailand and Malaysia, recording growth of 30% and 36%, respectively. ① Product Leadership: Through efforts to promote the simultaneous launch of global high-end product platforms in the Southeast Asian market and adjust product structure, the proportion of high-end product sales rose to 10%. ② Offline and online resources was integrated to enhance Haier brand awareness; high-end products and brand strategy launches were held to boost the market confidence and enhanced customer stickiness. ③ Channel transformation: Transformation was made from *sell in* to *sell out*. We made full efforts to promote direct seller management and implement daily retail sales reviews; we optimized promoted standardization of the

customer end demonstration, to achieve better shelf rate and display efficiency; we increased the sample distribution of high-end products, enhanced the brand image, and sped up the selling process; ④ After-sales service upgrading: In 2018, we enhanced service satisfaction and reputation by building after-sales outlets and mobile service stations, etc.; the training of technical personnel greatly improved service efficiency and quality.

Japanese market: We adhered to brand building and the “Three High” strategy to continue optimizing refrigerator, freezer and washing machine businesses; a trend of high performance was seen in the business; community washing has achieved a win-win situation in the eco-sphere, cross-industry cooperation and overseas model replication continued to expand. The revenue growth in 2018 was 10%, better than the increase of 3% in Japanese home appliance market. (1) Branding: efforts were made to actively implement online and offline three-dimensional marketing activities for target users from multiple dimensions, improve brand awareness and support high-end branding strategy. Efforts were also made to actively implement new life marketing. The three-dimensional marketing from all rounds were carried out according to the strategy of online warming-up/promotion + offline mass media advertising + user interaction experience. (2) Product strategy: Continuous efforts were made to transform towards mid-to-high-end products. AQUA refrigerator had a new VBL appearance. And the new SV full range appeared in the market. Ultra-thin T-door refrigerator began its mass production; home-use washing machine continued the efforts to expand vertical washing and drying machine, machines with large capacity and other high-end model lineup. (3) Channel strategy: focuses were put on the development of retail channels. In particular, efforts were made to strengthen cooperation with core customers; (4) AQUA commercial washing machines increased by 15% in 2018, and ecological income continued to increase. The second generation system for commercial washing machine IoT platform was developed and launched. Cross-industry cooperation was promoted, and cooperation with the Family Mart was progressing smoothly; we developed the introduction plan for Thailand and South Korea for the commercial washing platform of Internet of Things.

Australian and New Zealand market: Under the unfavorable environment with negative growth in the Australian and New Zealand home appliance industry, FPA has achieved growth in a soft industry by localize the RenDanHeYi business model and promoting the globally consistent high-quality, standard high-end brand experience. The income (NZD) growth in 2018 reached 3%. New Zealand ranked the first for the market share; Australia had a market share of 17.3%, ranking the second place. ① Efforts were made to create the globally leading high-end home appliance range, including Columns full-embedded refrigerator, French refrigerator with black stainless steel appearance, T-door refrigerator, FL10 large-volume roller washing machine and new series of independent oven stoves launched. With innovative technology and seamlessly integrated modular design concept, a stable, high-quality, high-end experience was provided for the user in every detail. ② Innovation was made toward high-quality kitchen demonstration and in-store experience. Retail terminal demonstration systems were provided. Experience centers were set up in New York, Los Angeles, Toronto, Sydney, Shanghai and

other cities. The best full-process experience was provided or users at all contacts through differentiated experience and all-dimensional delivery, installation and after-sales service.③ Promoting well-organized market growth: great efforts were made to develop the North American market, consolidate and strengthen its market position in the Australian and New Zealand markets. We made breakthroughs and entered the European market. FPA China branch was established in domestic market in 2018. Businesses were expanded through the development of high-end property customer, branding and retail services.

In addition, FPA was selected a kitchen appliance brand most trusted by consumers by New Zealand Reader's Digest in 2018.

Latin American market: In 2018, Haier continued to implement the RenDanHeYi business model in the Latin and American market to improve the competitiveness of products and services. A rapid revenue growth of 58% was achieved through R&D cooperation and market synergy with MABE. Our full-set smart home appliances entered Latin American households step by step.

Middle East and African market: Facing negative changes in the local market, political and economic environment, efforts were made to actively respond to the adverse situation by product restructuring and development of new business and channels. High-end products including refrigerator / T-door refrigeration, large capacity washing machines, variable frequency smart air conditioners etc. were launched. In the Israeli market, Haier T-door refrigerator kept its third-place ranking in terms of market share.

(IV) Smart home life platform: focusing on IoT+AI strategy and empowering the full scene solution to enhance market competitiveness and promote the implementation of market terminal. Create ecological circles such as the Internet of Clothes and the Internet of Food.

With "IoT+AI" dual-engine as the core, we released and consolidated the strategy of "1+2+3^N" platform: namely a smart home operating system UHomeOS and "IoT+AI" dual engine to serve the three customizations, which are "customized interaction, scenarios and services".

1. As the only smart home operating system included in the 13th Five-Year Project for Core, High and Fundamental Technologies of the Ministry of Industry and Information Technology, UHomeOS has fulfilled the stage target on schedule, started small-batch market-oriented mass production and applied such in Haier network devices on a large scale. 2. On the basis of IoT's comprehensive interconnection and interoperability and driven by the "+ AI strategy", the Company expanded the application of voice interaction, and formed a variety of user interaction portals such as APP, voice and screen network. The application of large data AI in user scenarios was strengthened and the value-added of network devices was enhanced, so the initial realization from passive control to active service was achieved. 3. Focusing on the whole-house scenario customized by the user, the Company realized 200+ home's main scene which cover 4000+ product model and promoted the continuous scale sales of "5+7+N" full-scene

solutions. In addition, the Company realized 10000+ scene customization by continuously improving user's experience through user scenario operation and the stability of the scene interconnection achieved 99%. In view of the delivery difficulties of smart home, we have led to establish the capabilities for delivery of a packaged solution, implemented the “packaged experience, design, sales and services” for the user side, and built smart home experience stores. In addition, the B-end market of large real estate and hotel customers was expanded for the full coverage of smart home customer channels.

The Company took the lead in proposing the industry's first big data energy-saving standard and became the only leading household appliances company to initiate and publish projects. The Company led the IEEE Intelligent Family Standards Working Group and acted as the chairman. Furthermore, the Company obtained the global interconnection certificate issued by OCF (Open Connectivity Foundation) and achieved seamless interconnection with OCF through the Haier U+ platform.

Create ecological brand in Internet of Clothing and Internet of Food. ① Haier's Internet of Clothing is the world's first clothing full-life management platform based on the Internet of Things. Through this technology, we combined the upstream and downstream industrial chains of "factories, stores and homes" and provided users with smart solutions for the whole life cycle from washing, caring, storing, matching to purchasing. In May 2018, GS1 China selected Haier's Internet of Clothing Alliance to jointly develop national standards for clothing commodity coding rules, and jointly promoted the application of the standard in the apparel industry. The application for the clothing association standards submitted by the Company was also accepted by IEEE. ② The Internet of Food takes smart refrigerators and kitchen appliances as the interaction portals to combine data, such as eating habits generated during the interactive process of smart kitchen scenes with individual health data in order to provide users with value-added services, including physical examination, smart cooking, safe food purchases and healthy diet planning. The Company collected seven modules with resources coming from 400 parties and took the lead in establishing the Internet of Food Alliance.

In 2018, the sales volume of smart appliance increased by 79.8%, the number of smart home users increased by 15.6%, the sales of whole house packaged solution accounted for 25% and increased over 100%, and the ecological revenue of Internet of Things amounted to RMB2.8 billion, representing an increase of 1622%.

(V) COSMOPlat Industrial Internet Platform: As a large-scale customized industrial Internet Platform centered on the user's experience and created by the relevant parties, it forms a leading advantage by shaping core capacities; empowers enterprises to transform and upgrade and achieve high-quality development through building the new industrial ecosystem.

During the reporting period, COSMOPlat Industrial Internet Platform empowered enterprises to transform by promoting model innovation, platform innovation and ecological construction. As of the

end of 2018, 11 interconnected factories have been built, forming the world's leading large-scale customization solution. The platform has linked 26 million industrial equipment, building thousands of industrial APP/industrial models, 12 development languages/tools, and tens of thousands of platform developers. The seven modules including Haier user interaction, R&D innovation, synergic procurement, intelligent manufacturing, smart logistics, precision marketing and intelligent service have been digitized and productized to form a complete solution empowers the companies to transform and upgrade.

Users, customers and the relevant parties participate in the whole process customization makes the R& D cycle of new products shortened, the efficiency improved, and the non-stock rate reaches 71%, realizes users, R&D resources and supplier resources participating in the lifecycle management of product, upgrades products and user bodies and will upgrade the user to lifetime user Haier COSMOPlat has successively become the first demonstration platform of Intelligent Manufacturing Integrated Application based on Industrial Internet of the Development and Reform Commission and the first test platform of Industrial Internet of the Ministry of Industry and Information Technology. In September 2018, the Company became the only Chinese company in the list of the world's first nine "lighthouse factories" published by the World Economic Forum.

Develop international standards for mass customization: during the reporting period, IEEE approved Haier to lead the development of international standards for the model of mass customization, and the standard draft was completed. ISO approved Haier to lead the development of ISO standards for the model of mass customization.

Make the model of mass customization modularized and intelligentized by software and realize its cross-industry and cross-domain applications through 1+7 (modules) +N (industries) platform architecture. Empowering the Internet of Clothing, the Internet of Food, agriculture, and RVs to provide single or complete solutions for 15 major industries, and to replicate to 20 countries across cultures. For example, COSMOPlat built the first intelligent manufacturing interconnection plant in the auto industry, with a view to solving the problem of fragmentation of parts procurement in the RV industry. It provided more value-added services for users in "booking, transportation, travel and housing" through the IoT users, IoT smart RV, and IoT smart camps as well as the Internet of Things of the RV and camps themselves. In addition, the platform also provides value-added services to other companies by taking advantage of its centralized procurement system. In 2018, COSMOPlat recorded a revenue over RMB7 billion.

(VI) Logistics service business: We maintained rapid growth based on the growth of offline business of household appliances and household products and the expansion of new businesses such as cross-border freight forwarding.

The Company continuously strengthened the platform network and actively deployed intelligent

and automated warehouses to set a benchmark for the logistics industry of large-scale packages. As of the end of 2018, the total warehouse area was 4.7 million square meters, of which the proportion of self-built warehouses reached 26%. In Hangzhou and Qingdao, intelligent unmanned warehouses in a total area of 5,000 square meters were deployed to realize intelligent management in the whole process.

We continued to deepen the cooperation with major e-commerce platforms to provide high-quality regional distribution and last-mile service for large-sized household appliances of Tmall platform. In order to help e-commerce customers reduce the number of goods deposited, Gooday Logistics reduced the delivery time from 2.3 days to 1.9 days in 2018, while the public praise (DSR) reached 4.91, much higher than the industrial average of 4.84 and that of peers. During the 18 June and 11 October E-commerce Shopping Festivals, the punctuality rates of Gooday Logistics were as high as 99% and 98.5% respectively, higher than the 97.5% and 97% of the industry respectively.

We continued to expand the large-scale home market and provide customers with full-channel logistics services. At present, we have achieved the front-end collection of 10 industrial clusters in the home sector, established three Cainiao warehouse management systems, and integrated the resources of 117 trunk lines to 2,200 regions in the country. Furthermore, the Company continued to improve its delivery and assembly capacities and network coverage.

We continued to accelerate the development of the new business sectors and actively optimize the asset portfolio. On the one hand, the Company expanded the international freight forwarding business through the merger and acquisition of Peiji Logistics for the expansion to new business sectors; on the other hand, considering the unfavorable competitive environment faced by the LTL business, the founding shareholders of Shengfeng Logistics, a joint venture company in the LTL sector, and Gooday Logistics executed an equity transfer agreement, pursuant to which the transfer of 50.37% of Shengfeng Logistics' equity held by Gooday Logistics in cash shall be completed during the year.

II. Principle operating conditions during the reporting period

Please refer to the related statement in “I. Discussion and analysis on operations” of this section.

(I) Analysis of principal business

1. Table of movement analysis on the related items in income statement and cash flow statement

Unit and Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating revenue	183,316,560,236.03	163,428,825,488.56	12.17
Operating cost	130,154,144,638.08	112,607,222,004.	15.58

		03	
Selling expenses	28,653,223,738.07	28,996,237,421.82	-1.18
Administrative expenses	8,324,327,164.18	7,164,848,718.59	16.18
R&D expenses	5,080,604,505.93	4,509,850,773.96	12.66
Gains on changes in fair value	-145,191,723.49	614,071,259.47	-123.64
Gains on disposal of assets	267,800,599.46	13,512,402.32	1,881.89
Credit impairment loss	97,513,831.50		100.00
Non-operating income	474,156,808.14	689,516,709.14	-31.23
Other comprehensive income, net of tax	843,463,106.56	-554,105,703.86	252.22
Financial expenses	939,176,200.46	1,603,968,750.90	-41.45
Net cash flow generating from operating activities	18,934,252,899.16	16,703,785,279.98	13.35
Net cash flow generating from investing activities	-7,665,644,782.77	-5,741,587,992.13	-33.51
Net cash flow generating from financing activities	-10,489,353,519.24	510,476,992.91	-2,154.81

Analysis on reasons for the relatively large fluctuation of the indicators:

- 1) Income from change in fair value decreased by 123.64% yoy, which was mainly due to the movement of fair value of hedge and lock exchange business caused by the fluctuation of exchange rate.
- 2) Gain from disposal of assets increased by 1881.89% yoy, which was mainly due to disposal of part of the plants and lands for the current period.
- 3) Credit impairment loss increased by 100% yoy, which was mainly due to the implementation of New Financial Instrument Standards, whereby the expected credit loss from various financial instruments originally credited to the asset impairment loss are adjusted to be credited to credit impairment loss. And no restatement is needed for the same period of last year.
- 4) Non-operating income decreased by 31.23% yoy, which was mainly due to the relatively large amount of one-off revenue for the same period of last year.
- 5) Other comprehensive income, net of tax increased by 252.22% yoy, which was mainly due to the increase of translation difference of the financial statement in foreign currency caused by the fluctuation of exchange rate as compared to the same period of last year.

2. Analysis of income and cost

☐Applicable ☒Not Applicable

(1). Principle operating activities by sectors, products and regions

Unit and Currency: RMB0'000

Principle operating activities by products						
By products	Operating revenue	Operating cost	Gross profit margin(%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased/decreased yoy (%)
Air-conditioners	3,177,252	2,169,525	31.72	10.59	10.77	Decreased by 0.11 pct pts
Refrigerators	5,433,917	3,784,104	30.36	12.07	14.85	Decreased by 1.68 pct pts
Kitchen appliance products	2,495,053	1,722,286	30.97	7.37	19.18	Decreased by 6.84 pct pts
Water heaters	792,412	431,066	45.60	11.48	6.97	Increased by 2.29 pct pts
Washing machines	3,626,849	2,396,733	33.92	15.06	19.55	Decreased by 2.48 pct pts
Equipment components	147,785	128,760	12.87	-49.42	-53.47	Increased by 7.58 pct pts
Channel integrated services business and others	2,576,156	2,365,158	8.19	23.76	26.32	Decreased by 1.86 pct pts
Principle operating activities by regions						
By regions	Operating revenue	Operating cost	Gross profit margin(%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased/decreased yoy (%)
Mainland China	10,581,757	7,243,848	31.54	15.25	16.64	Decreased by 0.82 pct pts
Other countries and regions	7,667,666	5,753,782	24.96	7.98	14.05	Decreased by 3.99 pct pts

Explanation of principle operating activities by sectors, products and regions

□Applicable √Not Applicable

(2). Table of production and sales analysis

√Applicable □Not Applicable

Unit: (10k units /set)

Main products	Production	Sales volume	Inventory	Production increased/decreased yoy (%)	Sales volume increased/decreased yoy (%)	Inventory increased/decreased yoy (%)
Household appliance	7,030	9,153	1,284	7.1	11.7	4.7

(3). Table of cost analysis

Unit: RMB0'000

By sectors						
By sectors	Cost component	Amount for the current period	Percentage of the amount for the current period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Percentage of change of the amount for the current period compared to the corresponding period of last year (%)
Household appliance industry	Primary business cost	10,503,713	100.00	8,870,105	100	0
	Raw materials	8,817,249	83.94	7,625,896	85.97	-2.03
	Labor	588,073	5.60	614,318	6.93	-1.33
	Depreciation	174,804	1.66	163,759	1.85	-0.19
	Energy	60,780	0.58	39,437	0.44	0.14
	Others	862,807	8.21	426,695	4.81	3.40

Other explanation of cost analysis

☐Applicable ☒Not Applicable**(4). Major customers and major suppliers**☒Applicable ☐Not Applicable

Revenue from the top five customers was RMB 36,797.08 million, representing 20.07% of the total sales for the year; among the revenue from the top five customers, the revenue from related parties was RMB0, representing 0% of the total sales for the year.

The purchase amount from the top five suppliers amounted to RMB 44,485.08 million, representing 26.62% of the total purchase amount for the year; among the purchase amount from the top five suppliers, the purchase amount from related parties was RMB 31,568.43 million, representing 18.89% of the total purchase amount for the year.

3. Expenses☒Applicable ☐Not Applicable

1) Financial expenses decreased by 41.45% compared with last year, which was mainly due to the

increase of exchange gain.

4. R&D expenditure

Table of R&D expenditure

☒Applicable ☐Not Applicable

Unit: RMB

Expensed R&D expenditure for the current period	5,080,604,506
Capitalized R&D expenditure for the current period	317,634,389
Total R&D expenditure	5,398,238,895
Total R&D expenditure as a percentage in operating revenue (%)	2.94
Number of R&D personnel	14,941
Number of R&D personnel as a percentage in total employees (%)	17.09
Proportion of capitalization of R&D expenditure (%)	5.88

Explanation of R&D expenditure

☐Applicable ☒Not Applicable

5. Cash flow

☒Applicable ☐Not Applicable

- 1) Net cash flow from investing activities decreased by 33.51% yoy, which was mainly due to the increase of cash payment on merge and acquisition of FPA as compared to the same period of last year.
- 2) Net cash flow from financing activities decreased by 2154.81% yoy, which was mainly due to the increase of net repayment of borrowings for the period.

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

☐Applicable ☒Not Applicable

(III) Analysis of assets and liabilities

☒Applicable ☐Not Applicable

1. Assets and liabilities

Unit and Currency: RMB

Items	Amount as at the end of the period	Percentage of amount as at the end	Amount as at the end of previous	Percentage of amount as at the	Percentage of change in	Explanations
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		of the period over total assets (%)	period	end of the previous period over total assets (%)	amount from the end of previous period to current period (%)	
Financial assets held for trading	1,775,648,387.76	1.07			100.00	Mainly due to the reclassification of financial assets in accordance with the New Financial Instrument Standards.
Financial assets measured at fair value and changes of which included in current profit and loss			20,681,695.50	0.01	-100.00	Mainly due to the reclassification of financial assets in accordance with the New Financial Instrument Standards.
Derivative financial assets	96,723,164.37	0.06			100.00	Mainly due to the reclassification of financial assets in accordance with the New Financial Instrument Standards.
Other receivables	1,626,975,864.98	0.98	1,192,291,302.17	0.76	36.46	Mainly because that the amount from disposal of part of the plants and lands by 1169, a subsidiary of the Company has not been recovered as of the end of the reporting period.
Contract assets	456,781,406.54	0.27			100.00	Mainly due to the business used for accounting for the settlement amount due but not yet received of which the Company has already achieved progress target in accordance with the new income standard.

Assets held for sale	144,091,213.39	0.09	27,453,950.07	0.02	424.85	Mainly representing the assets of the business that 1169, a subsidiary of the Company intended to dispose.
Available-for-sale financial assets			1,415,354,307.82	0.90	-100.00	Mainly due to the reclassification of items in accordance with the New Financial Instrument Standards.
Investments in other equity instruments	1,400,316,460.34	0.84			100.00	Mainly due to the reclassification of items in accordance with the New Financial Instrument Standards.
Other non-current financial assets	327,358,825.57	0.20			100.00	Mainly due to the reclassification of items in accordance with the New Financial Instrument Standards.
Construction in progress	3,873,492,230.24	2.33	1,610,615,034.68	1.02	140.50	Mainly because that the Company expands its investment in order to cater for the capacity needs.
Development cost	538,382,288.33	0.32	966,051,333.81	0.61	-44.27	Mainly because that part of the self-developed technology of GEA, a subsidiary of the Company, has been transferred to intangible assets after the completion of development.
Other non-current assets	2,325,688,982.56	1.40	1,254,064,181.76	0.80	85.45	Mainly due to the increase of amount prepaid for purchasing equipment.
Short-term borrowings	6,298,504,892.57	3.78	10,878,580,275.18	6.92	-42.10	Mainly due to repayment of the borrowings.
Financial liabilities held for trading	218,748,280.33	0.13			100.00	Mainly due to the reclassification in accordance with the New Financial Instrument Standards.
Financial liabilities			2,524,569.4	0.00	-100.00	Mainly due to the reclassification in

measured at fair value and changes of which included in current profit and loss			5			accordance with the New Financial Instrument Standards.
Derivative financial liabilities	35,603,754.54	0.02			100.00	Mainly due to the reclassification in accordance with the New Financial Instrument Standards.
Receipts in advance	14,681,466.58	0.01	5,861,949,182.62	3.73	-99.75	Mainly due to the reclassification to contract liabilities in accordance with new income standard.
Contract liabilities	5,482,325,888.59	3.29			100.00	Mainly due to the reclassification from receipts in advance in accordance with new income standard.
Liabilities held for sale	32,362,267.88	0.02			100.00	Mainly due to the liabilities of the business that 1169, a subsidiary of the Company intends to dispose.
Non-current liabilities due within one year	3,015,060,105.58	1.81	6,149,302,981.65	3.91	-50.97	Mainly due to the repayment of borrowings for the current period. .
Other current liabilities	423,638,804.62	0.25	42,961,121.03	0.03	886.10	Mainly due to the recognition of liabilities arising from possible returns of sales in accordance with new income standard.
Bonds payable	9,191,896,302.70	5.52	6,211,088,362.68	3.95	47.99	Mainly due to the new issuance of convertible corporate bonds for the current period.
Other non-current liabilities	1,823,866,693.93	1.09	1,197,485,422.75	0.76	52.31	Mainly due to the increase of obligation of repurchase to the minority equity rights.
Other	904,485,788.71	0.54	431,424,524	0.27	109.65	Mainly due to the

equity instruments			.07			recognition of equity value of the new issuance of convertible corporate bonds for the current period.
Other comprehensive income	772,632,347.35	0.46	4,424,024.90	0.00	17,364.47	Mainly due to the increase of the translation difference in the statements recognized for the movements in fluctuation of exchange rate.

Other explanations

Nil

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

☐Applicable ☒Not Applicable

3. Other explanations

☐Applicable ☒Not Applicable

(IV) Analysis of industry operating information

☐Applicable ☒Not Applicable

(V) Analysis of investment

1. Overall analysis on external equity investment

☒Applicable ☐Not Applicable

During the reporting period, investments in external significant equities of the Company (including the planned investment amount that has been considered) amounted to RMB 8.742 billion.

Name of company invested	Principle operating activities	Percentage of the equity of the company invested (%)	Remarks	Amount of planned investment (RMB 100 million)
Guangzhou Haier Air Conditioner Appliances Co.,Ltd.(广州海尔空调器	Production of air conditioner products etc.	100	For details, please refer to the <i>Announcement on Newly Constructing Project of 5 Million Sets of Self-cleaning Air Conditioning by Qingdao Haier Co., Ltd.</i> disclosed on 26 April	11.50

有限公司)			2018 as well as relevant announcements of the Board.	
Haier New Zealand Investment Holding Company Limited	Investment Holding etc.	100	For details, please refer to the <i>Announcement on Related-party Transaction of Receiving 100% Equity of Haier New Zealand Investment Holding Company Limited by Qingdao Haier Co., Ltd.</i> disclosed on 26 April 2018 as well as relevant announcements of the Board.	19.06
Candy S.p.A (note)	Production and sale of home appliances	100	For details, please refer to the <i>Announcement on Purchasing 100% Equity of Italy-based Candy Company by Qingdao Haier Co., Ltd.</i> disclosed on 29 September 2018 as well as relevant announcements of the Board.	37.24
Haier Appliances (India) Private Limited	Production and sale of home appliances	100	For details, please refer to the <i>Announcement on Newly Constructing Industrial Park Project in North India by Qingdao Haier Co., Ltd.</i> disclosed on 30 August 2018 as well as relevant announcements of the Board.	19.62

Note:

(1) As of the date of disclosure of this periodic report, the aforesaid equity transfer has been completed.

(2) The above investment amount involving foreign currency shall be converted at the foreign exchange rate as at 31 December 2018.

(1) Significant equity investment

√Applicable □Not Applicable

Please refer to above “1. Overall analysis on external equity investment”.

(2) Significant non-equity investment

□Applicable √Not Applicable

(3) Financial assets measured at fair value

√Applicable □Not Applicable

Financial assets measured at fair value	Initial cost of investment	Sources of funds	Current purchase/sale during the reporting period	Investment income during the reporting period	Changes in fair value during the reporting period
Bank of Communications (601328)	1,803,769.50	Own funds		389,059.17	-572,145.84
BAILIAN (600827)	154,770.00	Own funds			-198,515.52
Eastsoft (300183)	18,713,562.84	Own funds			-5,823,560.70
Short-term wealth management products	1,559,253,309.05	Own funds	1,559,253,309.05		8,395,598.95
Long-term wealth management products	327,056,778.32	Own funds	327,056,778.32		302,047.25
Interest rate swap agreement		Own funds			-5,329,684.14
Forward commodity contracts		Own funds			1,791,718.92
Forward foreign exchange contract		Own funds		129,824,011.48	-151,334,742.90
Others	1,426,491,908.20	Own funds	52,967,663.80	104,856,077.16	-41,326,895.67
Total	3,333,474,097.91		1,939,277,751.17	235,069,147.81	-194,096,179.65

Note: As of 31 December 2018, the aggregate balance of foreign exchange derivative transactions amounted to approximately US\$4.6 billion.

(VI) Sale of material assets and equity

√Applicable □Not Applicable

During the reporting period, the Company transferred its 22% of equity interests in Qingdao Haier Special Electrical Appliance Co., Ltd. to Qingdao Haier BioMedical Holdings Co., Ltd. (青岛海尔生物医疗控股有限公司) with a consideration of RMB505 million. For details, please refer to the *Announcement on Related-party Transaction of Transferring 22% Equity of Qingdao Haier Special Electrical Appliance Co., Ltd. by Qingdao Haier Co., Ltd.* (No. L2018-037) disclosed on 22 June 2018.

(VII) Analysis on major controlling companies

√Applicable □Not Applicable

RMB0'000

Name of company	Scope of business	Total asset	Net assets	Net Profit
Haier Electronics Group Co., Ltd.	Production and sale of home appliances	4,693,677.19	2,574,828.37	399,010.60
Haier US APPLIANCE SOLUTIONS,INC.	Holding GEA, etc.	4,643,124.39	2,029,721.81	186,758.91

Note: The financial data of Haier Electronics Group Co., Ltd. is determined in accordance with the China Accounting Standards (CAS) and the accounting policies of the Company.

(VIII) Structured entities controlled by the Company

☐Applicable ☒Not Applicable

III. Discussion and analysis on the Company's future development

(I) Setup and trend of the industry

☒Applicable ☐Not Applicable

For details, please refer to the relevant contents of "SECTION III SUMMARY OF THE COMPANY'S BUSINESS" in this report.

(II) Development strategies

☒Applicable ☐Not Applicable

After more than 30 years of development, the Company has become a world-leading household appliance enterprise. In the future, the company will continue to achieve synergies in its global business and optimize operational efficiency to improve market share and maintain its leadership. In the face of the opportunities and challenges in the IoT era, the Company took the mode of "RenDanHeYi" as the core driving force, built a win-win chain group ecology around the strategic origin of smart homes, and created an ecological brand led by smart homes to continuously innovate and iterate the user experience and satisfy the needs of consumers to achieve a better life.

(III) Business plan

☒Applicable ☐Not Applicable

In 2019, on the basis of its leadership in various industries, the Company will enhance the competitiveness of smart home solutions, further promote its global operations, continuously enhance the industry status of refrigerators, washing machines, water heaters and other dominant products, and continue to strengthen the development of air conditioners and kitchen appliances.

Domestic market: Focusing on user experience and customer interests, the Company will adhere to the working principles of "building network of contact points, building industry barriers, building

parallel platforms and creating lifelong users", deepen the retail transformation, and mainly promote the following works: (1) Promote channel transformation and e-commerce transformation. ① In terms of channel transformation, the Company will upgrade the channel competitiveness under the whole network management to enhance the network coverage in weak areas, blank business circles and blank towns. ② In terms of e-commerce channels, the Company will enhance the competitiveness of air conditioner and kitchen appliances, and plan and implement the complete high-end online solutions. (2) Build scheme and brand barriers. ①The Company will focus on the competitiveness of the first set of solutions in the industry, promote the construction of different networks of contact points, and continuously upgrade the five sets of capabilities. ② Casarte brand promotes the upgrade of operation system from product-led to lifestyle-led by focusing on users' extreme experience. ③ Leader brand builds the younger barrier and becomes the first choice for young people in terms of customization. (3) Promote the transformation of marketing and enhance the competitiveness of digital platforms to achieve the word of mouth of users first.

Overseas market: Focusing on the needs of users and taking "high-end, terminal" as the direction of market transformation and upgrading, the Company will accelerate the implementation and leading of "RenDanHeYi" overseas, enhance the global resource coordination ability, and further deepen the 'triple strategy' of "manufacturing, marketing and R&D". ① In terms of products, we will adhere to the strategy of high-end leading and brand creation and lead the market through differentiated high-end products. ② In terms of the market, we will focus on the strategy of "branding and leadership as well as high-end transformation", and actively promote the construction of the whole process and zero-distance interactive platform including creators, customers and users through the model mechanism and resource betting. We will display the upgrading standards by issuing overseas terminals and effectively enhance user experience of high-end Haier brands.

Smart home life platform: ① In order to satisfy the needs of all types of personalized home users, "5+7+N" home space and domain life solutions are designed iteratively for the implementation of seven major brands. ② Intensify IoT platform, iteratively build big data home cloud brain, and launch active services of touch control and voice. ③ Optimize all online and offline contact points, and focus on the layout of first-tier cities and backbone cities. ④ Continue to solve the ecological problems of food and clothing, and iterate the integrity platform for the Internet of Food and the ecological model for the Internet of Clothes.

Cosmoplat platform: Focus on "value-added sharing and experience iteration" to drive the continuous iteration of Internet ecology with business model realization. ① Capacity building: The industrial Internet platform shall build nine core capacities in accordance with the four-tier architecture and one security system. ② Industry duplication: The Company shall focus on agriculture, machinery, medical treatment, energy and other industries. Regional duplication: The Company shall promote the six major functions of regional centers and promote the existing industry solutions.

(IV) Potential risks of the Company

√Applicable □Not Applicable

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

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

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

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

5. Risk of fluctuation in foreign currency exchange rate. With the deepening of the Company's global layout, the import and export of Company's products involve the exchange of foreign currencies such as US dollars, Euro and Japanese yen. If the exchange rate of relevant currencies fluctuates, the Company's financial situation may be influenced to some extent and its financial costs may be increased.

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

(V) Other

☒Applicable ☐Not Applicable

Future capital expenditure plan: In 2019, the Company's investment will focus on the research and development of leading technologies and modules, the construction of smart interconnected factories, the construction of complete set of smart home experience stores, the smart home living platform and COSMOplat. The Company will actively seize opportunities for external development and promote the Company's leapfrog development in related industries and regions. Investment funds will be financed through the Company's own funds and equity financing, etc.

IV. Explanation of circumstances and reasons for non-disclosure by the Company in consideration of inapplicable regulations, state secrets and commercial secrets

☐Applicable ☒Not Applicable

SECTION V SIGNIFICANT EVENTS

I. Proposal for profit distribution of ordinary shares or capital reserve conversion into the increase in share capital

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

☒Applicable ☐Not Applicable

The Company's 2017 profit distribution plan was passed on its 2017 Annual General Meeting held on 18 May 2018: based on the Company's total existing shares of 6,097,402,727, it is proposed that the Company will distribute cash dividends of RMB3.42 (tax inclusive) per 10 shares to all shareholders, with a total expected amount before tax of RMB2,085,311,732.63. The plan has been implemented and completed in June 2018. Details are set out in the *Announcement on Implementation of Rights and Interests Distribution for 2017 of Qingdao Haier Co., Ltd.* (No. L2018-033) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 1 June 2018.

The Company has always applied a stable and sustainable profit distribution policy. During the reporting period, the Company strictly followed the requirements set out in the Articles of Association and in the Shareholder Return Plan for the Next Three Years (2015-2017) of Qingdao Haier Co., Ltd.. During the formulation of the profit distribution plan, the Company took full account of return for investors, the long-term interests of the Company, overall interests of all shareholders and sustainable development of the Company, and provided investors an opportunity to share the growth of value, so that investors could form the expectation of a stable return. In addition, after approval on the 2017 First Extraordinary General Meeting of the Company, the Company formulated the Shareholder Return Plan for the Next Three Years (2018-2020) of Qingdao Haier Co., Ltd. and will continue to implement the stable dividend distribution policy. The procedures and mechanisms for system decision-making such as Articles of Association and planning of return of shareholders implemented by the Company were complete in compliance with laws and regulations. The process was open and transparent while the standard and ratio of dividends was clear. Responsibilities of independent directors were clear during the policy-making process, and independent directors were given the opportunities to play their roles. Minority shareholders were also given the opportunity to fully express their views and demands, and the legitimate interests of minority shareholders were adequately protected.

The dividend distribution plan of 2018 of the Company: based on the total shares as at the date of profit distribution, it is proposed that the Company will distribute cash dividend of RMB3.51 per 10 shares (tax inclusive) with expected cash dividend not less than RMB2,235,314,261.70. The remaining reserved profits will be mainly used for project construction, foreign investment, R&D investment and daily operations related to the Company's principal business and therefore to maintain sustainable and stable development and to bring more benefits for investors. The proportion of this distribution is not less than 30% of the net profit attributable to parent company of the Company in 2018. 100% dividend of bonus scheme is paid in cash.

(II) Plans or Proposals for Dividends of Ordinary Shares Distribution and for Capital Reserve Conversion into Share Capital of the Company in Recent Three Years (Including the Reporting Period)

Unit and Currency: RMB

Year	Number of bonus share for per 10 shares (share)	Cash dividend per 10 shares (RMB) (tax inclusive)	Number of shares converted per 10 shares (share)	Cash dividend (tax inclusive)	Net profit attributable to the ordinary shareholders of the listed companies in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the ordinary shareholders of the listed companies in the consolidated financial statement (%)
2018	0	3.51	0	2,235,314,261.70	7,440,228,855.90	30.04
2017	0	3.42	0	2,085,311,732.63	6,925,792,321.27	30.11
2016	0	2.48	0	1,624,803,749.32	5,036,652,240.84	32.26

(III) Share repurchased by cash and included in cash dividend

☐Applicable ☒Not Applicable

(IV) The Company made profits and the profits for distribution to the shareholders of ordinary shares of the Parent Company was positive during the reporting period, but no cash profit distribution plan for ordinary shares was proposed; the Company should disclose the reasons in detail and the purpose and use plan of undistributed profits

☐Applicable ☒Not Applicable

II. Performance of undertakings

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

√Applicable □Not Applicable

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date and term of undertakings	Any deadline for performance	Whether performed in a timely and strict way
Undertakings associated with major asset reorganization	Eliminate the right defects in land property and 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), and 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), and Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司) (the “Covenantees”), Haier Group made an undertaking (the “2006 Undertaking”). According to the content of 2006 Undertaking and current condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the unavailability of such land and property.	27 September 2006, long term	YES	YES

Undertakings associated with refinancing	Eliminate the right defects in land property and etc.	Haier Group Corporation	Haier Group Corporation undertakes that it will assure Qingdao Haier and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that Qingdao Haier 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 Qingdao Haier 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 Qingdao Haier and its subsidiaries of the constant, stable, free and unobstructed use of self-built property and land of the Group. In the event that Qingdao Haier 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 Qingdao Haier or its affected subsidiaries 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
	Eliminate the right defects in land property and etc.	Qingdao Haier Co., Ltd.	The Company undertakes that it will eliminate the property defects of the Company and main subsidiaries within five years with reasonable business effort since 24 December 2013, so as to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property,</i>	24 December 2013, eight years	YES	YES

			<p><i>the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures</i> (L2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014. During the aforesaid period, the Company has formulated relevant performance guarantee measures, including the re-application by the Company and its main subsidiaries to the competent government department for the property ownership certificate and to procure Haier Group Corporation to make guarantee undertakings in respect of the defective property owned by it and its subsidiaries. As of the expiration date, the Company has resolved the property defects of itself and its eight major subsidiaries, while that of the other remaining five major subsidiaries is in process. The Company will make reasonable business efforts to resolve the property defects of these five major subsidiaries. Because of historical issues and other reasons, the approval procedure involved in solving some defective property problems is complicated, including that of multiple government departments, and it takes a long time to handle and coordinate related matters. Due to the above external factors, the Company was unable to complete the above undertakings within the original undertaking period. Therefore, after the approval of the board meeting held by the Company on 5 November 2018 and the general meeting held on 21 December 2018, the term of the above undertakings were extended for three years on the basis of the original deadline.</p>			
Other undertakings	Asset injection	Haier Group Corporation	<p>Inject the assets of Fisher & Paykel to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2020. For more details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment</i> (L2015-015) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 26 May 2015. During the reporting period, after considered and approved by the 13th meeting of the 9th session of the Board of Directors and 2017 Annual General Meeting of the Company, the Group has injected the above assets into the Company and this commitment has been completed.</p>	May 2015-June 2020	YES	YES

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

The Company's explanation on whether the earnings estimate on assets or projects was met and its reasons in the situation that earnings in the Company's assets or projects is estimated, and the period of which includes the reporting period.

☐Reached ☒Not Reached ☐Not Applicable

In December 2015 and January 2016, the meetings of the Board of Directors/Shareholders of the Company reviewed and approved related resolutions to acquire 45% equity of Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd. (hereinafter referred to as "Mitsubishi Heavy Industries Haier") and 49% equity of Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. (hereinafter referred to as "Haier Carrier") held by Haier Group Corporation. According to the *Profit Compensation Agreement* signed between the Company and Haier Group, the corresponding predictive net profit from 2015 to 2018 of Mitsubishi Heavy Industries Haier are RMB90.6612 million, RMB92.8607 million, RMB100.6592 million and RMB108.6862 million, respectively and the corresponding predictive net profit from 2015 to 2018 of Haier Carrier are RMB76.0470 million, RMB76.0472 million, RMB76.7156 million, and RMB76.9840 million respectively. If the audited net profit in any year of the target companies during the commitment period is lower than the predictive net profit, the gap will be compensated by Haier Group in cash (For more details, please refer to the *Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Equity in Sino-foreign Joint Venture Held by Haier Group Corporation and Related Party Transaction* (L 2015-062) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015).

According to the *Special Verification Report on the Completion of the Predictive Profit* ("Hexin Zhuan Zi (2019) No.000151" and "Hexin Zhuan Zi (2019) No. 000152") and *Special Statement of Qingdao Haier Co., Ltd on the Completion of the Predictive Profit in 2018* issued by Shandong Hexin Certified Public Accountants LLP, the actual net profit of Mitsubishi Heavy Industries Haier in 2018 was RMB339.061 million, the actual net profit exceeded the Predictive Profit; the actual net profit of Haier Carrier in 2018 was RMB60.31 million,. The gap between the actual net profit and the predictive profit has been made up to the Company by Haier Group in cash.

(II) Completion of performance commitments and their impact on the impairment test of goodwill

☐Applicable ☒Not Applicable

III. Misappropriation and repayment plan of funds during the reporting period

☐Applicable ☒Not Applicable

IV. Explanation of the Company on the "non-standard audit report" issued by the accounting firm

☐Applicable ☒Not Applicable

V. Explanation of the Company's analysis on reasons and effects of changes in accounting policies and accounting estimates or correction of significant accounting errors

(I) Explanation of the Company's analysis on reasons and effects of changes in accounting policies and accounting estimates

☒Applicable ☐Not Applicable

Ministry of Finance promulgated *Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, *Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets* and *Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments*, etc., (collectively the “New Financial Instrument Standards”) as well as *Accounting Standard for Business Enterprises No. 14 — Income*, respectively in 2017, and promulgated the *Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018* (《财政部关于修订印发 2018 年度一般企业财务报表格式的通知》) (Cai Kuai (2018) No.15) in 2018. the Company and its subsidiaries have started to implement the above amendments to the Accounting Standards for Business Enterprises and the Notice since 1 January 2018, and adjusted the relevant contents of accounting policies and financial statements accordingly.

The Company and its subsidiaries implemented the New Financial Instrument Standards and income standard initially for the current period. According to the requirements under the *Interpretation of Issues Relating to the Format of the Financial Statements of General Enterprises* (《关于一般企业财务报表格式有关问题的解读》) issued by the Accounting Bureau of the Ministry of Finance, the above changes in accounting policies cause influence on the opening amounts of the consolidated balance sheet.

Please refer to the relevant contents in SECTION XI ‘financial report’ of this report for the above adjustments in accounting policies.

(II) Explanation of the Company's analysis on reasons and effects of correction of significant accounting errors

☐Applicable ☒Not Applicable

(III) Communication with former accounting firm

☐Applicable ☒Not Applicable

(IV) Other explanations

☐Applicable ☒Not Applicable

VI. Appointment and dismissal of accounting firm

Unit and Currency: RMB0'000

	Current appointment
Name of domestic accounting firm	Shandong Hexin Certified Public Accountants LLP
Remuneration of domestic accounting firm	715
Audit period of domestic accounting firm	6

	Name	Remuneration
Internal control audit accounting firm	Shandong Hexin Certified Public Accountants LLP	245
Sponsor	China International Capital Corporation Limited	2,390.95

Explanation of appointment and dismissal of accounting firm

☐Applicable ☒Not Applicable

Explanation of change of accounting firm during the auditing period

☐Applicable ☒Not Applicable**VII. Possibility of listing suspension**(I) **Reasons of listing suspension**☐Applicable ☒Not Applicable(II) **Response to be taken by the Company**☐Applicable ☒Not Applicable**VIII. Circumstances and reasons for listing termination**☐Applicable ☒Not Applicable**IX. Matters relating to bankruptcy and restructuring**☐Applicable ☒Not Applicable**X. Material litigation and arbitration matters**☐Material litigation and arbitration matters during the year ☒No material litigation and arbitration matters in the reporting year

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

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

XIII. The Company's share option incentive scheme, employee shareholding plan or other employee incentive measures and its influence

(I) Matters disclosed in temporary announcements and without any subsequent progress or change

☐Applicable ☒Not Applicable

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

Share Option Incentive

☐Applicable ☒Not Applicable

Other explanations

☐Applicable ☒Not Applicable

Employees Shareholding Plan

☒Applicable ☐Not Applicable

(1) The Phase III Employees Stock Ownership Scheme launched and completed the share purchase: On 24 April 2018, the Company considered and approved relevant resolutions such as the *Phase III Stock Ownership Scheme of the Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (Draft) and its Summary* at the 13th meeting of the 9th session of the Board of Directors. The 635 staffs who participated into the Stock Ownership Scheme are the directors (excluding independent directors), supervisors, senior management of the Company and regular employees who serve at the Company and its subsidiaries and sign employment contracts with the Company or its subsidiaries and receive remuneration from them, together holding RMB271.30 million in the fund. On 23 May 2018, the Company disclosed the *Announcement on the Completion of Share Purchase by the Phase III Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd.*, and the Employees Stock Ownership Scheme has been entrusted to Industrial Securities Assets Management Co., Ltd.(兴证证券资产管理有限公司), who will establish a directional asset management plan for the Phase III Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. ("Assets Management Plan") for the management. As of 22 May 2018, the Assets Management Plan has purchased an aggregate of 16,063,800 shares of the Company, representing 0.26% of the total share capitals of the Company through the block trade in secondary market at an average trading price of

RMB16.72 per share with a trading volume of RMB268,586,736.00. The Phase III Stock Ownership Scheme of Core Employees Stock Ownership Scheme has completed the purchase of shares of the Company. Those shares purchased aforesaid will be locked in accordance with requirements, and the locking period will be 12 months from the date of the disclosure of this announcement, being 23 May 2018 to 22 May 2019.

(2) Partially vesting of the employee stock ownership plan:

①Initial vesting of the Phase II Employees Stock Ownership Scheme etc.: During the reporting period, the lock-up period of the Company's *Phase II Stock Ownership Scheme of the Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (Draft)* and its Summary (referred to as "Phase II Stock Ownership Scheme") has expired. According to the *Audit Report of Qingdao Haier Co., Ltd.* (Hexin Shen Zi. (2018) No.000267) issued by Shandong Hexin Certified Public Accountants LLP, the annual net profits vested in parent company shareholders with allowance for non-recurring gains and losses in 2017 increased by 29.81% compared to 2016. Upon examination by the Management Committee, the assessment results of 556 holders of Phase II Stock Ownership Scheme were satisfactory. 19 holders had unsatisfactory assessment results or resigned before determination of the equity for the year 2017 under Phase II Stock Ownership Scheme.

On 2 May 2018, upon consideration by Employees Stock Ownership Scheme Management Committee, 556 holders of Phase II Core Employees Stock Ownership Scheme were determined according to performances for the year 2017 to be allocated with 8,717,600 shares. The shares of the said 19 holders with unsatisfactory assessment or who resigned were suspended for allocation or adjusted for their shares.

There are 7 directors, supervisors and senior executives of the Company. A total of 1,617,300 shares can be allocated for Phase II Stock Ownership Scheme. Upon application by Mr. Gong Wei as chief financial officer and vice president, 121,325 shares he applied for not being allocated in December 2017 when shares of the Phase I Employees Stock Ownership Scheme were allocated (for the relevant announcement, refer to the *Notice of Qingdao Haier Co., Ltd. on the Quota Distribution and Equity Allocation of the Phase I Core Employees Stock Ownership Scheme* disclosed by the Company on 7 December 2017, No. L 2017-046) are allocated at this time. In summary, the number of shares held by directors, supervisors and senior executives actually allocated this time is 1,738,700 shares. Any change of the shares they hold must be subject to provisions of the *Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Management of Listed Companies and Changes Thereof*.

In summary, according to the aforementioned resolutions, the Company has completed the transfer of relevant stocks at China Securities Depository and Clearing Corporation Shanghai Branch on 10 May 2018, with a total of 8,838,931 shares.

②Second vesting of the Phase I Stock Ownership Scheme: During the reporting period, the lock-up period of the Company's *Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (Draft)* (referred to as "Phase I Stock Ownership Scheme") has expired. According to the *Audit Report of Qingdao Haier Co., Ltd.* (Hexin Shen Zi. (2018) No.000267) issued by Shandong Hexin Certified

Public Accountants LLP, the annual net profits vested in parent company shareholders with allowance for non-recurring gains and losses in 2017 increased by 29.81% compared to 2016. Upon examination by the Management Committee, the assessment results of 481 holders of Phase I Stock Ownership Scheme were satisfactory. 34 holders had unsatisfactory assessment results or resigned before determination of the equity for the year 2017 under Phase I Stock Ownership Scheme.

On 3 December 2018, upon consideration by Employees Stock Ownership Scheme Management Committee, 481 holders of Phase I Core Employees Stock Ownership Scheme were determined according to performances for the year 2017 to be allocated with 13,156,332 shares. The shares of the said 34 holders with unsatisfactory assessment or who resigned were suspended for allocation or adjusted for their shares.

There are 7 directors, supervisors and senior executives of the Company. A total of 2,454,400 shares can be allocated for Phase I Stock Ownership Scheme. Any change of the shares they hold must be subject to provisions of the *Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Management of Listed Companies and Changes Thereof*.

In summary, according to the aforementioned resolutions, the Company has completed the transfer of relevant stocks at China Securities Depository and Clearing Corporation Shanghai Branch on 12 December 2018, with a total of 13,156,332 shares.

Other incentives

☐Applicable ☒Not Applicable

XIV. Significant related party transactions

(I) Related party transactions from routine operation

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

☐Applicable ☒Not Applicable

2. Matter disclosed in temporary announcements and with subsequent progress or change

☒Applicable ☐Not Applicable

The Company made a forecast on the related-party transaction matters of the Company for the year of 2018 at the 13th meeting of the 9th session of Board Meeting held on 24 April 2018. For details, please refer to the *Announcement of Qingdao Haier Co., Ltd. regarding the Renewal of Daily Related-party Transactions Agreement and the Anticipation on the Daily Related-party Transactions for 2018* and the announcement on the relevant resolutions of the Board disclosed on 26 April 2018.

For the actual implementation of the Related-party transaction of January to December 2018, please refer to “Note12 –Related Parties and Related-party Transactions” under SECTION X - Financial and Accounting Report set out in this regular report.

3. Matter not disclosed in temporary announcements

☐Applicable ☒Not Applicable

(II) Related-party transactions regarding acquisition or disposal of assets/equity**1. Matter disclosed in temporary announcements and with no subsequent progress or change**

☒Applicable ☐Not Applicable

Summary	Index for details
Acquisition of FPA shares: The Company passed the acceptance of transfer of 100% shares of Haier New Zealand Investment Holding Company Limited held by the overseas subsidiary Haier (Singapore) Management Holding Co. Pte. Limited under Haier Group Corporation by Haier Singapore Investment Holding Pte. Ltd. ("Haier Singapore Investment") in cash who should accept, in proportion to 100%, the principal and interests of shareholder borrowings payable by the Target Company to Haier Singapore Management. Haier Singapore Investment, an overseas subsidiary of the Company, intends to pay US\$303,040,997.28 (equivalent to RMB1,905,552,095.01) to Haier Singapore Management for accepting the transfer of the underlying shares.	Refer to the <i>Announcement of Qingdao Haier Co., Ltd. on Related-party Transaction of Accepting the Transfer of 100% Shares of Haier New Zealand Investment Holding Company Limited</i> (L2018-020) and relevant announcements disclosed by the Company on 26 April 2018 for more information.
Transfer shares of Qingdao Haier Special Electrical Appliance Co., Ltd.: As the shareholder of Qingdao Haier Special Electrical Appliance Co., Ltd. ("QHSPA"), the Company transferred 22% of QHSPA shares to Qingdao Haier Biomedical Holdings Co., Ltd. at the consideration of RMB505,129,570 for the transaction. Upon completion of the share transfer, the Company no longer holds any share of QHSPA.	Refer to the <i>Announcement of Qingdao Haier Co., Ltd. on Related-party Transaction of Transferring 22% Shares of Qingdao Haier Special Electrical Appliance Co., Ltd.</i> (L2018-037) and relevant announcements disclosed by the Company on 22 June 2018 for more information.

2. Matter disclosed in temporary announcements and with subsequent progress or change

☐Applicable ☒Not Applicable

3. Matter not disclosed in temporary announcements

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

(III) Significant related-party transactions of joint external investment**1. Matter disclosed in temporary announcements and with no subsequent progress or change**

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

3. Matter not disclosed in temporary announcements

☐Applicable ☒Not Applicable

(IV) Amounts due to or from related parties

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

☐Applicable ☒Not Applicable

2. Matters disclosed in temporary announcement and with subsequent progress or change

☐Applicable ☒Not Applicable

3. Matter not disclosed in temporary announcements

☐Applicable ☒Not Applicable

(V) Others

☐Applicable ☒Not Applicable

XV. Significant contracts and their execution

(I) Trusteeship, contracting and leasing

1. Trusteeship

☐Applicable ☒Not Applicable

During the reporting period, there was no material trusteeship. To date, the following trusteeships have been considered and approved on the general meeting of the Company and still within the validity period:

According to the Haier Group's commitment in 2011 to further support the development of Qingdao Haier and resolve intra-industry competition to reduce related-party transactions, and given the fact that Qingdao Haier Photoelectric Co., Ltd. and its subsidiaries, who purchase of the color TV business from Haier Group, are still under transformation and consolidation period and their financial performance fails to reach the expectation of the Company. Therefore, Haier Group is unable to complete the transfer before the aforementioned commitment period. Haier Group intends to entrust the Company with the operation and management of assets under custody and will pay RMB1 million custodian fee to the Company each year during the period of custody.

2. Contracting

☐Applicable ☒Not Applicable

3. Leasing

☐Applicable ☒Not Applicable

(II) **Guarantee**

√Applicable □Not Applicable

Unit and Currency: RMB0'000

External guarantees provided by the Company (excluding guarantees for subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Date of occurrence of the guarantee (date of agreement)	Commence date of guarantee	Expiration date of guarantee	Type of guarantee	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether there is a counter-guarantee	Whether related party guarantee or not	Relationship
Total amount of guarantee occurred during the reporting period (excluding guarantees for subsidiaries)						0							
Total balance of guarantee at the end of the reporting period (A) (excluding guarantees for subsidiaries)						0							
Guarantees provided by the Company and its subsidiaries for subsidiaries													
Total amount of guarantees for subsidiaries occurred during the reporting period						3,968,860							
Total balance of guarantees for subsidiaries at the end of the reporting period (B)						2,504,621							
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)													
Total guarantee (A + B)						2,504,621							
Ratio of total amount of guarantees to net assets of the Company (%)													
Among which:													
Amount of guarantees for shareholders, ultimate controllers and their related parties (C)						0							
Amount of debt guarantees provided directly or indirectly for the secured party with asset-liability ratio exceeding 70% (D)						1,532,947							
The amount of total amount of guarantee in excess of 50% of net assets (E)						534,503							
Total amount of the above three guarantees (C + D + E)						2,067,450							
Explanation of possibly bearing related discharge duty for premature guarantees													

Explanation of guarantee status	<p>1. In 2016, the Company acquired the assets of GEA at a total consideration of US\$5.61 billion, which was sourced from self-owned funds and loan for merger, of which, the loan for merger in the amount of US\$5.61 billion was applied for by Haier US Appliance Solutions, Inc., a wholly-owned subsidiary of the Company, to China Development Bank Co., Ltd. The loan was fully secured by the Company and Haier Group Corporation. At the end of the reporting period, the amount of guarantee was equivalent to approximately RMB13.655 billion. The balance of the guarantee amounted to RMB9.046 billion as at the end of the reporting period. The provision of guarantee had been considered and approved by the Board and the general meeting of shareholders of the Company;</p> <p>2. In May 2018, the resolution on the Expected Provision of Guarantee for a Subsidiary in 2018 was passed on the 2017 Annual General Meeting of the Company, according to which, the Company had provided guarantee in respect of the application for comprehensive facility made by certain subsidiaries to financial institutions. During the reporting period, the accumulated amount of guarantee offered by the Company to subsidiaries was approximately RMB26.034 billion. As at the end of the reporting period, the balance of the guarantee was RMB16 billion.</p>
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(III) Entrusted others to manage cash assets

1. Entrusted wealth management

(1) Overall of entrusted wealth management

√Applicable □Not Applicable

Unit and Currency: RMB

Type	Sources of funds	Amount	Premature balance	Past due uncollected amount
Principal-guaranteed wealth management products and structured deposit	Own funds	4,018,200,000	4,018,200,000	
Overseas US dollar bills and bonds	Own funds	682,232,567	682,232,567	

Note: As an independently operating Hong Kong listed company, Haier Electric Co., Ltd. has purchased some short-term principal-protected wealth management and structural deposits from the four major banks in order to increase the efficiency of the use of idle funds within the authorities of the management. In the purchase process, all the necessary board reports were subject to the procedures such as filling and management's review according to the regulations requirements for Hong Kong listed company, so as to ensure sufficient funds for the day-to-day operations of the main business and improve the shareholders' returns.

Others

☐Applicable ☒Not Applicable

(2) Individual entrusted wealth management

√Applicable □Not Applicable

Unit and Currency: RMB

Trustee	Type of entrusted wealth management product	Amount of entrusted wealth management	Commencement date of entrusted wealth management	Expiration date of entrusted wealth management	Sources of funds	Investment	Determination of return	Annualized yield	Expected return (if any)	Actual gains or losses	Collection	Whether approved by due process	Any future plan for entrusted wealth management	Provision for impairment loss (if any)
Haier Road sub-branch of Construction Bank	Principal-guaranteed wealth management	210,000,000.0	14 December 2018	17 June 2019	Own funds			4.20%	4,470,411			YES	YES	
Qingdao branch of China Minsheng Bank	Structured deposit	204,000,000.0	21 December 2018	21 June 2019	Own funds			4.00%	4,068,822			YES	YES	
Qingdao branch of Bank of China	Principal-guaranteed wealth management	423,200,000.0	6 December 2018	18 June 2019	Own funds			4.00%	8,997,348			YES	YES	
Qingdao branch of Bank of Communications	Structured deposit	183,000,000.0	10 December 2018	10 June 2019	Own funds			4.20%	3,832,471			YES	YES	
Qingdao branch of	Structured deposit	102,000,000.0	10 December 2018	10 June 2019	Own funds			4.20%	2,136,132			YES	YES	

Bank of Communications		0												
Qingdao branch of Bank of Communications	Structured deposit	188,000,000.0	26 October 2018	24 April 2019	Own funds			4.10%	3,801,205			YES	YES	
Sichuan Road sub-branch of China Minsheng Bank	Structured deposit	105,700,000.0	16 November 2018	16 May 2019	Own funds			4.00%	2,096,625			YES	YES	
Qingdao branch of China Minsheng Bank	Structured deposit	102,300,000.0	20 November 2018	20 May 2019	Own funds			4.00%	2,029,184			YES	YES	
Qingdao branch of Bank of China	Principal-guaranteed wealth management	100,000,000.00	25 December 2018	26 June 2019	Own funds			4.00%	2,005,479			YES	YES	
Qingdao branch of China Minsheng Bank	Structured deposit	100,000,000.00	25 December 2018	25 June 2019	Own funds			4.00%	1,994,521			YES	YES	
Qingdao branch of Bank of Communications	Structured deposit	100,000,000.00	26 December 2018	26 June 2019	Own funds			4.22%	2,104,219			YES	YES	
Haier Road	Principal-guaranteed	400,000,000.00	20 December	20 June	Own			3.90%	7,778,630			YES	YES	

sub-branch of Construction Bank	aranteed wealth management	0	2018	2019	funds									
Qingdao branch of Postal Savings Bank of China	Principal-un guaranteed and floating proceeds wealth management	350,000,000.0	6 July 2018	31 December 2018	Own funds			4.30%	7,339,452			YES	YES	
Qingdao branch of Bank of Communications	Structured deposit	250,000,000.0	11 July 2018	7 January 2019	Own funds			4.75%	5,856,164			YES	YES	
Qingdao branch of China Minsheng Bank	Structured deposit	220,000,000.0	7 August 2018	11 February 2019	Own funds			4.20%	4,759,233			YES	YES	
Qingdao branch of China Minsheng Bank	Structured deposit	50,000,000.0	9 August 2018	11 February 2019	Own funds			4.20%	1,070,137			YES	YES	
Qingdao branch of Bank of China	Principal-guaranteed wealth management	250,000,000.0	7 December 2018	18 June 2019	Own funds			4.00%	5,287,671			YES	YES	
Qingdao branch of China Minsheng Bank	Structured deposit	180,000,000.0	18 December 2018	18 June 2019	Own funds			4.00%	3,590,137			YES	YES	

Haier Road sub-branch of Construction Bank	Principal-guaranteed wealth management	260,000,000.0	20 December 2018	20 June 2019	Own funds			3.90%	5,056,110			YES	YES	
Qingdao Jinsong Road sub-branch of China CITIC Bank		240,000,000.0	21 November 2018	19 February 2019	Own funds			4.00%	2,367,123			YES	YES	
JPMorgan Chase Bank, N.A.	AT1 bond	5,412,879.6	6 July 2018	23 October 2019	Own funds			4.65%	239,318			YES	YES	
JPMorgan Chase Bank, N.A.	AT1 bond	10,482,765.9	11 July 2018	23 October 2019	Own funds			4.66%	472,351			YES	YES	
JPMorgan Chase Bank, N.A.	AT1 bond	10,556,608.8	24 August 2018	23 October 2019	Own funds			4.51%	551,076			YES	YES	
JPMorgan Chase Bank, N.A.	AT1 bond	18,835,747.3	27 August 2018	23 October 2019	Own funds			4.49%	992,547			YES	YES	
JPMorgan Chase Bank, N.A.	AT1 bond	6,365,000.0	12 July 2018	10 December 2019	Own funds			4.08%	212,000			YES	YES	
JPMorgan Chase Bank, N.A.	AT1 bond	6,270,833.3	12 July 2018	29 July 2020	Own funds			5.12%	285,833			YES	YES	
JPMorgan Chase Bank, N.A.	AT1 bond	1,480,607.1	12 July 2018	16 December 2020	Own funds			4.88%	38,582			YES	YES	
Citibank N.A. HK	Bill	10,000,000.0	12 June 2018	31 May 2021	Own funds			Max (3%, Fund increase)*269				YES	YES	

								%)						
Citibank N.A. HK	Bill	10,000,000.0	13 June 2018	31 May 2021	Own funds			max(3%,Fund increase*270 %)				YES	YES	
JPMorgan Chase Bank, N.A.	Bill	10,000,000.0	29 June 2018	18 June 2021	Own funds			max(3%,Fund increase*185 %)				YES	YES	
JPMorgan Chase Bank, N.A.	Bill	10,000,000.0	14 August 2018	30 July 2021	Own funds			max(3%,Fund increase*185 %)				YES	YES	

Others

☐Applicable ☒Not Applicable

(3) Provisions for impairment of entrusted wealth management

☐Applicable ☒Not Applicable

2. Entrusted loans**(1) Overall entrusted loans**

☐Applicable ☒Not Applicable

Others

☐Applicable ☒Not Applicable

(2) Individual entrusted loans

☐Applicable ☒Not Applicable

Others

☐Applicable ☒Not Applicable

(3) Provisions for impairment of entrusted loans

☐Applicable ☒Not Applicable

3. Others

☒Applicable ☐Not Applicable

Unit and Currency: RMB0'000

Name of party operating the derivatives investment	Type of derivatives investment	Initial investment amount in derivatives investment	Commencement date	Expiration date	Opening balance of investment amount	Amount of purchase during the reporting period	Amount of disposal during the reporting period	Impairment provision (if any)	Closing balance of investment amount	Closing balance of investment amount as a percentage of the net asset	Actual profit or loss for the reporting period
Bank	Forward exchange contract	792,625	2018/1/1	2018/12/31	792,625				1,212,854		5,209

Bank	Interest rate/exchange rate swap	1,594,081	2016/5/1	2021/6/2	1,594,081				1,938,854		10,907
Source of funds for derivative investment		Entirely internal funds of the Company									
Market prices or fair value change of invested derivatives during the reporting period, including the specific methods, assumptions and parameters adopted in the analysis of the fair values of the derivatives		<p>Change in market price or product fair value:</p> <p>1. Profit or loss of foreign exchange forward contract during the reporting period was RMB52.09 million;</p> <p>2. Profit or loss of interest rate/exchange rate during the reporting period was RMB109.07 million.</p> <p>Specific methods, assumptions and parameters: quotes for swaps and forwards of foreign exchange and interest rate provided by financial institutes.</p>									

(IV) Other Major Contracts

☐Applicable ☒Not Applicable

XVI. Other major events

☒Applicable ☐Not Applicable

During the Reporting Period, the Company disclosed the following information and all the information will be disclosed on SSE (www.sse.com.cn):

Subject matter	Name of Newspaper and Page	Date of publication
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Receiving "First-time Feedback Notice of Examining Administrative Licensing Project from China Securities Regulatory Commission" (L2018-001)	China Securities Journal (B009) Shanghai Securities News (75) Securities Times (B056) Security Daily (C3)	11 January 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Applying for Postponement of Reply to "One-time Feedback Notice of Examining Administrative Licensing Project by China Securities Regulatory Commission" (L2018-002)	China Securities Journal (B045) Shanghai Securities News (32) Securities Times (B036) Security Daily (D33)	01 February 2018
"Qingdao Haier Co., Ltd." (the Company) -- Notice of Change of Shareholder's Equity (L2018-003)	China Securities Journal (B015) Shanghai Securities News (116) Securities Times (B033) Security Daily (D95)	09 February 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Remarks on Media Report (L2018-004)	China Securities Journal (B015) Shanghai Securities News (25) Securities Times (B052) Security Daily (D95)	10 February 2018
"Qingdao Haier Co., Ltd." (the Company) -- Notice of Publishing Annual Performance of 2017 by Holding Subsidiary Haier Electronics Group Co., Ltd. (L2018-005)	China Securities Journal (B007) Shanghai Securities News (232) Securities Times (B028) Security Daily (C4)	22 March 2018

"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Express on Performance of 2017 (L2018-006)	China Securities Journal (B048) Shanghai Securities News (121) Securities Times (B136) Security Daily (D86)	04 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Reply to Feedback of Application Document for Public Issuance of Convertible Corporate Bonds (L2018-007)	China Securities Journal (B048) Shanghai Securities News (121) Securities Times (B136) Security Daily (D86)	04 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 12th Session of 9th Directorate Meeting (L2018-008)	China Securities Journal (B107) Shanghai Securities News (133) Securities Times (B132) Security Daily (D104)	11 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 11th Session of 9th Board of Supervisors Meeting (L2018-009)	China Securities Journal (B107) Shanghai Securities News (133) Securities Times (B132) Security Daily (D104)	11 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Amending "Articles of Association" (L2018-010)	China Securities Journal (B107) Shanghai Securities News (133) Securities Times (B132) Security Daily (D108)	11 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Notice of Convening 1st Special Shareholders' Meeting of 2018 (L2018-011)	China Securities Journal (B107) Shanghai Securities News (133) Securities Times (B132) Security Daily(D108)	11 April 2018
"Qingdao Haier Co., Ltd." (the Company) --Summary of 2017Annual Report	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D341)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) --First Quarterly Report 2018	China Securities Journal(B287) Shanghai Securities News(265-267) Securities Times(B290) Security Daily(D342)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 13th Session of 9th Directorate Meeting (L2018-012)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D341)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 12th Session of 9th Board of Supervisors Meeting (L2018-013)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D342)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Renewing Engagement of Accounting Firm (L2018-014)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D341)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Re-signing Agreement on Daily Connected Transaction and Prediction on Daily	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290)	26 April 2018

Connected Transaction in 2018 (L2018-015)	Security Daily (D343)	
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Prediction on Providing Guarantees for Subsidiary in 2018 (L2018-016)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D342)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Conducting Foreign Exchange Funds Derivatives Business (L2018-017)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D344)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Amending "Articles of Association" (L2018-018)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D342)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Newly Constructing Project of 5 Million Sets of Self-cleaning Air Conditioning (L2018-019)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D342)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Connected Transaction of Receiving 100% Equity of Haier New Zealand Investment Holding Company Limited (L2018-020)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D344)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Notice of Convening Annual General Meeting of 2017(L2018-021)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D344)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Notice of 2nd Line Distribution and Equity Ownership of Phase I Core Staff Shareholding Plan and Advance Term Expiration (L2018-022)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D341)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Summary of Phase III Shareholding Plan of Core Staff Shareholding Plan (Draft)	China Securities Journal (B287) Shanghai Securities News (265-267) Securities Times (B290) Security Daily (D343)	26 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 1st Special Shareholders' Meeting of 2018 (L2018-023)	China Securities Journal (B063) Shanghai Securities News (536) Securities Times (B401) Security Daily (C289)	28 April 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 1st Meeting for Holders of Phase III Shareholding Plan of Core Staff Shareholding Plan(L2018-024)	China Securities Journal (B053) Shanghai Securities News (76) Securities Times (B116) Security Daily (B3)	03 May 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Changing Representative of	China Securities Journal(B056) Shanghai Securities News(76) Securities Times(B101)	10 May 2018

Sponsor and Organizer of Independent Financial Advisor (L2018-025)	Security Daily(D39)	
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Line Distribution and Rights Belongingness of Core Staff Shareholding Plan (L2018-026)	China Securities Journal (B060) Shanghai Securities News (128) Securities Times (B121) Security Daily (C83)	12 May 2018
"Qingdao Haier Co., Ltd." (the Company) -- Condensed Report on the Equity Change	China Securities Journal (B004) Shanghai Securities News (64) Securities Times (B048) Security Daily (D77)	17 May 2018
"Qingdao Haier Co., Ltd." (the Company) -- Notice of Equity Change of Shareholder with over 5% Shares (L2018-027)	China Securities Journal (B004) Shanghai Securities News (64) Securities Times(B048) Security Daily(D77)	17 May 2018
"Qingdao Haier Co., Ltd." (the Company) -- Proposal for Public Offering of Convertible Corporate Bonds (Amendment)	China Securities Journal (B135) Shanghai Securities News (117) Securities Times (B004) Security Daily (C111)	19 May 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of Annual General Meeting of 2017 (L2018-028)	China Securities Journal (B135) Shanghai Securities News (117) Securities Times (B003) Security Daily (C112)	19 May 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 15th Session of 9th Directorate Meeting (L2018-029)	China Securities Journal (B135) Shanghai Securities News (117) Securities Times (B003) Security Daily (C112)	19 May 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 13th Session of 9th Board of Supervisors Meeting (L2018-030)	China Securities Journal (B135) Shanghai Securities News (117) Securities Times (B003) Security Daily (C112)	19 May 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Risk Alert on Diluted Current Return of Public Issuance of Convertible Corporate Bonds and Filling Measures (Amendment) (L2018-031)	China Securities Journal (B135) Shanghai Securities News (117) Securities Times (B003) Security Daily (C112)	19 May 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Completion of Purchase of 3rd Shareholding Plan of Core Staff Shareholding Plan (L2018-032)	China Securities Journal (B005) Shanghai Securities News (40) Securities Times (B064) Security Daily (D25)	23 May 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Implementation of Rights and Interests Distribution for 2017 (L2018-033)	China Securities Journal (B005) Shanghai Securities News (57) Securities Times (B037) Security Daily (D31)	01 June 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Obtaining Approval of Issuance of Overseas Listed Foreign-funded Shares from CSRC (L2018-034)	China Securities Journal (B065) Shanghai Securities News (89) Securities Times (B101) Security Daily (D41)	13 June 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 16th Session of 9th Directorate Meeting (L2018-035)	China Securities Journal (B009) Shanghai Securities News (52) Securities Times (B076)	22 June 2018

	Security Daily (D84)	
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 14th Session of 9th Board of Supervisors Meeting (L2018-036)	China Securities Journal (B009) Shanghai Securities News (52) Securities Times (B076) Security Daily (D84)	22 June 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Connected Transaction of Transferring 22% Equity of Qingdao Haier Special Electrical Appliance Co., Ltd. (L2018-037)	China Securities Journal (B009) Shanghai Securities News (52) Securities Times (B076) Security Daily (D84)	22 June 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Shareholding Increase by Concerted Actor of Actual Controller (L2018-038)	China Securities Journal (B044) Shanghai Securities News (29) Securities Times (B001) Security Daily (D35)	02 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Progress in Shareholding Increase by Actual Controller's Concerted Actor (L2018-039)	China Securities Journal (B037) Shanghai Securities News (25) Securities Times (B117) Security Daily (D68)	07 August 2018
Qingdao Haier Co., Ltd." (the Company) – Proposal for Public Offering of Convertible Corporate Bonds (Amendment)	China Securities Journal (A16) Shanghai Securities News (94) Securities Times (B007) Security Daily (C205/206)	25 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 17th Session of 9th Directorate Meeting (L2018-040)	China Securities Journal (A16) Shanghai Securities News (95) Securities Times (B008) Security Daily (C207)	25 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 15th Session of 9th Board of Supervisors Meeting (L2018-041)	China Securities Journal (A16) Shanghai Securities News (95) Securities Times (B008) Security Daily (C207)	25 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Risk Alert of Diluted Current Return on Public Issuance of Convertible Corporate Bonds and Filling Measures (Amendment) (L2018-042)	China Securities Journal (A16) Shanghai Securities News (95) Securities Times (B007) Security Daily (C207)	25 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Notice of Publishing Semi-annual Performance of 2018 by Holding Subsidiary Haier Electronics Group Co., Ltd. (L2018-043)	China Securities Journal (B036) Shanghai Securities News (193) Securities Times (B213) Security Daily (D197)	30 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Summary of 2018 Half-year Report	China Securities Journal (A39) Shanghai Securities News (160) Securities Times (B176) Security Daily (D149)	31 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 18th Session of 9th Directorate Meeting (L2018-044)	China Securities Journal (A39) Shanghai Securities News (160) Securities Times (B176) Security Daily (D150)	31 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 16th Session of 9th Board of Supervisors Meeting (L2018-045)	China Securities Journal (A39) Shanghai Securities News (160) Securities Times (B176) Security Daily (D149)	31 August 2018

"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Newly Constructing Industrial Park Project in North India (L2018-046)	China Securities Journal (A39) Shanghai Securities News (160) Securities Times (B176) Security Daily (D150)	31 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Connected Transaction of Planning to Conduct Equity Replacement by Holding Subsidiary and Haier Electronics International Co., Ltd. (L2018-047)	China Securities Journal (A39) Shanghai Securities News (160) Securities Times (B176) Security Daily (D149)	31 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Receiving Decision on Adopting Measure of Regulatory Interview Issued for Relevant Personal by Qingdao Securities Regulatory Bureau (L2018-048)	China Securities Journal (A39) Shanghai Securities News (160) Securities Times (B176) Security Daily (D150)	31 August 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Participating in Activity of Online Collective Reception Day for Investors (L2018-049)	China Securities Journal (B020) Shanghai Securities News (72) Securities Times (B36) Security Daily (D2)	21 September 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Increasing Capital in Oversea Wholly-owned Subsidiary (L2018-050)	China Securities Journal (B008) Shanghai Securities News (120) Securities Times (B036) Security Daily (C48)	22 September 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Obtaining Approval of Application for Public Issuance of Convertible Corporate Bonds by Issuance Examination Committee of CSRC upon Verification (L2018-051)	China Securities Journal (B013) Shanghai Securities News (32) Securities Times (B036) Security Daily (D20)	27 September 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 21st Session of 9th Directorate Meeting (L2018-052)	China Securities Journal (B128) Shanghai Securities News (156) Securities Times (B173) Security Daily (C92)	29 September 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 17th Session of 9th Board of Supervisors Meeting (L2018-053)	China Securities Journal (B128) Shanghai Securities News (156) Securities Times (B173) Security Daily (C92)	29 September 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Purchasing 100% Equity of Italy-based Candy Company (L2018-054)	China Securities Journal (B128) Shanghai Securities News (156) Securities Times (B173) Security Daily (C92)	29 September 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 22nd Session of 9th Directorate Meeting (L2018-055)	China Securities Journal (B004) Shanghai Securities News (41) Securities Times (B028) Security Daily (D45)	09 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolution of 18th Session of 9th Board of Supervisors Meeting (L2018-056)	China Securities Journal (B004) Shanghai Securities News (41) Securities Times (B028) Security Daily (D45)	09 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Connected Transaction of Planning to Sign "Agreement on Financial Services" (L2018-057)	China Securities Journal (B004) Shanghai Securities News (41) Securities Times (B028) Security Daily (D45)	09 October 2018

"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Reply to "Letter on Verification Opinion on Application Documents on Public Issuance of Convertible Corporate Bonds from 17th Issuance Examination Committee" (L2018-058)	China Securities Journal (B004) Shanghai Securities News (41) Securities Times (B028) Security Daily (D45)	09 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Issuing Promise by Its Actual Controller (L2018-059)	China Securities Journal (B004) Shanghai Securities News (41) Securities Times (B028) Security Daily (D45)	09 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Price Range of Issuance of D Shares (L2018-060)	China Securities Journal (B012) Shanghai Securities News (28) Securities Times (B028) Security Daily (C35)	13 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Obtaining Approval from Federal Financial Supervisory Authority for Overseas Listing of Foreign Shares (D Shares) (L2018-061)	China Securities Journal (B025) Shanghai Securities News (36) Securities Times (B028) Security Daily (B4)	15 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Public Issuance Price of Oversea Listed Foreign Shares (D Shares) (L2018-062)	China Securities Journal (B045) Shanghai Securities News (24) Securities Times (B132) Security Daily (D25)	20 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Listing of Overseas Listing of Foreign Shares (D Shares) and Change of Shares (L2018-063)	China Securities Journal (B002) Shanghai Securities News (544) Securities Times (B020) Security Daily (C144)	25 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Continuous Shareholding Increase by Concerted Actor of Actual Controller (L2018-064)	China Securities Journal (B002) Shanghai Securities News (205) Securities Times (B216) Security Daily (C144)	27 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Third Quarterly Report of 2018	China Securities Journal (B174) Shanghai Securities News (205) Securities Times (B280) Security Daily (D214)	31 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 23rd Session of 9th Directorate Meeting (L2018-065)	China Securities Journal (B174) Shanghai Securities News (205) Securities Times (B280) Security Daily (D214)	31 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 19th Session of 9th Board of Supervisors Meeting (L2018-066)	China Securities Journal (B174) Shanghai Securities News (205) Securities Times (B280) Security Daily (D214)	31 October 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 24th Session of 9th Directorate Meeting (L2018-067)	China Securities Journal (B048) Shanghai Securities News (36) Securities Times (B076) Security Daily (D42)	06 November 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 20th Session of 9th Board of Supervisors Meeting (L2018-068)	China Securities Journal (B048) Shanghai Securities News (36) Securities Times (B076) Security Daily (D42)	06 November 2018
"Qingdao Haier Co., Ltd." (the Company) --	China Securities Journal (B048) Shanghai Securities News (36)	06 November 2018

Announcement on Changing Promise about Flawed House Properties (L2018-069)	Securities Times (B076) Security Daily (D42)	
"Qingdao Haier Co., Ltd." (the Company) -- Notice of Convening 2nd Special Shareholders' Meeting of 2018 (L2018-070)	China Securities Journal (B048) Shanghai Securities News (36) Securities Times (B076) Security Daily (D42)	06 November 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Exercising Part of Over-allotment Option, Activities for Stabilizing Price and End of Term of Stable Price of D Shares (L2018-071)	China Securities Journal (B005) Shanghai Securities News (49) Securities Times (B102) Security Daily (A4)	26 November 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Listing and Trading of Option Shares of Over-allotted Options of D Shares and Equity Change (L2018-072)	China Securities Journal (B004) Shanghai Securities News (52) Securities Times (B056) Security Daily (D14)	04 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Changing "Articles of Association" (L2018-073)	China Securities Journal (B004) Shanghai Securities News (52) Securities Times (B056) Security Daily (D14)	04 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Continuous Shareholding Increase by Actual Controller's Concerted Actor (L2018-074)	China Securities Journal (B016) Shanghai Securities News (45) Securities Times (B085) Security Daily (C4)	05 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Obtaining Written Reply to Application for Public Issuance of Convertible Corporate Bonds from CSRC upon Approval and Verification (L2018-075)	China Securities Journal (B016) Shanghai Securities News (45) Securities Times (B085) Security Daily (C4)	05 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Notice of Reaching 1% by Shares Increased by Shareholder (L2018-076)	China Securities Journal (B028) Shanghai Securities News (72) Securities Times (B016) Security Daily (D82)	11 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 25th Session of 9th Directorate Meeting (L2018-077)	China Securities Journal (B016) Shanghai Securities News (80) Securities Times (B008) Security Daily (D10)	14 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 21st Session of 9th Board of Supervisors Meeting (L2018-078)	China Securities Journal (B016) Shanghai Securities News (25) Securities Times (B008) Security Daily (D10)	14 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Public Issuance of Convertible Corporate Bonds (L2018-079)	China Securities Journal (B016) Shanghai Securities News (25) Securities Times (B008) Security Daily (D9)	14 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Online Road Show for Public Issuance of Convertible Corporate Bonds (L2018-080)	China Securities Journal (B016) Shanghai Securities News (25) Securities Times (B008) Security Daily (D9)	14 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on 2nd Line Distribution and Rights Belongingness of Phase I Core Staff Shareholding Plan	China Securities Journal (B012) Shanghai Securities News (25) Securities Times (B040)	15 December 2018

(L2018-081)	Security Daily (C51)	
"Qingdao Haier Co., Ltd." (the Company) -- Notice of 2nd Line Distribution and Equity Ownership of Phase II Shareholding Plan in Core Staff Shareholding Plan and Advance Term Expiration (L2018-082)	China Securities Journal (B012) Shanghai Securities News (25) Securities Times (B040) Security Daily (C51)	15 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Notice of Issuance of Publicly Issuing Convertible Corporate Bonds (L2018-083)	China Securities Journal (A17) Shanghai Securities News (41) Securities Times (B029) Security Daily (D28)	18 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Online Lot-winning Rate and Offline Allotment Result of Public Issuance of Convertible Corporate Bonds (L2018-084)	China Securities Journal (A33) Shanghai Securities News (17-20) Securities Times (B89-92) Security Daily (D69-72)	19 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Online Lot-winning Result for Public Issuance of Convertible Bonds (L2018-085)	China Securities Journal (A07) Shanghai Securities News (61) Securities Times (B073) Security Daily (D58)	20 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Resolutions of 2nd Special Shareholders' Meeting of 2018 (L2018-086)	China Securities Journal (B060) Shanghai Securities News (17) Securities Times (B093) Security Daily (C79)	22 December 2018
"Qingdao Haier Co., Ltd." (the Company) -- Announcement on Issuance Result of Public Issuance of Convertible Corporate Bonds (L2018-087)	China Securities Journal (A10) Shanghai Securities News (45) Securities Times (B017) Security Daily (D15)	24 December 2018

XVII. Proactive performance of social responsibilities

(I) Information on poverty alleviation of the listed companies

☒Applicable ☐Not Applicable

1. Targeted measures in poverty alleviation plan

☒Applicable ☐Not Applicable

In accordance with the national plan for targeted measures in poverty alleviation and the requirements set out in relevant documents, the Company places great emphasis on poverty alleviation, and carries out initiatives of targeted measures in poverty alleviation within the scope as authorized by the general meetings on related matters (such as donation). Over the years, the Company has been devoted to education undertakings and making significant contributions, with a view to targeting the weakest area of education and to blocking the transmission of poverty between generations through focused efforts in raising the basic cultural quality in poverty and the skill levels of labor force from poor families. As at the end of the reporting period, the Company and the Haier Group Corporation (its ultimate controller) and its subsidiaries (referred to as the "Haier Group") has built nearly 300 hope schools, covering 26 provinces, municipalities directly under the central government and autonomous regions in China, and continuously provide the above-mentioned schools support in materials and other

respects in each year including the reporting period. These initiatives have effectively enhanced the basic educational capabilities in poverty-stricken areas and improved the quality of education. At the same time, the Company actively responded to the national rural revitalization strategy to implement targeted measures in poverty alleviation and together with the county-level governments and ecological resources to actively plan for farmer entrepreneurship to create a better life in the countryside.

2. Summary of targeted measures in poverty alleviation during the year

√Applicable □Not Applicable

In 2018, the Company's expenditures on targeted measures in poverty alleviation was approximately RMB17.44 million, which was mainly utilized in the education improvement, physical and mental health development of adolescents and children. At the same time, the Company also explored feasible methods in agricultural poverty alleviation. For instance, for rural entrepreneurs, Haier customized skill enhancement solutions for them among which the Xiaoshun Business School (小顺商学院), jointly established by RRS Health (日日顺健康) and Haier University, is a good example. The school was built with a multi-level training system based on rural talent revitalization strategy to enhance farmers' entrepreneurial skills. By providing local platforms and employment opportunities, we strive to build a sound brain circulation ecological system that can "cultivate and retain competent talents". In addition, given the economic condition in different rural areas, the Company has customized the entrepreneurial poverty alleviation model with programs, platforms, networks, achievements and practicability to follow, implemented the national targeted poverty alleviation initiative and spared no effort to rural poverty alleviation.

3. Results of targeted measures in poverty alleviation

√Applicable □Not Applicable

Unit and Currency: RMB0'000

Indicators	Amount and the status
I. General information	
Including: 1. Funds	1,744
II. Breakdown of the use of funds	
1. Poverty alleviation through education	
1.1 Increase the amount of educational resources invested in poverty-stricken areas	1,264
2. Poverty alleviation through health enhancement	
Including: 2.1 Amount invested in medical and health resources in poverty areas	51
3. Basic guarantees	
3.1 Amount invested in helping poor people with disabilities	76

4. Poverty alleviation in the society	
4.1 Contributed amount in targeted poverty alleviation works	5
4.2 Charity funds for poverty alleviation	348

4. Subsequent targeted measures in poverty alleviation plans

√Applicable □Not Applicable

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

(II) Performance of social responsibilities

√Applicable □Not Applicable

For details, please refer to the *2018 Social Responsibility Report of Qingdao Haier Co., Ltd.* disclosed on the date of this periodic report.

(III) Environmental information

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

√Applicable □Not Applicable

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

(1) Pollution discharge information

√Applicable □Not Applicable

The Company and its holding subsidiaries including Qingdao Haier Refrigerator Co., Ltd. (“Haier Refrigerator”) and Guizhou Haier Electronics Co., Ltd. (“Guizhou Haier”) are key emission units announced by the environmental protection department.

The polluted industrial wastewater of the Company is mainly domestic water (water for toilets and bathrooms) to be discharged to municipal pipelines through sewer pipes. The exhaust gas is mainly assembly welding fume, and is exhausted out of the workshop with the high-power exhaust fans. After

collection and filtering through the collection hood, the workshop welding fume is exhausted to the outside of the workshop through the exhaust pipe. The foamed injection exhaust gas is discharged to the outside of the workshop with high-power exhaust fans and through the special fan stack pipes and the exhaust funnel in an organized way.

The major pollutants and emission standards are as shown in the table below:

Plant	Monitoring Point	Pollutant	Monitoring Index	Standard Value	Measured Value	Reaching Standard or not
Exhaust gas	1# Welding of Assembly A	Particulate matter	Emission density	120mg/m ³	2.68mg/m ³	Yes
			Emission rate	3.5 (15m in height) kg/h	0.042kg/h	
		Carbonic oxide	Emission density	/	<0.3mg/m ³	
			Emission rate	/	/	
	2# Welding of Assembly B	Particulate matter	Emission density	120mg/m ³	3.92mg/m ³	Yes
			Emission rate	3.5 (15m in height) kg/h	0.044kg/h	
		Carbonic oxide	Emission density	/	<0.3mg/m ³	
			Emission rate	/	/	
	3# Fan Stack of Foam Station A	Particulate matter	Emission density	120mg/m ³	/	Yes
			Emission rate	3.5 (15m in height) kg/h	/	
		Benzene	Emission density	12mg/m ³	<5.0×10 ⁻⁴ mg/m ³	
			Emission rate	0.9 (20m in height) kg/h	/	
		Toluene	Emission density	40mg/m ³	0.197mg/m ³	
			Emission rate	5.2 (20m in height) kg/h	8.2×10 ⁻⁴ kg/h	
		Xylene	Emission density	70mg/m ³	4.75mg/m ³	
			Emission rate	1.7 (20m in height) kg/h	0.020kg/h	
		Non-methane Hydrocarbon	Emission density	120mg/m ³	1.12mg/m ³	
			Emission rate	17 (20m in height) kg/h	0.005kg/h	
		Carbonic oxide	Emission density	/	/	
			Emission rate	/	/	
	4# Fan Stack of Foam Station B	Particulate matter	Emission density	120mg/m ³	/	Yes
			Emission rate	3.5 (15m in height) kg/h	/	
		Benzene	Emission density	12mg/m ³	<5.0×10 ⁻⁴ mg/m ³	
			Emission rate	0.9 (20m in height) kg/h	/	
		Toluene	Emission density	40mg/m ³	0.059mg/m ³	

			Emission rate	5.2 (20m in height) kg/h	2.5×10^{-4} kg/h	
			Emission density	70mg/m ³	4.13mg/m ³	
		Xylene	Emission rate	1.7 (20m in height) kg/h	0.017kg/h	
			Emission density	120mg/m ³	1.21mg/m ³	
		Non-methane Hydrocarbon	Emission rate	17 (20m in height) kg/h	0.005kg/h	
			Emission density	/	/	
	Hood	5#	Emission density	2.0mg/m ³	1.81mg/m ³	Yes
			Emission rate	/	/	
		6#	Emission density	2.0mg/m ³	0.33mg/m ³	
			Emission rate	/	/	
			Emission density	/	/	
			Emission rate	/	/	

The polluted industrial wastewater of Haier Refrigerator is also mainly domestic water (water for toilet, bathroom) to be discharged to the municipal pipelines through sewer pipes. The production exhaust gas mainly includes welding fume, foaming exhaust gas and canteen oil fume, all of which are collected by the gas collecting hood and discharged to high altitude through the exhaust funnel in an organized way.

The major pollutants and emission standards are as shown in the table below:

Plant	Monitoring Point	Pollutant	Monitoring Index	Standard Value	Measured Value	Reaching Standard or not
Exhaust gas	Exhaust Stack at 1# Welding of Assembly A	Particulate matter	Emission density	120 mg/m ³	2.0 mg/m ³	Yes
			Emission rate	5.9 kg/h	0.047 kg/h	
	Exhaust Stack at 2# Welding of Assembly B	Particulate matter	Emission density	120 mg/m ³	1.8 mg/m ³	Yes
			Emission rate	5.9 kg/h	0.031 kg/h	
	Pre-mixer 3#	Non-methane Hydrocarbon	Emission density	120 mg/m ³	3.93 mg/m ³	Yes
			Emission rate	17 kg/h	0.044 kg/h	
		Benzene	Emission density	12 mg/m ³	<0.004 mg/m ³	
			Emission rate	0.90 kg/h	/	
		Toluene	Emission density	40 mg/m ³	<0.004 mg/m ³	
			Emission rate	5.2 kg/h	/	
		Xylene	Emission density	70 mg/m ³	<0.004 mg/m ³	
			Emission rate	1.7 kg/h	/	
	Vacuum Infusion	Non-methane	Emission density	120 mg/m ³	3.14 mg/m ³	Yes

	Assembly 5#	Hydrocarbon	Emission rate	17 kg/h	0.038 kg/h	
		Benzene	Emission density	12 mg/m ³	<0.004 mg/m ³	
			Emission rate	0.90 kg/h	/	
		Toluene	Emission density	40 mg/m ³	<0.004 mg/m ³	
			Emission rate	5.2 kg/h	/	
		Xylene	Emission density	70 mg/m ³	<0.004 mg/m ³	
			Emission rate	1.7 kg/h	/	
	Adsorption Process 5#	Non-methane Hydrocarbon	Emission density	120 mg/m ³	22.4 mg/m ³	Yes
			Emission rate	17 kg/h	0.253 kg/h	
		Benzene	Emission density	12 mg/m ³	<0.004 mg/m ³	
			Emission rate	0.90 kg/h	/	
		Toluene	Emission density	40 mg/m ³	<0.004 mg/m ³	
			Emission rate	5.2 kg/h	/	
		Xylene	Emission density	70 mg/m ³	<0.004 mg/m ³	
			Emission rate	1.7 kg/h	/	
	Hood	Hood	Emission density	2.0 mg/m ³	0.86 mg/m ³	Yes

Pollutants of Guizhou Haier mainly involve noise and foaming exhaust gas. For noise, plant barriers, greening for sound absorption and attenuation over distance, etc. The foaming exhaust gas is discharged to high altitude through the exhaust funnel in an organized way.

The major pollutants and emission standards are as shown in the figure below:

Item	Monitoring Point	Pollutant	Monitoring Index	Standard Value	Measured Value	Reaching Standard or not
Noise	1# Plant Gate	Noise	Diurnal noise value	60 dB	48.7 dB	Yes
			Night noise value	50 dB	41.5 dB	Yes
	2# Air Compression Station		Diurnal noise value	60 dB	48.9 dB	Yes
			Night noise value	50 dB	42.5 dB	Yes
	3#EMR		Diurnal noise value	60 dB	55.6 dB	Yes
			Night noise value	50 dB	47.6 dB	Yes
Volatil e organic compo und	Upwind direction of unauthorized exhaust gas at boundary	Non-metha ne Hydrocarb on	Emission density	4.0 mg/m ³	0.13mg/m ³	Yes

Inspection of organic matter	Downwind direction of unauthorized exhaust gas at boundary		Emission density	4.0 mg/m ³	0.28mg/m ³	Yes
	Upwind direction of unauthorized exhaust gas at boundary	Benzene	Emission density	0.40mg/m ³	1.8*10 ⁻³ mg/m ³	Yes
	Downwind direction of unauthorized exhaust gas at boundary		Emission density	0.40mg/m ³	2.0*10 ⁻³ mg/m ³	Yes
	Upwind direction of unauthorized exhaust gas at boundary	Toluene	Emission density	2.4 mg/m ³	ND (below detection limit)	Yes
	Downwind direction of unauthorized exhaust gas at boundary		Emission density	2.4 mg/m ³	2.8*10 ⁻³ mg/m ³	Yes
	Upwind direction of unauthorized exhaust gas at boundary	Xylene	Emission density	1.2 mg/m ³	5.6*10 ⁻³ mg/m ³	Yes
	Downwind direction of unauthorized exhaust gas at boundary		Emission density	1.2 mg/m ³	1.12mg/m ³	Yes
	Upwind direction of unauthorized exhaust gas at boundary	Phenols	Emission density	0.080 mg/m ³	0.005 mg/m ³	Yes
	Downwind direction of unauthorized exhaust gas at boundary		Emission density	0.080mg/m ³	0.008mg/m ³	Yes
	Upwind direction of unauthorized exhaust gas at boundary	Anilines	Emission density	0.40 mg/m ³	0.09 mg/m ³	Yes
	Downwind direction of unauthorized exhaust gas at boundary		Emission density	0.40mg/m ³	0.10mg/m ³	Yes

(2) Construction and operation of pollution control facility√Applicable ☐Not Applicable

The Company and Haier Refrigerator have provided activated carbon filtration equipment for the treatment of the exhaust gas from assembly welding absorbed by the foaming door. The restaurants are provided with electric ion fume decomposition devices. The exhaust gas treatment equipment is controlled by designated personnel, the pollution prevention and control facilities are included in the TPM management scope of the equipment, and the daily inspection, weekly maintenance, and monthly maintenance are carried out to ensure the normal operation of the equipment. The management of the operations of pollution control facilities for exhaust gas generation is strengthened. We have ensured efficient operation of pollution control facilities. Exhaust gas is tested by delegation on an annual basis. The fan stacks are cleaned and inspected on a weekly, monthly and quarterly basis. Spot inspection records are kept. Fan stack cleaning records are archived. All these are to ensure normal operation of the exhaust facilities and smooth exhaust gas emission. The exhaust pipes are inspected periodically for presence of foreign matters and looseness or falling. Preparations for emergency response are also made.

Guizhou Haier Electric Appliance Co., Ltd. regulates the waste oil generated by the equipment (the annual production of waste oil is within 0.8 tons), establishes the controlling account, and is in charge of the designated personnel. Emergency storage materials (sawdust, cotton yarn, absorbent cotton, etc.) are kept in the storage location, emergency plans for waste oil leakage are prepared and drills are conducted; anti-leakage measures are made in storage places, walls are tiled and roofs are covered with colored steel tile to prevent leakage; environmental management supervision signs, hazardous waste warning signs, risk management signs are well-founded.

(3) Evaluation of the effect of construction projects on the environment and other environmental administration license√Applicable ☐Not Applicable

The Company and its subsidiaries perform the implementation and production of construction projects according to the laws and regulations. We perform environmental impact evaluation procedures in strict accordance with the Three Simultaneous system for environmental protection of construction projects which have been approved in the environmental impact assessment. There are no environmental violations such as having constructions without approval.

(4) Emergency plan for environmental emergencies√Applicable ☐Not Applicable

The Emergency Plan for Environmental Emergencies is developed according to the laws and regulations by the Company and its subsidiaries. Drills have been organized. The Plan is continuously optimized and upgraded according to the drill results.

(5) Environmental self-monitoring plan

√Applicable □Not Applicable

All pollutant discharges of the Company comply with national and local environmental standards. The sewage is discharged after being collected and treated, and is monitored in real time through the automatic online sewage monitoring system. The data is connected to the Haier Smart Energy System. In March 2017, the Company received and passed the certification of version change of ISO14001 environmental management system. In March 2018, the professional certification body conducted the first supervision and audit of the operation of 2017 ISO14001 system after version change. The operation was approved and functioned smoothly.

(6) Other environmental information to be disclosed

√Applicable □Not Applicable

Remarkable results in energy-saving and emission reduction have been made by the Company through promoting energy-saving and emission reduction projects such as transforming the use of liquefied gas to natural gas, aerial lighting renovation and provision of filtration devices with compressed gas and also by the Haier Refrigerator through promoting energy-saving and emission reduction projects such as cooling oil to water for adsorption machines, lighting renovation and etc..

2. Statement on environmental protection of companies other than key pollution discharge units

√Applicable □Not Applicable

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

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

3. Statement on reasons for non-disclosure of environmental information by companies other than key pollution discharge units

□Applicable √Not Applicable

4. Statement on subsequent development or changes of environmental information contents disclosed in the reporting period

√Applicable □Not Applicable

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

(IV) Other explanations

□Applicable √Not Applicable

XVIII. Convertible corporation bonds

(I) Information on the issuance of convertible bonds

√Applicable □Not Applicable

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

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

√Applicable □Not Applicable

Number of convertible bond holders at the end of the period	49,125	
Guarantor of the convertible bonds of the Company	Nil	
Top ten convertible bond holders are as below:		
Name of convertible corporate bond holders	Bonds held at the end of the period (RMB)	Ownership held (%)
Haier Electric Appliances International Co., Ltd.	620,532,000	20.63
Haier Group Corporation	528,797,000	17.58
GIC PRIVATE LIMITED	129,860,000	4.32
Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司)	84,921,000	2.82
National social security fund, Portfolio 104	51,365,000	1.71

Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	32,480,000	1.08
Industrial and Commercial Bank of China - SSE 50 Trading Open Index Securities Investment Funds	20,510,000	0.68
Agricultural Bank of China Limited - E Fund Consumer Industry Equity Securities Investment Funds	17,561,000	0.58
Bank of China Limited- E Fund's small and medium-sized hybrid securities investment funds	17,255,000	0.57
Tibet Lianhai Capital Management Limited (西藏联海资产管理有限公可) - Neutron Star Road, 9 B Yue Jin No. 1 Private Equity Funds	15,125,000	0.50

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

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

(V) Information on the indebtedness, changes in creditability of the Company and the cash arrangement for repayment of debts in the coming years

☒Applicable ☐Not Applicable

At the end of the reporting period, the Company's liabilities amounted to RMB 111,569.27 million in total, including current liabilities RMB80,081.66 million and non-current liabilities RMB31,487.60 million.

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

The Company's operations in all aspects are stable, the asset structure is reasonable, and the credit status is good, thus being able to provide stable and sufficient working capital for the payment of convertible corporate bond interest and repayment of principle in the future.

(VI) Explanation on other information regarding convertible bonds

☐Applicable ☒Not Applicable

SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS

I. Changes in ordinary share capital

(I) Table of Changes in ordinary shares

1. Table of Changes in ordinary shares

Unit: share

	Prior to the change		Increase and decrease of the change (+, -)					Balance	
	Number	%	New shares issued	Bonus shares	Shares converted from reserve	Others	Subtotal	Number	%
I. Shares with selling restrictions									
1. Shares held by the state									
2. Shares held by the state-owned legal entities									
3. Shares held by other domestic investors									
Including: shares held by domestic non-state-owned legal entities									
Shares held by domestic individuals									
4. Shares held by foreign investors									
Including: shares held by foreign legal entities									
shares held by foreign individuals									
II. Tradable shares without selling restrictions	6,097,402,727	100.000	271,013,973				271,013,973	6,368,416,700	100.00
1. RMB ordinary shares	6,097,402,727	100.000						6,097,402,727	95.74

2. Domestic listed foreign shares									
3. Overseas listed foreign shares			271,013,973				271,013,973	271,013,973	4.26
4. Others									
III. Total ordinary shares	6,097,402,727	100.000	271,013,973				271,013,973	6,368,416,700	100.00

2. Statement on the changes in ordinary shares

√Applicable □Not Applicable

On 27 April 2018, *Proposal of Intended Application for the Initial Public Offering and Listing of Shares at the D Shares Market of China Europe International Exchange AG of Qingdao Haier Co., Ltd.* was passed on the 2018 First Extraordinary General Meeting. The Company intended to apply for the initial public offering and listing of shares at the D shares market of China Europe International Exchange AG, such issuance and listing would be achieved through the entrance of Frankfurt Stock Exchange and listing for dealing. Such issuance has been completed in November 2018, and 271,013,973 D shares in total were issued.

3. Effect of changes in ordinary shares on the financial indicators such as earnings per share and net assets per share (if any) over the last year and the last reporting period

√Applicable □Not Applicable

In 2018, the Company achieved net profit attributable to shareholders of the parent company of RMB7,440,228,855.90, equity attributable to owners of the parent company of RMB39,402,350,791.68, in terms of total share capital of 6,097,402,727 shares of the Company before issuance of D shares, revenue was RMB1.22 per share and net asset was RMB6.46 per share accordingly; in terms of total share capital of 6,368,416,700 shares of the Company after issuance of D shares, revenue was RMB1.17 per share and net asset was RMB6.19 per share accordingly.

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

□Applicable √Not Applicable

(II) Changes in shares with selling restrictions

□Applicable √Not Applicable

II. Issuance and listing of securities**(I) Issuance of securities as of the reporting period**

√Applicable □Not Applicable

Unit: 0'000 shares Currency: RMB

Type of shares and its derivative securities	Date of issue	Price (or interests rate)	Number of issuance	Date of listing	Number of shares under listing approval	Date of termination
Ordinary shares						
RMB ordinary shares - grant of restricted shares under the Share Option Incentive Scheme	7 July 2014	7.73	244.04	20 June 2015	488.08	
			366.06	20 June 2016	/	
Non-public	17 July 201	10.83	30,299.3	17 July	60,598.60	

Issuance of RMB ordinary shares	4		0	2017		
RMB ordinary shares - exercise of share option and grant of restricted shares under the Share Option Incentive Scheme	8 April 2015	10.06	19.00	5 August 2015	/	
	28 July 2015	8.07	3,090.40		3,090.40	
D shares	24 October 2018	EUR1.05	26,500	24 October 2018	26,500	
	30 November 2018		601.3973	30 November 2018	601.3973	
Convertible corporation bonds, convertible bonds with warrants and corporate bonds						
Convertible corporation bonds of Qingdao Haier Co., Ltd.	18 December 2018	Interest rates for the first year to sixth year are 0.2%, 0.5%, 1.0%, 1.5%, 1.8%, 2.0%, respectively	RMB3,007,490,000	18 January 2019	RMB3,007,490,000	

Details of issuance of securities in the latest 3 years as of the reporting period (please specify separately for bonds with different interest rates within the duration):

√Applicable □Not Applicable

(1) In April 2014, the Company introduced Phase IV Share Option Incentive Scheme. The Scheme involves 54,560,000 options in total, of which, 49,110,000 options (including 42,879,000 share options and 6,231,000 restricted shares) were granted under the first grant and 5,450,000 options (including 4,761,000 share options and 689,000 restricted shares) were reserved shares. After no objection filing with the CSRC and the approval of the Scheme at a general meeting of the shareholders of the Company, the Board determined the date of the First Grant was 20 June 2014 and 48,780,000 options (including 42,679,000 share options at the exercise price of RMB16.63 per share; and 6,101,000 restricted shares at the grant price of RMB7.73 per share) were granted to scheme participants (adjusted after one participant left the Company) under the first grant. The registration of transfer of the abovementioned restricted shares was completed on 7 July 2014. For details, please refer to the *Announcement of Completion of Registration of Restricted Shares Granted under the Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd.* (L2014-038) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 8 July 2014.

(2) In September 2013, the Company induced a proposal on the introduction of the strategic investor through non-public issuance of no more than 305 million A ordinary shares to KKR (Luxembourg) with proceeds of not more than RMB3.447 billion. After the approval received from the general meeting of the shareholders of the Company, Ministry of Commerce and CSRC, the Board of the

Company conducted relevant share transfer procedures in July 2014 and determined 302,992,994 shares to be issued at the issue price of RMB10.83 per share. The listing of the relevant share will be effective on 17 July 2017. For details, please refer to *Announcement on Results of Non-public Issuance of Shares and Change in Share Capital of Qingdao Haier Co., Ltd.* (L2014-041) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 22 July 2014.

(3) In February 2015, according to the Company's reserved equity under the Phase IV Share Option Incentive Scheme, an aggregate of 650,000 share options were granted with the exercise price of RMB20.44 per share while 190,000 restricted shares were granted with the granting price of RMB10.06 per share. The Board of Directors determined that the Grant date was 26 February 2015. Registration and transfer issues of the restricted shares have been completed on 8 April 2015. For details, please refer to the *Announcement of Qingdao Haier Co., Ltd. on the Completion of Registration of Reserved Restricted Shares Granted under the Phase IV Share Option Incentive Scheme* (L2015-011) published by the Company on the four major securities newspapers and the Shanghai Stock Exchange website (www.sse.com.cn) on 9 April 2015.

(4) In July 2015, the conditions of the first exercise/unlocking of equity initially granted under Phase IV Share Option Incentive Scheme were fulfilled. The Company directionally issued additional 30,904,000 ordinary shares to determined and qualified participants of the first exercise of equity granted under Phase IV Share Option Scheme at a price of RMB8.07 per share on 28 July 2015. The above shares were listed on 5 August 2015. For details, please refer to the *Announcement of Qingdao Haier Co., Ltd. on the Share Option Incentive Exercise Result and New Shares Listing under the Share Option Incentive Scheme* (L2015-031) published by the Company on the four major securities newspapers and the Shanghai Stock Exchange website (www.sse.com.cn) on 30 July 2015.

(5) In April 2018, after considering and approving at the 11th meeting of the 9th session of the Board and the 2018 First Extraordinary General Meeting of the Company, the Company intended to apply for the initial public offering and listing of shares at the D shares market of China Europe International Exchange AG. After obtaining relevant approval and examination, the Company issued 265,000,000 and 6,013,973 D shares (which were issued pursuant to the exercise of Over-allotment Share Option), respectively in October and November 2018, resulting in an aggregate of 271,013,973 D shares being issued and listed for trading. For details, please refer to *Announcement on Listing of Overseas Listing of Foreign Shares (D Shares) and Change of Shares of Qingdao Haier Co., Ltd.* (L2018-063) and *Announcement on Listing and Trading of Option Shares of Over-allotted Options of D Shares and Equity Change of Qingdao Haier Co., Ltd.* (L2018-072) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 25 October 2018 and 4 December 2018, respectively.

(6) In September 2017, after considering and approving at the 8th meeting of the 9th session of the Board of the Company, the Company intended to issue convertible corporate bonds up to RMB5,640,000,000 (subject to the adjustment of the Board with up to RMB3,007,490,000). After

obtaining relevant approval and examination, the Company issued convertible corporate bonds of RMB3,007,490,000 on 18 December 2018, which listed for trading on 18 January 2019. For details, please refer to relevant announcements, such as *Announcement on Public Issuance of Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* (L2018-079) and *Announcement on the Listing of the Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* (L2019-004) disclosed by the Company on 13 December 2018 and 16 January 2019, respectively.

(II) Changes in total shares and shareholder structure as well as assets and liabilities structure of the Company

☐Applicable ☒Not Applicable

(III) Information on existing shares held by the staff

☐Applicable ☒Not Applicable

III. Information on shareholder and ultimate controllers

(I) Total number of shareholders

Total number of ordinary shareholders up to the end of the reporting period	173,027
Total number of ordinary shareholders as at the end of the last month prior to the disclosure day of the annual report	172,948

Note: The above number of shareholders is the total number of the Company's shareholders of A shares and D shares.

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

Unit: share

Shareholdings of top ten shareholders							
Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Status of shares pledged or frozen		Nature of shareholder
					Status	Number	
Haier Electric Appliances International Co., Ltd.		1,258,684,824	19.76		Nil		Domestic non-state-owned legal entity
Haier Group Corporation		1,072,610,764	16.84		Nil		Domestic non-state-owned legal entity

Hong Kong Securities Clearing Co., Ltd.		496,233,305	7.79		Unknown		Unknown
GIC PRIVATE LIMITED		263,406,745	4.14		Unknown		Foreign legal entity
Deutsche Bank Aktiengesellschaft (note)		209,115,801	3.28		Unknown		Foreign legal entity
China Securities Finance Corporation Limited		182,592,697	2.87		Unknown		Unknown
Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)		172,252,560	2.70		Nil		Domestic non-state-owned legal entity
KKR HOME INVESTMENT S.A.R.L.		161,116,436	2.53		Unknown		Foreign legal entity
National social security fund, Portfolio 104		102,211,900	1.60		Unknown		Unknown
Central Huijin Asset Management Ltd.		69,539,900	1.09		Unknown		Unknown

Shareholdings of top ten shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares without selling restrictions	Class and number of shares	
		Class	Number
Haier Electric Appliances International Co., Ltd.	1,258,684,824	RMB ordinary	1,258,684,824
Haier Group Corporation	1,072,610,764	RMB ordinary	1,072,610,764
Hong Kong Securities Clearing Co., Ltd.	496,233,305	RMB ordinary	496,233,305
GIC PRIVATE LIMITED	263,406,745	RMB ordinary	263,406,745
Deutsche Bank Aktiengesellschaft (note)	209,115,801	Overseas listed foreign shares	209,115,801
China Securities Finance Corporation Limited	182,592,697	RMB ordinary	182,592,697
Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)	172,252,560	RMB ordinary	172,252,560
KKR HOME INVESTMENT S.A.R.L.	161,116,436	RMB ordinary	161,116,436
National social security fund, Portfolio 104	102,211,900	RMB ordinary	102,211,900

Central Huijin Asset Management Ltd.	69,539,900	RMB ordinary	69,539,900
Related-parties or parties acting in concert among the aforesaid shareholders	(1) Haier Electric Appliances International Co., Ltd. is a holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司) is a party acting in concert with Haier Group Corporation; (2) The Company is not aware of the existence of any connections of other shareholders.		
Explanation of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable		

Note: This account is the Deutsche Bank collection account for the Company's D shares, which is the original data provided by the German 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

IV. Controlling shareholder and the ultimate controller

(I) Status of controlling shareholder

1 Legal person

☒Applicable ☐Not Applicable

Name	Haier Electric Appliances International Co., Ltd.
The person in charge of the Company or legal representative	Zhang Ruimin (张瑞敏)
Establishment date	1988-06-30
Principal business	Manufacturing of freezer, electromagnetic stove, house electrical fan, hairdryer, freezing machine, gas fire, air cleaner, dishwasher, electric heater, electric cooker, water dispenser, vacuum cleaner, kitchen ventilator, gas stove and oven focal; the export of the products produced by the Company, the import and export of technology and equipment for the Company's own use and the import business of raw materials for production.

2 Natural person

☐Applicable ☒Not Applicable

3 Explanation on the absence of controlling shareholders of the Company

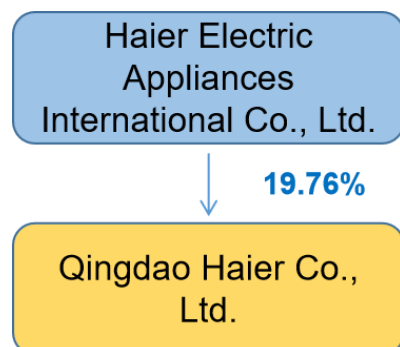
□Applicable √Not Applicable

4 Index and dates in respect of the changes in controlling shareholders during the reporting period

□Applicable √Not Applicable

5 Framework of the ownership and controlling relationship between the Company and its controlling shareholder

√Applicable □Not Applicable

**(II) Status of the ultimate controller****1 Legal person**

√Applicable □Not Applicable

Name	Haier Group Corporation
The person in charge of the Company or legal representative	Zhang Ruimin (张瑞敏)
Establishment date	1980-03-24
Principal business	Manufacturing of home appliances, digital products, communication equipment, electronic computers and accessories, ordinary machineries, kitchen utensils and industrial use robots; domestic commercial wholesale distribution and retail sale (excluding those operated exclusively by the State, which are dangerous and limited by the State); the import and export business (please refer to Foreign Trade Enterprise Validation Certificate for details).

2 Natural person

□Applicable √Not Applicable

3 Explanation on the absence of ultimate controller of the Company

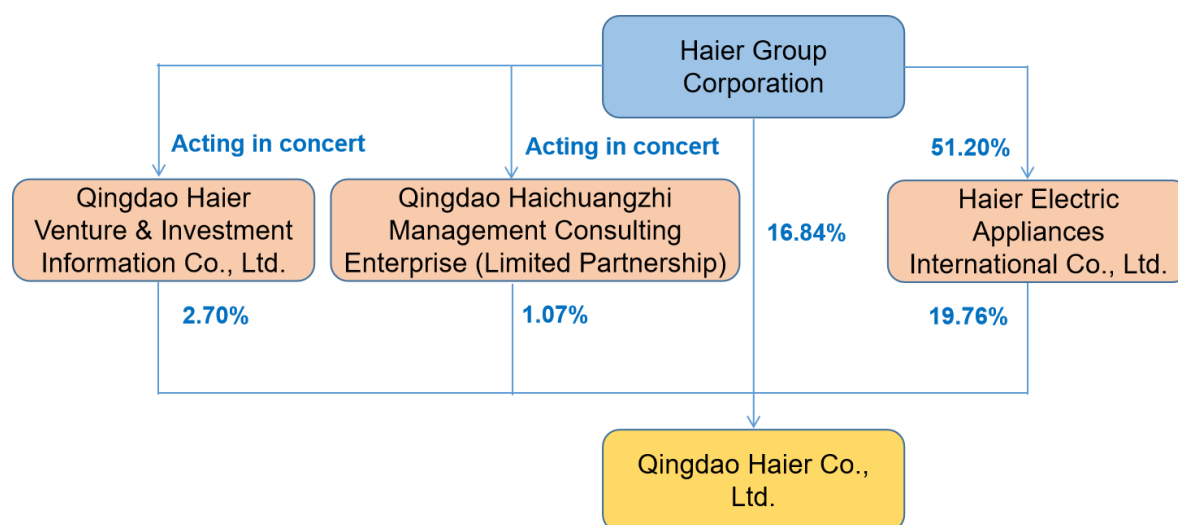
□Applicable √Not Applicable

4 Index and dates in respect of the changes in ultimate controller during the reporting period

□Applicable √Not Applicable

5 Framework of ownership and controlling relationship between the Company and the ultimate controllers

☒Applicable ☐Not Applicable



6 The ultimate controller controls the Company by way of Trust or other assets management

☐Applicable ☒Not Applicable

(III) Introduction of controlling shareholders and ultimate controllers

☒Applicable ☐Not Applicable

Haier Group Company is registered as a joint-stock enterprise. According to the statement issued by the State-owned Assets Management Office of Qingdao on 1 June 2002, it is believed that the enterprise nature of Haier Group Company is a collective owned enterprise.

V. Other legal shareholders with a shareholding percentage over 10%

☐Applicable ☒Not Applicable

VI. Explanation of reduction of share restrictions

☐Applicable ☒Not Applicable

SECTION VII RELEVANT INFORMATION OF PREFERRED SHARES

☐Applicable ☒Not Applicable

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. Changes of Shareholding and Remuneration

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

√Applicable □Not Applicable

Unit: share

Name	Title (note)	Gender	Age	Appointment date	Expiration date of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Increase/decrease in shares for the year	Reason for increase/decrease	Total remuneration received from the Company during the reporting period (RMB0'000) (before tax)	Whether receive remuneration from the Company's related party
Liang Haishan	Chairman & CEO	male	53	2016-05-31	2019-05-30	10,904,065	12,859,062	1,954,997	Employee shareholding plan vested	190	NO
Tan Lixia	Vice president	female	49	2016-05-31	2019-05-30	5,272,740	6,836,737	1,563,997		No receipt of remuneration from the Company	YES
Peng Jianfeng	Director	male	58	2016-05-31	2019-05-30					20	NO
Wu Changqi	Director	male	64	2016-05-31	2019-05-30					20	NO
Zhou Hongbo	Director	male	57	2016-05-31	2019-05-30					20	NO
Liu Haifeng	Director	male	49	2016-05-31	2019-05-30					No receipt of	NO

										remuneration from the Company	
Wu Cheng	Independ ent director	male	79	2016-05-31	2019-05-30					20	NO
Dai Deming	Independ ent director	male	57	2016-05-31	2019-05-30					20	NO
Shi Tiantao	Independ ent director	male	57	2016-05-31	2019-05-30					20	NO
Wang Peihua	Chairman of the Board of Superviso rs	male	62	2016-05-31	2019-05-30	27,004	91,213	64,209		No receipt of remuneration from the Company	YES
Ming Guoqing	Superviso r	male	59	2016-05-31	2019-05-30	17,612	59,518	41,906		No receipt of remuneration from the Company	YES
Wang Yuqing	Empleye e superviso r	female	44	2016-05-31	2019-01-08	2,231	7,532	5,301		16	NO
Yu Miao	Empleye e superviso r	male	37	2019-01-08	2019-05-30					21	NO

Gong Wei	Chief financial officer, vice president	male	46	2016-05-31	2019-05-30	1,050,000	1,450,556	400,556	Employee shareholding plan vested	65	NO
Ming Guozhen	Secretary to the board of directors, vice president	female	55	2016-05-31	2019-05-30	944,446	1,106,579	162,133		60	NO
Total	/	/	/	/	/	18,218,098	22,411,197	4,193,099	/	472	/

Name	Major work experience
Liang Haishan	Male, born in 1966, is a senior engineer. He had served as head of the quality department of Qingdao Haier Refrigerator Co., Ltd., general manager of Qingdao Haier Air Conditioner Gen Corp., Ltd, senior vice president of Haier Group, rotation president of Haier Group. He is vice president of the board of directors of Haier Group, chairman of 9th session of the Board and general manager of Qingdao Haier Co., Ltd.; he was rewarded National May 1st Labor Medal, Outstanding Leadership Award of the National Light Industry Enterprise Information (全国轻工业企业信息化优秀领导奖), Top 10 Leaders in China Strategic Emerging Industries in recent year; Prize of Technology Advancement for China Household Appliances, First Prize Award of Science and Technology Progress of China National Light Industry Council, 2017 Forbes China Best CEO of Listed Company, 2017 Taishan Industry Leading Talent of Shandong Province.
Tan Lixia	Female, born in 1970, had served as assistant to director and general manager of Haier Air Conditioning Electronics Import and Export Company (海尔空调电子进出口公司), the head of integrated department, deputy director, director of department of overseas market development of Haier Group, and head of department of financial management of Haier Group, CFO of Haier Group currently serves as the executive vice president of Haier Group, the president of Haier Financial Holdings Limited, the vice chairman of the 9th session of the Board of Qingdao Haier Co., Ltd.. In recent years, she was successively awarded Model Worker of Shandong Province, Outstanding Entrepreneur of the State, "March 8 Red-Banner Holders of the State ", PRC CFO of the Year, China Top Ten Women in Economic Area, China Top Ten Brand Female (中国十大品牌女性), member of the 12th Standing Committee of the All-China Women's Federation and the vice president of the China Women Entrepreneurs Association and so on.
Peng Jianfeng	Male, born in 1961, professor and tutor of doctorate students of School of Labor and Human Resources of Remin University of China, president of China Stone Management Consulting Group, vice chairman of China Human Resource Development Association, vice director of Management Consulting Committee of China Enterprise Confederation, director of the 9th session of the Board of Qingdao Haier Co., Ltd.. He once was the

	deputy dean of School of Labor and Human Resources of Remin University of China.
Wu Changqi	Male, born in 1955, professor and tutor of doctorate students of department of Strategic Management of Guanghua School of Management of Peking University. He graduated from Shandong University in 1982 with a bachelor degree in economics. He graduated from Katholieke Universiteit Leuven in Belgium in 1990, with a MBA degree and a doctorate degree in applied economics successively. He was an assistant professor and associate professor of Department of Economics of School of Business and Management of Hong Kong University of Science and Technology, professor and director of Department of Strategic Management of Guanghua School of Management of Peking University, deputy dean of Guanghua School of Management, Peking University, Director of EMBA degree programme center and so on. He is currently the president of the National Hi-Tech Industrial Development Zone Strategy Research Institute of Peking University (国家高新技术产业开发区发展战略研究院) and president of Guanghua Leadership Institute, director of the 9th session of the Board of Qingdao Haier Co., Ltd..
Zhou Hongbo	Male, born in 1962, chairman of UbiLink, member of the board of directors of Beijing Hanbang Technology Co., Ltd., part-time chief scientist of Kyland Technology Co., Ltd (东土科技); he was once the general manager of Beiqi iFoton Co., Ltd. (北汽福田车联网公司), chief software specialist of Tsinghua Tongfang, senior engineer / manager of research and development of IBM/Oracle and other companies in the United States, postdoctoral researcher of Oak Ridge National Laboratory of America etc. He has engaged in the research and development work in supercomputing and cloud computing. He was distinguished expert of Beijing, Guiyang and other municipal government; part-time professor of Beijing Jiaotong University, University of Electronic Science and Technology of China and other colleges; He was the pioneer engaged in IoT development in Tsinghua Tongfang after his return from abroad in 2003, and has published three treatises at home and abroad, and he is one of the nine global IoT experts interviewed by the internationally renowned magazine "Economist". He is currently a director of the 9th session of the Board of Qingdao Haier Co., Ltd..
Liu Haifeng	Male, born in 1970, currently is the president of Dehong Capital (德弘资本) and was the KKR global partner, co-head of KKR Asian Private Equity (KKR 亚洲私募业务) and CEO of KKR Greater China Region. He once served as the managing director of Morgan Stanley and co-head of the Direct Investment Department of Morgan Stanley Asia. In years of direct investment career, he achieved an excellent long-term investment performance, he was responsible for and led a number of successful and pioneering direct investment projects in the Greater China region, such as: Ping An Insurance, Mengniu Dairy, Qingdao Haier, Sunner Development, Belle International, Far East Horizon, Nanfu Battery, China Modern Dairy, United Envirotech Ltd., China International Capital Corporation Limited (CICC), China Cord Blood Corporation, Yongle Household Appliances, Hengan International, COFCO Meat, Guangdong Feed (粤海饲料), Asia Dairy, Uxin Limited, Tarena Education and etc. He graduated from Columbia University, and achieved the highest honor of science degree in Department of Electronic Engineering; he is a member of Tau Beta Pi (National Engineering Honor Society of America) (全美工程荣誉学会), and he has won the Edwin Howard Armstrong Award as the most outstanding electronic engineering student of Columbia University.
Wu Cheng	Male, born in 1940, expert in information and automation, academician of Chinese Academy of Engineering. He graduated from Tsinghua University in 1962 and got a postgraduate degree of Tsinghua University in 1966. He is a professor and doctoral supervisor of department of Automation of Tsinghua University, head of National CIMS Engineering Research Center, independent director of the 9th session of the Board of Qingdao Haier Co., Ltd.
Dai Deming	Male, born in 1962. He is a professor and doctoral supervisor of the accounting department of School of Business at Remin University of China. He also concurrently holds other positions such as a vice-chairman of Accounting Society of China, Independent director of the 9th session of the

	Board of Directors of Qingdao Haier. He served as an independent director for Beijing Capital Development Co., Ltd. (北京首都开发股份有限公司) and other companies.
Shi Tiantao	Male, born in 1962. He currently serves as a professor and doctoral supervisor of the School of Law at Tsinghua University as well as director of Finance & Law Research Center under the School of Law at Tsinghua University. He also serves on the 9th session of the Board of Directors of Qingdao Haier as an independent director. Meanwhile, he concurrently holds other positions such as a vice president of the Chinese Research Association of Securities Law, an arbitrator of CIETAC, and a member of the Case Guidance Committee of the Supreme People's Court.
Wang Peihua	Male, born in 1957, senior political analyst, he has served as the deputy secretary of Party Committee of Haier Group Air-Conditioner Head Office (海尔集团空调本部), Washing Machine Head Office (洗衣机本部), and Haier Group Freezer & Heater Head Office (海尔集团冷柜电热本部), chairman of the labor union of Haier Group Technology and Equipment Head Office, deputy secretary of Discipline Inspection Committee etc.. He is the head of the Organizational Department of Haier Group and the president of the 9th session of the Board of Supervisors of Qingdao Haier Co., Ltd..
Ming Guoqing	Male, born in 1960, senior political analyst, has served as deputy secretary of Discipline Inspection Committee of Qingdao Refrigerator General Factory, party branch secretary and assistant manager of Qingdao Haier Transportation Company (青岛海尔运输公司), head of the comprehensive department of Qingdao Haier Co., Ltd., deputy secretary of party committee and secretary of discipline inspection committee of Haier Refrigerator Products Head Office (海尔冰箱产品本部), chairman of the labor union. He is the chairman of the labor union of Haier Group, and the supervisor of the 9th session of the board of supervisors of Qingdao Haier Co., Ltd..
Wang Yuqing	Female, born in 1975, has served as the employee supervisor of the Board of Supervisors of Qingdao Haier Co., Ltd., the office secretary of Qingdao Haier Co., Ltd., employee supervisor of the board of supervisors of Qingdao Haier Co., Ltd., and head of the general manager office of Qingdao Haier Co., Ltd..
Yu Miao	Male, born in 1982, Chinese nationality with a master degree. He serves as legal manager of Qingdao Haier Co., Ltd. since April 2012.
Gong Wei	Male, born in 1973, has served as the financial manager of Qingdao Haier Co., Ltd., senior financial manager and senior financial analyst of Haier Group, chief financial officer of Haier Washing Machine Head Office (海尔洗衣机本部), chief financial officer of Haier Air-Conditioner Head Office (海尔空调本部), chief financial officer of White Goods Group, he is currently the vice president and chief financial officer of Qingdao Haier Co., Ltd.. He was granted the honorary titles such as Outstanding Youth in Post of Qingdao City, Outstanding Accounting Workers of Shandong Province, National Outstanding Accounting Workers and so on, and won the awards of Top Ten CFO in China as appraised by "New Money" Magazine (《新理财杂志》) in 2011.
Ming Guozhen	Female, born in 1964, senior economist, was the lecturer of the investment department of China Institute of Finance, deputy head of the Teaching and Research section of Investment Economy Department, a member of treasury department of Everbright International Investment Consultancy Company, deputy director and director of general manager office, general manager of business management department and general manager of personnel department, assistant to the general manager of the Company, executive vice president of Everbright International Investment Consultancy Company; she was the office director of analysts professional committee of the Securities Association of China, vice director of Qualification Management Department of the Association, vice director of Practice Standards Committee (执业标准委员会) of the Association. She is currently the vice general manager and secretary to the Board of Directors of Qingdao Haier Co., Ltd..

Other information

☐Applicable ☒Not Applicable**(II) Incentive share option granted to directors and senior management during the reporting period**☐Applicable ☒Not Applicable**II. Positions held by current and retired directors, supervisors and senior management during the reporting period****(I) Positions held in shareholders' entities**☒Applicable ☐Not Applicable

Name	Company	Position	Appointment date	End date of appointment
Liang Haishan	Haier Electric Appliances International Co., Ltd.	Director	November 1997	
Tan Lixia	Haier Electric Appliances International Co., Ltd.	Director		
Tan Lixia	Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司)	Supervisor	March 2009	
Tan Lixia	Haier Group Corporation	Executive vice president	February 2016	
Wang Peihua	Haier Group Corporation	Head of Organizational Department		
Ming Guoqing	Haier Group Corporation	Chairman of the Labor Union		
Positions in shareholders entities	Nil			

(II) Positions held in other entities

√Applicable □Not Applicable

Name	Company	Position	Appointment date	End date of appointment
Liang Haishan	Haier Group Finance Co., Ltd.	Director		
Liang Haishan	Haier Financial Holdings Limited	Director		
Ming Guozhen	Qingdao Overseas Chinese Industrial Holding Co., Ltd.	Director	July 2008	
Tan Lixia	Haier Group Finance Co., Ltd.	Supervisor		
Tan Lixia	Haier Financial Holdings Limited	Legal representative, director		
Wu Cheng	Tsinghua University	Professor	February 1967	
Wu Cheng	Kingdee International Software Group Company Limited	Independent Non-executive director		March 2018
Wu Changqi	Peking University	Professor		
Wu Changqi	Huaxia Bank Co., Ltd. (华夏银行股份有限公司)	Supervisor	12 May 2015	12 May 2021
Wu Changqi	Beijing Electronic Zone Investment and Development Co., Ltd.	Independent director	28 December 2012	22 April 2019
Wu Changqi	Yijiahe Technology Co., Ltd.	Independent director	24 August 2018	24 August 2021
Shi Tiantao	Tsinghua University	Professor	2000	
Shi Tiantao	Jiajiayue Group Holding Co., Ltd. (家家悦集团股份有限公司)	Independent director		
Shi Tiantao	Beijing Zeho Waterfront Co., Ltd. (北京正和恒基滨水生态环境治理股份有限公司)	Independent director		
Shi Tiantao	Rongtong Fund Management Co., Ltd. (融通基金管理有限公司)	Independent director		
Liu Haifeng	Far East Horizon Co., Ltd (远东宏信有限公司)	Non-executive director	October 2009	
Liu Haifeng	China International Capital Corporation Limited (中国国际金融股份有限公司)	Non-executive director	February 2015	

Liu Haifeng	Sunpower Group (中圣集团)	Non-executive director	November 2017	
Dai Deming	China Zheshang Bank Co., Ltd. (浙商银行股份有限公司)	Independent Non-executive director	March 2015	
Dai Deming	BOC Aviation Limited (中银航空租赁有限公司)	Independent Non-executive director	May 2016	
Dai Deming	China Securities Co., Ltd. (中信建投证券股份有限公司)	Independent Non-executive director	August 2016	
Dai Deming	Power Construction Corporation of China(中国电力建设股份有限公司)	Independent Non-executive director	March 2018	
Dai Deming	Poly Developments and Holdings Corporation Limited(中国保利发展股份有限公司)	Independent Non-executive director	September 2018	
Peng Jianfeng	Beijing Chinastone Enterprise Management Consulting Co., Ltd. (北京华夏基石企业管理咨询有限公司)	President	2003	
Peng Jianfeng	School of Labor and Human Resources of Remin University of China	Professor	1996	
Peng Jianfeng	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Independent director	2015	
Peng Jianfeng	Jinko Power Technology Co., Ltd. (晶科电力科技股份有限公司)	Independent director	2017	
Zhou Hongbo	Beijing Hanbang Technology Co., Ltd.	Director	November 2017	November 2020
Positions in other entities	Nil			

III. Remuneration of directors, supervisors and senior management

√Applicable □Not Applicable

Decision-making procedures of the remuneration of directors, supervisors and senior management	The procedures for decision-making of remuneration of directors, supervisors and senior management of the Company are establishing platform, clearing standards, communication and consultation, and making objective decision. The Remuneration Committee of the Company formulate remuneration standards, adjust principles and assess the principles of realizing, then propose them to the board of directors for approval, thus form a system
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	platform, then to determine the actual remuneration of that year according to the principle of “salary paid by users” and the two-dimensional lattice examination results of the bet against cycle and the two-dimensional lattice annual examination results and win-win value-added statement examination results.
Determination basis of the remuneration of directors, supervisors and senior management	The management personnel salary system of the Company in 2018 is linked to the vertical and horizontal matching statement and the win-win value-added statement, of which the tool is the two-dimensional lattice model (二维点阵模型). The two-dimensional lattice (二维点阵) could reflect the strategy support, emerging small companies and leading platform vertically, and the global leading market competitiveness horizontally. The highest allowance of outside directors of the 9th session of the board of directors of the Company is RMB200,000 (before tax) in total per year, including the fixed allowances of RMB150,000 per year, the highest performance allowance is RMB50,000 per year, and the exact amount of performance allowance will be determined based on the comprehensive consideration of the contribution of directors to the Board decision making, the effectiveness of the proposals and recommendations to the board of directors, the participation of the meetings of the Board, attendance rate of all Board meetings and other factors. The travelling expense for attending the meetings of the board of directors and shareholders and other expenses necessary for performing their duties pursuant to the Articles of Association shall be fully reimbursed.
Remuneration payables of directors, supervisors and senior management	Paid as required.
Total actual remuneration of all the directors, supervisors and senior management at the end of the reporting period	RMB4.72 million

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

√Applicable □Not Applicable

Name	Position	Changes	Reasons
Wang Yuqing	employee supervisor	Resigned	Personal reasons
Yu Miao	employee supervisor	Appointed	Appointed at the Employee Representatives Meeting

V. Punishment by the Securities Supervisory Institute in last three years

□Applicable √Not Applicable

VI. Staff of the parent company and principal subsidiaries**(I) Staff information**

Number of staff of the parent company	3,338
Number of staff of principle subsidiaries	84,109
Total number of staff	87,447
Number of employees whose retirement expenses are borne by the parent company and the principal subsidiaries	0
Breakdown by function	
Function	Number
Production	50,897
Sales	17,565
R&D	14,941
Financial	1,327
Administrative	2,717
Total	87,447
Breakdown by education	
Education	Number (person)
Bachelor and above	21,275
College	22,641
Technical secondary school and others	43,531
Total	87,447

(II) Remuneration policies

☒Applicable ☐Not Applicable

The Company conducted the system of “salary paid by users”, individual paid separately and entirety paid in advanced, which originates from the strategic balance sheet of Haier, and carried out the evaluation of the four aspects, namely the creation of user values, the enhancement of emerging small companies, the budget implementation of the leading targets and the continuous optimization based on the vertical and horizontal matching statement and the win-win value-added statement. The incentive system leads to “salary paid by users”, win-win sharing through everybody creating values to the users who will pay for the values, leading to create ecological value, achieving the emerging small companies and the leading platform.

(III) Personnel training

☒Applicable ☐Not Applicable

Please also refer to relevant content set out in *2018 Social Responsibility Report of Qingdao Haier Co., Ltd.* published on the same date as this report.

(IV) Labor Outsourcing

☐Applicable ☒Not Applicable

VII. Other

☐Applicable ☒Not Applicable

SECTION IX CORPORATE GOVERNANCE

I. Explanation of Corporate Governance

√Applicable □Not Applicable

During the reporting period, the Company strictly complied with the requirements under the Company Law, the Securities Law, Code on Corporate Governance for Listing Company and the requirements of the relevant laws and regulations, to improve its corporate governance structure, regulate its operation, improve its information disclosure system, strengthen the communication with investors and elevate the standard of the Company's corporate governance. In respect of corporate governance structure, the general meeting, the Board and the management standardized its operation to practically guarantee the legal interests of the Company and its shareholders; all Directors duly discharged their duties in a diligent way; each committee of the Board of the Company performed their work according to their respective detailed working rules to ensure that the Board operate in a more effective and scientific way; independent Directors fulfilled their duties independently and issued independent opinion on major matters in order to effectively protect the interests of the Company as a whole and the lawful rights and interests of medium and small investors. In respect of information disclosure, the Company strictly executed the registration and management system for insiders, achieved the management of inside information on significant events and eliminating the act of using the Company's inside information for stocks trading by insider. Meanwhile, the Company reinforced the accountability of people who are responsible for annual report disclosure and enhanced the quality and transparency of information disclosure in annual reports. The Company has placed a lot of emphasis on information disclosure and disclosed relevant information on a true, accurate, complete and timely basis strictly in accordance with the requirements of laws and regulations to ensure all shareholders have equal access to such information. In respect of the management of investor relation, in accordance with guideline of the Management System for Investor Relation, the Company integrated business and financial resources by the office of board secretary and realized positive and all-around access to investors in a multi-layer and diversified format through introduction reference, result announcement conference and online forum. Meanwhile, the Company replied investors on a timely basis by ways of interview, e-mail, phone, fax and the website (<http://sns.sseinfo.com>) and enhanced interaction with investors, so as to respect and protect the interests of various investors, with the aim of achieving harmonious and mutual success with the Company, staff and investors. The corporate governance structure of the Company is sound and there is no difference between the corporate governance structure and the requirement of relevant documents from CSRC.

(1) Shareholders and general meeting of shareholders:

The Company could ensure that all shareholders, especially the minority shareholders enjoy equal treatment and are able to fully exercise their rights; during the reporting period, the Company convened

and held three shareholders' general meetings in compliance with the requirements of the Articles of Association and Rules Governing Shareholders' General Meeting of the Company. Attendance of shareholders at the meeting is relatively high, which ensured that the shareholders fully exercised voting rights; the Company also engaged lawyers who possess the qualification to engage in securities business to attend and witness the shareholders' general meeting; the resolutions were considered and approved in accordance with legal procedures, which could guarantee the power and rights of minority shareholders.

(2) Relationship between controlling shareholders and the listed company:

The controlling shareholders acted normatively and did not interfere with the Company's management decisions and operations, directly or indirectly. The Company and the controlling shareholders are independent of each other in terms of their staff, assets, finance, organization and business. Their respective board of directors, the Board of Supervisors and internal administrative departments are all independent of each other. The specific requirements for regulating Related-party transactions and fund flow are set out in the Articles of Association, Fair Decision-Making System for Related-party Transactions and the Administrative System for Regulation of Fund Flow between the Company and Related Parties, Risk Control System for Related-party Transaction with Haier Group Finance Co., Ltd., and Proposal for Emergency Response System for Risk of Deposits with Haier Group Finance Co., Ltd., which guaranteed the interests of investors. The daily related-party transactions are subject to the consideration and approval at the annual general meeting and set specialized execution procedure. The basis of pricing and reasonability of operation agreement shall be supervised and reviewed by special departments, so as to regulate the execution of related-party transactions. Internal control and internal control audit of the Company would also focus on the compliance of the related-party transactions, in order to protect the interests of minority shareholders and non-related shareholders. During the reporting period, further increased self-procurement capability and scope of the self-procurement platform Qingdao Haidarui Procurement Service Co., Ltd.(青岛海达瑞采购服务有限公司) and Qingdao Haidayuan Procurement Service Co., Ltd.(青岛海达源采购服务有限公司) and strengthened the procurement capability of the Company, which further reduced related-party transactions.

(3) Directors and the Board:

During the reporting period, the Board of the Company operated in accordance with rules and continued to perform their duties under the Articles of Association and relevant laws and regulations better and practically implement relevant decisions at the shareholders' general meeting. The number and composition of the members of the Board complied with relevant laws and regulations; the directors attended the board meeting and shareholders' general meeting with diligent and responsible attitude and protected the interests of the Company. In accordance with the requirements in the Code on Corporate Governance for Listing Company, the Company has 7 external directors, of which three are independent

directors, representing over three quarters of the total number of the directors (9 in total) of the Company. Each of the independent directors of the Company respectively acted as member of the nomination committee, remuneration and appraisal committee and audit committee of the Board and practically carried out their duties.

During the reporting period, all directors and independent directors performed their duties earnestly strictly in compliance with the Articles of Association, the Rules of Procedure for the Board of Directors, the System for Independent Directors and relevant requirements under laws and regulations and each committees of the Board operated normatively according to its own work rules. During the reporting period, the Board of the Company considered and approved the following matters: the Phase III Employees Stock Ownership Scheme and periodical reports, so as to encourage the Company to further consolidate its resources to better implement the networking and globalize development strategy.

(4) Supervisors and the Board of Supervisors:

During the reporting period, the Board of Supervisors operated in accordance with rules and continued to practically perform their duties under the Articles of Association and relevant laws and regulations. The number and composition of the members of the Board of Supervisors complied with requirements under laws and regulations. During the reporting period, the Supervisors of the Company performed their duties earnestly and adhered to the principle of being responsible to the Company and all shareholders to supervise legality and compliance on finance matters of the Company and performance of duty by the Company's directors, managers of the Company and other senior management strictly in accordance with requirements under the Articles of Association, the Rules of Procedure for the Board of Supervisors and relevant laws and regulations.

(5) Performance evaluation and incentive and disciplinary mechanism:

In accordance with the Articles of Association, the Board shall appoint or remove the general manager and the secretary of the Board; the Board shall appoint or remove the deputy general manager and other senior management (including the chief financial officer) of the Company based on the nomination by the general manager and determine their remunerations and rewards and penalties. The human resource department of the Company shall make routine appraisal and evaluation on the performance of directors, supervisors and senior management and Remuneration and Appraisal Committee shall make inspection and evaluation on their performance to determine their remunerations at the end of the year.

During the reporting period, the Company adopted the Phase III Employees Stock Ownership Scheme which further perfected the incentive and disciplinary mechanism and mechanism of the shareholders shares benefits and risks with the management of the Company, so as to enhance the competitiveness and promote the sustainable and sound development of the Company.

(6) Stakeholders:

The Company was able to fully respect and protect the lawful rights and interests of the suppliers, channels, banks, other creditors, employees, consumers and other stakeholders. Meanwhile, the Company actively took part in public welfare undertaking in such place where it operates, placed a lot of emphasis on environment protection, performed its social duties earnestly and worked together with these stakeholders actively with good communication to promote the sustainable and sound development of the Company. For details, please refer to relevant information in *2018 Social Responsibility Report of Qingdao Haier Co., Ltd.* published on the same date of this report.

(7) Information disclosure and transparency:

During the reporting period, the Company positively disclosed the relevant information in a true, accurate and complete manner which was strictly in accordance with relevant laws and regulations including the Articles of Association, Administrative Measure for Information Disclosure and requirements in the Information Disclosure Management System of the Company, Work Rules and Procedures Regarding the Annual Report and the Management System for Investor Relation, proactively communicated with regulatory authorities and investors and designated newspapers including Shanghai Securities News, China Securities Journal, Securities Times and Securities Daily for information disclosure to ensure that all shareholders access to such information equally. The Company authorized the secretary of the Board to take charge of information disclosure, reception of visits by shareholders and handling of shareholder's enquiries. Meanwhile, the Company broadened communication channels for investors to get relevant information of the Company through telephone conference calls after periodical reporting and occasionally holding on-site and online forums. With respect to the significant Related-party transactions, the Company performed necessary approval procedures and disclosed relevant information strictly in compliance with the Articles of Association and Fair Decision-Making System for Related-party Transactions to protect the interests of investors. During the reporting period, the Company further perfected the confidentiality procedure for information disclosure strictly in compliance with the Registration System of Insiders, the Responsibility System for Major Errors in Information Disclosure in Annual Reports and the Management System of External Information Users to ensure the fairness and equity of information disclosure.

(8) Implementation of corporate governance campaign in 2018:

During the reporting period, the Company continued to carry out works relating to “solution of business competition and reduction of related-party transactions”. In 2018, trading volume of related-party transactions regarding procurement amounted to RMB33.59 billion, which accounted for 20.1% of the similar transactions, representing a decrease of 3.9 pct pt compared to the same period of the previous year. Trading volume of related-party transactions regarding sales amounted to RMB4.49

billion, which accounted for 2.4% of the similar transactions, representing a decrease of 0.9 pct pt compared to the same period of the previous year. The effective optimization of the related-party transactions in the previous period has been maintained. The Company will continue to increase investment in independent purchase and promote the continuous optimization of related-party transactions.

Leveraging on the further implementation of governance campaign and enhancing the establishment of fundamental systems, the Company further improved the corporate governance structure and improved the corporate governance. The Company carried out various activities to strengthen the consciousness of learning and further strengthened the consciousness on regulating governance in the listed company among directors, supervisors and senior management of the listed company with organizational training to improve the ability to regulate governance and continuously improve and perfect corporate governance of the Company, thus to protect the minority equity interests and to guarantee and promote the healthy, stable and sustainable development of the Company.

Whether there is a significant difference between the corporate governance and requirements of relevant provisions of the CSRC; if so, the reasons should be explained

☐Applicable ☒Not Applicable

II. Brief Introduction to the General Meeting of Shareholders

Meeting	Date	Index for details of websites designated for publishing resolutions	Date of disclosure
2018 First Extraordinary General Meeting	27 April 2018	For details, please refer to the <i>Announcement on Resolutions Passed at the 2018 First Extraordinary General Meeting of Qingdao Haier Co., Ltd.</i> (L2018-023) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers.	28 April 2018
2017 Annual General Meeting	18 May 2018	For details, please refer to the <i>Announcement on Resolutions Passed at the 2017 Annual General Meeting of Qingdao Haier Co., Ltd.</i> (L2018-028) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers.	19 May 2018
2018 Second Extraordinary General Meeting	21 December 2018	For details, please refer to the <i>Announcement on Resolutions Passed at the 2018 Second Extraordinary General Meeting of Qingdao Haier Co., Ltd.</i> (L2018-086) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers.	22 December 2018

Explanation of shareholders' general meetings

√Applicable □Not Applicable

(1) The 2018 First Extraordinary General Meeting of the Company (the "2018 First EGM") was held by way of on-site voting and online voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 27 April 2018 for deliberation of the proposals concerning the issuance of D shares of the Company. The Company had a total of 6,097,630,727 shares. Attendance of shareholders and proxies at the 2018 First EGM are as follows: there were 96 shareholders of the Company in attendance either in person or by proxy at the 2018 First EGM, holding a total of 3,502,250,459 shares, representing 57.44% of the total number of shares of the Company with voting rights. The directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the 2018 First EGM. The 2018 First EGM was convened by the Board of the Company. Ms. Tan Lixia, Vice Chairman of the Board, presided over the 2018 First EGM. The Company had 9 Directors, of whom 2 Directors attended the 2018 First EGM (Directors Liang Haishan, Wu Changqi, Peng Jianfeng, Zhou Hongbo, Liu Haifeng David, Wu Cheng, Dai Deming were unable to attend the 2018 First EGM due to personal engagement); the Company had 3 Supervisors, of which 2 Supervisors attended the 2018 First EGM (employee supervisor Wang Yuqing was unable to attend the 2018 First EGM due to personal engagement). The secretary to the Board of the Company attended the 2018 First EGM and other members of senior management of the Company were invited to attend the 2018 First EGM.

(2) The 2017 Annual General Meeting of the Company (the "2017 AGM") was held by way of on-site voting and online voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 18 May 2018 for deliberation of the proposals concerning the annual report of the Company and other issues. The Company had a total of 6,097,630,727 shares. Attendance of shareholders and proxies at the 2017 AGM is as follows: there were 73 shareholders of the Company in attendance either in person or by proxy at the 2017 AGM, holding a total of 3,485,550,588 shares, representing 57.16% of the total number of shares of the Company with voting rights. The directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the 2017 AGM. The 2017 AGM was convened by the Board of the Company. Mr. Liang Haishan, Chairman of the Board, presided over the 2017 AGM. The Company had 9 Directors, of whom 2 Directors attended the 2017 AGM (Directors Tan Lixia, Wu Changqi, Peng Jianfeng, Zhou Hongbo, Liu Haifeng David, Wu Cheng, Shi Tiantao were unable to attend the 2017 AGM due to personal engagement); the Company had 3 Supervisors, all of whom attended the 2017 AGM. The secretary to the Board of the Company attended the 2017 AGM and other members of senior management of the Company were invited to attend the 2017 AGM.

(3) The 2018 Second Extraordinary General Meeting of the Company (the "2018 Second EGM") was held by way of on-site voting and online voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 21 December 2018 for

deliberation of the proposals concerning change in defective property commitment and improvement of the framework agreement on financial related-party transactions. The Company had a total of 6,368,416,700 shares. Attendance of shareholders and proxies at the 2018 Second EGM is as follows: there were 128 shareholders of the Company in attendance either in person or by proxy at the 2018 Second EGM, holding a total of 3,572,492,799 shares, representing 56.10% of the total number of shares of the Company with voting rights. The directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the 2018 Second EGM. The 2018 Second EGM was convened by the Board of the Company. Mr. Liang Haishan, Chairman of the Board, presided over the 2018 Second EGM. The Company had 9 Directors, of whom 1 Director attended the 2018 Second EGM (Directors Tan Lixia, Wu Changqi, Peng Jianfeng, Zhou Hongbo, Liu Haifeng David, Dai Deming, Shi Tiantao, Wu Cheng were unable to attend the 2018 Second EGM due to personal engagement); the Company had 3 supervisors, all of whom attended the 2018 Second EGM. The secretary to the Board of the Company attended the 2018 Second EGM and other members of senior management of the Company were invited to attend the 2018 Second EGM.

III. Performance of duties by directors

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

Name of director	Whether an independent director or not	Attendance of Board meetings						Attendance of general meetings
		Required attendances of Board meetings	Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Absence from two consecutive meetings in person or not	Attendances at general meetings
Liang Haishan	No	15	15	7	0	0	No	2
Tan Lixia	No	15	14	7	1	0	No	1
Peng Jianfeng	No	15	15	15	0	0	No	0
Wu Changqi	No	15	15	14	0	0	No	0
Zhou Hongbo	No	15	15	14	0	0	No	0
Liu Haifeng David	No	15	15	15	0	0	No	0
Dai Deming	Yes	15	14	12	1	0	No	1
Wu Cheng	Yes	15	15	15	0	0	No	0
Shi Tiantao	Yes	15	15	13	0	0	No	1

Statement for failure to attend the Board meetings in person for two consecutive times

☐Applicable ☒Not Applicable

Number of Board meetings held in the year	15
Of which: Number of on-site meetings	0
Number of meetings held by telecommunication	6
Number of meetings held both on site and by telecommunication	9

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

☐Applicable ☒Not Applicable

(III) Other

☐Applicable ☒Not Applicable

IV. Major opinions and suggestions of the Special Committees of the Board in performing their duties during the reporting period, details should be disclosed if any disagreements

☒Applicable ☐Not Applicable

(1) Audit Committee: during the reporting period, the Company convened 7 meetings of the Audit Committee to consider the annual report audit-related work for three times, namely, pre-audit, mid-audit and post audit and made relevant arrangement. The Audit Committee believed that the 2017 financial and accounting statement issued by the Company was in compliance with the requirements of the Accounting Standards for Business Enterprises, and gave a true and fair view of the Company's assets and liabilities as of 31 December 2017 and operating results and cash flow for the year 2017. There was no significant unresolved disagreement between accounting and auditing. There was no material risk affecting the Company's operation. The Company operated prudently and would be able to continue as a going concern. Other meetings considered the plans for the annual budget of related-party transactions, internal control self-assessment reports, profit distribution plan, engagement of accounting firm, issue D shares, transfer shareholdings of subsidiaries and related-party transactions, and the 2017 annual report, the first quarterly report/the semi-annual report/the third quarterly report of 2018. The Audit Committee agreed the above resolutions and submitted the same to the Board for consideration.

(2) Remuneration and Appraisal Committee: during the reporting period, the Company convened 1 meeting of the Remuneration and Appraisal Committee to consider the Phase III Stock Ownership Scheme of Core Employees Stock Ownership Scheme and the annual remuneration package of directors, supervisors and senior management. The Remuneration and Appraisal Committee agreed the above resolutions and submitted the same to the Board for consideration.

(3) Nomination Committee: during the reporting period, the Company convened 1 meeting of the

Nomination Committee to summarize the annual performance of duties by directors, supervisors and senior management. The Nomination Committee agreed the above resolutions.

(4) Strategy Committee: during the reporting period, the Company convened 7 meetings of the Strategy Committee to consider and approve the plan for transferring shareholdings of subsidiaries and related-party transactions, performance of duties, and issuance of D shares. The Strategy Committee agreed the above resolutions and submitted the same to the Board for consideration.

V. Board of Supervisors' explanation on risks about the Company

☐Applicable ☒Not Applicable

VI. Statements of the Company on inability to maintain the independence or the ability of independent operations between the Company and the controlling shareholders with respect to business, personnel, assets, organization and finance

☐Applicable ☒Not Applicable

Corresponding solutions, working progress and subsequent working plans of the Company in case of horizontal competition

☒Applicable ☐Not Applicable

In recent years, the Company made constant efforts in solving the horizontal competition, and reduced the number of related-party transactions. During the reporting period, the Company further solved the horizontal competition, and reduced the number of related-party transactions by acquiring FPA, etc. In 2018, the trading amount of related-party transactions regarding procurement amounted to RMB33.59 billion, which accounted for 20.1% of similar transactions, representing a year-on-year decrease of 3.9 pct pt (including trading amount with the joint ventures, the same below); the trading amount of related-party transactions regarding sales amounted to RMB4.49 billion, which accounted for 2.4% of similar transactions, representing a year-on-year decrease of 0.9 pct pt.

VII. Establishment and implementation of appraisal and incentive mechanism for senior management during the reporting period

☒Applicable ☐Not Applicable

In 2018, the Company adopted a system "salary paid by users" individual paid separately and entirety paid in advanced, which is linked to the vertical and horizontal matching statement and the win-win value-added statement for management personnel, of which the tool is the two-dimensional lattice model (二维点阵模型). The two-dimensional lattice (二维点阵) could reflect the strategy support, emerging small companies and leading platform vertically, and the global leading market competitiveness horizontally. The competitiveness of compensation was determined by such elements as

“support for strategy”, “competitiveness of market leading target” and “emerging small companies, leading platform”. The senior management receives annual appraisal of the annual performance, which was the key factor to performance bonus and development. On the one hand, the Company’s “salary paid by users” overall compensation system of connecting sales force with their orders and remuneration diversified the way of salary incentive of the management, leading to create user value and create ecological value, and made the compensation mechanism for management more flexible on the other hand, which drove the innovation of management.

Meanwhile, the Company’s salary incentive system was further improved, the incentive and restriction mechanism was strengthened and a mechanism that shares interests and risks with the Company and the management was formulated in the principle of “salary paid by users” by implementing such initiatives as Core Employees Stock Ownership Scheme.

VIII. Whether to disclose the self-assessment report on internal control

☒Applicable ☐Not Applicable

For details, please refer to the *2018 Internet Control Assessment Report of Qingdao Haier Co., Ltd.* disclosed on the same day of this report.

Explanations on material defects found in internal control during the reporting period

☐Applicable ☒Not Applicable

IX. Relevant explanations on the audit report of internal control

☒Applicable ☐Not Applicable

The Company’s auditor Shandong Hexin Certified Public Accountants LLP（山东和信会计师事务所（特殊普通合伙））has audited the efficiency of internal control relating to the financial report of the Company, and has issued its standard unqualified audit report for the Company’s internal control (Hexin Shen Zi.(2019) No.000267).

For the details of Audit Report of Internal Control of Qingdao Haier Co., Ltd., please refer to relevant announcements published on the website of Shanghai Stock Exchange (www.sse.com.cn) on 30 April 2019.

Whether to disclose the audit report on internal control: Yes

X. Other

☐Applicable ☒Not Applicable

SECTION X RELEVANT INFORMATION ON CORPORATE BONDS

√Applicable □Not Applicable

I. Overview of corporate bonds

Unit and Currency: RMB0'000

Name of bonds	Abbreviation	Code	Issuing date	Date of expiry	Balance of bonds	Interest rate(%)	Method of capital repayment with interest	Places of transaction
Convertible Corporate Bonds of Qingdao Haier Co., Ltd.	Haier Convertible Bonds	110049	18 December 2018	17 December 2024	300,749	Interest rates for the first year to sixth year are 0.2, 0.5, 1.0, 1.5, 1.8, 2.0, respectively	On an annual basis	Shanghai Stock Exchange

Interest payment and repayment of corporate bonds

□Applicable √Not Applicable

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

Other information on corporate bonds

√Applicable □Not Applicable

For other information, please refer to the “II. Issuance and listing of securities” under the SECTION VI “CHANGES IN ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS” in this report.

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

Credit rating agency	Name	United Credit Ratings Co., Ltd.
	Address	12th Floor, PICC Office Tower, No.2 Jianguomen Outer Street, Chaoyang District, Beijing, China

Other explanation:

☐Applicable ☒Not Applicable

III. Use of funds raised from corporate bonds

☒Applicable ☐Not Applicable

The Company received a net proceeds of RMB2,983,580,454.50 from the public issuance of convertible corporate bonds (the amount of proceeds of RMB3,007,490,000 net of sponsorship and underwriting fees paid of RMB23,909,545.50) on 24 December 2018, which has not been used in 2018.

IV. Introduction of corporate bonds rating

☒Applicable ☐Not Applicable

The convertible corporate bonds have been rated by the United Credit Ratings Co., Ltd., which issued the *Credit Rating Report Regarding Public Issuance of A Shares Convertible Corporate Bonds of Qingdao Haier Co., Ltd.*. According to this rating report, the main credit rating of Qingdao Haier is AAA and the credit rating of convertible corporate bonds is AAA. During the period of convertible corporate bonds, the United Credit Ratings Co., Ltd. will perform regular follow-up rating on an annual basis.

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

☒Applicable ☐Not Applicable

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

VI. Meeting of corporate bondholders

☐Applicable ☒Not Applicable

VII. Duty fulfillment of corporate bonds trustee manager

☐Applicable ☒Not Applicable

VIII. Accounting data and financial indicators in the last two years of the Company at the end of the reporting period

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Key indicators	2018	2017	yoy change (%)
EBITDA	16,235,696,024.33	15,043,238,436.36	7.93
Liquidity ratio	1.18	1.11	5.66
Quick ratio	0.90	0.84	7.26
Debt to assets ratio (%)	66.93	69.55	-2.62
Total liabilities ratio of EBITDA	20.69%	19.86%	0.83
Interest coverage ratio	8.94	8.34	7.21
Cash interest coverage ratio	12.93	11.67	10.76
EBITDA interest coverage ratio	11.09	10.51	5.46

IX. Interest payment of other bonds and debt financing instruments of the Company□Applicable ☒Not Applicable**X. Bank credit business of the Company during the reporting period**☒Applicable □Not Applicable

During the reporting period, the Company had bank credit business amounted to RMB70,942.38 million.

XI. Execution status of promises or commitments in prospectus of corporate bonds during the reporting period☒Applicable □Not Applicable

On 24 December 2018, the Company fulfilled the issuance of convertible corporate bonds in accordance with the issuance scheme and schedule committed in the prospectus, and the proceeds of the issuance of convertible corporate bonds has been remitted to the Special-account of proceeds specified by the Company at the same day by the lead underwriter. (For details, please refer to the *Announcement on Public Issuance Results of Convertible Corporate Bonds of Qingdao Haier Co., Ltd.* (No. L2018-087)).

XII. Impact of major events on operating status and solvency of the Company□Applicable ☒Not Applicable

SECTION XI RESPONSIBILITY STATEMENT

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

Qingdao, 29 April 2019

Qingdao Haier Co., Ltd

The Board of Management

Liang, Haishan _____

Tan, Lixia _____

Wu, Changqi _____

Zhou, Hongbo _____

Peng, Jianfeng _____

Liu, Haifeng _____

SECTION XII FINANCIAL REPORT

I. Audit Report

√Applicable □ Not Applicable

Audit Report

Hexin Shen Zi. (2019) No.000266

To all shareholders of Qingdao Haier Co., Ltd.:

I. AUDIT OPINION

We have audited the financial statements of Qingdao Haier Co., Ltd. (hereinafter referred to as the “Haier Co., Ltd.”), which comprise the Consolidated and the Company’s Balance Sheet as at 31 December 2018, the Consolidated and the Company’s Income Statement, the Consolidated and the Company’s Cash Flow Statement, the Consolidated and the Company’s Statement of Changes in Shareholders’ Equity for the year 2018, and notes related to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Consolidated and the Company’s financial position of the Haier Co., Ltd. as at 31 December 2018, and the Consolidated and the Company’s financial performance and cash flow for the year 2018 in accordance with the requirements of Accounting Standards for Business Enterprises.

II. BASIS OF OUR AUDIT OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in Auditor’s responsibilities for the Audit of Financial Statements section of the report. We are independent of Haier Co., Ltd. in accordance with the CICPA’s Code of Ethics for Professional Accountants (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identify the following matters as the key audit matters that need to be communicated in the audit report:

Key Audit Matters	Audit Response
(I) Provision for impairment of goodwill	
<p>Relevant disclosures are included in notes V.27 Other significant accounting policies and accounting estimates and notes V.18 Impairment of long-term assets to the financial statements.</p> <p>As of 31 December 2018, the book value of goodwill was RMB21.156 billion, and the book value of intangible assets with indefinite useful lives was RMB1.339 billion, without any provision for asset impairment. Whether the provision for impairment of long-term assets was sufficient had great influence to the financial statements.</p> <p>Significant management judgments are involved in calculation of asset group's recoverable amount, such as revenue growth rate, gross margin, discount rate, etc.</p> <p>Provision for impairment of goodwill and intangible assets with indefinite useful lives is considered as the key audit matter due to the significant amount and management judgement involved in calculation.</p>	<p>We mainly implemented the following audit procedures on the provisions for the impairment of goodwill and intangible assets with indefinite useful life:</p> <p>(1) Compared the actual operating results of the related assets group with previous year's forecasted figures, to assess the reliability of the management forecast on cash flow;</p> <p>(2) Compared the input of cash flow forecast with historical data, approved budget and business plan;</p> <p>(3) Tested the calculation accuracy of the discounted cash flow model;</p> <p>(4) Assessed the appropriateness of parameters in the cash flow conversion model, such as the discount rate and the perpetual growth rate. The assessment is based our understanding of the Company's businesses and the industry.</p>
(II) Provision for impairment of inventory	
<p>Relevant disclosures are included in notes VII.8 Inventory to the financial statements.</p> <p>The Company's inventories are measured at the lower of cost and net realizable value. As of 31 December 2018, the inventory balance was RMB23.246 billion, and the provision for impairment of inventory was RMB869 million and the book value was RMB22.377 billion. Whether the provision for the impairment of inventories was sufficient and accurate had great influence to the financial statements.</p> <p>The Company determines the net realizable value of inventory based on the estimated selling price minus the estimated selling expenses and related taxes.</p> <p>Management estimates the selling price based on the status of inventory. The estimation process involves significant management judgments such as inventory status, repair rate, discount rate, etc.</p> <p>Provision for inventories is considered as the key audit matter due to the significant amount and management judgement involved in calculation.</p>	<p>We mainly implemented the following audit procedures on the provision for impairment of inventories:</p> <p>(1) Obtained the calculation table for provision for impairment of inventory of the Company, and reviewed the conditions and aging of the products models stated in the table to see whether they are consistent with the information obtained through physical inventory on a sample basis;</p> <p>(2) Compared the major parameters estimated by management with historical data, and assessed the appropriateness;</p> <p>(3) Assessed the selling price estimated by the management, and checked the inventory against the actual selling price after the balance sheet date on a sample basis;</p> <p>(4) Assessed selling expenses and related tax estimated by management and compared with actual amounts incurred.</p>
(III) Product warranty	

<p>Relevant disclosures are included in notes VII. 42 Provisions to the financial statements.</p> <p>Provisions of the Company are mainly accrued due to current obligations arising from product warranty. As of 31 December 2018, the balance of the provision related to product warranty was RMB2.822 billion, and whether the provision for warranty was sufficient and accurate had great influence to the financial statements.</p> <p>Estimated provision for product warranty of the Company was measured in accordance with the best estimate of the cost to fulfill the relevant current obligations.</p> <p>Calculation of the product warranty involves management's significant judgments based on historical experience, such as: replacement rate, repair rate, and loss due to disassemble product.</p> <p>Provisions are considered as the key audit matters due to the significant amount and management judgement involved in calculation.</p>	<p>We mainly implemented the following audit procedures on the provisions:</p> <ol style="list-style-type: none"> (1) Obtained the calculation table on provisions of the management; (2) Compared the main parameters estimated by management with historical data; (3) Tested the accuracy of the calculation on provisions; (4) Compared and analyzed the calculation results of the provisions and the Company's actual operation;
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IV. OTHER INFORMATION

The management of Haier Co.,Ltd.(hereinafter referred to as the“Management”)is responsible for other information.Other information includes the information covered in the 2018 annual report of Haier Co.,Ltd.,but does not include the financial statements and our audit reports.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements,our responsibility is to read the other information and,in doing so,consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If,based on the work we have performed,we conclude that there is a material misstatement of this other information,we are required to report that fact.We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the requirements as set out in the Accounting Standards for Business Enterprises, and for such internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management are responsible for assessing the ability of Haier Co., Ltd. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Haier Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Haier Co., Ltd..

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following tasks:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(III) Evaluate the appropriateness of accounting policies used by the Management and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the ability of Haier Co., Ltd. to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the auditing standards to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause Haier Co., Ltd. to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Haier Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the financial statements of the current period and therefore constitute the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Shandong Hexin Certified Public Accountants LLP

Certified Public Accountant: Wang Hui (Engagement Partner)

Certified Public Accountant: Wang Lin

Jinan, China

29 April 2019

II. Financial Statements**CONSOLIDATED BALANCE SHEETS**

31 December 2018

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	31 December 2018	31 December 2017
Current assets:			
Cash and cash equivalents	VII. 1	37,456,355,407.28	35,825,439,039.22
Provision of settlement fund			
Funds lent			
Financial assets held for trading	VII. 2	1,775,648,387.76	
Financial assets measured at fair value and changes of which included in current profit and loss	VII. 3		20,681,695.50
Derivative financial assets	VII. 4	96,723,164.37	
Bills receivable and accounts receivable	VII. 5	24,652,130,810.52	25,924,283,460.99
Including: bills receivable		14,220,937,323.02	13,033,083,520.99
accounts receivable		10,431,193,487.50	12,891,199,940.00
Prepayments	VII. 6	594,555,015.00	628,892,321.35
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VII. 7	1,626,975,864.98	1,192,291,302.17
Financial assets purchased under resale agreements			
Inventories	VII. 8	22,377,191,121.53	22,537,617,217.87
Contract assets	VII. 9	456,781,406.54	
Assets held for sale	VII. 10	144,091,213.39	27,453,950.07
Non-current assets due in one year			
Other current assets	VII. 11	5,079,878,909.67	4,425,579,572.68
Total current assets		94,260,331,301.04	90,582,238,559.85
Non-current assets:			
Loans and advances granted			
Debt investments			

Available-for-sale financial assets	VII. 12		1,415,354,307.82
Other debt investments			
Held-to-maturity investments			
Long-term receivables		245,791,343.37	289,785,899.38
Long-term equity investments	VII. 13	13,966,481,596.07	12,987,255,645.28
Investments in other equity instruments	VII. 14	1,400,316,460.34	
Other non-current financial assets	VII. 15	327,358,825.57	
Investment properties	VII. 16	30,879,147.42	31,214,015.99
Fixed assets	VII. 17	17,319,638,881.37	17,202,199,462.03
Construction in progress	VII. 18	3,873,492,230.24	1,610,615,034.68
Biological assets for production			
Oil and gas assets			
Intangible assets	VII. 19	9,209,242,721.71	8,226,559,783.38
Development cost	VII. 20	538,382,288.33	966,051,333.81
Goodwill	VII. 21	21,155,552,557.16	20,344,616,586.99
Long-term prepaid expenses	VII. 22	230,763,172.48	177,755,371.21
Deferred tax assets	VII. 23	1,815,624,736.13	2,076,635,630.12
Other non-current assets	VII. 24	2,325,688,982.56	1,254,064,181.76
Total non-current assets		72,439,212,942.75	66,582,107,252.45
Total assets		166,699,544,243.79	157,164,345,812.30
Current liabilities:			
Short-term borrowings	VII. 25	6,298,504,892.57	10,878,580,275.18
Borrowings from central bank			
Absorbing deposit and deposit in inter-bank market			
Placements from banks			
Financial liabilities held for trading	VII. 26	218,748,280.33	
Financial liabilities measured at fair value and changes of which included in current profit and loss	VII. 27		2,524,569.45
Derivative financial liabilities	VII. 28	35,603,754.54	
Bills payable and accounts payable	VII. 29	47,385,218,141.38	42,616,065,864.06

Receipts in advance	VII. 30	14,681,466.58	5,861,949,182.62
Contract liabilities	VII. 31	5,482,325,888.59	
Disposal of repurchased financial assets			
Fees and commissions payable			
Payables for staff's remuneration	VII. 32	2,651,399,418.05	2,480,636,328.53
Taxes payable	VII. 33	1,838,440,727.39	1,970,178,186.86
Other payables	VII. 34	12,685,677,402.91	11,309,575,304.78
Reinsurance accounts payable			
Deposits for insurance contracts			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Liabilities held for sale	VII. 35	32,362,267.88	
Non-current liabilities due within one year	VII. 36	3,015,060,105.58	6,149,302,981.65
Other current liabilities	VII. 37	423,638,804.62	42,961,121.03
Total current liabilities		80,081,661,150.42	81,311,773,814.16
Non-current liabilities:			
Long-term borrowings	VII. 38	15,541,466,325.22	16,036,492,809.81
Bonds payable	VII. 39	9,191,896,302.70	6,211,088,362.68
Including: preference shares			
perpetual bonds			
Long-term payables	VII. 40	106,763,243.99	106,020,029.74
Long-term payables for staff's remuneration	VII. 41	934,974,735.49	950,505,434.38
Provisions	VII. 42	2,839,741,079.48	2,660,788,654.43
Deferred income	VII. 43	643,551,987.30	497,141,088.72
Deferred tax liabilities	VII. 23	405,343,787.76	343,846,086.34
Other non-current liabilities	VII. 44	1,823,866,693.93	1,197,485,422.75
Total non-current liabilities		31,487,604,155.87	28,003,367,888.85
Total liabilities		111,569,265,306.29	109,315,141,703.01
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII. 45	6,368,416,700.00	6,097,402,727.00

Other equity instruments	VII. 46	904,485,788.71	431,424,524.07
Including: preference shares			
perpetual bonds			
Capital reserve	VII. 47	2,208,773,474.57	2,312,322,267.08
Less: treasury stock			
Other comprehensive income	VII. 48	772,632,347.35	4,424,024.90
Special reserve			
Surplus reserve	VII. 49	2,288,301,317.10	2,103,057,782.41
General risk provisions			
Undistributed profits	VII. 50	26,859,741,163.95	22,350,952,230.17
Total equity attributable to owners of the Parent Company		39,402,350,791.68	33,299,583,555.63
Minority equity interests		15,727,928,145.82	14,549,620,553.66
Total owners' equity (or shareholders' equity)		55,130,278,937.50	47,849,204,109.29
Total liabilities and owners' equity (or shareholders' equity)		166,699,544,243.79	157,164,345,812.30

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Balance Sheet of the Parent Company

31 December 2018

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	31 December 2018	31 December 2017
Current Assets:			
Cash and cash equivalents		7,068,899,574.96	2,070,527,802.97
Financial assets held for trading			
Financial assets measured at fair value and changes of which included in current profit and loss			
Derivative financial assets			
Bills receivable and accounts	XVIII. 1	222,622,017.43	288,499,726.07

receivable			
Including: bills receivable			
accounts receivable		222,622,017.43	288,499,726.07
Prepayments		28,809,797.43	20,000,000.00
Other receivables	XVIII. 2	2,082,767,166.58	1,206,903,377.12
Inventories		124,773,163.23	89,650,514.91
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		109,865,313.53	87,165,597.70
Total current assets		9,637,737,033.16	3,762,747,018.77
Non-current assets:			
Debt investments			
Available-for-sale financial assets			5,818,587.80
Other debt investments			
Held-to-maturity investments			
Long-term receivables			8,600,000,000.00
Long-term equity investments	XVIII. 3	33,844,234,315.30	23,581,254,928.08
Investments in other equity instruments		5,262,480.92	
Other non-current financial assets			
Investment properties			
Fixed assets		119,546,157.40	118,553,830.32
Construction in progress		37,655,076.18	13,594,976.50
Biological assets for production			
Oil and gas assets			
Intangible assets		17,186,540.33	14,601,582.38
Development cost			
Goodwill			
Long-term prepaid expenses		5,779,229.64	
Deferred tax assets		81,511,748.07	106,347,777.99
Other non-current assets		28,632,829.14	

Total non-current assets		34,139,808,376.98	32,440,171,683.07
Total assets		43,777,545,410.14	36,202,918,701.84
Current liabilities:			
Short-term borrowings		1,500,000,000.00	
Financial liabilities held for trading			
Financial liabilities measured at fair value and changes of which included in current profit and loss			
Derivative financial liabilities			
Bills payable and accounts payable		334,747,358.40	310,387,267.67
Receipts in advance			2,465,908,721.32
Contract liabilities		2,391,211,509.89	
Payables for staff's remuneration		65,387,056.03	51,533,384.22
Taxes payable		67,279,606.39	62,255,803.87
Other payables		21,834,869,774.34	21,268,590,528.36
Including: interest payable			
dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		2,089,282.56	12,498,265.43
Total current liabilities		26,195,584,587.61	24,171,173,970.87
Non-current liabilities:			
Long-term borrowings			
Bonds payable		2,510,530,062.86	
Including: preference shares			
perpetual bonds			
Long-term payable		20,000,000.00	20,000,000.00
Long-term payables for staff's remuneration			
Provisions			
Deferred income		67,360,000.00	37,700,000.00

Deferred tax liabilities		29,485,678.28	36,152,815.34
Other non-current liabilities			
Total non-current liabilities		2,627,375,741.14	93,852,815.34
Total liabilities		28,822,960,328.75	24,265,026,786.21
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		6,368,416,700.00	6,097,402,727.00
Other equity instruments		473,061,264.64	
Including: preference shares			
perpetual bonds			
Capital reserve		4,182,825,672.98	2,317,907,947.71
Less: treasury stock			
Other comprehensive income		7,791,344.47	-43,234,737.77
Special reserve			
Surplus reserve		1,683,155,091.65	1,437,313,649.93
Undistributed profits		2,239,335,007.65	2,128,502,328.76
Total owners' equity (or shareholders' equity)		14,954,585,081.39	11,937,891,915.63
Total liabilities and owners' equity (or shareholders' equity)		43,777,545,410.14	36,202,918,701.84

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Income Statement

January-December 2018

Unit and Currency: RMB

Items	Notes	2018	2017
I .Total operating revenue	VII. 51	183,316,560,236.03	163,428,825,488.56
Including: operating revenue	VII. 51	183,316,560,236.03	163,428,825,488.56
interest income			
insurance premiums earned			
fee and commission income			
II . Total cost of operations		174,866,506,302.15	156,375,381,544.85

Including: operating cost	VII. 51	130,154,144,638.08	112,607,222,004.03
interest expenses			
Fee and commission expenses			
Insurance withdrawal payment			
Net payment from indemnity			
Net provisions withdrew for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Taxes and surcharges	VII. 52	857,232,037.80	821,897,157.16
Selling expenses	VII. 53	28,653,223,738.07	28,996,237,421.82
Administrative expenses	VII. 54	8,324,327,164.18	7,164,848,718.59
R&D expenses	VII. 55	5,080,604,505.93	4,509,850,773.96
Financial expenses	VII. 56	939,176,200.46	1,603,968,750.90
Including: interest expenses		1,464,649,826.98	1,431,139,429.49
interest income		475,642,501.12	332,391,211.97
Loss on assets impairment	VII. 57	760,284,186.13	671,356,718.39
Loss on credit impairment	VII. 58	97,513,831.50	
Add: other income	VII. 57	894,644,138.22	912,008,519.02
Investment income (losses are represented by “-”)	VII. 58	1,923,204,044.99	1,482,994,709.82
Including: Investment income of associates and joint ventures		1,324,848,299.56	1,190,693,804.93
Gains on net exposure hedges (losses are represented by “-”)			
Income from change in fair value (losses are represented by “-”)	VII. 61	-145,191,723.49	614,071,259.47
Gain from disposal of assets (losses are represented by “-”)	VII. 62	267,800,599.46	13,512,402.32
Exchange gain (losses are represented by “-”)			
III. Operating profit (losses are represented by “-”)		11,390,510,993.06	10,076,030,834.34
Add: non-operating income	VII. 63	474,156,808.14	689,516,709.14

Less: non-operating expenses	VII. 64	235,290,974.40	262,270,333.43
IV. Total profit (total losses are represented by “-”)		11,629,376,826.80	10,503,277,210.05
Less: income tax expense	VII. 65	1,858,776,965.55	1,474,868,894.11
V. Net profit (net losses are represented by “-”)		9,770,599,861.25	9,028,408,315.94
(I) Classification by continuous operation			
1. Net profit from continuous operation (net losses are represented by “-”)		9,770,599,861.25	9,028,408,315.94
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		7,440,228,855.90	6,907,629,188.39
2. Profit or loss attributable to minority shareholders		2,330,371,005.35	2,120,779,127.55
VI. Other comprehensive income, net of tax	VII. 66	843,463,106.56	-554,105,703.86
Other comprehensive income attributable to owners of the Parent Company, net of tax		727,607,989.62	-553,401,257.78
(I) Other comprehensive income that cannot be reclassified into the profit or loss		51,065,061.29	-3,683,444.37
1. Changes arising from re-measurement of defined benefit plans		80,039,412.97	-3,683,444.37
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		-28,974,351.68	

4. Changes in fair value of credit risks of the enterprise			
(II) Other comprehensive income to be reclassified into the profit or loss		676,542,928.33	-549,717,813.41
1. Other comprehensive income that can be transferred into profit or loss under equity method		166,426,767.08	-307,016,515.96
2. Changes in fair value of other debt investments			
3. Profit or loss from changes in fair value of available-for-sale financial assets			-3,059,092.10
4. Reclassified financial assets that are credited to other comprehensive income			
5. Profit or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
6. Credit impairment provision for other debt investments			
7. Reserve for cash flow hedging (effective portion of profit or loss arising from cash flow hedging)		-5,946,207.24	11,682,207.38
8. Exchange differences on translation of financial statements denominated in foreign currencies		516,062,368.49	-251,324,412.73
9. Others			
Other comprehensive income attributable to minority shareholders, net of tax		115,855,116.94	-704,446.08
VII. Total comprehensive income		10,614,062,967.81	8,474,302,612.08
Total comprehensive income attributable to the owners of Parent Company		8,167,836,845.52	6,354,227,930.61
Total comprehensive income		2,446,226,122.29	2,120,074,681.47

attributable to the minority shareholders			
VIII . Earnings per share:			
(I) Basic earnings per share (RMB/share)	XIX. 1	1.210	1.133
(II) Diluted earnings per share (RMB/share)	XIX. 1	1.182	1.085

The party being absorbed in the business combination under common control incurred in the current period recorded a net profit of RMB -59,792,419.70 before the combination.

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

Person in charge of accounting department: Ying Ke

Income Statement of the Parent Company

January-December 2018

Unit and Currency: RMB

Items	Notes	2018	2017
I . Operating revenue	XVIII. 4	3,260,311,127.79	3,452,002,347.60
Less: Operation cost	XVIII. 4	2,233,751,914.63	2,383,868,807.01
Taxes and surcharges		23,431,092.16	25,962,529.33
Selling expenses		297,812,493.19	223,849,142.89
Administrative expenses		484,750,355.15	468,862,149.99
R&D expenses		234,134,826.42	247,120,344.03
Financial expenses		191,246,337.05	107,748,195.00
Including: interest expenses		288,596,787.96	252,486,855.12
interest income		108,547,077.81	148,760,720.22
Loss in assets impairment		2,609,224.31	9,321,788.24
Loss on credit impairment		-974,670.56	
Add: Other income		41,275,162.37	104,805,952.53
Investment income (losses are represented by “-”)	XVIII. 5	2,649,879,889.56	1,290,751,070.45
Including: investment income of associates and joint ventures			
Gains on net exposure hedges (losses are represented by “-”)			
Income from change in fair			

value (losses are represented by “-”)			
Gain from disposal of assets (losses are represented by “-”)		25,693.17	
II. Operating profit (losses are represented by “-”)		2,484,730,300.54	1,380,826,414.09
Add: non-operating income		49,665,765.66	74,298,043.16
Less: non-operating expenses		311,781.90	1,041,948.86
III. Total Profit (total losses are represented by “-”)		2,534,084,284.30	1,454,082,508.39
Less: income tax expense		75,669,867.06	24,059,104.64
IV. Net Profit (net losses are represented by “-”)		2,458,414,417.24	1,430,023,403.75
(I) Net profit from continuous operations (net losses are represented by “-”)		2,458,414,417.24	1,430,023,403.75
(II) Net profit from discontinued operations (net losses are represented by “-”)			
V. Other comprehensive income, net of tax		35,908,964.35	-32,353,134.62
(I) Other comprehensive income that cannot be reclassified into the profit or loss		-472,690.84	
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		-472,690.84	
4. Changes in fair value of credit risks of the enterprise			
(II) Other comprehensive income to be reclassified into the profit or loss		36,381,655.19	-32,353,134.62

1. Other comprehensive income that can be transferred into profit or loss under equity method		36,381,655.19	-32,642,433.78
2. Changes in fair value of other debt investments			
3. Profit or loss from changes in fair value of available-for-sale financial assets			289,299.16
4. Reclassified financial assets that are credited to other comprehensive income			
5. Profit or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
6. Credit impairment provision for other debt investments			
7. Reserve for cash flow hedging (Effective portion of profit or loss arising from cash flow hedging)			
8. Exchange differences on translation of financial statements denominated in foreign currencies			
9. Others			
VI. Total comprehensive income		2,494,323,381.59	1,397,670,269.13
VII. Earnings per share:			
(I) Basic earnings per share (RMB/ share)			
(II) Diluted earnings per share (RMB/share)			

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

Consolidated Cash Flow Statement

January-December 2018

Unit and Currency: RMB

Items	Notes	2018	2017
I . Cash flow from operating activities:			
Cash received from the sale of goods and rendering of services		188,502,180,240.53	167,634,360,394.07
Net increase in consumer 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			
Net increase from the disposal of financial assets measured at fair value and changes of which included in current profit and loss			
Cash received from interest, fee and commissions			
Net increase in cash borrowed			
Net increase in cash received from repurchase operation			
Refunds of taxes		1,020,648,785.98	1,138,156,799.93
Cash received from other related operating activities	VII. 67	1,399,241,411.60	1,132,225,428.45
Sub-total of cash inflows from operating activities		190,922,070,438.11	169,904,742,622.45
Cash paid on purchase of goods and services		129,527,764,143.78	113,457,029,529.02
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			
Cash paid for interest, fee and commissions			
Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees		19,535,008,791.13	17,488,214,316.24
Cash paid for all types of taxes		8,929,864,726.88	7,883,550,053.38
Cash paid to other operation related activities	VII. 68	13,995,179,877.16	14,372,163,443.83
Sub-total of cash outflows from operating activities		171,987,817,538.95	153,200,957,342.47
Net cash flow from operating activities	VII. 73	18,934,252,899.16	16,703,785,279.98
II. Cash flow from investing activities:			
Cash received from disposal of investments		732,403,890.79	600,030,958.51
Cash received from return on investments		241,445,771.93	282,045,768.46
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		471,243,957.95	201,509,894.89
Net cash received from disposal of subsidiaries and other operating entities		660,267,394.34	23,620,711.45
Cash received from other investment related activities	VII. 69	124,732,422.41	191,730,448.52
Sub-total of cash inflows from investing activities		2,230,093,437.42	1,298,937,781.83
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		6,757,036,466.58	4,334,646,288.63
Cash paid for investments		3,016,793,911.86	2,653,531,765.16

Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities		103,834,291.75	52,334,438.58
Cash paid on other investment related activities	VII. 70	18,073,550.00	13,281.59
Sub-total of cash outflows from investing activities		9,895,738,220.19	7,040,525,773.96
Net cash flow from investing activities		-7,665,644,782.77	-5,741,587,992.13
III. Cash flow from financing activities:			
Cash received from capital contributions		2,968,757,948.54	1,379,989,798.26
Including: cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		12,700,627,739.40	18,694,640,060.56
Cash received from issuing bonds		2,983,580,454.50	6,796,000,000.00
Cash received from other financing related activities	VII. 71	55,243,447.30	
Sub-total of cash inflows from financing activities		18,708,209,589.74	26,870,629,858.82
Cash paid on repayment of borrowings		22,418,202,111.13	23,246,738,489.11
Cash paid on distribution of dividends, profits or interest expenses		3,819,915,954.99	2,898,969,569.61
Including: dividend and profit paid to minority shareholders by subsidiaries			
Cash paid on other financing related activities	VII. 72	2,959,445,042.86	214,444,807.19
Sub-total of cash outflows from financing activities		29,197,563,108.98	26,360,152,865.91

Net cash flow from financing activities		-10,489,353,519.24	510,476,992.91
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		277,347,107.36	-362,172,916.04
V. Net increase in cash and cash equivalents		1,056,601,704.51	11,110,501,364.72
Add: balance of cash and cash equivalents at the beginning of the period	VII. 74	34,988,175,709.53	23,877,674,344.81
VI. Balance of cash and cash equivalents at the end of the period	VII. 74	36,044,777,414.04	34,988,175,709.53

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

Person in charge of accounting department: Ying Ke

Cash Flow Statement of the Parent Company

January-December 2018

Unit and Currency: RMB

Items	Notes	2018	2017
I . Cash flow from operating activities:			
Cash received from the sale of goods and rendering of services		1,919,626,804.58	3,062,693,505.16
Refunds of taxes		30,486,213.87	27,750,963.05
Cash received from other related operating activities		153,333,607.15	104,679,759.70
Sub-total of cash inflows from operating activities		2,103,446,625.60	3,195,124,227.91
Cash paid on purchase of goods and services		902,047,204.49	2,094,136,731.85
Cash paid to and on behalf of employees		786,264,085.93	679,495,971.97
Cash paid for all types of taxes		195,198,666.67	181,894,997.28
Cash paid to other operation related activities		187,916,659.58	194,723,652.37

Sub-total of cash outflows from operating activities		2,071,426,616.67	3,150,251,353.47
Net cash flow from operating activities		32,020,008.93	44,872,874.44
II. Cash flow from investing activities:			
Cash received from disposal of investments		505,207,895.00	
Cash received from return on investments		1,173,089,808.18	421,211,612.57
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Cash received from other investment related activities			20,000,000.00
Sub-total of cash inflows from investing activities		1,678,297,703.18	441,211,612.57
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		67,865,088.69	32,789,662.23
Cash paid for investments		1,291,347,820.45	1,006,813,576.50
Net cash paid on acquisition of subsidiaries and other operating entities			
Cash paid on other investment related activities			
Sub-total of cash outflows from investing activities		1,359,212,909.14	1,039,603,238.73
Net cash flow from investing activities		319,084,794.04	-598,391,626.16
III. Cash flow from financing activities:			
Cash received from capital		2,187,186,732.01	

contributions			
Cash received from borrowings		1,500,000,000.00	
Cash received from issuing bonds		2,983,580,454.50	
Cash received from other financing related activities		326,374,080.44	462,368,825.80
Sub-total of cash inflows from financing activities		6,997,141,266.95	462,368,825.80
Cash paid on repayment of borrowings			
Cash paid on distribution of dividends, profits or interest expenses		2,280,582,650.27	1,725,900,890.96
Cash paid on other financing related activities		52,345,130.43	1,041,960.00
Sub-total of cash outflows from financing activities		2,332,927,780.70	1,726,942,850.96
Net cash flow from financing activities		4,664,213,486.25	-1,264,574,025.16
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		-16,946,517.23	-2,820.43
V. Net increase in cash and cash equivalents		4,998,371,771.99	-1,818,095,597.31
Add: balance of cash and cash equivalents at the beginning of the period		2,070,527,802.97	3,888,623,400.28
VI. Balance of cash and cash equivalents at the end of the period		7,068,899,574.96	2,070,527,802.97

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

Consolidated Statement of Changes in Owner's Equity
January-December 2018

Unit and Currency: RMB

Items	2018												
	Equity attributable to owners of the Parent Company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
		Preference share	Perpetual bonds	Others									
I . Closing balance for the previous year	6,097,402,727.00			431,424,524,070	826,883,093.84		-36,363,809.96		2,103,057,782.41		22,793,110,884.09	14,534,490,935.91	46,750,006,137.36
Add: changes in accounting policies							40,604,722.79				-54,905,584.45	-7,036,266.71	-21,337,128.37
Error correction for prior year													
Business combination under common control					1,485,439,173.24		40,787,834.86				-442,158,653.92	15,129,617.75	1,099,197,971.93
Others													
II . Opening balance for the current year	6,097,402,727.00			431,424,524,070	2,312,322,267.08		45,028,747.69		2,103,057,782.41		22,296,046,645.72	14,542,584,286.95	47,827,866,980.92
III. Increase/decrease for the current period (decrease is represented by “-”)	271,013,973.00			473,061,264.64	-103,548,792.51		727,603,599.66		185,243,534.69		4,563,694,518.23	1,185,343,858.87	7,302,411,956.58
(I) Total comprehensive income							727,607,989.62				7,440,228,855.90	2,446,226,122.29	10,614,062,967.81
(II) Capital contribution and	271,013,9			473,061,264.	-103,548,792.		-4,389.96		-60,597,907.		-545,381,163.	-692,115,415.19	-657,572,430.37

withdrawal by shareholders	73.00			64	51				03		32		
1. Ordinary shares invested by shareholders	271,013,973.00				-125,885,336.68							-692,115,415.19	-546,986,778.87
2. Capital contribution by holders of other equity instruments				473,061,264.64									473,061,264.64
3. Share-based payment included in shareholders' equity													
4. Others					22,336,544.17		-4,389.96		-60,597,907.03		-545,381,163.32		-583,646,916.14
(III) Profit distribution									245,841,441.72		-2,331,153,174.35	-568,766,848.23	-2,654,078,580.86
1. Appropriation of surplus reserves									245,841,441.72		-245,841,441.72		
2. Appropriation of provisions for general risks													
3. Distribution to owners (or shareholders)											-2,085,311,732.63	-568,766,848.23	-2,654,078,580.86
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. Appropriation for the period													
2. Utilization for the period													
(VI) Others													
IV. Closing balance for the period	6,368,416,700.00			904,485,788.71	2,208,773,474.57		772,632,347.35		2,288,301,317.10		26,859,741,163.95	15,727,928,145.82	55,130,278,937.50

Items	2017												
	Equity attributable to owners of the Parent Company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
		Preference share	Perpetual bonds	Others									
I . Closing balance for the previous year	6,097,630,727.00				83,383,194.51	1,041,960.00	566,987,435.57		2,076,460,077.78		17,614,768,751.70	11,242,352,161.16	37,680,540,387.72

Add: changes in accounting policies													
Error correction for prior year													
Business combination under common control					1,166,287,869.85		-9,162,152.89				-423,995,521.04	3,910,765.98	737,040,961.90
Others													
II. Opening balance for the current year	6,097,630,727.00				1,249,671,064.36	1,041,960.00	557,825,282.68		2,076,460,077.78		17,190,773,230.66	11,246,262,927.14	38,417,581,349.62
III. Increase/decrease for the current period (decrease is represented by “-”)	-228,000.00			431,424,524.07	1,062,651,202.72	-1,041,960.00	-553,401,257.78		26,597,704.63		5,160,178,999.51	3,303,357,626.52	9,431,622,759.67
(I) Total comprehensive income							-553,401,257.78				6,907,629,188.39	2,120,074,681.47	8,474,302,612.08
(II) Capital contribution and withdrawal by shareholders	-228,000.00			431,424,524.07	1,062,651,202.72	-1,041,960.00			-20,869,660.79		-187,826,947.16	1,468,630,144.08	2,754,823,222.92
1. Ordinary shares invested by shareholders												1,468,630,144.08	1,468,630,144.08
2. Capital contribution by holders of other equity instruments				431,424,524.07								-	431,424,524.07
3. Share-based payment included in owners' equity													
4. Others	-228,000.00				1,062,651,202.72	-1,041,960.00			-20,869,660.79		-187,826,947.16		854,768,554.77
(III) Profit distribution									47,467,365.42		-1,559,623,241.72	-285,347,199.03	-1,797,503,075.33

1. Appropriation of surplus reserves									47,467,365.42		-47,467,365.42		
2. Appropriation of provisions for general risks													
3. Distribution to owners (or shareholders)											-1,512,155,876.30	-285,347,199.03	-1,797,503,075.33
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. Appropriation for the													

period													
2. Utilization for the period													
(VI) Others													
IV. Closing balance for the period	6,097,402,727.00			431,424,524.07	2,312,322,267.08		4,424,024.90		2,103,057,782.41		22,350,952,230.17	14,549,620,553.66	47,849,204,109.29

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

Statement of Changes in Owners' Equity of the Parent Company
January-December 2018

Unit and Currency: RMB

Unit and Currency: RMB

Items	2018										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference share	Perpetual bonds	Others							
I . Closing balance for the previous year	6,097,402,727.00				2,317,907,947.71		-43,234,737.77		1,437,313,649.93	2,128,502,328.76	11,937,891,915.63
Add: changes in accounting policies							15,117,117.89			-16,428,564.00	-1,311,446.11
Error correction for prior year											
Others											
II . Opening balance for the current year	6,097,402,727.00				2,317,907,947.71		-28,117,619.88		1,437,313,649.93	2,112,073,764.76	11,936,580,469.52
III. Increase/decrease for the current period (decrease is	271,013,973.00			473,061,264.64	1,864,917,725.27		35,908,964.35		245,841,441.72	127,261,242.89	3,018,004,611.87

represented by “-”)											
(I) Total comprehensive income							35,908,964.35			2,458,414,417.24	2,494,323,381.59
(II) Capital contribution and withdrawal by shareholders	271,013,973.00			473,061,264.64	1,864,917,725.27						2,608,992,962.91
1. Ordinary shares invested by owners	271,013,973.00			-	1,861,549,590.47						2,132,563,563.47
2. Capital contribution by holders of other equity instruments				473,061,264.64							473,061,264.64
3. Share-based payment included in owners' equity											
4. Others					3,368,134.80						3,368,134.80
(III) Profit distribution									245,841,441.72	-2,331,153,174.35	-2,085,311,732.63
1. Appropriation of surplus reserves									245,841,441.72	-245,841,441.72	
2. Distribution to owners (or shareholders)										-2,085,311,732.63	-2,085,311,732.63
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or 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. Appropriation for the period											
2. Utilization for the period											
(VI) Others											
IV. Closing balance for the period	6,368,416,70 0.00			473,061,264.6 4	4,182,825,67 2.98		7,791,344.47		1,683,155,091. 65	2,239,335,007. 65	14,954,585,081. 39

Items	2017										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference share	Perpetual bonds	Others							
I . Closing balance for the previous year	6,097,630,727.00				2,061,597,739.78	1,041,960.00	-10,881,603.15		1,389,846,284.51	2,258,102,166.73	11,795,253,354.87
Add: changes in accounting policies											
Error correction for prior											

year											
Others											
II. Opening balance for the current year	6,097,630.72 7.00				2,061,597.73 9.78	1,041,960.00	-10,881,603.15		1,389,846,284.51	2,258,102,166.73	11,795,253,354.87
III. Increase/decrease for the current period (decrease is represented by “-”)	-228,000.00				256,310,207.93	-1,041,960.00	-32,353,134.62		47,467,365.42	-129,599,837.97	142,638,560.76
(I) Total comprehensive income							-32,353,134.62			1,430,023,403.75	1,397,670,269.13
(II) Capital contribution and withdrawal by shareholders	-228,000.00				256,310,207.93	-1,041,960.00					257,124,167.93
1. Ordinary shares invested by owners	-228,000.00				-15,248,846.94	-1,041,960.00					-14,434,886.94
Capital contribution by holders of other equity instruments											
2. Share-based payment included in owners' equity											
4. Others					271,559,054.87						271,559,054.87
(III) Profit distribution									47,467,365.42	-1,559,623,241.72	-1,512,155,876.30
1. Appropriation of surplus reserves									47,467,365.42	-47,467,365.42	
2. Distribution to owners (or shareholders)										-1,512,155,876.30	-1,512,155,876.30
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											
3. Changes in defined benefit plans carried forward to retained earnings											
4. Other comprehensive income carried forward to retained earnings											
5. Others											
(V) Special reserve											
1. Appropriation for the period											
2. Utilization for the period											
(VI) Others											
IV. Closing balance for the period	6,097,402,727.00				2,317,907,947.71		-43,234,737.77		1,437,313,649.93	2,128,502,328.76	11,937,891,915.63

Legal representative: Liang Haishan

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

III. General Information of the Company

1. Overview of the Company

√Applicable ☐ Not Applicable

The predecessor of Qingdao Haier 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, approved by Qing TiGai [1989] No.3 on 24 March 1989, based on the reconstruction of the original Qingdao Refrigerator Factory, a limited company was set up by directional fund raising of RMB150 million. In March and September 1993, as approved by the document of Qing Gu Ling Zi [1993] No. 2 and No. 9 issued by the pilot leading team of Qingdao joint stock company, the Company was converted from a directional offering company to a public subscription company and issued additional 50million shares to the public and listed with trading on Shanghai Stock Exchange in November 1993.

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

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

In the opinion of the directors, the ultimate holding company of the Company is Haier Group Corporation ("Haier Corp"), which is established in the PRC.

These financial statements have been approved for publication by the Board of the Company on 29 April 2019. Under the Company's Articles of Association, these financial statements shall be submitted for consideration at general meetings.

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 "VI. Changes in Consolidation Scope" and "VII. Interest in Other Entities" of this note.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

The financial statements of the Company were prepared on the going concern basis according to the transactions and matters actually occurred, in accordance with the Accounting Standards for Enterprises – Basic Standards published by the Ministry of Finance, specific accounting standards, and guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (hereinafter collectively referred to as the "Accounting Standards for Enterprises") which issued subsequently, and in combination with the disclosure provisions of the Rules for the Information Disclosure and Compilation of Companies Publicly Issuing

Securities No.15: General Provisions for Financial Report (Revised in 2014) of CSRC as well as the following significant accounting policies and accounting estimation.

2. Continuous operation

☒Applicable ☐ Not Applicable

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

V. Significant accounting policies and accounting estimates

Tips of specific accounting policies and accounting estimation:

☒Applicable ☐ Not Applicable

According to the characteristics of its production and operation, the Company formulated a series of specific accounting policies and accounting estimates, including the provisions for impairment for accounts receivable (Note V.10); the measurement of inventories (Note V.11); the depreciation and amortization of the investment properties (Note V.13); the depreciation of fixed assets (Note V.14), the amortization of intangible assets (Note V.17), the criterion for determining of long-term assets impairment (Note V.18); and the date of revenue recognition (Note V.23), etc.

1. Statement of compliance with enterprise accounting standards

The financial statements prepared by the Company meet the requirements of the enterprise accounting standards, which accurately and completely reflected information relating to the financial condition, operation result, changes in shareholders' equity 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

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

In case the consideration for long-term equity investments formed in business combination under common control is paid by ways of cash, transfer of non-cash assets or assumption of debts, the Company will regard the share of carrying amounts of the net assets of the transferor in the ultimate controller's consolidated financial statements obtained as the initial investment cost of long-term equity investments as at the date of combination. For carrying value of net assets of the transferor is negative as at the date of combination, investment cost of long-term equity investment is calculated as zero. In case the transferor is controlled by the ultimate controller by the business combination under non-common control before combination, the initial investment cost of the long-term equity investment of the acquirer includes relevant goodwill. The Company should adjust the capital reserve (capital premium or share premium) in accordance with the differences between initial investment cost of the long-term equity investment and the cash paid, the non-cash assets transferred and the carrying value of liability assumed; in case the balance of the capital reserve (capital premium or share premium) is insufficient for the elimination, the surplus reserves and undistributed profits shall be used to dilute such expenses in order. In case the consideration for the combination is paid by issuance of equity instruments, the aggregate nominal value of shares issued will be deemed as the share capital. The difference between the initial

investment cost of long-term equity investments and aggregate nominal value of shares issued shall be adjusted to capital reserve (capital premium or share premium), in case the capital reserve (capital premium or share premium) is insufficient for the elimination, the surplus reserves and undistributed profits shall be used to dilute such expenses in order.

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

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

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

(2) Business combinations involving entities not under common control

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

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

The cost of combination and identifiable net assets obtained by the acquirer in an business combination are measured at fair value on the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the transferor's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the transferor's identifiable net assets, the difference is initially recognized in profit or loss for the current year after a review of computation for the identifiable assets, liabilities or fair value of contingent liabilities and combination cost, and where the combination cost is still lower than the fair value of the identifiable net assets of the transferor obtained during the course of combination, then the difference is recorded in the profit and loss.

In business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in the Company individual financial statements, the sum of the

book value of the equity investment of the transferor held before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment.

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

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

6. Preparation method of consolidated financial statements

√Applicable ☐ Not Applicable

(1) Scope of consolidated financial statements

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

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

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

(3) Offset matters in the consolidated financial statements

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

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

(4) Accounting treatment of subsidiaries acquired from combination

For subsidiaries acquired from business combination under common control, the assets, liabilities, operating results and cash flow of the subsidiaries are included in the consolidated financial statements from the beginning of the period in which the combination took place, as if the combination has taken since the ultimate controller began its control. When preparing the consolidated financial statements, for the subsidiaries acquired from business combination under non-common control, separate financial statement will be adjusted on the basis of their fair values of the identifiable net assets on the date of acquisition.

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

☒ Applicable ☐ Not Applicable

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

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

(1) recognize the assets held solely by the Company, and recognize assets held jointly by the Company in appropriation to the share of the Company; (2) recognize the obligations assumed solely by the Company, and recognize obligations assumed jointly by the Company in appropriation to the share

of the Company; (3) recognize revenue from disposal of joint operations in appropriation to the share of the Company; (4) recognize revenue from disposal of joint operations in appropriation to the share of the Company; (5) recognize fees solely occurred by the Company and recognize fees from joint operations in appropriation to the share of the Company.

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

Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement. Investment in joint venture is accounted for using the equity method according to the accounting policies referred to under “13 Long-term equity investment” of Note V.

8. Recognition standard for cash and cash equivalents

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

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

9. Foreign currency businesses and translation of foreign currency statements

☒ Applicable ☐ Not Applicable

(1) Foreign currency transactions

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

Monetary items denominated in foreign currencies are translated into functional currencies at the

rates of exchange ruling at the balance sheet date. All foreign exchange difference are credited in the profit or loss, except ①those arising from the funds denominated in foreign currency specially borrowed for the establishment of the qualifying assets are treated based on the principal of capitalization of borrowing costs; ②those arising from the other changes in the balance other than amortized cost of available-for-sale monetary items denominated in foreign currency are recognized in the other comprehensive income.

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

(2) Translation of foreign currency financial statements

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

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

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

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

10. Financial instruments

☒ Applicable ☐ Not Applicable

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

(1) Financial assets

1) Classification and measurement

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

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

a. Debt instrument

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

(a) Measured at amortized cost:

The Company's business model for managing such financial assets is: With the aim of obtaining

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

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

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

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

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

b. Equity instruments

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

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

2) Impairment

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

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

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

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

For financial instruments in the first phase and second phase and financial instruments with

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

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

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

For each group of bills receivable, the Company applies exposure at default and expected credit losses rate over the entire duration to calculate the expected credit losses by taking into account 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.

3) Derecognition

A financial asset is derecognized when any of the below criteria is met: a. the contractual rights to receive the cash flow from the financial asset have been transferred; b. the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the

financial asset to the transferee; c. the financial asset has been transferred and the Company has not retained control of the financial asset, although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

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

(2) Financial liabilities

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

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

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

(3) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. During the valuation, the Company adopts an applicable valuation technique under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs a market participant would use when

pricing the asset or liability, and the Company should maximize the use of relevant observable inputs. When related observable inputs can't be acquired or are not feasible to be acquired, then use unobservable inputs.

(4) Significant accounting estimates and judgments

1) Significant accounting estimates and key assumptions

Measurement of expected credit loss

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

②Critical judgments on application of accounting policies

a. Classification of financial assets

On classification of financial assets, critical judgments considered by the Company include the business mode, an analysis of contractual cash flow characteristics and others.

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

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

the principal unpaid and interest incurred by the principal unpaid, as well as reasonable compensation paid due to premature termination of contracts.

b. Judgment that credit risk increases significantly

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

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

11. Inventories

☒ Applicable ☐ Not Applicable

(1) Classification of inventories:

Inventories refer to the finished goods or commodities held for sale in daily activities, goods in progress in the production process, consumed materials and supplies in the production process or providing services of the Company, which mainly include raw materials, revolving materials, entrusted processed materials, wrap page, low-cost consumables, goods in progress, self-made semi-finished goods, finished goods (merchandise inventory) and engineering construction, etc.

(2) Measurement of inventories transferred out

At delivery, inventories are accounted using the weighted average method

(3) Provision for inventory impairment

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

The net realizable value of inventories (including finished products, merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation. The net realizable value of materials in inventory that are held for production is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation. The net realizable value of

inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held by the enterprise exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price. Provision for impairment of inventories is made for individual inventory.

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

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

(4) Inventory system

The Company adopts perpetual inventory system.

(5) Amortization of low-value consumables and packaging

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

12. Long-term equity investments

☒ Applicable ☐ Not Applicable

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

(1) Recognition of initial cost of investment

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 under non-common control, the initial cost is the consolidation cost at the date of acquisition;

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

(2) Subsequent measurement and profit or loss recognition

① Cost method

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

② Equity method

Investor's long-term equity investments in associates and joint ventures are measured using equity method. Where part of the equity investments of an investor in its associates are held indirectly through venture investment institutions, common fund, trust companies or other similar entities including investment linked insurance funds, such part of equity investments indirectly held by the investor shall be measured at fair value through profit or loss according to relevant requirements of Accounting Standards for Business Enterprises No.22—Recognition and measurement of Financial Instruments regardless whether the above entities have significant influence on such part of equity investments, while the remaining part shall be measured using equity method.

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

For long-term equity investments accounted for using the equity method, the Company recognizes the investment income and other comprehensive incomes according to its share of net profit or loss and other comprehensive incomes 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 incomes.

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

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

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

equity method when changing the equity method.

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

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

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

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

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

② Significant influence on the investee refers to significant influence over the investee exists when

holding more than 20% but less than 50% of the shares with voting rights or even if the holding is below 20%, there is still significant influence if any of the following conditions satisfied:

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

(5) Impairment test and provision of impairment

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

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

(6) Disposal of long-term equity investments

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

13. Investment properties

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

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

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

intangible assets.

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

14. Fixed assets

(1) Recognition criteria

☒ Applicable ☐ Not Applicable

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

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

(2) Classification and Depreciation method of fixed assets

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

Type of fixed assets	Useful lives	Expected net residual
Land ownership	-	-
Houses and buildings	8-40 years	0%-5%
Machinery equipment	4-20 years	0%-5%
Vehicles	5-10 years	0%-5%
Office equipment and others	3-10 years	0%-5%

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

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

(4) Basis for Recognition, measurement and depreciation of fixed assets held under finance lease

☒ Applicable ☐ Not Applicable

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

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

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

15. Construction in progress

☒ Applicable ☐ Not Applicable

(1) Types of construction in progress

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

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

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

- ① The construction of the fixed assets (including installation) has been completed or substantially completed;
- ② The fixed asset has been used for trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can operate normally;
- ③ Further expenditure incurred for construction is very minimal or remote;
- ④ The constructed fixed asset reaches or almost reaches the design or the requirements of contract, or complies with the design or the requirements of contract.

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

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

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

16. Borrowing costs

☒ Applicable ☐ Not Applicable

(1) Recognition principles for borrowing cost capitalization

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

(2) Computation of capitalized amount of borrowing costs

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

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

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

17. Intangible assets

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

(1) Valuation method of intangible assets

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

Subsequent measurement of intangible assets of the Company: ① Intangible assets with finite useful lives are amortized on a straight-line basis; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted if there is any variance with original policies; ② Intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at each year end date. If there

is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight-line method according to the estimated useful life.

(2) Criterion of determining indefinite useful life

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

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

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

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

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

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

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

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

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

Basis for distinguishing research stage and development stage of an internal research and development project: research stage refers to the activities carried out for the planned investigation and search for obtaining new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of achievements and other knowledge obtained from the research stage in a plan or design to produce new or substantially improved materials, equipment and products is regarded as development stage, which has the characteristics of pinpointing and is very likely to form results.

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

18. Impairment of long-term assets

☒Applicable ☐ Not Applicable

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

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

In terms of impairment test of the goodwill, the carrying amount of the goodwill, arising from

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

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

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

19. Long-term prepaid expense

☒Applicable ☐ Not Applicable

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

20. Employee benefits

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

(1). Accounting method for short-term employee benefits

☒ Applicable ☐ Not Applicable

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

(2). Accounting method for post-employment benefits

☒ Applicable ☐ Not Applicable

Post-employment benefits mainly include the basic pension insurance, supplementary pension, etc., In accordance with the risks and obligations undertaken by the Company, the post-employment benefits are classified as defined contribution plans and defined benefit pension plans. Defined contribution plans: the Company shall recognize the sinking fund paid to individual entity on balance sheet date as a liability in exchange of services from the employee in accounting period, and credited into profits or losses or related assets costs in accordance with the benefit objects. Defined benefit plans: the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out by independent actuary at the interim and the annual balance sheet date. Staffs' benefit costs incurred by the defined benefit plan of the Group are categorized as follows: (1) service cost, include current period service cost, past-service cost and settlement profit or loss. Current period service cost means the increase of the present value of defined benefit obligation resulted from the current year service offered by employee. Past-service cost means the increase or decrease of the present value of defined benefit obligation resulted from the revision of the defined benefit plans related to the prior

period service offered by employee; (2) interest costs of defined benefit plans; (3) changes related to the remeasurement of defined benefit plans liabilities. Unless other accounting standards require or permit to charge the employee benefits into assets cost, the Company charges (1) and (2) above into profit or loss and recognized (3) above as other comprehensive income without transferring to profit or loss in subsequent accounting periods.

(3). Accounting method for termination benefits

☒Applicable ☐ Not Applicable

Termination benefits: the indemnity proposal provided by the Company for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily, when the following conditions are met, recognize and at the same time credited into profit or loss the accrued liabilities arising from the indemnity as a result of terminating labor relation with the employees: the Company has made a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately; and the Company could not unilaterally withdraw from the termination plan or the redundancy offer. Early retirement benefits will adopt same principles as the termination benefit. The Company will credit the salaries and social benefits intend to pay for these early retirees during the periods from the date of early retirement to the normal retirement date to profit or loss for the year ended 2017 when recognition conditions for accrued liabilities are met.

(4). Accounting method for other long-term employee benefits

☐Applicable ☒Not Applicable

21. Provision

☒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

(2) Measurement of estimated liability

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

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

22. Share-based payments

☒ Applicable ☐ Not Applicable

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

The cash-settled share-based payment shall be measured at the fair value of liability assumed by the Company, which is calculated and determined based on the shares or other equity instruments. For the cash-settled share-based payment that may be exercised immediately after the grant, the fair value of the liability assumed by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment that may be exercised if services are fulfilled during the vesting period or the specified performance is achieved, on each balance sheet date within the vesting period, the services acquired in the year 2018 shall, based on the best estimate of exercise, be recognized in relevant costs or expenses at the fair value of the liability assumed by the Company, and the liabilities shall be adjusted correspondingly.

At each balanced sheet date and the settlement date prior to the settlement of liabilities, the fair

value of the liability is re-measured with its change consolidated in profit/loss.

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

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

23. Revenue

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 control right of relevant Goods or services.

Where the contract includes two or several performance obligations, during the starting date of

the contract, the company and its subsidiaries allocate transaction price to various single performance obligation in accordance with the relevant proportion of separate selling price of goods or services promised by various single performance obligation, and record 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 confirmed 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.

①The client obtains and consumes economic benefits brought by performance of the company and its subsidiaries when the company and its subsidiaries perform the contract.

②The client is able to control goods under construction during the process of performance of the company and its subsidiaries;

③Goods produced by the company and its subsidiaries during the process of performance have the non-replaceable usages, and the company and its subsidiaries are entitled to collect the amount for the cumulative completed and performed portion till now during the entire contractual period.

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

For performance obligations performed during a certain time point, the company and its subsidiaries recognize revenue at the time point when the client obtains 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:

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

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

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

(1) Sale of goods

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

(2) Construction contract income

Construction contract between the company and the client generally includes performance

obligations of construction and installation of commercial air-conditioner and smart home, because the client is able to control goods under construction during the company's performance process, the company takes them as performance obligations performed during a certain time horizon, and recognizes revenue in accordance with the schedule of performance, and it is an exemption when the schedule of performance can't be reasonably confirmed. The company confirms the schedule of performance of services provided in accordance with the investment approach. When the schedule of performance can't be reasonably confirmed, where the costs of the company that have been incurred can be compensated, recognize revenue in accordance with the amount of costs that has been incurred until the schedule of performance can be reasonably confirmed.

(3) Warranty obligations

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

24. Government grants

☒ Applicable ☐ Not Applicable

(1) Types of government grants

Government grants refer to the monetary assets or non-monetary assets obtained by the Company from the government for free, not including the investment made 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 profit or loss for year ended 31 December 2018 on an even basis over the useful life of the asset; government grants measured at nominal amount shall be recorded directly in profit and loss for the year ended 31 December 2018. 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 profit or loss for the year ended 31 December 2018 when such expenses are recognized; ②those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the year ended 31 December 2018.

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

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

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

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

① Government grant subject to a certain project shall be separated according to the proportion of expenditure budget and capitalization budget, and the proportion shall be reviewed and modified if necessary on the balance sheet date;

② Government grant shall be categorized as related to income if its usage is just subject to general statement and no specific project in relevant 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 over the estimated useful life of the relevant asset starting from the date the asset is available for use.

(5) Recognition of government grants

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

Other government grants other than those measured at the amount of receivables are recognized upon actual receipt of such subsidies.

25. Deferred tax assets / deferred tax liabilities

☒ Applicable ☐ Not Applicable

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

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

(2) Deferred tax asset is recognized to the extent that there is enough taxable income for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there would be enough taxable benefit for the utilization of the deductible temporary difference, the deferred income tax asset not previously recognized is recognized in current period. If there is no sufficient evidence that there would be enough future taxable income for the deduction of the deferred income tax asset, the carrying value of the deferred income tax asset is reduced.

(3) Deferred tax liability is recognized for taxable temporary difference arising from investments in subsidiaries and associated companies, unless the Company could control the reversal of the temporary differences and the temporary differences would not be probably reversed in the foreseeable future. For deductible temporary differences arising from investments in subsidiaries and associated

companies, deferred income tax asset is recognized if the temporary difference will be very probably reversed in foreseeable future and there will be sufficient future taxable profit to deduct the deductible temporary difference.

(4) No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realized or the liability is settled.

26. Lease

(1) Accounting method for operating lease

☒ Applicable ☐ Not Applicable

① Rental payments for asset rented are amortized on a straight-line basis over the lease term (including rent-free periods) and credited into the current expenses. Initial direct costs that are attributable to leasing transactions paid by the Company are credited to current expense.

When the lessor of the assets bears the lease related expenses which should be undertaken by the Company, the Company shall deduct that part of expense from the rent and amortize the net amount over the lease term and credited to current expense.

② Rental income received from assets rented out is amortized on a straight-line basis over the lease term (including rent-free periods), and recognized as lease income. Initial direct costs involving leasing transactions paid by the Company are credited into current expenses, in case the amount is significant, it will be capitalized, and are credited into current revenue on the same basis as rental income recognized over the lease term.

When the Company bears the lease related expenses which should be undertaken by the lessee, the Company shall deduct that part of expense from the total rent income and allocate the rental payment over the lease term.

(2) Accounting method for Finance lease

√Applicable ☐ Not Applicable

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

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

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

27. Other significant accounting policies and accounting estimations

√Applicable ☐ Not Applicable

(1) Asset securitization business

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

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

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

② The financial asset is continued to recognize 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 and credit risk, allow to expect changes in fair value or cash flow of hedge instruments to offset all or partial changes in fair value or cash flow of hedge projects.

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

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

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

(3) Explanations on significant accounting estimates

Judgments, estimates and assumptions shall be made to book value of the financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Such judgments, estimates and assumptions were based on the

management's historical experience and made after considered other various factors. These judgments, estimates and assumptions will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainties of these estimations may be different from the current estimates of the management, and thus cause a material adjustment to the carrying amounts of assets and liabilities affected in the future. The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only affected for the year ended 31 December 2017, relevant adjustment due to the effect shall be recognized for the year ended 31 December 2017; if the revision affects both the current and future period, the effect shall be recognized in the current and future period.

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

① Provision

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

② Provision of expected credit losses

The company calculates the credit losses in accordance with breach risk exposure and expected credit risk ratio, and confirms credit loss rate on the basis of breach possibilities and breach loss rate. When confirming expected credit loss rate, the company uses data such as internal historical credit loss

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

③ Provision of inventories

Inventories are measured by lower of historical cost or net realizable value method according to the accounting policies of inventories; for obsolete and unsalable inventories or whose costs are higher than the net realizable, provision for impairment of inventories shall be incurred. The carrying value of inventory shall be written down to the net realizable value on the basis of the salability of inventories and the net realizable value. Inventory impairment requires the management's obtaining of solid evidence, and their judgment 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 of inventories during the period accounting estimates are changed.

④ Fair value of financial instruments

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

⑤ Impairment of investment in other equity instruments

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

⑥ Provision of long-term assets impairment

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

⑦ Depreciation and amortization

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

⑧ Deferred tax assets

Deferred tax asset is recognized for all the uncompensated tax losses to the extent that there are

sufficient taxable income for the deduction of loss. In order to determine the amount of deferred tax assets, the management of the Company needs to predict the timing and the amount of taxable profits in the future by taking into account a large amount of judgment, as well as the strategy of tax planning.

⑨ Income tax

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

⑩ Rebate accrual

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

28. Significant changes on accounting policies and accounting estimates

(1). Significant changes on accounting policies

☒ Applicable ☐ Not Applicable

Ministry of Finance promulgated *Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, *Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets* and *Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments*, etc., (collectively the “New Financial Instrument Standards”) as well as *Accounting Standard for Business Enterprises No. 14 — Income*, respectively in 2017, and promulgated the *Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018* (《财政部关于修订印发 2018 年度一般企业财务报表格式的通知》) (Cai Kuai (2018) No.15) in 2018. the Company and its subsidiaries have started to implement the above amendments to the Accounting Standards for Business Enterprises and the Notice, and adjusted the relevant contents of accounting policies and financial statements accordingly since 1 January 2018.

The Company and its subsidiaries implemented the New Financial Instrument Standards and income standard initially for the current period. According to the requirements under the *Interpretation of Issues Relating to the Format of the Financial Statements of General Enterprises for 2018* (《关于2018年度一般企业财务报表格式有关问题的解读》) issued by the Accounting Bureau of the Ministry of Finance, the above changes in accounting policies cause influence on the opening amounts of the consolidated balance sheet as follows:

Unit and Currency: RMB

Items	Book value on 31 December 2017 (Before changing)	Adjustment influence of financial instrument standards	Adjustment influence of income standards	Items	Book value on 1 January 2018 (After changing)
Financial assets measured at fair value and changes of which included in current profit and loss	20,681,695.50	-20,681,695.50		Not applicable	
Not applicable		20,681,695.50		Financial assets held for trading	20,681,695.50
Available-for-sale financial assets	1,415,354,307.82	-1,415,354,307.82		Not applicable	
Not applicable		6,556,627.26		Financial assets held for trading	6,556,627.26
Not applicable		1,408,797,680.56		Investments in other equity instruments	1,408,797,680.56
Financial liabilities measured at fair value and changes of which included in current profit and loss	2,524,569.45	-2,524,569.45		Not applicable	
Not applicable		2,524,569.45		Financial liabilities held for trading	2,524,569.45
Accounts receivable	12,891,199,940.00	138,793,125.19		Accounts receivable	13,029,993,065.19
Other receivables	984,129,285.50	19,750,854.12		Other receivables	1,003,880,139.62
Deferred tax assets	2,076,635,630.12	-58,846,528.69	16,849,858.75	Deferred tax assets	2,034,638,960.18
Long-term equity investments	12,987,255,645.28	-31,654,957.77		Long-term equity investments	12,955,600,687.51
Inventories	22,537,617,217.87		-187,935,341.47	Inventories	22,349,681,876.40
Not applicable			427,848,311.65	Contract assets	427,848,311.65
Not applicable			239,912,970.18	Contract liabilities	239,912,970.18
Receipts in advance	5,861,949,182.62		-5,824,511,466.48	Receipts in advance	37,437,716.14

Not applicable			5,824,511,466.48	Contract liabilities	5,824,511,466.48
Other current assets	4,425,579,572.68		120,603,680.27	Other current assets	4,546,183,252.95
Other non-current assets	1,254,064,181.76		1,140,535.90	Other non-current assets	1,255,204,717.66
Other current liabilities	42,961,121.03		301,420,575.54	Other current liabilities	344,381,696.57
Provisions	2,660,788,654.43		-73,446,879.39	Provisions	2,587,341,775.04
Other comprehensive income	4,424,024.90	40,604,722.79		Other comprehensive income	45,028,747.69
Undistributed profits	22,350,952,230.17	-10,028,324.57	-44,877,259.88	Undistributed profits	22,296,046,645.72
Minority equity interests	14,549,620,553.66	37,466,094.63	-44,502,361.35	Minority equity interests	14,542,584,286.94

The impact on the opening balance of the balance sheet of the Parent Company is as follows:

Items	Book value on 31 December 2017 (Before changing)	Adjustment influence of financial instrument standards	Adjustment influence of income standards	Items	Book value on 1 January 2018 (After changing)
Available-for-sale financial assets	5,818,587.80	-5,818,587.80		Not applicable	
Not applicable		5,818,587.80		Investments in other equity instruments	5,818,587.80
Accounts receivable	288,499,726.07	13,278,745.63		Bills receivable and accounts receivable	301,778,471.70
Other receivables	15,895,048.43	708,860.00		Other receivables	16,603,908.43
Deferred tax assets	106,347,777.99	-2,098,140.84		Deferred tax assets	104,249,637.15
Undistributed profits	2,128,502,328.76	-16,428,564.00		Undistributed profits	2,112,073,764.76
Receipts in advance	2,465,908,721.32		-2,465,908,721.32	Receipts in advance	
Not applicable			2,465,908,721.32	Contract liabilities	2,465,908,721.32
Other comprehensive income	-43,234,737.77	15,117,117.89		Other comprehensive income	-28,117,619.88
Long-term equity investments	23,581,254,928.08	-13,200,910.90		Long-term equity investments	23,568,054,017.18

The Company and its subsidiaries prepared the 2018 financial statements in accordance with the financial statements format specified in Cai Kuai (2018) No. 15, and changed the presentation of relevant financial statements using the retrospective adjustment method.

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

Items	Book value on 31 December 2017 (Before changing)	Presentation impact of financial statement	Items	Book value on 1 January 2018 (After changing)
Bills receivable	13,033,083,520.99	-13,033,083,520.99	Not Applicable	
Accounts receivable	13,029,993,065.19	-13,029,993,065.19	Not Applicable	
Not Applicable		26,063,076,586.18	Accounts receivable and Bills receivable	26,063,076,586.18
Interest receivable	203,637,543.83	-203,637,543.83	Not Applicable	
Dividend receivable	4,524,472.84	-4,524,472.84	Not Applicable	
Other receivables	1,003,880,139.62	208,162,016.67	Other receivables	1,212,042,156.29
Fixed assets	17,146,390,653.22	55,808,808.81	Fixed assets	17,202,199,462.03
Disposals of fixed assets	55,808,808.81	-55,808,808.81	Not Applicable	
Bills payable	16,378,699,659.77	-16,378,699,659.77	Not Applicable	
Accounts payables	26,237,366,204.29	-26,237,366,204.29	Not Applicable	
Not Applicable		42,616,065,864.06	accounts payables and Bills payable	42,616,065,864.06
Interest payable	235,683,220.62	-235,683,220.62	Not Applicable	
Dividends payable	153,756,315.64	-153,756,315.64	Not Applicable	
Other payables	10,920,135,768.52	389,439,536.26	Other payables	11,309,575,304.78

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

Items	Book value on 31 December 2017	Presentation impact of financial statement	Items	Book value on 1 January 2018
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	(Before changing)			(After changing)
Bills receivable			Not Applicable	
Accounts receivable	301,778,471.70	-301,778,471.70	Not Applicable	
Not Applicable		301,778,471.70	Accounts receivable and Bills receivable	301,778,471.70
Interest receivable	220,157,282.75	-220,157,282.75	Not Applicable	
Dividend receivable	970,851,045.94	-970,851,045.94	Not Applicable	
Other receivables	16,603,908.43	1,191,008,328.69	Other receivables	1,207,612,237.12
Bills payable			Not Applicable	
Accounts payables	310,387,267.67	-310,387,267.67	Not Applicable	
Not Applicable		310,387,267.67	Accounts payables and bills payable	310,387,267.67
Interest payable	156,447,167.63	-156,447,167.63	Not Applicable	
Dividends payable			Not Applicable	
Other payables	21,112,143,360.73	156,447,167.63	Other payables	21,268,590,528.36

The effect of the related presentation adjustment on the concurrency of the consolidated income statement is as follows:

Items	Amount of 2017(Before changing)	Presentation impact of financial statement	Items	Amount of 2017 (After changing)
Administrative expenses	11,953,733,922.64	-4,509,850,773.96	Administrative expenses	7,443,883,148.68
Not Applicable		4,509,850,773.96	R&D expenses	4,509,850,773.96

The effect of the related presentation adjustment on the number of simultaneous periods of the parent company's income statement is as follows:

Items	Amount of 2017(Before changing)	Presentation impact of financial statement	Items	Amount of 2017 (After changing)
Administrative expenses	715,982,494.02	-247,120,344.03	Administrative expenses	468,862,149.99
Not Applicable		247,120,344.03	R&D expenses	247,120,344.03

(3) . Significant changes on accounting estimates

□Applicable √Not Applicable

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

Main tax categories and rates

√Applicable □Not Applicable

Tax types	Basis of taxation	Tax rate
Value-added tax	Taxable revenue from sales of goods or rendering services	6%, 11% or 10%, 17% or 16%
City maintenance and construction tax	Circulation tax payable	7%
EIT	Taxable income	Statutory tax rate or preferential rates as follows
(Local)Education surcharge	Circulation tax payable	1%、2%、3%

Disclosure of tax entities with different EIT rates

□Applicable √Not Applicable

2. Preferential tax

√Applicable □Not Applicable

Companies subjected to preferential tax:

Company	Tax rate	Preferential tax
Qingdao Haier Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

Qingdao Haier Special Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Dishwasher Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Limited	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Zhengzhou Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shenyang Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Moulds Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hai Gao Design and Manufacture Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hai Gao Design and Manufacture Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Haier Guangke Digital Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Technology Development Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Central Air Conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

Qingdao Haier Air Conditioner Gen Corp., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Household Appliance Technology and Equipment Research Institute	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing ASU Tech Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Zero Micro Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Economic and Technological Development Zone Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Rishun Supply Chain Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier New Energy Electric Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Rishun Lexin Cloud Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Technology Co., Ltd.	10%	entitled to the preferential taxation policies as a key software enterprise
Wuhan Haier Energy and Power Co., Ltd.	10%	entitled to the preferential policies as a small/micro enterprise

Qingdao Haier Zhiyan Investment Management Co., Ltd.	10%	entitled to the preferential policies as a small/micro enterprise
Chongqing Haier Electronics Sales Co., Ltd. and some Western companies	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Xinri Rishun Electric Sales Co., Ltd. and some Western companies	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Refrigeration Appliance Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Guizhou Haier Electronics Co., Ltd..	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Precision Plastic Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Washing Machine Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Water Heater Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Drum Washing Machine Co., Ltd	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

VII. Explanatory Notes for Items in Consolidated Financial Statements

Unless otherwise specified, the following closing balance refers to the amount as of 31 December 2018. The opening balance refers to the amount as of 31 December 2017. The amount for the current period refers to the amount in the period from 01 January to 31 December 2018. The amount of the previous period refers to the amount of the period from 01 January to 31 December 2017.

1. Cash and cash equivalents

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	1,380,614.79	513,781.37
Cash in bank	35,483,724,835.69	33,643,046,621.48
Other cash balances	1,971,249,956.80	2,181,878,636.37
Total	37,456,355,407.28	35,825,439,039.22
Include: total amount deposit overseas	9,093,415,529.92	8,733,283,521.59

Other explanation

The cash deposited in Haier Group Finance Co., Ltd. was RMB13,966,602,551.68 on 31 December 2018, the balance of which included a fixed deposit of RMB2,884,500,000.00. The investment fund in the closing balance of other cash balances was RMB464,138,144.13, deposit in third party payment platform was RMB95,533,819.43 and the security deposit was RMB1,411,577,993.24.

2. Financial assets held for trading

Items	Closing balance
Foreign exchange contacts	188,677,068.41
Short-term wealth management products	1,567,648,908.00
Investment in other equity instruments	19,322,411.35
Total	1,775,648,387.76

3. Financial assets measured at fair value and changes of which included in current profit and loss

Items	Opening balance
Foreign exchange contacts	20,681,695.50
Total	20,681,695.50

4. Derivative financial assets

√ Applicable □ Not Applicable

Unit and Currency: RMB

Items	Closing balance
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Cash flow hedging-Interest rate swap agreement	57,228,769.39
Foreign exchange contacts	39,494,394.98
Total	96,723,164.37

5. Bills receivable and Accounts receivable

Summary table

(1). Classification

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bills receivable		13,033,083,520.99
Accounts receivable		12,891,199,940.00
Total		25,924,283,460.99

Bills receivable

(1). Classification of the bills receivable

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance notes		1,946,518,710.06
Commercially acceptance notes		11,086,564,810.93
Total		13,033,083,520.99

(2) The Bills receivable pledged by the Company at the end of the period was RMB 11,138,358,490.13.

Provision for bad debts is made on a portfolio basis:

☐ Applicable ☒ Not Applicable

Accounts receivable

(1) Accounts receivable are disclosed by aging as follow:

Aging	Closing balance	Opening balance
Within one year	10,263,880,759.15	12,918,403,104.88
1-2 years	271,695,855.39	181,839,082.06

2-3years	103,360,570.79	121,785,776.81
Over 3 years	136,030,844.12	113,600,676.66
Accounts receivable balance	10,774,968,029.45	13,335,628,640.41
Allowance for bad debts	343,774,541.95	444,428,700.41
Accounts receivable net	10,431,193,487.50	12,891,199,940.00

(2) The total amount of the top 5 accounts receivable at the end of the period is RMB2,848,459,329.64, accounting for 26.44% of the book balance of accounts receivable.

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

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off / other movement	
Allowance for bad debts	444,428,700.41	92,808,600.09	16,381,442.70	13,742,006.36	196,102,194.89	343,774,541.95

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

The amount of accounts receivable actually written off in the current period is RMB35,099,796.70, and there is no important bad debt write-off of accounts receivable.

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

In the current period, the amount of accounts receivable that the company terminated due to the transfer of financial assets was RMB5,578,649,196.23, and the transfer method was selling-type factoring/asset securitization.

(6) Current limited accounts receivable:

The amount of accounts receivable pledged at the end of the period is RMB1,355,896,435.78.

√ Applicable □ Not Applicable

6. Prepayments

(1) Prepayments are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	519,750,663.00	537,816,736.27
1-2 years	33,047,876.47	72,204,251.35
2-3years	39,033,032.18	11,114,367.98

Over 3 years	2,723,443.35	7,756,965.75
Total	594,555,015.00	628,892,321.35

(2) The amount of the top 5 in the prepayments at the end of the period totals RMB142,731,918.18, which accounts for 24.01% of the prepayment balance.

7. Other receivables

Summary table

(1). Classification

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	228,701,210.90	203,637,543.83
Dividend receivable	4,524,472.84	4,524,472.84
Other receivables	1,393,750,181.24	984,129,285.50
Total	1,626,975,864.98	1,192,291,302.17

(1) Interest receivable

Aging	Closing balance		Opening balance	
	Book value balance	Proportion	Book value balance	Proportion
Within one year	173,671,073.91	75.94%	202,405,171.56	99.39%
1-2 years	55,030,136.99	24.06%	1,232,372.27	0.61%
Total	228,701,210.90	100.00%	203,637,543.83	100.00%

(2) Dividend receivable

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

Other receivables

① Other receivables are disclosed by aging as follows:

Aging	Closing balance	Opening balance
Within one year	1,312,078,849.50	902,737,002.87
1-2 years	49,455,084.68	66,140,386.24
2-3years	31,974,245.15	46,034,571.34
Over 3 years	76,587,635.07	46,113,807.65
Other receivables balance	1,470,095,814.40	1,061,025,768.10
Allowance for bad debts	76,345,633.16	76,896,482.60
Other receivables net	1,393,750,181.24	984,129,285.50

② The total amount of the top 5 other receivables at the end of the period is RMB539,926,492.56, which accounts for 36.73% of the book balance of other receivables.

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

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off / other movement	
Allowance for bad debts	76,896,482.60	20,044,406.15	4,659,681.06	1,597,168.38	23,657,768.27	76,345,633.16

④ Other receivables written off during the period:

The amount of other receivables actually written off in the current period is RMB4,599,704.69, and no significant other receivables are written off for bad debts.

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

8. Inventories

(1) Details of Inventories

Items	Closing balance		Opening balance	
	Book value balance	Impairment Provision	Book value balance	Impairment Provision
Raw materials	2,530,152,656.33	90,663,625.24	3,705,431,126.34	61,368,820.74
Work in progress	197,994,231.57		262,223,204.08	
Unsettled payments of completed projects			187,935,341.58	

Finished goods	20,518,186,150.85	778,478,291.98	19,159,801,024.68	716,404,658.07
Total	23,246,333,038.75	869,141,917.22	23,315,390,696.68	777,773,478.81

(2) Impairment provision of inventories

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off / other movement	
Raw materials	61,368,820.74	53,757,348.50			24,462,544.00	90,663,625.24
Finished goods	716,404,658.07	499,748,068.40			437,674,434.49	778,478,291.98
Total	777,773,478.81	553,505,416.90			462,136,978.49	869,141,917.22

9.Contract assets

Items	Closing balance
Contract assets	456,781,406.54
Total	456,781,406.54

10. Assets held for sale

Items	Closing balance	Opening balance
7.71% equity of Shengfeng Logistics Group Co., Ltd	106,010,000.00	
Assets in Shanghai Guangfulai Co., Ltd.	38,081,213.39	
disposal of Mexican plants and plots by FPA		27,453,950.07
Total	144,091,213.39	27,453,950.07

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

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

11. Other current assets

(1) Details

Items	Closing balance		Opening balance	
	Book balance	Impairment provision	Book balance	Impairment provision
Bank deposit for financial products	2,838,231,840.90		2,007,051,839.52	
Deductible taxes	1,658,820,457.08	5,489,980.82	1,948,744,388.70	
Returns cost	322,726,264.39	162,998,678.53		
Others	428,589,006.65		469,783,344.46	
Total	5,248,367,569.02	168,488,659.35	4,425,579,572.68	

(2) Impairment provision

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off / other movement	
Deductible input tax		5,489,980.82				5,489,980.82
Returns cost receivables		162,998,678.53	120,480,319.76		120,480,319.76	162,998,678.53
Total		168,488,659.35	120,480,319.76		120,480,319.76	168,488,659.35

The impact of the first implementation of the new income standard on the opening balance amounted to RMB120,480,319.76.

12. Available-for-sale financial assets

Items	Opening balance		
	Book balance	Impairment provision	Book Value
Available-for-sale equity instrument:			
Measured at fair value	26,931,420.99		26,931,420.99
Measured at cost	1,418,647,886.83	30,225,000.00	1,388,422,886.83
Total	1,445,579,307.82	30,225,000.00	1,415,354,307.82

13. Long-term equity investments

√Applicable □Not Applicable

Investees	Opening balance	Increase/decrease for the period				
		Investment increase	Investment profit or loss recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits
Associate:						
Haier Group Finance Co., Ltd.	4,682,887,227.73		690,345,752.84	32,725,358.50		
Bank of Qingdao Co., Ltd.	2,462,624,099.78		145,975,987.29	97,656,431.65		-77,995,640.00
(Qingdao) Haier Medical and Laboratory Products Co., Ltd.	332,230,371.89		21,705,851.27			
Wolong Electric (Jinan) Motor Co., Ltd.	118,897,337.40		4,384,464.99			
Qingdao Haier Software Investment Co., Ltd.	17,899,331.07		294,188.08			
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	270,536,881.98		91,843,339.31			
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	106,068,803.08					
Hefei Haier Special Steel Plate	140,494,521.67					

Research and Development Co., Ltd.						
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	529,934,750.95		149,480,863.71			-56,772,000.00
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	305,185,137.09		27,537,989.41			
Beijing Mr. Hi Network Technology Company Limited	3,757,759.75					
Qingdao Haier multimedia Co., Ltd.	543,768,656.24		8,201,709.19		3,114,251.28	
Beijing Xiaobao Technology Co., Ltd.	2,687,341.82					
Beijing ASU Tech Co., Ltd.		10,844,124.86			19,217,902.93	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.		7,849,992.00				
Qingdao Hegang New Material Technology Co., Ltd.		246,563,324.75	15,721,032.90			
Qingdao Haimu Investment Management Co., Ltd.		2,450,000.00	-371,658.63			
Qingdao Haimu Zhijia Investment Partnership		48,000,000.00	1,070.25			

(Limited Partnership)						
Guangzhou Heying Investment Partnership (Limited Partnership)	152,047,535.44			24,017,274.24		
Fuzhou Jinan District Shengfeng Guorong Microfinance Co., Ltd.	80,226,595.74					
Fujian Bafang Shengfeng Logistics Co., Ltd.	13,117,748.43		272,053.43			-400,000.00
Qingdao Home Wow Cloud Network Technology Co., Ltd.	1,755,356.84		-538,775.52			
Beijing Cangxiaowei Supply Chain Management Co., Ltd.		870,898.42	-79,581.45			
Konan Electronic Co., Ltd.	64,856,526.75		6,499,278.16	3,713,693.88		-269,707.50
HNR Company (Private) Limited	91,578,227.62		8,953,730.66	-9,455,919.48		
HPZ LIMITED	80,588,570.01		5,197,713.05	3,014,049.49		
CONTROLA DORA MABE S.A.de C.V.	2,985,062,320.58		145,118,357.83	30,500,445.45		
MIDDLEEA ST AIRCONDIT IONING COMPANY, LIMITED	22,050,543.42		3,921,365.30	932,743.10		
Total	13,008,255,645.28	316,578,340.03	1,324,464,732.07	183,104,076.83	22,332,154.21	-135,437,347.50

(Continued)

Investees	Increase/decrease for the period		Closing balance	Impairment provision Closing balance
	Other movement	The disposal of the investment		
Associate:				
Haier Group Finance Co., Ltd.			5,405,958,339.07	
Bank of Qingdao Co., Ltd.	-35,431,243.05		2,592,829,635.67	
(Qingdao) Haier Medical and Laboratory Products Co., Ltd.		-353,936,223.16	-	
Wolong Electric (Jinan) Motor Co., Ltd.			123,281,802.39	
Qingdao Haier Software Investment Co., Ltd.			18,193,519.15	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)			362,380,221.29	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.		-106,068,803.08	-	
Hefei Haier Special Steel Plate Research and Development Co., Ltd.		-140,494,521.67	-	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			622,643,614.66	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			332,723,126.50	-21,000,000.00
Beijing Mr. Hi Network Technology Company Limited			3,757,759.75	-3,757,759.75
Qingdao Haier multimedia Co., Ltd.			555,084,616.71	
Beijing Xiaobao Technology Co., Ltd.			2,687,341.82	-2,687,341.82
Beijing ASU Tech Co., Ltd.			30,062,027.79	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.			7,849,992.00	
Qingdao Hegang New Material Technology Co., Ltd.			262,284,357.65	
Qingdao Haimu Investment Management Co., Ltd.			2,078,341.37	
Qingdao Haimu Zhijia Investment Partnership (Limited Partnership)			48,001,070.25	
Guangzhou Heying Investment Partnership (Limited Partnership)			176,064,809.68	

Fuzhou Jinan District Shengfeng Guorong Microfinance Co., Ltd.		-80,226,595.74	-	
Fujian Bafang Shengfeng Logistics Co., Ltd.		-12,989,801.86	-	
Qingdao Home Wow Cloud Network Technology Co., Ltd.			1,216,581.32	
Beijing Cangxiaowei Supply Chain Management Co., Ltd.			791,316.97	
Konan Electronic Co., Ltd.			74,799,791.29	
HNR Company (Private) Limited			91,076,038.80	
HPZ LIMITED			88,800,332.55	
CONTROLADORA MABE S.A.de C.V.	12,472,813.14		3,173,153,937.00	
MIDDLEEAST AIRCONDITIONING COMPANY, LIMITED	-8,696,527.86		18,208,123.96	
Total	-31,654,957.77	-693,715,945.51	13,993,926,697.64	-27,445,101.57

14. Investment in other equity instruments

(1) Investment in other equity instruments

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance
China Petroleum & Chemical Corporation	1,261,564,000.00
Other	138,752,460.34
Total	1,400,316,460.34

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

Items	Amount
China Petroleum & Chemical Corporation	104,856,077.16
Other	389,059.17
Total	105,245,136.33

15. Other non-current financial assets

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance
Long-term wealth management products	327,358,825.57
Total	327,358,825.57

16. Investment properties

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

Items	Houses and buildings	Land use rights	Total
I. Original book value			
1. Opening balance	44,408,479.02	2,128,550.51	46,537,029.53
2. Increase for the period			
(1) Outsourced			
(2) Inventories\fixed assets\construction in progress transferred in	347,500.00		347,500.00
(3) Increase in business combinations			
3. Decrease for the period			
(1) disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Exchange differences	1,243,753.76		1,243,753.76
5. Closing balance	45,999,732.78	2,128,550.51	48,128,283.29
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	14,853,338.04	469,675.50	15,323,013.54
2. Increase for the period			
(1) Provision or amortization	1,739,438.27	40,236.22	1,779,674.49
3. Decrease for the period			
(1) disposal			
(2) Disposal of subsidiary			
(3) Other transferring out			
4. Exchange differences	146,447.84		146,447.84
5. Closing balance	16,739,224.15	509,911.72	17,249,135.87
I. 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.Exchange differences			
5.Closing balance			
IV. Book Value			
1. Closing book value	29,260,508.63	1,618,638.79	30,879,147.42
2. Opening book value	29,555,140.98	1,658,875.01	31,214,015.99

(2) The depreciation and amortization amount charge for the period is RMB1,779,674.49.

(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.

17. Fixed assets

Summary table

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Fixed assets	17,319,507,210.44	17,146,390,653.22
Disposals of fixed assets	131,670.93	55,808,808.81
Total	17,319,638,881.37	17,202,199,462.03

(1) Fixed assets:

Items	Houses and buildings	Land use rights	Motor vehicles
I. Original book value			
1. Opening balance	9,007,272,416.23	17,061,589,200.05	291,452,462.31
2. Increase for the period			
(1) Acquisition	29,984,905.93	523,395,348.17	19,195,829.07
(2) Construction in progress transferred in	507,251,004.13	1,586,688,938.47	35,850,726.19

(3) Increase in business combinations			1,708,641.82
3.Decrease for the period			
(1) Disposal or Write-off	168,101,034.11	697,662,644.79	21,740,950.09
(2) Disposal of subsidiary	163,430,690.98	11,702,286.08	91,934,008.22
(3) Transfer to hold for sale			179,974.94
4.Exchange differences	122,117,790.34	439,917,845.02	-792,278.13
5.Closing balance	9,335,094,391.54	18,902,226,400.84	233,560,448.01
II. Accumulated depreciation			
1.Opening balance	2,543,989,090.81	7,064,750,705.40	146,735,735.65
2.Increase for the period			
(1) Provision	439,187,419.65	1,895,681,747.86	30,203,785.53
3.Decrease for the period			
(1) Disposal or Write-off	28,463,675.08	517,690,853.80	18,467,813.44
(2) Disposal of subsidiary	12,059,900.51	1,637,558.42	7,492,815.23
(3) Transfer to hold for sale			153,027.28
4.Exchange differences	32,114,619.57	192,275,009.53	-333,287.56
5.Closing balance	2,974,767,554.44	8,633,379,050.57	150,492,577.67
III. Impairment provision			
1.Opening balance	30,703,168.88	11,490,036.50	2,019.29
2.Increase for the period			
(1) Provision	145,483.98	4,869,830.86	
3.Decrease for the period			
(1) Disposal or Write-off		438,356.90	
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4.Exchange differences	2,051,445.20	468,123.13	113.18
5.Closing balance	32,900,098.06	16,389,633.59	2,132.47
II. Book Value			
1.Closing book value	6,327,426,739.04	10,252,457,716.68	83,065,737.87
2.Opening book value	6,432,580,156.54	9,985,348,458.15	144,714,707.37

(Continued)

Items	Office furniture	Other	Total
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I. Original book value			
1. Opening balance	477,241,309.19	688,128,896.92	27,525,684,284.70
2. Increase for the period			
(1) Acquisition	58,486,750.71	9,286,492.42	640,349,326.30
(2) Construction in progress transferred in	27,927,082.85	189,784,884.49	2,347,502,636.13
(3) Increase in business combinations		1,828,933.42	3,537,575.24
3. Decrease for the period			
(1) Disposal or Write-off	27,166,247.31	15,016,780.55	929,687,656.85
(2) Disposal of subsidiary		17,191,941.92	284,258,927.20
(3) Transfer to hold for sale		39,589.80	219,564.74
4. Exchange differences	1,569,755.48	1,121,233.19	563,934,345.90
5. Closing balance	538,058,650.92	857,902,128.17	29,866,842,019.48
II. Accumulated depreciation			
1. Opening balance	253,517,930.10	327,975,252.22	10,336,968,714.18
2. Increase for the period			
(1) Provision	63,353,631.13	117,859,110.68	2,546,285,694.85
3. Decrease for the period			
(1) Disposal or Write-off	9,332,225.37	12,323,752.62	586,278,320.31
(2) Disposal of subsidiary		8,506,623.69	29,696,897.85
(3) Transfer to hold for sale		10,641.84	163,669.12
4. Exchange differences	2,454,876.08	501,322.29	227,012,539.91
5. Closing balance	309,994,211.94	425,494,667.04	12,494,128,061.66
III. Impairment provision			
1. Opening balance		129,692.63	42,324,917.30
2. Increase for the period			
(1) Provision	19,400.94	3,706,142.52	8,740,858.30
3. Decrease for the period			
(1) Disposal or Write-off		132,808.37	571,165.27
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Exchange differences	133,668.13	58,787.41	2,712,137.05
5. Closing balance	153,069.07	3,761,814.19	53,206,747.38
IV. Book Value			
1. Closing book value	227,911,369.91	428,645,646.94	17,319,507,210.44

2. Opening book value	223,723,379.09	360,023,952.07	17,146,390,653.22
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(2) In the current period, the balance of the construction in progress transferred to the original value of the fixed assets in total RMB2,347,502,636.13.

(3) The amount of fixed assets mortgage at the end of the period is RMB55,317,000.00.

(4) Disposals of fixed assets

Items	Closing balance	Opening balance	Reason for transferring to disposal
International Refrigerator Assets Items		55,808,808.81	Demolition
Wuhan Energy Items	131,670.93		Scrap cleanup
Total	131,670.93	55,808,808.81	

18. Construction in progress

Summary table

(1). Categories

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Construction in progress	3,873,492,230.24	1,610,615,034.68
Construction materials		
Total	3,873,492,230.24	1,610,615,034.68

Construction in progress

(1). Construction in progress

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing Balance			Opening balance		
	Book balance	Impairment provision	Book Value	Book balance	Impairment provision	Book Value

Items	Closing Balance			Opening balance		
	Book balance	Impairment provision	Book Value	Book balance	Impairment provision	Book Value
Rishun Logistics Supply Chain	522,865,557.84		522,865,557.84	220,936,821.81		220,936,821.81
Qingdao Special Refrigeration Appliances	409,431,912.37		409,431,912.37	166,981.10		166,981.10
Tianjin ririxin	386,754,022.65		386,754,022.65	108,020,326.49		108,020,326.49
QingdaoWashing appliance	352,667,044.20		352,667,044.20	205,964,507.66		205,964,507.66
GEA	328,202,831.68	23,930,767.80	304,272,063.88	274,905,675.53		274,905,675.53
QingdaoSmartkitchen	138,005,302.27		138,005,302.27	35,666,458.97		35,666,458.97
Chongqing roller	114,749,141.48		114,749,141.48	10,584,759.60		10,584,759.60
FPA	113,126,924.77		113,126,924.77	80,224,904.43		80,224,904.43
Hefei drum washing machine	97,615,033.96		97,615,033.96	19,049,839.70		19,049,839.70
Hefei air conditioner Project	95,282,014.97		95,282,014.97	25,181,280.17		25,181,280.17
LaiyangSmartkitchen	64,617,334.97		64,617,334.97			
Hefei Air Conditioning Electronics	58,267,788.24		58,267,788.24			
Mexico	58,005,438.10		58,005,438.10	58,343,819.44		58,343,819.44
Hefei refrigerator	54,798,396.31		54,798,396.31	55,478,420.33		55,478,420.33
Haier Dishwasher	53,552,923.14		53,552,923.14	65,228,651.96		65,228,651.96
Smart appliance	51,044,968.22		51,044,968.22			
Shenyang refrigerator	49,093,334.43		49,093,334.43	50,298,040.73		50,298,040.73
Wuhan water heater	47,679,080.12		47,679,080.12	416,126.13		416,126.13
Jiaozhou Air-Conditioner	45,009,663.66		45,009,663.66	5,809,318.63		5,809,318.63
Tianjin washing machine	44,885,337.68		44,885,337.68	16,821,409.32		16,821,409.32
New energy appliances	43,297,315.74		43,297,315.74	12,082,456.62		12,082,456.62

Items	Closing Balance			Opening balance		
	Book balance	Impairment provision	Book Value	Book balance	Impairment provision	Book Value
other	768,471,631.24		768,471,631.24	365,435,236.06		365,435,236.06
Total	3,897,422,998.04	23,930,767.80	3,873,492,230.24	1,610,615,034.68		1,610,615,034.68

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

Project name	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Exchange difference s	Closing balance	Source of fund
Rishun Logistics Supply Chain Project	220,936,821.81	472,163,738.05	170,235,002.02			522,865,557.84	Self-funding
Qingdao Special Refrigeration Appliances Project	166,981.10	409,264,931.27				409,431,912.37	Self-funding
Tianjin ririxin project	108,020,326.49	280,207,285.86	1,473,589.70			386,754,022.65	Self-funding
QingdaoWashing appliance	205,964,507.66	334,684,697.04	187,982,160.50			352,667,044.20	Self-funding
GEA	274,905,675.53	639,752,590.77	601,659,937.69		15,204,503.07	328,202,831.68	Self-funding
QingdaoSmartkitchen Project	35,666,458.97	167,067,966.70	64,729,123.40			138,005,302.27	Self-funding
Chongqing roller project	10,584,759.60	140,684,269.18	36,519,887.30			114,749,141.48	Self-funding
FPA	80,224,904.43	33,412,891.82			-510,871.48	113,126,924.77	Self-funding

Hefei drum washing machine	19,049,839.70	194,514,481.06	115,949,286.80			97,615,033.96	Self-funding
Hefei air conditioner Project	25,181,280.17	167,114,291.22	97,013,556.42			95,282,014.97	Self-funding
Laiyang Smart kitchen Project		64,617,334.97				64,617,334.97	Self-funding
Hefei Air Conditioning Electronics Project		166,411,923.92	108,144,135.68			58,267,788.24	Self-funding
Mexico Project	58,343,819.44	90,306,200.68	93,528,097.25		2,883,515.23	58,005,438.10	Self-funding
Hefei refrigerator Project	55,478,420.33	95,670,185.73	96,350,209.75			54,798,396.31	Self-funding
Haier Dishwasher Project	65,228,651.96	12,864,138.88	24,539,867.70			53,552,923.14	Self-funding
Smart appliance Project		51,044,968.22				51,044,968.22	Self-funding
Shenyang refrigerator	50,298,040.73	6,628,207.42	7,832,913.72			49,093,334.43	Self-funding
Wuhan water heater	416,126.13	82,556,339.34	35,293,385.35			47,679,080.12	Self-funding
Jiaozhou Air-Conditioner	5,809,318.63	79,890,415.27	40,690,070.24			45,009,663.66	Self-funding
Tianjin washing machine	16,821,409.32	28,063,928.36				44,885,337.68	Self-funding
New energy appliances	12,082,456.62	56,305,316.65	25,090,457.53			43,297,315.74	Self-funding
other	365,435,236.06	1,050,651,505.51	640,470,955.08	7,362,428.84	218,273.59	768,471,631.24	Self-funding
Total	1,610,615,034.68	4,623,877,607.92	2,347,502,636.13	7,362,428.84	17,795,420.41	3,897,422,998.04	

(3) Impairment of construction in progress

Project name	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Exchange differences	Closing Balance
GEA		23,104,150.01			826,617.79	23,930,767.80

19. Intangible assets

Items	Proprietary technology	Licenses and franchises	Land use rights
I. Original book value			
1. Opening balance	1,493,156,923.88	3,731,908,727.04	1,850,616,814.28
2. Increase for the current period			
(1) Purchase	3,833,123.00		395,068,151.40
(2) Internal research and development	77,063,969.15		
(3) Increase in business combination			
3. Decrease for the current period			
(1) Disposal	13,252,262.00		108,576,175.00
(2) Disposal subsidiary			61,672,619.98
(3) Transfer to hold for sale			
4. Exchange differences	32,968,654.60	187,197,556.67	957,287.64
5. Closing balance	1,593,770,408.63	3,919,106,283.71	2,076,393,458.34
II. Accumulated amortization			
1. Opening balance	390,405,143.93	162,639,167.73	182,818,222.79
2. Increase in the current period			
(1) Accrual	146,320,109.65	92,872,244.38	39,655,604.58
3. Decrease for the current period			
(1) Disposal	1,310,145.39		7,962,252.82
(2) Disposal subsidiary			4,664,776.95
(3) Transfer to hold for sale			
4. Exchange differences	8,542,580.93	11,722,352.21	-138,658.34
5. Closing balance	543,957,689.12	267,233,764.32	209,708,139.26
III Impairment provision			
1. Opening balance			
2. Increase in the current period			

(1)Accrual			
3.Decrease for the current period			
(1)Disposal			
(2)Disposal subsidiary			
(3)Transfer to hold for sale			
4.Exchange differences			
5.Closing balance			
IV.Book Value			
1.Closing balance	1,049,812,719.51	3,651,872,519.39	1,866,685,319.08
2.Opening balance	1,102,751,779.95	3,569,269,559.31	1,667,798,591.49

(Continued)

Items	Trademark rights	Application management software and others	Total
I.Original book value			
1.Opening balance	1,220,553,965.68	1,333,141,203.40	9,629,377,634.28
2.Increase in the current period			
(1)Purchase	1,713,867.88	199,820,192.06	600,435,334.34
(2)Internal research and development		777,037,492.41	854,101,461.56
(3)Increase in business combination		15,759.00	15,759.00
3.Decrease for the current period			
(1)Disposal		5,967,032.12	127,795,469.12
(2)Disposal subsidiary		21,555,691.06	83,228,311.04
(3)Transfer to hold for sale		170,439.00	170,439.00
4.Exchange differences	31,443,746.32	52,453,017.36	305,020,262.59
5.Closing balance	1,253,711,579.88	2,334,774,502.05	11,177,756,232.61
II.Accumulated amortization			
1.Opening balance		656,064,725.62	1,391,927,260.07
2.Increase in the current period			
(1)Accrual	1,978.77	272,482,892.54	551,332,829.92
3.Decrease for the current period			
(1)Disposal		4,439,373.60	13,711,771.81
(2)Disposal subsidiary		1,267,713.94	5,932,490.89
(3)Transfer to hold for sale		94,994.05	94,994.05
4.Exchange differences		14,901,294.90	35,027,569.70

5.Closing balance	1,978.77	937,646,831.47	1,958,548,402.94
III Impairment provision			
1.Opening balance		10,890,590.83	10,890,590.83
2.Increase in the current period			
(1)Accrual			
3.Decrease for the current period			
(1)disposal		928,924.48	928,924.48
(2)Disposal subsidiary			
(3)Transfer to hold for sale			
4.Exchange differences		3,441.61	3,441.61
5.Closing balance		9,965,107.96	9,965,107.96
IV.Book Value			
1.Closing balance	1,253,709,601.11	1,387,162,562.62	9,209,242,721.71
2.Opening balance	1,220,553,965.68	666,185,886.95	8,226,559,783.38

At the end of the period, the intangible assets developed through the Company accounted for the 11.63% of the original value at the end of the period.

20. Development cost

Items	Opening balance	Increase for the period	Decrease for the period		Exchange differences	Closing balance
			Confirmed as an intangible asset	Included in current profit and loss		
91ABD.ERP PROGRAM	952,488,465.55	229,257,555.70	704,405,239.70		30,958,453.35	508,299,234.90
Other	13,562,868.26	88,546,644.40	72,632,252.72	169,811.32	775,604.81	30,083,053.43
Total	966,051,333.81	317,804,200.10	777,037,492.42	169,811.32	31,734,058.16	538,382,288.33

21 Goodwill

Items	Opening balance	Increase for the period	Decrease for the period	Exchange differences	Closing balance
GEA	19,418,454,197.34			971,843,039.25	20,390,297,236.59
Shengfeng Logistics GroupCo.,	317,954,690.69		317,954,690.69		

Ltd.					
Other	608,207,698.96	161,083,812.45		-4,036,190.84	765,255,320.57
Total	20,344,616,586.99	161,083,812.45	317,954,690.69	967,806,848.41	21,155,552,557.16

Goodwill of FPA project is recognized from previous business combination not under common control of FISHER&PAYKEL APPLIANCES HOLDINGS LIMITED through current period business combination under common control of HAIER NEWZEALAND INVESTMENT HOLDING COMPANY LIMITED.

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

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

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

According to the results of the impairment test, the goodwill has not been impaired for current period.

22.Long-term prepaid expenses

Items	Opening balance	Increase for the period	Amortization	Other decrease	Exchange differences	Closing balance
Renovation	7,658,358.06	3,311,142.64	4,081,865.62			6,887,635.08
Improvement on leased property	137,706,774.01	68,293,235.30	25,937,733.12	12,432,310.59	-358,215.40	167,271,750.20

Other	32,390,239.14	43,481,367.15	10,471,898.06	8,800,597.40	4,676.37	56,603,787.20
Total	177,755,371.21	115,085,745.09	40,491,496.80	21,232,907.99	-353,539.03	230,763,172.48

23. Deferred tax assets and Deferred tax liabilities

(1) Deferred tax assets balance before elimination

Items	Closing balance	Opening balance
Provision for assets impairment	240,924,037.86	185,051,809.02
Provision for assets impairment	1,444,791,976.30	1,647,219,516.35
Unrealized earnings eliminated due to	464,499,951.47	418,158,297.39
Other	668,254,961.84	588,386,676.36
Total	2,818,470,927.47	2,838,816,299.12

(2) Deferred tax liabilities balance before elimination

Items	Closing balance	Opening balance
Trademark rights	151,412,213.82	163,788,551.88
Disposal of subsidiaries and movement in other equity instruments	94,972,688.60	104,746,820.17
Withholding income tax of overseas enterprises	77,190,532.32	161,690,532.32
Depreciation and amortization	995,433,739.85	548,550,440.41
Interest rate swap agreement	12,431,766.10	13,902,650.26
Changes of the fair value	4,416,607.36	5,298,198.09
Others	72,332,431.05	108,049,562.21
Total	1,408,189,979.10	1,106,026,755.34

(3) The deferred tax assets and the deferred tax liabilities eliminated at the end of this year was

RMB1,002,846,191.34.

24. Other non-current assets

Items	Closing balance	Opening balance
Prepayments for equipment and land	2,118,776,080.18	757,518,103.03
Foreign exchange contacts		343,283,948.90
Other	206,912,902.38	153,262,129.83
Total	2,325,688,982.56	1,254,064,181.76

25. Short-term borrowings

(1). Categories

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings - secured by pledge	359,230,849.08	3,914,042,669.00
Borrowings - secured by mortgage	46,843,046.04	130,394,916.35
Borrowings - secured by guarantor	3,983,541,155.25	2,501,400,000.00
Borrowings - unsecured	1,908,889,842.20	4,332,742,689.83
Total	6,298,504,892.57	10,878,580,275.18

26. Financial liabilities held for trading

Items	Closing balance
Forward foreign exchange trading contacts	211,934,956.99
Forward foreign exchange option	6,813,323.34
Total	218,748,280.33

27. Financial liabilities measured at fair value with changes included in current profit and loss

Items	Opening balance
Forward foreign exchange trading contacts	2,524,569.45
Total	2,524,569.45

28. Derivative financial liabilities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance
Forward foreign exchange trading contacts	24,384,482.19
Forward commodity contracts	11,219,272.35
Total	35,603,754.54

29. Bills payable and accounts payables**Summary table****(1). Categories**

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bills payable	19,626,099,061.60	16,378,699,659.77
accounts payables	27,759,119,079.78	26,237,366,204.29
Total	47,385,218,141.38	42,616,065,864.06

Bills payable

(1) Bills payable

☐Applicable ☐Not Applicable

Unit and Currency: RMB

Categories	Closing balance	Opening balance
Commercially acceptance notes	2,402,746,892.66	2,165,982,670.54
Bank acceptance notes	17,223,352,168.94	14,212,716,989.23
Total	19,626,099,061.60	16,378,699,659.77

Accounts payables

(1). Accounts payables

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
accounts payables	27,759,119,079.78	26,237,366,204.29
Total	27,759,119,079.78	26,237,366,204.29

The ending balance was mainly the unpaid expenditures on material, equipment and labor.

30. Accounts received in advance

(1) .Accounts received in advance

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Accounts received in advance	14,681,466.58	5,861,949,182.62
Total	14,681,466.58	5,861,949,182.62

31. Contract liabilities

(1). Contract liabilities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance
Contract liabilities	5,482,325,888.59
Total	5,482,325,888.59

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

32. Employee benefits**(1) Employee benefits**

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term employee benefits	2,254,648,207.39	18,477,887,062.60	18,281,799,628.70	2,450,735,641.29
Post-employment benefits: defined contribution plan	51,241,291.07	1,041,419,932.48	1,063,434,543.01	29,226,680.54
Termination benefits	14,959,967.19	19,777,703.39	20,509,006.11	14,228,664.47
Other benefits due in one year	159,786,862.88	7,678,375.71	10,256,806.84	157,208,431.75
Total	2,480,636,328.53	19,546,763,074.18	19,375,999,984.66	2,651,399,418.05

(2) Short-term employee benefits

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Salaries, bonus, allowances	1,329,482,124.90	12,996,968,311.91	12,852,443,321.28	1,474,007,115.53
Employee welfare	297,270,715.36	265,856,143.45	266,699,278.06	296,427,580.75
Social security	147,366,747.95	1,793,189,911.42	1,780,825,787.46	159,730,871.91
Housing fund	7,727,158.93	318,585,805.05	320,307,857.05	6,005,106.93
Union fund and education fund	2,875,359.31	87,883,665.56	87,046,840.75	3,712,184.12
Short-term paid leave	228,449,498.75	235,131,253.54	230,430,105.19	233,150,647.10
Other	241,476,602.19	2,780,271,971.67	2,744,046,438.91	277,702,134.95
Total	2,254,648,207.39	18,477,887,062.60	18,281,799,628.70	2,450,735,641.29

(3) Defined contribution plan:

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Pension	49,927,087.85	1,008,990,635.00	1,030,138,287.94	28,779,434.91

Unemployment insurance	765,277.29	25,305,432.13	25,776,840.25	293,869.17
Supplementary pension	548,925.93	7,123,865.35	7,519,414.82	153,376.46
Total	51,241,291.07	1,041,419,932.48	1,063,434,543.01	29,226,680.54

(4) Termination benefits

Items	Closing balance	Opening balance
Termination compensation	14,228,664.47	14,959,967.19
Total	14,228,664.47	14,959,967.19

33. Taxes payable

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Value-added tax	441,010,016.22	513,242,520.53
Corporate income tax	1,184,505,048.56	1,269,203,683.29
Individual income tax	78,544,332.63	22,166,570.93
City maintenance and construction tax	2,414,582.49	10,698,089.06
Education surcharge	3,839,538.40	4,651,788.94
Treatment fund for appliance and electronic products waste	67,359,180.79	77,767,756.79
Other taxes	60,768,028.30	72,447,777.32
Total	1,838,440,727.39	1,970,178,186.86

34. Other payables**Summary table**

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest payable	104,522,208.28	235,683,220.62
Dividends payable	162,205,193.05	153,756,315.64
Other payables	12,418,950,001.58	10,920,135,768.52
Total	12,685,677,402.91	11,309,575,304.78

(1) Interest payable

Items	Closing balance	Opening balance
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Interest on long-term borrowings	57,626,542.89	224,965,386.82
Interest on short-term borrowings	46,895,665.39	10,717,833.80
Total	104,522,208.28	235,683,220.62

(2) Dividends payable

Name of unit	Closing balance	Opening balance
BRAVE LION (HK) LIMITED	122,756,874.10	122,756,874.10
Other minority shareholders	39,448,318.95	30,999,441.54
Total	162,205,193.05	153,756,315.64

(3) Other payables:

Items	Closing balance	Opening balance
Other payables	12,418,950,001.58	10,920,135,768.52
Total	12,418,950,001.58	10,920,135,768.52

The closing balance mainly included the incurred but unpaid costs.

35. Liabilities held-for-sale

☒Applicable ☐Not Applicable

Unit and Currency: RMB

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

Other explanations:

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

36. Non-current liabilities due within one year

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Long-term payables due within one year	3,015,060,105.58	6,149,302,981.65
Total	3,015,060,105.58	6,149,302,981.65

37. Other current liabilities

Other current liabilities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Payable refund	402,932,170.91	
Tax amount to be written off	18,593,499.79	21,729,198.70
Others	2,113,133.92	21,231,922.33
Total	423,638,804.62	42,961,121.03

38. Long-term borrowings**(1). Categories**

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings - secured by mortgage	23,574,659.91	30,542,316.47
Borrowings - secured by guarantor and mortgage	6,214,107,126.89	10,489,849,095.99
Borrowings - secured by guarantor	9,213,273,265.96	5,227,360,000.00
Borrowings - unsecured	90,511,272.46	288,741,397.35
Total	15,541,466,325.22	16,036,492,809.81

Explanations on the categories of long-term borrowings

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

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

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

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

39. Bonds payable

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

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

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

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

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

Items	Opening balance	Increase in current period	Accrued bond interest for the current period	Less: bond interest paid for the period	Exchange rate impact	Reclassified to maturity within one year	Closing balance
Exchangeable bond issued in 2017	6,211,088,362.68		18,652,271.09		451,625,606.07		6,681,366,239.84
Exchangeable bond issued in 2018		2,506,963,489.86	3,566,573.00				2,510,530,062.86

Total	6,211,088,362.68	2,506,963,489.86	22,218,844.09		451,625,606.07		9,191,896,302.70
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40. Long-term payables**Summary table**

Items	Opening balance	Closing balance
Investment from CDB development fund	93,000,000.00	93,000,000.00
Lease	13,763,243.99	13,020,029.74
Total	106,763,243.99	106,020,029.74

According to the Investment Contract of China Development Fund executed by the Company and its subsidiaries including Qingdao Haier Refrigerator Co., Ltd., Qingdao Haier Air Conditioner Gen Corp., Ltd., Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited together with China Development Fund Co. Ltd. in 2015 and 2016, China Development Fund Co. Ltd. invested RMB20 million in Qingdao Haier Refrigerator Co., Ltd., and RMB73 million in Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited. China Development Fund Co. Ltd. earns 1.2% of the annual profits by means of dividends or repurchase at a premium. The Company and its subsidiaries will repurchase the investments above in 2020 to 2027.

41. Long-term employee benefits payable

√Applicable □Not Applicable

(1) Long-term employee benefits payable

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
I. Post-employment benefits: net liability of defined benefit plan	456,055,879.38	568,350,543.56
II. Termination benefits	230,752,405.39	114,972,723.07
III. Other long-term benefits		
IV. Provision for work-related injury compensation	248,166,450.72	267,182,167.75
Total	934,974,735.49	950,505,434.38

(2) Defined benefit plan

Some subsidiaries of the Company have participated in several defined benefit plans, in which eligible employees are entitled to the retirement benefits as planned.

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

The actuarial valuation of the assets and the present value of defined benefit obligations under such plans are determined by using the Projected Unit Credit (PUC) method.

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

Actuarial assumptions used to set benefit plans

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

Change in Defined Benefit Obligation

Items	Amount
I . Opening balance	303,316,065.92
II. Cost recognized in current profit or loss	10,336,078.94
1. Current service cost	8,767,112.43
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	
4. Interest cost	1,568,966.51
III. Cost recognized in other comprehensive income	-525,589.67
1. Actuarial loss (gain indicated in “—”)	-525,589.67
IV. Other changes	11,418,446.87
1. The consideration paid at the time of settlement	
2. Benefit paid	-9,544,898.72
3. Exchange differences	20,963,345.59
V. Closing balance	324,545,002.06

Change in Fair Value of Plan Assets

Items	Amount
I . Opening balance	307,323,897.90

II. Cost recognized in current profit or loss	1,465,566.47
1. Interest income	1,465,566.47
III. Cost recognized in other comprehensive income	-9,084,258.13
1. Return on plan assets (except those included in net interests)	-9,084,258.13
2. Changes in impact of asset cap (except those included in net	
IV. Other changes	26,698,341.89
1. Employer contributions	15,081,405.28
2. Benefit paid	-9,544,898.72
3. Exchange differences	21,161,835.33
V. Closing balance	326,403,548.13

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	-4,007,831.98
II. Cost recognized in current profit or loss	8,870,512.47
III. Cost recognized in other comprehensive income	8,558,668.46
IV. Other changes	-15,279,895.02
V. Closing balance	-1,858,546.07

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

②. The defined benefit plan of ROPERCORPORATION, a subsidiary of the Company

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

Actuarial assumptions used to set benefit plans

Items	Rate
Discount rate	3.98%

Change in Defined Benefit Obligation

Items	Amount
I . Opening balance	145,677,081.28
II. Business combination not under common control	
III. Cost recognized in current profit or loss	20,315,841.27

1. Current service cost	6,071,687.59
2. Past service cost	8,810,645.66
3. Settlement gains (loss indicated in “—”)	
4. Interest cost	5,433,508.02
IV. Cost recognized in other comprehensive incomes	-44,078,858.04
1. Actuarial loss (gain indicated in “—”)	-44,078,858.04
V. Other changes	-3,567,871.35
1. The consideration paid at the time of settlement	
2. Benefit paid	-9,705,195.66
3. Exchange differences	6,137,324.31
VI. Closing balance	118,346,193.16

Net liability (net asset) of defined benefit plan:

Items	Amount
I . Opening balance	145,677,081.28
II. Business combination not under common control	
III. Cost recognized in current profit or loss	20,315,841.27
IV. Cost recognized in other comprehensive incomes	-44,078,858.04
V. Other changes	-3,567,871.35
VI. Closing balance	118,346,193.16

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

①.The defined benefit plan of HAIER U.S. APPLIANCE SOLUTIONS,INC., a subsidiary of the Company.

HAIER U.S. APPLIANCE SOLUTIONS,INC., a subsidiary of the Company, has provided post-retirement defined benefit plan of health care benefits for the eligible employees.

Actuarial assumptions used to set benefit plans

Items	Rate
Discount rate	3.68%

Change in Defined Benefit Obligation

Items	Amount
I . Opening balance	384,788,210.83
II. Business combination not under common control	

III. Cost recognized in current profit or loss	11,520,541.65
1. Current service cost	
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	
4. Interest cost	11,520,541.65
IV. Cost recognized in other comprehensive incomes	-55,254,047.36
1. Actuarial loss (gain indicated in “—”)	-55,254,047.36
V. Other changes	-14,241,866.08
1. The consideration paid at the time of settlement	
2. Benefit paid	-30,943,966.51
3. Exchange differences	16,702,100.43
VI. Closing balance	326,812,839.04

Net liability (net asset) of defined benefit plan:

Items	Amount
I . Opening balance	384,788,210.83
II. Business combination not under common control	
III. Cost recognized in current profit or loss	11,520,541.65
IV. Cost recognized in other comprehensive incomes	-55,254,047.36
V. Other changes	-14,241,866.08
VI. Closing balance	326,812,839.04

②. The defined benefit plan of HAIERU.S.APPLIANCESOLUTIONS,INC., a subsidiary of the Company.

HAIERU.S.APPLIANCESOLUTIONS,INC., a subsidiary of the Company, has provided defined benefit plan of pension for the eligible employees.

Actuarial assumptions used to set benefit plans

Items	Rate
Discount rate	3.21%

Change in Defined Benefit Obligation

Items	Amount
I . Opening balance	333,354,980.83
II. Business combination not under common control	

III. Cost recognized in current profit or loss	10,074,315.81
1. Current service cost	
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	
4. Interest cost	10,074,315.81
IV. Cost recognized in other comprehensive incomes	-15,889,924.51
1. Actuarial loss (gain indicated in “—”)	-15,889,924.51
V. Other changes	-42,647,123.41
1. The consideration paid at the time of settlement	
2. Benefits paid out	-57,177,630.69
3. Exchange differences	14,530,507.28
VI. Closing balance	284,892,248.72

Change in Fair Value of Plan Assets

Items	Amount
I . Opening balance	226,737,778.94
II. Amount recognized in current profit or loss	675,345.36
1. Interest income	675,345.36
III. Amount recognized in other comprehensive incomes	-2,863,462.49
1. Return on plan assets (except those included in net interests)	-2,863,462.49
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-22,809,851.01
1. Employer contributions	24,209,417.13
2. Benefits paid out	-57,177,630.69
3. Exchange differences	10,158,362.55
V. Closing balance	201,739,810.80

Net liability (net asset) of defined benefit plan:

Items	Amount
I . Opening balance	106,617,201.89
II. Business combination not under common control	
III. Cost recognized in current profit or loss	9,398,970.45
IV. Cost recognized in other comprehensive income	-13,026,462.02
V. Other changes	-19,837,272.40
VI. Closing balance	83,152,437.92

(3) Provision for work-related injury compensation

HAIERU.S.APPLIANCESOLUTIONS,INC. made a provision for the occupational injury claims filed by the injured due to production accidents starting from 1 January 1991. The provision was calculated by BEECHER CARLSON INSURANCE SERVICES, LLC., based on actuarial method. The discount rate used in the actuary is 3.72%.

Items	Amount
I . Opening balance	267,182,167.75
II. Business combination not under common control	
III. Compensation recognized in current profit and loss	47,167,731.70
IV. Actual compensation paid	-78,514,520.83
V. Other changes	12,331,072.10
VI. Closing balance	248,166,450.72

Classification of the balance of defined benefit plan

Items	Closing balance	Opening balance
Short-term salary	89,343,078.64	87,660,938.82
Long-term salary	456,055,879.38	568,350,543.56
Total	545,398,958.02	656,011,482.38

42. Provisions

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Active litigation	19,003,500.11	17,898,125.83
Others	880,213.00	191,660.00
Warranty and installation	2,640,904,941.32	2,821,651,293.65
Total	2,660,788,654.43	2,839,741,079.48

Other explanations, including important assumptions and estimates about important provisions:

Important assumptions and estimates related to the estimated “San Bao” installation fee: Significant assumptions and estimates related to warranty and installation: estimates are based on historical expenditures and sales, warranty policies, and realized sales in current period.

43. Deferred income

Deferred income

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Government grants	494,192,627.62	277,868,707.95	128,509,348.27	643,551,987.30
Sale-leaseback	2,948,461.10		2,948,461.10	
Total	497,141,088.72	277,868,707.95	131,457,809.37	643,551,987.30

44. Other non-current liabilities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Obligation of repurchasing the minority equity rights	1,792,322,337.19	916,938,153.36
Contingent consideration	5,705,307.28	5,384,860.29
Forward foreign exchange trading contract		242,417,657.63
Changes of fair value in put option		6,196,157.28
Others	25,839,049.46	26,548,594.19
Total	1,823,866,693.93	1,197,485,422.75

45. Share capital

Category	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Restricted shares				
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic individuals				
4. Shares held by offshore non-state-owned legal				

entities				
II . Non-restricted shares	6,097,402,727	271,013,973		6,368,416,700
1. Ordinary shares in RMB	6,097,402,727			6,097,402,727
2. Domestic listed foreign Shares				
3. Offshore listed foreign Shares		271,013,973		271,013,973
4.Others				
III. Total shares	6,097,402,727	271,013,973		6,368,416,700

46. Other equity instruments

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Equity portion of exchangeable bond	431,424,524.07			431,424,524.07
Equity portion of convertible bond		473,061,264.64		473,061,264.64
Total	431,424,524.07	473,061,264.64		904,485,788.71

47. Capital reserve

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium	1,485,439,173.24	2,467,528,660.82	2,593,413,997.50	1,359,553,836.56
Other capital reserve	826,883,093.84	22,336,544.17		849,219,638.01
Total	2,312,322,267.08	2,489,865,204.99	2,593,413,997.50	2,208,773,474.57

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

The main reasons for the change in share premium: ① the company issued D shares in the current period, increasing the capital reserve RMB1,861,549,590.47; ② non-proportional capital injection in subsidiaries in the current period, reducing the share premium RMB501,995,753.91; ③ the business

combination under common control in the current period, reducing the share premium RMB2,091,418,243.59; ④ the current equity premium is insufficient to offset the corresponding carry-over retained earnings, increase the share premium RMB605,979,070.35.

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

48. Other comprehensive income

Items	Book balance as at 31 December 2017	Impact of adjustment of financial instrument standards	Book balance as at 1 January 2018
a	-272,839,961.93	40,260,602.68	-232,579,359.25
b	45,295,954.96		45,295,954.96
c	238,761,979.41		238,761,979.41
d	3,074,994.11	344,120.11	3,419,114.22
e	-9,868,941.65		-9,868,941.65
Total	4,424,024.90	40,604,722.79	45,028,747.69

(continued)

Items	Book balance as at 1 January 2018	Amount for the current period					Closing balance
		Amount before current income tax	Less: income tax expenses	Attributable to the parent company, after tax	Attributable to minority shareholders, after tax	Others	
a	-232,579,359.25	183,101,068.60	6,004,318.55	166,426,767.08	10,669,982.97	-4,372.85	-66,156,965.02
b	45,295,954.96	-8,479,693.54	-2,533,486.30	-5,946,207.24	-	-	39,349,747.72
c	238,761,979.41	631,950,646.27		516,062,368.49	115,888,277.78		754,824,347.90
d	3,419,114.22	-45,366,490.94	-5,687,997.79	-28,974,351.68	-10,704,141.47	-17.11	-25,555,254.57
e	-9,868,941.65	110,102,109.97	30,061,699.34	80,039,412.97	997.66		70,170,471.32
Total	45,028,747.69	871,307,640.36	27,844,533.80	727,607,989.62	115,855,116.94	-4,389.96	772,632,347.35

Notes:

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

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

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

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

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

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

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

49. Surplus reserve

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	2,055,400,980.82	245,841,441.72	60,597,907.03	2,240,644,515.51
Discretionary surplus reserve	26,042,290.48			26,042,290.48
Reserve fund	11,322,880.64			11,322,880.64
Enterprise expansion fund	10,291,630.47			10,291,630.47
Total	2,103,057,782.41	245,841,441.72	60,597,907.03	2,288,301,317.10

Explanations on surplus reserve, including the changes in the current period and the reasons for the changes:

Pursuant to Company Law of the People's Republic of China and articles of association, the Company is required to appropriate the statutory surplus reserve at 10% of its net profit. Retained earnings was transferred to capital surplus due to insufficiency for offsetting, which results to a decrease for the period.

50. Undistributed profits

☒Applicable ☐Not Applicable

Items	Amounts
Undistributed profits at the end of previous year	22,793,110,884.09
Add: correction of accounting errors	

Adjustment due to implementation of new accounting standard	-54,905,584.45
Adjustment due to business combination under common control	-442,158,653.92
Undistributed profits at the beginning of the year	22,296,046,645.72
Add: net profit attributable to owners of the Company	7,440,228,855.90
Profit available for appropriation for the year	29,736,275,501.62
Less: appropriation of statutory surplus reserve	245,841,441.72
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	2,085,311,732.63
Business combination under common control	545,381,163.32
Undistributed profits at the end of period	26,859,741,163.95

51. Operating income and Operating cost

(1) Operating income

Items	Amount for the current period	Amount for the previous period
Primary business	182,494,232,298.13	162,823,173,116.10
Other Business	822,327,937.90	605,652,372.46
Total	183,316,560,236.03	163,428,825,488.56

(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	31,772,519,759.44	21,695,248,357.25	28,730,743,504.01	19,585,790,331.31
Refrigerator	54,339,167,693.16	37,841,043,547.32	48,486,975,895.30	32,948,895,952.96
Kitchen appliance	24,950,529,063.08	17,222,856,837.31	23,238,289,006.60	14,450,599,405.72
Water heater	7,924,121,254.31	4,310,655,990.24	7,107,960,322.15	4,029,798,034.84
Washing machine	36,268,485,954.44	23,967,326,298.29	31,521,936,295.71	20,048,711,163.15
Equipment product	1,477,845,556.52	1,287,595,705.54	2,921,944,213.52	2,767,206,838.96
Integrated channel services and others	25,761,563,017.18	23,651,575,469.50	20,815,323,878.81	18,723,419,320.02
	182,494,232,298.13	129,976,302,205.45	162,823,173,116.10	112,554,421,046.96

52. Taxes and surcharge

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
City maintenance and construction tax	294,671,986.39	289,360,072.51
Education surcharge	210,834,078.09	207,436,359.71
Property tax	74,077,957.50	58,404,642.74
Land use tax	43,018,434.02	39,803,659.28
Stamp duty	190,497,783.55	164,204,646.62
Others	44,131,798.25	62,687,776.30
Total	857,232,037.80	821,897,157.16

53. Selling expenses

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Selling expenses	28,653,223,738.07	28,996,237,421.82
Total	28,653,223,738.07	28,996,237,421.82

The Company's Selling expenses are mainly salary expenses, transportation and storage fees, advertising and promotion fees, and after-sales expenses.

54. Administrative expenses

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Administrative expenses	8,324,327,164.18	7,164,848,718.59
Total	8,324,327,164.18	7,164,848,718.59

The Company's management expenses are mainly salary expenses, administrative office fees, rental fees, etc.

55. R&D expenses

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
R&D expenses	5,080,604,505.93	4,509,850,773.96
Total	5,080,604,505.93	4,509,850,773.96

The Company's R&D expenses are mainly salary expenses, research and development equipment expenses, inspection and testing fees.

56. Financial expenses

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Interest expense	1,464,649,826.98	1,431,139,429.49
Interest income	-475,642,501.12	-332,391,211.97
Cash discount	-170,820,924.61	-178,496,609.91
Exchange gains and losses	-17,764,701.13	585,287,948.56
Others	138,754,500.34	98,429,194.73
Total	939,176,200.46	1,603,968,750.90

57. Impairment loss on assets

Unit and currency: RMB

Items	Amount for the current period	Amount for the previous period
Loss from reducing inventory	553,505,416.90	548,962,901.14
Impairment losses on other current assets	168,488,659.35	
Loss on bad debts		60,339,980.28
Impairment loss on fixed assets	8,740,858.30	4,033,767.06
Impairment loss on intangible assets		10,020,069.91
Impairment loss on construction in progress	23,104,150.01	
Impairment loss on long-term equity investments	6,445,101.57	21,000,000.00
Impairment loss on financial assets held for sale		27,000,000.00
Total	760,284,186.13	671,356,718.39

58. Credit impairment loss

Items	Amount for the current period
Loss on bad debts	97,513,831.50
Total	97,513,831.50

59. Other income

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period	Related to assets/ revenue
Government grants	850,633,206.89	871,278,650.72	Related to revenue
Government grants	44,010,931.33	40,729,868.30	Related to assets
Total	894,644,138.22	912,008,519.02	

60. Investment income

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	1,324,848,299.56	1,190,693,804.93
Investment income from disposal of long-term equity investments	259,839,279.75	154,563,929.68
Investment income from disposal of other equity instrument investments	206,586.42	1,006,946.64
Investment income from other equity instrument investments during holding period	105,245,136.33	41,422,977.72
Income from wealth management products	103,240,731.45	45,971,181.79
Investment income from disposal of financial assets measured at fair value with changes included in current profit and loss	129,824,011.48	49,335,869.06
Total	1,923,204,044.99	1,482,994,709.82

61. Gains on changes in fair value

Items	Amount for the current period	Amount for the previous period
Change in fair value of forward foreign exchange trading contracts	-151,334,742.90	614,071,259.47
Changes in fair value of wealth management	8,697,646.20	

products		
Others	-2,554,626.79	
Total	-145,191,723.49	614,071,259.47

62. Gains on disposal of assets

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	366,499,751.21	21,967,141.33
Losses on disposal of non-current assets	-98,699,151.75	-8,454,739.01
Total	267,800,599.46	13,512,402.32

63. Non-operating income

Items	Amount for the current period	Amount for the previous period
Gains on disposal of non-current assets	816,958.25	60,431,217.90
Quality claims and fines	352,866,034.11	329,381,398.38
Others	120,473,815.78	299,704,092.86
Total	474,156,808.14	689,516,709.14

64. Non-operating expenses

Items	Amount for the current period	Amount for the previous period
Losses on disposal of non-current assets	54,178,221.66	162,690,446.49
Donation	9,266,130.17	13,073,364.86
Others	171,846,622.57	86,506,522.08
Total	235,290,974.40	262,270,333.43

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

Items	Amount for the current period	Amount for the previous period
Current income tax expense	1,550,484,728.82	1,724,958,835.51
Deferred income tax expense	308,292,236.73	-250,089,941.40
Total	1,858,776,965.55	1,474,868,894.11

(2) Reconciliation between accounting profit and income tax expenses for the period

Items	Amount for the current period
Total accounting profit	11,629,376,826.80
Income tax calculated pursuant to statutory tax rate(s)	2,907,344,206.70
Impact from different tax rates applicable to subsidiaries	-805,722,505.66
Impact from adjustment to income tax in prior periods	-178,147,219.30
Impact from non-taxable income	-222,789,201.89
Impact from non-deductible cost, expense and loss	88,008,649.57
Impact from utilizing deductible losses of unrecognized deferred tax assets from previous period	93,316,905.08
Impact from deductible provisional differences or deductible losses of unrecognized deferred tax assets from this period	-23,233,868.95
Others	1,858,776,965.55
Total income tax expense	

66. Other comprehensive income

√Applicable □Not Applicable

Please refer to VII. 48 for details

67. Cash received from other operating activities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Deposits and securities	114,257,678.56
Government grants	653,623,290.10
Non-operating income excluding government grants	217,846,467.25
Interest income	393,696,366.02
Others	19,817,609.67
Total	1,399,241,411.60

68. Cash paid to other operating activities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Operating expenses	8,249,811,984.16
General and administrative expenses	5,182,968,810.96
Financial expenses	121,883,162.26
Non-operating expenses	35,123,481.83
Others	405,392,437.95
Total	13,995,179,877.16

69. Other cash received from investing activities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Gain on disposal of lock-exchange instruments	96,793,768.99
Recovery of the investment deposit paid	26,009,843.00
Others	1,928,810.42
Total	124,732,422.41

70. Other cash paid to other investing activities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Others	18,073,550.00
Total	18,073,550.00

71. Cash received from financing activities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Temporary brokerage issue fee	21,983,976.00

Recovery of amounts pledged	30,140,985.25
Others	3,118,486.05
Total	55,243,447.30

72. Cash paid to other financing activities

Unit and Currency: RMB

Items	Amount
Payment of public issuance fee	122,394,796.91
Cash paid due to the withdrawal of non-controlling shareholders	1,899,485.00
Share repurchase	100,468,808.00
Acquisition of minority shareholding	673,491,399.63
Mergers and acquisitions under common control	2,057,989,346.35
Others	3,201,206.97
Total	2,959,445,042.86

73. Information of net profit adjusted to cash flow of operating activities

Net profit adjusted to cash flow of operating activities	Amount for the current period	Amount for the previous period
1. Net profit	9,770,599,861.25	9,028,408,315.94
Add: impairment provision for assets	857,798,017.63	671,356,718.39
Depreciation of fixed assets	2,548,065,369.34	2,597,277,680.60
Amortization of intangible assets	551,332,829.92	473,044,960.22
Amortization of long-term prepaid expenses	40,491,496.80	36,706,751.00
Changes in fair value gains and losses ("-" represents "gains")	-214,439,336.05	179,683,043.73
Loss and gains on change of fair value ("-" represents "gains")	145,191,723.49	-614,071,259.47
Financial expenses ("-" represents "gains")	1,382,703,691.88	1,361,310,778.01
Loss on investments ("-" represents "gains")	-1,923,204,044.99	-1,482,994,709.82
Decrease in deferred tax assets ("-" represents "increase")	37,008,484.28	-393,048,359.88

Increase of deferred tax liabilities (“-” represents “decrease”)	271,283,752.45	142,958,418.48
Decrease in inventories (“-” represents “increase”)	-680,273,520.74	-6,736,216,648.50
Decrease of operational account receivables (“-” represents “increase”)	2,147,854,561.45	874,588,623.49
Increase of operational account payables (“-” represents “decrease”)	4,149,408,259.78	10,156,798,833.85
Others	-149,568,247.33	407,982,133.94
Net cash flow generated from operational activities	18,934,252,899.16	16,703,785,279.98
2 . Significant investment and financing activities not involving cash inflows and outflows:		
Capital transferred from debts		
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
3 . Net changes of cash and cash equivalents:		
Cash balance at the end of the period	36,044,777,414.04	34,988,175,709.53
Less: cash balance at the beginning of the period	34,988,175,709.53	23,877,674,344.81
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	1,056,601,704.51	11,110,501,364.72

74. Cash and cash equivalents

Unit and currency: RMB

Items	Closing balance	Opening balance
I. Cash	36,044,777,414.04	34,988,175,709.53
Including: Cash on hand	1,380,614.79	513,781.37
Bank deposits always available for	35,483,724,835.69	33,643,046,621.48

payment		
Other cash and cash equivalents always available for payment	559,671,963.56	1,344,615,306.68
II. Cash equivalents		
Including: bond investments due within three months		
III. Closing balance of cash and cash equivalents	36,044,777,414.04	34,988,175,709.53
Including: cash and cash equivalents the use of which by the parent or subsidiaries of the Group is restricted		

75. Monetary items in foreign currency

Items	Closing Balance			Opening Balance		
	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
Cash						
USD	1,067,804,067.53	6.8632	7,328,552,87 6.29	1,254,324,268.11	6.5342	8,196,005,63 2.66
EUR	48,497,251.17	7.8473	380,572,479. 12	21,032,596.25	7.8023	164,102,625. 69
JPY	2,269,981,380.74	0.061887	140,482,337. 71	5,007,949,887.01	0.057883	289,875,163. 31
HKD	596,825,742.94	0.8762	522,938,715. 96	1,029,213,931.69	0.8359	860,319,925. 50
Others			1,381,212,75 6.03			1,280,897,58 6.07
Subtotal			9,753,759,16 5.11			10,791,200,9 33.23
Accounts receivables						
USD	344,469,847.01	6.8632	2,364,165,45 3.98	1,036,244,584.01	6.5342	6,771,029,36 0.84
EUR	56,772,642.74	7.8473	445,511,959. 37	56,144,536.32	7.8023	438,056,515. 75
JPY	4,349,404,743.03	0.061887	269,171,611. 33	3,875,029,615.26	0.057883	224,298,339. 22
Others			2,186,781,15 6.28			2,174,927,52 5.67
Subtotal			5,265,630,18 0.96			9,608,311,74 1.48

Short-term borrowings

USD	492,713,050.43	6.8632	3,381,588,20 7.73	1,048,141,122.69	6.5342	6,848,763,72 3.88
EUR	9,554,106.32	7.8473	74,973,938.5 1	11,319,902.42	7.8023	88,321,274.6 5
JPY	3,084,656,064.62	0.0619	190,940,210. 40	740,217,334.97	0.057883	42,846,000.0 0
Others			30,737,573.9 0			296,567,076. 35
Subtotal			3,678,239,93 0.54			7,276,498,07 4.88

Accounts payables

USD	807,248,013.94	6.8632	5,540,304,56 9.25	897,463,561.23	6.5342	5,864,206,40 1.79
S\$	133,353,733.34	5.0062	667,595,459. 84	119,091,136.10	4.8831	581,533,926. 67
EUR	11,066,031.53	7.8473	86,838,469.2 3	15,125,382.24	7.8023	118,012,769. 85
JPY	3,127,541,332.15	0.0619	193,594,808. 46	3,455,040,692.60	0.057883	199,988,120. 41
Others			879,303,256. 98			1,092,015,77 5.11
Subtotal			7,367,636,56 3.76			7,855,756,99 3.83

Non-current liabilities due in one year

USD	409,319,900.19	6.8632	2,809,244,33 8.98	375,000,000.00	6.5342	2,45 0,32 5,00 0.00
Rbl	2,087,381,000.00	0.0986	205,815,766. 60			
S\$				675,590,911.85	4.8831	3,29 8,97 7,98 1.65
Subtotal			3,015,060,10 5.58			5,74 9,30 2,98 1.65

Long-term borrowings

USD	2,208,809,964.66	6.8632	15,159,504,5 49.45	2,449,565,439.28	6.5342	16,005,950,4 93.34
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JPY	4,327,558,051.70	0.0619	267,875,843.40			
Others			72,878,712.37			
Subtotal			15,500,259,105.22			16,005,950,493.34

VIII. Changes of consolidation scope

1. Business combination not under common control

√Applicable □Not Applicable

Unit and Currency: RMB

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

√Applicable □Not Applicable

Unit and Currency: RMB

Acquiree Name	Time of acquisition	Acquisition cost	Interest acquired (%)	Acquisition method	Acquisition date	Recognition basis of Acquisition dates	Acquiree's revenue from acquisition date to the year end	Acquiree's net profit from acquisition date to the year end
Guizhou Peiji Logistics Co., Ltd.	2,018.06	163,144,867.00	60.00	Cash	2018.06	shareholding transferred	672,279,564.05	27,467,584.99

(2) Acquisition cost and goodwill

Items	Guizhou Peiji Logistics Co., Ltd.
-----Cash	163,144,867.00
Total acquisition cost	163,144,867.00
Less: fair value of identifiable net assets acquired	2,061,054.55
Goodwill	161,083,812.45

(3) Acquiree's identifiable assets and liabilities at acquisition date:

Items	Guizhou Peiji Logistics Co., Ltd.	
	Fair value	Book Value
Cash	10,699,559.01	10,699,559.01
Accounts receivables	448,446,035.96	448,446,035.96
Bills receivable	408,146.00	408,146.00

Other current assets	2,063,930.85	2,063,930.85
Other receivables	54,915,966.40	54,915,966.40
Prepayments	30,852,283.68	30,852,283.68
Inventories	23,063,186.17	23,063,186.17
Fixed assets	3,537,575.24	3,537,575.24
Intangible assets	15,759.00	15,759.00
Deferred tax assets	4,956,728.75	4,956,728.75
Long-term equity investments	15,253.01	15,253.01
Long-term prepaid expenses	2,444,809.32	2,444,809.32
Short-term borrowings	-165,000,000.00	-165,000,000.00
Accounts payables	-314,992,087.95	-314,992,087.95
Taxes payables	-18,398,695.99	-18,398,695.99
Employee benefits	-4,067,745.97	-4,067,745.97
Dividends payable	-14,970,000.00	-14,970,000.00
Interest payable	-1,431,500.02	-1,431,500.02
Other payables	-55,992,118.40	-55,992,118.40
Contract liabilities	-5,669,852.75	-5,669,852.75
Net assets obtained	897,232.31	897,232.31
Less: Minority equity interests	-2,537,858.61	-2,537,858.61
Net assets obtained	3,435,090.92	3,435,090.92

2. Business combination under common control

√Applicable □Not Applicable

(1) Business combination under common control for the current period

Name of acquiree	% interest acquired	Basis for recognition as business combination under common control	Acquisition date	Recognition basis of acquisition dates
HAIERNEWZEAL ANDINVESTMENTHOLDINGCOMPANYLIMITED	100%	Ultimately controlled by Haier Group before and after the transaction	2018.7	Rights and obligations related to target shareholding have been transferred to the Company
Qingdao Jushanghui Network	Originally held 24% of the shares and counted as	ultimately controlled by Haier Group	2018.7	Rights and obligations

Technology Co., Ltd.	Associate, it acquired another 25% of the shares on 9 July 2018, and signed a concerted action agreement with another shareholder holding 11%, thus obtaining control.	before and after the transaction		related to target shareholding have been transferred to the Company
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(Continued)

Name of acquiree	Income of the acquiree from the beginning of the current consolidation period to the consolidation date	Net profit of the acquiree from the beginning of the current consolidation period to the consolidation date	Income of the acquiree during the comparison period	Net profit of the acquiree during the comparison period
HAIERNEWZEALANDINVESTMENTHOLDINGCOMPANYLIMITED	3,132,068,605.17	-59,996,214.21	5,524,659,014.17	249,854,563.21
Qingdao Jushanghai Network Technology Co., Ltd.	21,266,455.08	203,794.51	16,383,548.22	-7,733,762.20

(2) Acquisition cost

Items	HAIERNEWZEALANDINVESTMENTHOLDINGCOMPANYLIMITED	Qingdao Jushanghai Network Technology Co., Ltd.
-----Cash	\$303,040,997.28	50,000,000.00

(3) Book value of assets and liabilities of acquirees on the Acquisition method

Items	HAIERNEWZEALANDINVESTMENTHOLDINGCOMPANYLIMITED	
	Acquisition date	Opening Balance
Cash and cash equivalents	611,464,970.55	622,840,949.40
Accounts receivable	813,986,897.45	670,770,260.05
Prepayments	28,465,298.52	38,198,663.14
Other receivables	7,005,819.42	14,876,457.03
Inventories	1,235,895,814.00	1,034,092,417.69
Long term receivables	250,766,874.46	289,785,899.38
Fixed assets	1,306,966,016.81	1,128,821,693.06

Construction materials	110,802,662.56	80,224,904.43
Intangible assets	1,148,112,030.96	1,221,047,084.73
Goodwill	503,495,869.74	501,299,229.69
Deferred tax assets	362,395,277.36	181,422,225.45
other assets	99,447,519.13	116,358,332.75
accounts payables	-1,327,485,225.53	-822,059,589.75
Taxes payables	-16,402,462.37	-60,884,850.08
Other payables	-95,058,729.98	-107,715,659.91
Non-current liabilities due in one year	-3,383,613,879.72	-3,298,977,981.65
Other liabilities	-285,879,057.51	-409,267,764.36
estimated liabilities	-75,804,646.13	-41,089,103.02
Deferred tax liabilities	-219,538,926.19	-64,731,465.99
Other non-current liabilities	-31,481,834.05	-26,548,594.20
Net assets obtained	1,043,540,289.48	1,068,463,107.84
Minority equity interests		
Net assets obtained	1,043,540,289.48	1,068,463,107.84

(Continued)

Items	Qingdao Jushanghui Network Technology Co., Ltd.	
	Acquisition date	Opening Balance
Cash	41,441,583.10	30,119,757.11
Accounts receivable	615,908.70	924,226.82
Other receivables	5,637,244.00	5,640,277.02
Other current assets	147,215.02	901,871.05
Fixed assets	22,792.03	45,584.05
Intangible assets	270,447.69	326,402.37
Accounts payables	-27,871.78	-1,818,627.66
Receipts in advance	-173,368.26	-391,983.02
Employee benefits		-1,787,201.83
Taxes payables	-33,723.16	-32,809.36
Other payables	-23,476,102.87	-9,707,166.59
Net assets obtained	24,424,124.47	24,220,329.96
Less: Minority equity interests		
Net assets obtained	24,424,124.47	24,220,329.96

3. Disposal of subsidiary

Whether there is a single disposal of the investment in the subsidiary(that is, the loss of control)

Items	Jiangsu Goodaymart Sunflower Supply Chain Management Co., Ltd.	Shengfeng Logistics GroupCo., Ltd	Changle Shengfeng Logistics Co., Ltd.
Equity disposal price	715,469.69	692,344,595.00	1,800,000.00
Proportion of disposal	51.00%	50.37%	55.17%
Method	Disposal	Disposal	Disposal
Date of loss-of-control	2018/5/30	2018/11/30	
Basis for determination of date of loss-of-control	disposal	disposal	disposal
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level	241,648.70	79,836,157.88	1,800,000.00

(Continued)

Items	Hunan Rishun Electric Co., Ltd.	Shandong Rishun Electric Co., Ltd.	Fujian Rishun Electric Co., Ltd.
Equity disposal price	8,935,689.67	17,078,925.15	5,018,536.53
Proportion of disposal	100.00%	81.00%	81.00%
Method	Liquidation	disposal	disposal
Date of loss-of-control	2018/10/18	2018/12/31	2018/12/31
Basis for determination of date of loss-of-control	Liquidation	disposal	disposal
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level		-281,373.03	-2,323,022.83

(Continued)

Items	Hefei Hailan Appliance Manufacturing Co., Ltd.	Hefei Haice Appliance Manufacturing Co., Ltd.	Beijing ASU Tech Co., Ltd.
Equity disposal price			30,000,000.00
Proportion of disposal			16.65%
Method	Liquidation	Liquidation	disposal

Date of loss-of-control	2018/5/30	2018/5/30	2018/1/1
Basis for determination of date of loss-of-control	Liquidation	Liquidation	disposal
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level			28,425,940.85

(Continued)

Items	Qingdao Haishengda Refrigeration Electric Co., Ltd.	Qingdao Haizhijie Refrigeration Co., Ltd.	Beijing ASU Tech Co., Ltd.
Consideration			
Proportion of disposal			100.00%
Method	Liquidation	Liquidation	Liquidation
Date of loss-of-control	2018/5/30	2018/5/30	2018/12/31
Basis for determination of date of loss-of-control	Liquidation	Liquidation	Liquidation
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level			660,799.01

4. Changes of consolidation scope due to other reasons

√Applicable □Not Applicable

(1) Qingdao Haier Intelligent Technology Development Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd. in 2018.

(2) A subsidiary of the Company established a wholly-owned subsidiary Haier (Shenzhen) R&D Co., Ltd. for the period with a total shareholding of 100% at the end of the period.

(3) Qingdao Haier Air Conditioner Gen Corp., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Guangzhou Haier Air Conditioner Co., Ltd. in 2018.

(4) Haier Industrial Holding Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Haier Institute of Investment Management Co., Ltd. in 2018.

(5) Haier Digital Technology (Qingdao) Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Tianjin Haiyun Chuang Digital Technology Co., Ltd. in 2018.

(6) Haier Digital Technology (Qingdao) Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Haier Digital Technology (Nanjing) Co., Ltd. in 2018.

(7) Haier Digital Technology (Qingdao) Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Haier Digital Technology (Wuxi) Co., Ltd. in 2018.

(8) Haier Digital Technology (Qingdao) Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Haier Digital Technology (Xi'an) Co., Ltd. in 2018.

(9) MANIIQ(SINGAPORE)INTELLIGENTEQUIPMENTCO.LTD., a subsidiary of the Company established a wholly-owned subsidiary Facteon Intelligent Technology (Qingdao) Co., Ltd. in 2018.

(10) Qingdao Haier Technology Investment Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Yunshang Yuyi Technology Co., Ltd. for the period with a shareholding of 70% at the end of the period.

(11) Qingdao Haier Technology Investment Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Haiyu (Shanghai) Intelligent Technology Co., Ltd. for the period with a shareholding of 70% at the end of the period.

(12) Qingdao Haier Intelligent Electronics Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Tianjin Haier Zhikong Electronics Co., Ltd. in 2018.

(13) Qingdao Haier Intelligent Electronics Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Hefei Haier Intelligent Electronics Co., Ltd. in 2018.

(14) Qingdao Haier Technology Investment Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Haizhi Investment Management Co., Ltd. in 2018.

IX. Interests in other entities**1. Interests in subsidiaries****(1). Composition of the Group**

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		Method
				Direct	Indirect	
Haier Electronics Group Co., Ltd.	Mainland of China and Hong Kong	Bermuda	Group company, which mainly engage in investment holding, the production and sale of washing machines and water heaters, distribution service and logistics service	14.01%	30.95%	Business combination under common control
WONDERGLOBAL(BVI) INVESTMENT LIMITED	The US and other overseas areas	British Virgin Islands	Group company, which mainly engage in household appliances production and distribution business		100.00%	Establishment
Haier Singapore Investment Holding Co., Ltd.	Singapore and other overseas areas	Singapore	Group company, which mainly engage in household appliances production and distribution business		100.00%	Business combination under common control
HAIERNEWZEALAND INVESTMENT HOLDING COMPANY LIMITED	New Zealand	New Zealand	Group company, which mainly engaged in the production and distribution of household appliances.		100.00%	Business combination under common control

Qingdao Haier Co., Ltd. 2018 Annual Report

						control
Qingdao Haier Air Conditioner Gen Corp., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and sale of household air-conditioners	100.00%		Business combination under common control
Guizhou Haier Electronics Co., Ltd..	Huichuan District, Zunyi City, Guizhou Province	Huichuan District, Zunyi City, Guizhou Province	Manufacture and sale of refrigerator	59.00%		Business combination under common control
Hefei Air-conditioning Limited	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air-conditioners	100.00%		Business combination under common control
Wuhan Haier Electronics Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air-conditioners	60.00%		Business combination under common control
Qingdao Haier	Qingdao	Qingdao	Manufacture and	100.00%		Business

Qingdao Haier Co., Ltd. 2018 Annual Report

Air-Conditioner Electronics Co.,Ltd.	Development Zone	Qingdao Development Zone	sale of air-conditioners			Business combination under common control
Qingdao Haier Information Plastic Development Co., Ltd	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacturing of plastic products	100.00%		Business combination under common control
Dalian Haier Precision Products Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and sale of precise plastics	90.00%		Business combination under common control
Hefei Haier Plastic Co., Ltd.	Hefei Economic & Technological Development Area	Hefei Economic & Technological Development Area	Manufacture and sale of plastic parts	94.12%	5.88%	Business combination under common control
Qingdao Haier Moulds Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	R&D and manufacture of precise mold and product	75.00%	25.00%	Business combination under

Qingdao Haier Co., Ltd. 2018 Annual Report

						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%	Business combination under common control
Chongqing Haier Precision Plastic Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Plastic products, sheet metal work, electronics and hardware	90.00%	10.00%	Business combination under common control
Chongqing Haier Intelligent Electronics Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sale of electronics and automatic control system equipment	90.00%	10.00%	Business combination under common control
Qingdao Haier Robot Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	R&D, manufacture and sale of robot	50.00%		Business combination under common control
Qingdao Haier Refrigerator Co., Ltd.	Qingdao High-tech	Qingdao	Manufacture and production of	100.00%		Establishment

Qingdao Haier Co., Ltd. 2018 Annual Report

	Zone	High-tech Zone	fluorine-free refrigerators			
Qingdao Haier Refrigerator (International) Co., Ltd.	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	Manufacture of refrigerators	75.00%		Establishment
Qingdao Household Appliance Technology and Equipment Research Institute	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and development of home appliances mold and technological equipment	100.00%		Establishment
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development and sales of health-related small home appliance	98.33%		Establishment
Qingdao Haier Intelligent Electronics Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, R&D of electronics and automatic control system	100.00%		Establishment
Qingdao Haier Special Refrigerator Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00%		Establishment
Qingdao Haier Dishwasher Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of dish washing machine and gas stove	100.00%		Establishment
Qingdao Haier Special Freezer Co., Ltd.	Qingdao Development Zone	Qingdao	Research, manufacture and	96.06%		Establishment

Qingdao Haier Co., Ltd. 2018 Annual Report

	ent Zone	Devel opme nt Zone	sales of freezer and other refrigeration products			hment
Dalian Haier Air-conditioning Co., Ltd.	Dalian Export Expressi ng Zone	Dali an Exp ort Expr essin g Zone	Air conditioner manufacturing	90.00%		Establis hment
Dalian Haier Refrigerator Co., Ltd..	Dalian Export Expressi ng Zone	Dali an Exp ort Expr essin g Zone	Refrigerator processing and manufacturing	90.00%		Establis hment
Qingdao Haier Electronic Plastic Co., Ltd.	Qingdao Developm ent Zone	Qing dao Devel opme nt Zone	Development, assembling and sales of plastics, electronics and product	80.00%		Establis hment
Wuhan Haier Freezer Co., Ltd.	Wuhan Economic & Technologi c al Developm ent Zone High-tech Industrial Park	Wuha n Econ omic & Techn ologi c al Devel opme nt Zone High- tech Indus	Research, manufacture and sales of freezer and other refrigeration products	95.00%	5.00%	Establis hment

Qingdao Haier Co., Ltd. 2018 Annual Report

		trial Park				
Qingdao Haidarui Procurement Service Co., Ltd.	Qingdao High-tech Zone	Qing dao High- tech Zone	Develop, purchase and sell electrical products and components	98.00%	2.00%	Establis hment
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	Qingdao High-tech Zone	Qing dao High- tech Zone	Development and application of household appliances, communication, electronics and network engineering technology	98.91%	1.09%	Establis hment
Chongqing Haier Air-conditioning Co., Ltd.	Jiangbei District, Chongqi ng City	Jian gbei Distr ict, Cho ngqi ng City	Manufacture and sales of air conditioners	76.92%	23.08%	Establis hment
Qingdao Haier Precision Products Co., Ltd.	Qianwang an g Road, Jiaonan City	Qian wang an g Road, Jiaon an City	Development and manufacture of precise plastic, metal plate, mold and electronic products for household appliances		70.00%	Establis hment
Qingdao Haier Air Conditioning Equipment Co., Ltd.	Jiaonan City, Qingdao	Jiaon an City, Qing dao	Manufacture of household appliances and electronics		70.00%	Establis hment
Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd.	Dalian Export Expressi ng Zone	Dali an Exp ort Expr	Domestic trade		100.00%	Establis hment

		essing g Zone				
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	Establishment
Qingdao Ding Xin Electronics Technology Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacturing and sales of electronic components.		100.00%	Establishment
Chongqing Haier Electronics Sales Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of household appliances	95.00%	5.00%	Establishment
Chongqing Haier Refrigeration Appliance Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Processing and manufacturing of refrigerator	84.95%	15.05%	Establishment
Hefei Haier Refrigerator Co., Ltd.	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Processing and manufacturing of refrigerator	100.00%		Establishment

Qingdao Haier Co., Ltd. 2018 Annual Report

		ustrial Park				
Wuhan Haier Energy and Power Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Energy service		75.00%	Establishment
Qingdao Haier HVAC Engineering Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Air-conditioning		100.00%	Establishment
Chongqing Goodaymart Electric Appliance Sale Co., Ltd	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of household appliances and electronics		51.00%	Establishment
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air-conditioners		100.00%	Establishment
Qingdao Haier Component Co., Ltd.	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sales of plastic and precise sheet metal products		100.00%	Establishment
Haier Shareholdings (Hong Kong) Limited	Hong Kong	Hong Kong	Investment	100.00%		Establishment
HARVESTINTERNATIONALCOMPANY	Cayman Islands	Cayman Island	Investment		100.00%	Establishment

Qingdao Haier Co., Ltd. 2018 Annual Report

		ds				
Shenyang Haier Refrigerator Co., Ltd.	Shenbei New Area, Shenyang City	Shenbei New Area, Shenyang City	Manufacture and sales of refrigerator	100.00%		Establishment
Foshan Haier Freezer Co., Ltd.	Shanshui District, Foshan City	Shanshui District, Foshan City	Manufacture and sales of freezer	100.00%		Establishment
Zhengzhou Haier Air-conditioning Co., Ltd.	Zhengzhou Economic and Technological Development Zone	Zhengzhou Economic and Technological Development Zone	Manufacture and sales of air conditioner	100.00%		Establishment
Qingdao Haidayuan Procurement Service Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Develop, purchase and sell electrical products and components	100.00%		Establishment
Qingdao Haier Intelligent Technology Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and research of household	100.00%		Establishment

Qingdao Haier Co., Ltd. 2018 Annual Report

		-tech Zone	appliances			
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, manufacture and sales of product model and mould		100.00%	Business combination under common control
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Industrial design and prototype production		75.00%	Business combination under common control
Beijing Haier Guangke Digital Technology Co., Ltd.	Beijing	Beijing	Development, promotion and transfer of technology		55.00%	Business combination under common control
Shanghai Haier Medical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail of medical facility		100.00%	Establishment
Qingdao Haier Technology Co., Ltd.	Qingdao	Qingdao	Development and sales of software and information product	100.00%		Business combination under common control
Qingdao Haier Technology	Qingdao	Qing	Entrepreneurship	100.00%		Establishment

Qingdao Haier Co., Ltd. 2018 Annual Report

Investment Co., Ltd.		dao	investment and consulting			hment
Qingdao Casarte Smart Living Appliances Co., Ltd.	Qingdao	Qingdao	Development, production and sales of appliances		100.00%	Establishment
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Qingdao	Qingdao	Sales of household appliances and digital products		100.00%	Establishment
Haier Overseas Electric Appliance Co., Ltd.	Qingdao	Qingdao	Sales of household appliances, international freight forwarding	100.00%		Establishment
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Dalian	Dalian	Sales of household appliances, international freight forwarding	100.00%		Business combination under common control
Qingdao Haier Central Air Conditioning Co., Ltd.	Qingdao	Qingdao	Production and sales of air conditioners and refrigeration equipment		100.00%	Establishment
Beijing Haier Yun Kitchen Technology Co., Ltd.	Beijing	Beijing	Technology development and transfer Technology development and transfer		95.77%	Establishment
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Hefei	Hefei	Sales of household appliances		100.00%	Establishment
Beijing Haier Zhongyou Netmedia Co., Ltd.	Beijing	Beijing	Radio and television program		51.00%	Establishment
Qingdao Weixi Smart Technology Co., Ltd.	Qingdao	Qingdao	Qingdao Weixi Smart Technology Co., Ltd.		71.43%	Establishment
Haier U+smart Intelligent	Beijing	Beijing	Software	100.00%		Establishment

Qingdao Haier Co., Ltd. 2018 Annual Report

Technology (Beijing) Co., Ltd.		ng	development			hment
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	Qingdao	Qingdao	Industrial intelligence technology	100.00%		Establishment
Haier (Shanghai) Electronics Co., Ltd.	Shanghai	Shanghai	Sales, research and development of household appliances	100.00%		Establishment
Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd.	Shanghai	Shanghai	Business management consulting, chuankge management	100.00%		Establishment
Haier Industrial Holding Co., Ltd.	Qingdao	Qingdao	Industrial investment, robotics and automation R&D, etc.	100.00%		Establishment
Maniiq (Qingdao) Intelligent Equipment Co., Ltd.	Qingdao	Qingdao	Internet of things, robot and automation research and development, design, etc.		100.00%	Establishment
Haier digital technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Technology development promotes transfer, material sales, etc.		100.00%	Establishment
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of kitchen smart home appliances		100.00%	Establishment
JIYI Appliance (Shanghai) Co., Ltd.	Shanghai	Shanghai	Sales of household appliances		100.00%	Establishment
Qingdao Hao Pin Hai Rui Information Technology Co., Ltd.	Qingdao	Qingdao	Develop, purchase and sell electrical products and components		100.00%	Establishment
FISHER&PAYKELPRODUCTIONMACHINERYLIMITED	new Zealand	new Zealand	Manufacturing of automation and customization special equipment		100.00%	Business combination under

Qingdao Haier Co., Ltd. 2018 Annual Report

						common control
MANIIQ(SINGAPORE)INTELLIGENTEQUIPMENTCO.LTD.	Singapore	Singapore	Investment management		100.00%	Establishment
MANIIQ(HK)INTELLIGENTEQUIPMENTCO.LTD.	Hong Kong	Hong Kong	Investment management		100.00%	Establishment
Qingdao Haier special refrigerating Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of household appliances		100.00%	Establishment
Beijing Zero Micro Technology Co., Ltd.	Beijing	Beijing	Promotion of technological development		55.00%	Establishment
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	Laiyang	Laiyang	Production and sales of household appliances		100.00%	Establishment
Aituling (Shanghai) Information Technology Co., Ltd.	Shanghai	Shanghai	Promotion of technological development		72.22%	Establishment
Qingdao Blue Whale Technology Co., Ltd.	Qingdao	Qingdao	Industrial intelligence technology		67.00%	Establishment
Qingdao Hailian Rongchuang Technology Co., Ltd.	Qingdao	Qingdao	Industrial intelligence technology	100.00%		Establishment
Hefei Haier Air Conditioning Electronics Co., Ltd.	Hefei	Hefei	Production and sales of household appliances		100.00%	Establishment
Qingdao Wine Intelligent Technology Co., Ltd.	Qingdao	Qingdao	R&D and Sales of Wine Tools		100.00%	Establishment
Taizhou Haier Medical Technology Co., Ltd.	Taizhou	Taizhou	Promotion of medical research and development		100.00%	Establishment
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd. (海尔(上海)家电研发中心有限公司)	Shanghai	Shanghai	Research and development of household appliances		100.00%	Establishment

Qingdao Haier Co., Ltd. 2018 Annual Report

Haier (Shenzhen) R&D Co., Ltd. (海尔(深圳)研发有限责任公司)	Shenzhen	Shenzhen	Development, research and technical services of household and commercial electrical appliances		100.00%	Establishment
Guangzhou Haier Air Conditioner Co., Ltd. (广州海尔空调器有限公司)	Guangdong	Guangdong	Manufacturing of Refrigeration and Air Conditioning Equipment		100.00%	Establishment
Qingdao Haier Institute of Investment Management Co., Ltd. (青岛海尔智研院投资管理有限公司)	Qingdao	Qingdao	Venture Capital business		70.00%	Establishment
Tianjin Haiyun Chuang Digital Technology Co., Ltd. (天津海云创数字科技有限公司)	Tianjin	Tianjin	Research and development of digital technology		100.00%	Establishment
Haier Digital Technology (Qingdao) Co., Ltd. (海尔数字科技(青岛)有限公司)	Qingdao	Qingdao	Research and development of digital technology		100.00%	Establishment
Haier Digital Technology (Nanjing) Co., Ltd. (海尔数字科技(南京)有限公司)	Nanjing	Nanjing	Research and development of digital technology		100.00%	Establishment
Haier Digital Technology (Wuxi) Co., Ltd. (海尔数字科技(无锡)有限公司)	Wuxi	Wuxi	Research and development of digital technology		100.00%	Establishment
Haier Digital Technology (Xi'an) Co., Ltd. (海尔数字科技(西安)有限公司)	Xi'an	Xi'an	Research and development of digital technology		100.00%	Establishment
Ficoteng Intelligent Technology (Qingdao) Co., Ltd. (斐科腾智能科技(青岛)有限公司)	Qingdao	Qingdao	Intelligent device integrated service		100.00%	Establishment
Qingdao Yunshang Yuyi Technology Co., Ltd. (青岛云裳羽衣物联科技有限公司)	Qingdao	Qingdao	IoT technology research and development, sales of household appliances, digital		70.00%	Establishment

Qingdao Haier Co., Ltd. 2018 Annual Report

			products and accessories, clothing shoes and hats, textiles, daily necessities, furniture.			
Haiyu (Shanghai) Intelligent Technology Co., Ltd. (海寓(上海)智能科技有限公司)	Shanghai	Shanghai	Rental of apartments, intelligent equipment, etc.		70.00%	Establishment
Tianjin Haier Zhikong Electronics Co., Ltd.	Tianjin	Tianjin	Development and manufacturing of automatic control system		100.00%	Establishment
Hefei Haier Intelligent Electronics Co., Ltd.	Hefei	Hefei	Development and manufacturing of automatic control system		100.00%	Establishment
Qingdao Wine Intelligent Technology Co., Ltd.	Qingdao	Qingdao	Asset management, equity investment		100.00%	Establishment
Small companies such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd.	All over the country	All over the country	Sales of household appliances			Establishment

Reasons for including subsidiaries which the Company has 50% or less of the equity into the scope of consolidated financial statements:

At the end of the reporting period, the Company had substantial control over the finance and operation of Haier Electronics Group Co., Ltd., and small companies like 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

√Applicable □Not Applicable

Unit and Currency: RMB

Name of subsidiary	Shareholding of minority	Profit or loss attributable to	Distribute dividends to	Balance of minority
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	shareholders	minority shareholders in the current period	minority shareholders in the current period	shareholders' equity at the end of the period
Haier Electronics Group Co., Ltd.	55.04%	2,286,376,566.94	558,480,287.89	15,060,812,762.54
Guizhou Haier Electronics Co., Ltd..	41.00%	11,917,876.67	10,250,000.00	110,068,060.07
Wuhan Haier Electronics Co., Ltd.	40.00%	24,862,307.93		247,943,031.88
Qingdao Haier Refrigerator (International) Co., Ltd.	25.00%	22,708,484.75		102,429,231.55

Explanations on the shareholding of the minority shareholders of the subsidiary is different from the proportion of the voting rights:

☒Applicable ☐Not Applicable

Reason for the ratio of voting rights higher than the ratio of shareholding of Haier Electronics Group Co., Ltd.: on 10 July 2015, HCH(HK)INVESTMENTMANAGEMENTCO.,LIMITED (hereinafter referred to as “HCH”) signed a Shareholder Voting Right Entrustment Agreement with the Company. HCH entrusted the Company to exercise the underlying shareholder voting rights of 336,600,000 shares of Haier Electronics Group Co., Ltd. Both parties agreed that HCH will not revoke the entrustment and authorization to the Company unless the Company issues a written notice of revoking trustee to HCH.

Other explanations:

☒Applicable ☐Not Applicable

(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
Haier Electronics Group Co., Ltd.	36,493,282,147.17	10,443,489,712.55	46,936,771,859.72	18,022,551,867.68	3,165,936,277.94	21,188,488,145.62
Guizhou Haier Electronics Co., Ltd..	522,694,157.33	49,721,058.77	572,415,216.10	302,856,533.06	1,100,000.00	303,956,533.06
Wuhan Haier Electronics Co., Ltd.	941,594,837.71	149,527,217.84	1,091,122,055.55	471,264,475.86		471,264,475.86

Qingdao Haier Co., Ltd. 2018 Annual Report

Qingdao Haier Refrigerator (International) Co., Ltd.	425,905,748.13		425,905,748.13	16,188,821.94		16,188,821.94
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(continued)

Name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics Group Co., Ltd.	34,425,125,631.08	8,943,099,505.92	43,368,225,137.00	18,004,664,972.39	2,334,453,969.47	20,339,118,941.86
Guizhou Haier Electronics Co., Ltd..	382,643,646.95	36,428,561.26	419,072,208.21	154,508,222.80	173,294.24	154,681,517.04
Wuhan Haier Electronics Co., Ltd.	978,695,296.94	131,215,185.69	1,109,910,482.63	551,805,602.69	403,070.08	552,208,672.77
Qingdao Haier Refrigerator (International) Co., Ltd.	280,498,996.95	55,808,808.81	336,307,805.76	17,424,818.56		17,424,818.56

Name of subsidiary	Amount for the current period			
	Operating revenue	Net profit	Total comprehensive income	cash flow from operating activities
Haier Electronics Group Co., Ltd.	85,252,191,199.66	3,990,105,964.58	4,215,675,653.16	4,301,406,583.36
Guizhou Haier Electronics Co., Ltd..	1,205,308,014.04	29,067,991.87	29,067,991.87	-63,792,645.00
Wuhan Haier Electronics Co., Ltd.	2,250,957,874.26	62,155,769.83	62,155,769.83	-85,652,495.51
Qingdao Haier Refrigerator (International) Co., Ltd.		90,833,938.99	90,833,938.99	-2,290,767.20

(continued)

Name of subsidiary	Amount for the previous period			
	Operating revenue	Net profit	Total comprehensive	cash flow from operating activities

			income	
Haier Electronics Group Co., Ltd.	78,800,676,129.43	3,581,699,624.80	3,591,581,429.04	4,124,147,398.81
Guizhou Haier Electronics Co., Ltd..	1,150,823,650.51	27,492,040.30	27,492,040.30	247,441,041.27
Wuhan Haier Electronics Co., Ltd.	2,497,891,874.47	64,205,652.56	64,205,652.56	152,962,111.33
Qingdao Haier Refrigerator (International) Co., Ltd.		2,407,682.30	2,407,682.30	-287,141.80

2. Transactions leading to the change of shareholding in subsidiaries but not losing the control

√Applicable □Not Applicable

(1). Description of changes in the share of owners' equity in subsidiaries

√Applicable □Not Applicable

Capital contribution not on the original proportion of equity interest or acquisition of non-controlling interest, which results in changes of shareholdings ratio in the following subsidiaries: Beijing Haier Cloud Kitchen Technology Co., Ltd., Haier electric (India) Co., Ltd., Qingdao Wei Xi Intelligent Technology Co., Ltd., Beijing Yi Shu Technology Co., Ltd.

(2) Impact of the transactions on non-controlling interest and the equity attributable to shareholders of the Company

Items	Haier Electronics Group Co., Ltd.	Others
Total Consideration for acquisition/disposal	665,174,080.63	390,738,560.00
Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed	119,196,061.46	434,720,825.26
Difference	-545,978,019.17	43,982,265.26
Including: capital reserve adjustment	-545,978,019.17	43,982,265.26

3. Interests in joint ventures and associates

√Applicable □Not Applicable

(1) Associates

Name of joint venture	Principal place of business	Place of registration	Nature of business	Shareholding	Accounting treatment of investment
Wolong Electric (Jinan) Motor Co., Ltd.	Zhang Qiu	Zhang Qiu	Motor Manufacturing	30.00%	Equity method
Qingdao Hegang New Material Technology	Qingdao	Qingdao	Steel plate	25.65%	Equity

Qingdao Haier Co., Ltd. 2018 Annual Report

Co., Ltd.			manufacturing		method
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	Qingdao	Qingdao	Venture Capital	63.00%	Equity method
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Qingdao	Qingdao	Manufacturing of household appliances	45.00%	Equity method
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Qingdao	Qingdao	Manufacturing of household appliances	49.00%	Equity method
Haier Group Finance Co., Ltd.	Qingdao	Qingdao	Financial services	42.00%	Equity method
Qingdao Haier Software Investment Co., Ltd.	Qingdao	Qingdao	Software development	25.00%	Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technology development	40.00%	Equity method
Bank of Qingdao Co., Ltd.	Qingdao	Qingdao	commercial Bank	9.47%	Equity method
Beijing Xiaobei Technology Co., Ltd.	Beijing	Beijing	Sales of household appliances	45.00%	Equity method
Qingdao Haier multimedia Co., Ltd.	Qingdao	Qingdao	R&D and sales of television	20.20%	Equity method
Beijing ASU Tech Co.Ltd	Beijing	Beijing	Technical service import and export business	42.61%	Equity method
Shenzhen Genyuan Environmental Protection Technology Co., Ltd. (深圳根元环保科技有限公司)	Shanghai	Shanghai	Technical advisory services	20.40%	Equity method
Qingdao Haimu Investment Management Co., Ltd. (青岛海慕 Investment management 有限公司)	Qingdao	Qingdao	Investment management	49.00%	Equity method
Qingdao Haimu Zhijia Investment Partnership (Limited Partnership) (青岛海慕 智家投资合伙企业(有限合伙))	Qingdao	Qingdao	Investment management	24.00%	Equity method
Guangzhou Heying Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	投资	50.00%	Equity method
Qingdao Java Cloud Network Technology Co., Ltd.	Qingdao	Qingdao	Home online service	24.93%	Equity method
ShBeijing Cangxiaowei Supply Chain Management Co., Ltd. (北京仓小微供应链	Qingdao	Qingdao	E-commerce platform	24.02%	Equity method

管理有限公司)					
Konan Electronic Co., Ltd.	Hunan	Hunan	Motor Manufacturing	50.00%	Equity method
HPZ LIMITED	Nigeria	Nigeria	Manufacturing of household appliances	25.01%	Equity method
HNR Company (Private) Limited	Pakistan	Pakistan	Manufacturing of household appliances	31.72%	Equity method
CONTROLADORAMABES.A.deC.V.	Mexico	Mexico	Manufacturing of household appliances	48.41%	Equity method
MIDDLEEASTAIRCONDITIONINGCOMPANY,LIMITED	Saudi Arabia	Saudi Arabia	Sales of household appliances	49.00%	Equity method

(2) Major financial information of important associates:

Items	Finance company	
	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Current assets	59,524,840,580.99	68,438,104,678.89
Non-current assets	6,772,155,247.83	7,913,830,198.85
Total assets	66,296,995,828.82	76,351,934,877.74
Current liabilities	51,568,658,834.34	62,029,645,645.42
Non-current liabilities	1,857,007,615.76	3,172,557,737.73
Total liabilities	53,425,666,450.10	65,202,203,383.15
Minority equity interests		
Equity attributable to shareholders of the parent company	12,871,329,378.72	11,149,731,494.59
Including: share of net assets calculated per shareholding percentage	5,405,958,339.07	4,682,887,227.73
Operating revenue	2,564,135,945.96	2,653,326,366.04
Net profit	1,643,680,363.91	1,427,455,671.54
Other comprehensive income	77,917,520.22	-59,881,122.33
Total comprehensive income	1,721,597,884.13	1,367,574,549.21
Dividend received from associates for the year	210,000,000.00	210,000,000.00

(continued)

Items	MABE
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	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Current assets	6,401,986,096.80	5,825,075,945.00
Non-current assets	10,722,377,360.00	10,303,936,800.80
Total assets	17,124,363,456.80	16,129,012,745.80
Current liabilities	8,729,901,178.40	7,048,408,869.00
Non-current liabilities	4,762,051,909.60	5,836,693,752.60
Total liabilities	13,491,953,088.00	12,885,102,621.60
Minority equity interests		
Equity attributable to shareholders of the parent company	3,632,410,368.80	3,243,910,124.20
Including: share of net assets calculated per shareholding percentage	1,758,624,215.23	1,570,532,598.81
Operating revenue	20,407,164,879.93	19,990,494,697.46
Net profit	299,739,661.91	387,947,925.94
Other comprehensive income	62,998,185.36	-373,213,732.21
Total comprehensive income	362,737,847.27	14,734,193.73
Dividend received from associates for the year		33,883,079.64

(continued)

Items	BOQ	
	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Current assets	181,349,759,000.00	130,366,445,000.00
Non-current assets	136,308,743,000.00	175,909,647,000.00
Total assets	317,658,502,000.00	306,276,092,000.00
Current liabilities	223,355,408,000.00	203,654,201,000.00
Non-current liabilities	66,806,370,000.00	76,498,682,000.00
Total liabilities	290,161,778,000.00	280,152,883,000.00
Minority equity interests	511,751,000.00	493,355,000.00
Equity attributable to shareholders of the parent company	26,984,973,000.00	25,629,854,000.00
Including: share of net assets calculated per shareholding percentage	2,592,829,635.67	2,462,624,099.78
Operating revenue	7,371,953,000.00	5,567,593,000.00
Net profit	2,043,389,000.00	1,903,607,000.00
Other comprehensive income	1,016,364,000.00	-948,623,000.00
Total comprehensive income	3,059,753,000.00	954,984,000.00

Qingdao Haier Co., Ltd. 2018 Annual Report

Dividend received from associates for the year	77,995,640.00	76,868,897.00
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(3). Summarized financial information of insignificant associates and joint ventures

√Applicable □Not Applicable

Unit and Currency: RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Associates:		
Wolong Electric (Jinan) Motor Co., Ltd.	123,281,802.39	118,897,337.40
(Qingdao) (Qingdao) Haier Medical and Laboratory Products Co., Ltd.		332,230,371.89
Qingdao Hegang New Material Technology Co., Ltd.	262,284,357.65	
Qingdao HBIS composite new material		106,068,803.08
Hefei Hegang New Material Technology Co., Ltd.		140,494,521.67
Qingdao Haier multimedia Co., Ltd.	555,084,616.71	543,768,656.24
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	362,380,221.29	270,536,881.98
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	622,643,614.66	529,934,750.95
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	332,723,126.50	305,185,137.09
Qingdao Haier Software Investment Co., Ltd.	18,193,519.15	17,899,331.07
Beijing Mr. Hi Network Technology Company Limited	3,757,759.75	3,757,759.75
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82	2,687,341.82
Guangzhou Heying Investment Partnership (Limited Partnership)	176,064,809.68	152,047,535.44
Fuzhou Jinan District Shengfeng Guorong Microfinance		80,226,595.74
Fujian Bafang Shengfeng Logistics Co., Ltd.		13,117,748.43
Qingdao Java Cloud Network Technology Co., Ltd.	1,216,581.32	1,755,356.84
ShBeijing Cangxiaowei Supply Chain Management Co., Ltd. (北京仓小微供应链管理有限公司)	791,316.97	

Beijing ASU Tech Co., Ltd.	30,062,027.79	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd. (深圳根元环保科技有限公司)	7,849,992.00	
Qingdao Haimu Investment Management Co., Ltd. (青岛海慕 Investment management 有限公司)	2,078,341.37	
Qingdao Haimu Zhijia Investment Partnership (Limited Partnership) (青岛海慕智家投资合伙企业(有限合伙))	48,001,070.25	
Konan Electronic Co., Ltd.	74,799,791.29	64,856,526.75
HNR Company (Private) Limited	91,076,038.80	91,578,227.62
HPZ LIMITED	88,800,332.55	80,588,570.01
MIDDLEEASTAIRCONDITIONINGCOMPANY,LIMITED	18,208,123.96	22,050,543.42
Total book value of investment	2,821,984,785.90	2,877,681,997.19
Total count calculated based on shareholding percentage		
--Net profit	343,024,634.11	189,321,542.39
--Other comprehensive income	22,221,841.23	-11,890,071.02
--Total comprehensive income	365,246,475.34	177,431,471.37

X. Segment report

(1). Determine basis and accounting policy of reporting segment

√Applicable □Not Applicable

The Company principally engaged in manufacture and sales of household appliances and relevant services business, manufacture of household appliances parts, distribution of products of third-party, logistics and after-sale business. The Company has six business segments, including refrigerator segment, air-conditioner segment, washing machine segment, Kitchenware and bathroom appliances ware segment, equipment components segment, integrated channel services and other segment. The management of the Company assesses operating performance of each segment and allocates resources according to the division. Sales between segments were mainly based on market price.

Refrigerator segment mainly engaged in manufacture and sales of refrigerator and freezers.

Air-conditioner segment mainly engaged in manufacture and sales of household air conditioners and commercial air conditioners.

Washing machine segment mainly engaged in manufacture and sales of washing machine.

Kitchenware and bathroom appliances ware segment mainly engaged in manufacture and sales of water heater and kitchen appliances.

Equipment components segment mainly engaged in procurement, manufacture and sales of upstream matching accessories for household appliances, manufacture and sales of mold.

Segment of integrated channel services and others mainly engaged in distribution business, logistics business, after-sale business, small home appliance business and others.

The Company's channel business at 3rd and 4th tier markets is treated as integrated channel services and assessed separately with other segments. Accordingly, operating profit from 3rd and 4th tier markets of refrigerator, air-conditioner, Kitchenware and bathroom appliances ware, washing machine business segment was not reflected in operating profit of each segment.

As the centralized management under the headquarters or not being included in the assessment scope of segment management, the total assets of segment exclude cash, financial assets held for trading, dividends receivable, other current assets, available-for-sale financial assets, long-term equity investment, goodwill, deferred tax assets; the total liabilities of segment exclude long-term and short-term borrowings, financial liabilities held for trading, dividends payables, tax payable, bonds payable, deferred tax liabilities; operating profit of segment exclude gains/(losses) on changes in fair value, gains/(losses) on investment, financial expenses, gains/(losses) on disposal of non-current assets, other income(exclude refundable VAT at filing), non-operating income and expense and income tax expenses.

(1) Information of reportable segments

Segment information for the period

Segment information	Air-conditioner segment	Refrigerator segment	Kitchen appliance segment	Water heater segment	Washing machine segment
Segment revenue	31,082,170,092.32	50,758,087,115.17	24,433,379,952.70	7,210,735,051.65	33,991,480,092.59
Including: external revenue	10,785,252,300.06	29,395,408,078.73	22,597,205,116.57	1,607,008,847.11	17,195,611,844.05

Qingdao Haier Co., Ltd. 2018 Annual Report

Inter-segment revenue	20,296,917,792.26	21,362,679,036.44	1,836,174,836.13	5,603,726,204.54	16,795,868,248.54
Total segment operating cost	29,915,565,048.95	47,565,250,125.04	23,016,554,856.50	6,419,893,857.39	31,536,700,791.23
Segment operating profit	1,166,605,043.37	3,192,836,990.13	1,416,825,096.20	790,841,194.26	2,454,779,301.36
Total segment assets	16,206,841,690.16	15,115,039,922.90	11,633,383,101.30	2,149,982,914.96	12,962,546,971.94
Total segment liabilities	9,406,713,768.66	27,576,047,193.29	5,878,879,147.56	1,594,837,680.88	6,024,455,060.65

(continued)

Segment information	Equipment components segment	Integrated channel services and others segment	Inter-segment eliminations	Total
Segment revenue	56,245,954,501.87	108,609,268,041.50	-128,762,408,750.39	183,568,666,097.41
Including: external revenue	1,884,705,262.61	100,103,474,648.28	-	183,568,666,097.41
Inter-segment revenue	54,361,249,239.26	8,505,793,393.22	-128,762,408,750.39	-
Total segment operating cost	55,846,938,008.55	108,174,290,301.58	-128,547,862,887.55	173,927,330,101.69
Segment operating profit	399,016,493.32	434,977,739.92	-214,545,862.84	9,641,335,995.72
Total segment assets	31,649,227,709.92	34,254,650,591.45	-40,740,475,732.79	83,231,197,169.84
Total segment liabilities	33,059,154,103.46	29,653,710,215.11	-40,611,668,998.89	72,582,128,170.72

Segment information for the previous years

Segment information	Air-conditioner segment	Refrigerator segment	Kitchen appliance segment	Water heater segment	Washing machine segment
Segment revenue	28,909,192,607.70	45,732,145,369.89	23,018,808,357.19	6,480,716,594.55	30,143,259,527.88
Including: external revenue	9,670,817,282.76	26,967,971,974.72	21,268,635,429.06	1,068,401,649.95	15,016,086,271.72
Inter-segment revenue	19,238,375,324.94	18,764,173,395.17	1,750,172,928.13	5,412,314,944.60	15,127,173,256.16
Total segment operating cost	27,659,408,620.25	42,762,799,111.51	21,467,189,359.36	5,747,200,033.41	27,772,666,355.05
Segment operating profit	1,249,783,987.45	2,969,346,258.38	1,551,618,997.83	733,516,561.14	2,370,593,172.83

Qingdao Haier Co., Ltd. 2018 Annual Report

Total segment assets	14,104,898,843.71	16,358,608,084.20	12,408,213,982.35	1,528,663,785.89	11,668,733,519.49
Total segment liabilities	8,183,602,269.63	23,717,598,483.29	5,152,014,622.94	1,779,427,399.65	5,930,848,976.01

(continued)

Segment information	Equipment components segment	Integrated channel services and others segment	Inter-segment eliminations	Total
Segment revenue	43,694,604,946.39	99,149,300,299.06	-113,318,253,220.86	163,809,774,481.80
Including: external revenue	3,023,296,238.91	86,794,565,634.68	-	163,809,774,481.80
Inter-segment revenue	40,671,308,707.48	12,354,734,664.38	-113,318,253,220.86	-
Total segment operating cost	43,333,219,091.51	98,619,588,869.08	-112,590,658,646.22	154,771,412,793.95
Segment operating profit	361,385,854.88	529,711,429.98	-727,594,574.64	9,038,361,687.85
Total segment assets	26,193,061,725.41	32,374,344,243.97	-34,889,505,172.62	79,747,019,012.40
Total segment liabilities	28,088,630,394.16	26,963,750,524.68	-33,486,947,098.74	66,328,925,571.62

(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	106,368,759,896.57	92,360,096,766.30
Other countries/regions	77,199,906,200.84	71,449,677,715.50
Among of which:		
America	52,808,964,340.83	47,125,057,542.40
Australia	5,059,554,142.64	5,072,057,864.71
South Asia	5,971,048,523.39	4,791,577,543.43
Europe	4,139,629,938.57	3,310,984,195.98
Southeast Asia	3,197,828,869.18	3,835,815,419.55
Middle East	968,609,176.61	1,112,236,222.81

Japan	2,957,892,839.19	2,698,044,198.68
Others	2,096,378,370.43	3,503,904,727.94
Total	183,568,666,097.41	163,809,774,481.80

Total non-current assets

Items	Closing balance	Opening balance
Mainland China	15,279,950,318.66	12,248,981,929.14
Other countries/regions	18,248,137,105.45	17,219,477,253.72
Total	33,528,087,424.11	29,468,459,182.86

Total non-current assets exclude: other equity instrument investments, long-term equity investments, goodwill, deferred tax assets, and other non-current financial 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 to which the input value is significant to the fair value measurement as a whole:

Level 1: Unadjusted quotes for the same asset or liability in an active market

Level 2: Inputs that are directly or indirectly observable for related assets or liabilities, except for Level 1 inputs.

Level 3: Unobservable inputs of related assets or liabilities.

2018

Items	Input used for fair value measurement			
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	Total
Continuously measured at fair value				
Financial assets held for trading	519,213.09	1,756,325,976.41	18,803,198.26	1,775,648,387.76
Including: Bank wealth management products		1,567,648,908.00		1,567,648,908.00
Forward exchange contract		188,677,068.41		188,677,068.41
Investment in equity instruments	519,213.09		18,803,198.26	19,322,411.35
Derivative financial assets		96,723,164.37		96,723,164.37
Including: Forward exchange contract		39,494,394.98		39,494,394.98

Qingdao Haier Co., Ltd. 2018 Annual Report

Interest rate swap agreement		57,228,769.39		57,228,769.39
Other equity instruments	17,420,711.90		1,382,895,748.44	1,400,316,460.34
Including: Equity instruments measured at fair value and changes of which included in other comprehensive income	17,420,711.90		1,382,895,748.44	1,400,316,460.34
Other non-current financial assets		327,358,825.57		327,358,825.57
Including: Bank wealth management products		327,358,825.57		327,358,825.57
Other non-current assets		49,499,757.96	46,019,000.00	95,518,757.96
Including: Other non-current financial assets		49,499,757.96	46,019,000.00	95,518,757.96
Financial liabilities held for trading		218,748,280.33		218,748,280.33
Including: Forward exchange contract		211,934,956.99		211,934,956.99
Forward foreign exchange options		6,813,323.34		6,813,323.34
Derivative financial liabilities		35,603,754.54		35,603,754.54
Including: Forward exchange contract		24,384,482.19		24,384,482.19
Forward commodity contract		11,219,272.35		11,219,272.35
Other non-current liabilities		1,587,403,337.19	210,624,307.28	1,798,027,644.47
Including: Obligation of repurchasing the minority equity rights		1,587,403,337.19	204,919,000.00	1,792,322,337.19
Contingent consideration			5,705,307.28	5,705,307.28

2017

Items	Input used for fair value measurement			
	Quotes in an active market (Level 1)	Important observable input (Level 2)	Important unobservable input (Level 3)	Total
Continuously measured at fair value				
Available-for-sale financial assets	24,571,561.22	2,359,859.77		26,931,420.99
Including: Investment in equity instruments	24,571,561.22	2,359,859.77		26,931,420.99
Financial assets measured at fair value and changes of which included in current profit and loss		20,681,695.50		20,681,695.50
Including: Forward exchange contract		20,681,695.50		20,681,695.50

other current assets		56,024,787.21		56,024,787.21
Including: Interest rate swap agreement		51,339,181.17		51,339,181.17
Exchange rate hedging agreement		4,685,606.04		4,685,606.04
Other non-current assets		343,283,948.90	45,741,914.80	389,025,863.70
Including: Forward exchange contract		343,283,948.90		343,283,948.90
Other non-current financial assets			45,741,914.80	45,741,914.80
Financial liabilities measured at fair value and changes of which included in current profit and loss		2,524,569.45		2,524,569.45
Including: Forward exchange contract		2,524,569.45		2,524,569.45
Other non-current liabilities		1,110,041,968.27	60,894,860.29	1,170,936,828.56
Including: Obligation of repurchasing the minority equity rights		861,428,153.36	55,510,000.00	916,938,153.36
Contingent consideration			5,384,860.29	5,384,860.29
Forward exchange contract		242,417,657.63		242,417,657.63
Forward foreign exchange options		6,196,157.28		6,196,157.28

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 market price of the continual Level 2 fair value measurement items:

Items	Fair value at the end of 2018	Valuation techniques
Financial assets held for trading		
Including: Bank wealth management products	1,567,648,908.00	Bank quote for similar products
Forward exchange contract	188,677,068.41	Bank quote for similar products
Derivative financial assets		
Including: Forward exchange contract	39,494,394.98	Bank quote for similar products
Interest rate swap agreement	57,228,769.39	Bank quote for similar products
Other non-current financial assets		
Including: Bank wealth management products	327,358,825.57	Bank quote for similar products
Other non-current assets		
Including: Other non-current financial assets	49,499,757.96	Discounted cash flow model

Financial liabilities held for trading		
Including: Forward exchange contract	211,934,956.99	Bank quote for similar products
Forward foreign exchange options	6,813,323.34	Bank quote for similar products
Derivative financial liabilities		
Including: Forward exchange contract	24,384,482.19	Bank quote for similar products
Forward commodity contract	11,219,272.35	Futures exchange quote for similar products
Other non-current liabilities		
Including: Obligation of repurchasing the minority equity rights	1,587,403,337.19	Discount of fixed contract amount

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 2018	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Other equity instruments					
Including: China Petrochemical Marketing Co., Ltd.	1,261,564,000.00	Valuation multiples	1. Average P/E multiple of peers 2. Discount for lack of marketability	1. 15.61-15.92 2. 14%-16%	1. 1% increase (decrease) in multiple would result in increase (decrease) in fair value by RMB12,615,000. 2. 1% increase (decrease) in the risk-free interest rate would result in decrease (increase) in fair value by RMB14,841,000.
Other non-current liabilities					

Including: Obligation of repurchasing the minority equity rights	204,919,000.00	Monte Carlo Simulat ion	1. Risk-free interest rate 2. Median volatility of comparable companies 3. Weighted average cost of capital	1. 0.47%-1. 47% 2. 14.14%-1 6.14% 3. 12.11%-14.1 1%	1. 0.5% increase (decrease) in the risk-free interest rate would result in decrease (increase) in fair value by RMB285,000. 2. 1% increase (decrease) in the median volatility of comparable companies would result in increase (decrease) in fair value by RMB7,113,000. 3. 1% increase (decrease) in WACC would result in decrease (increase) in fair value by RMB9,131,000.
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4. Financial instruments not measured at fair value

Items	Closing book value	Closing fair value
Bonds payable (Exchangeable Bonds issued in 2017)	6,681,366,239.84	6,629,825,951.00
Bonds payable (Exchangeable Bonds issued in 2018)	2,510,530,062.86	2,530,580,951.00

Financial assets and financial liabilities not measured at fair value include: cash and cash equivalents, bills receivable, accounts receivable, other receivables, other current assets, long-term and short-term borrowings, bills payable, accounts payable, other payables, long-term payables, bonds payable, etc.. Except for the difference between the book value and fair value of bonds payable disclosed above, the difference between the book value and 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 other party.

According to Management Practices for Information Disclosure of Listed Company (China Securities Regulatory Commission Order No. 40), related legal entity or individual will be identified as related parties in certain occasions.

(II) Relationships between related parties

1. Information about the parent company and other companies holding shares of the Company

Name	Type of enterprise	Registered place	Registered capital	Legal representative	Relationships with the Company	Interest in the Company	Voting rights to the Company
Haier Group Corporation	Collective ownership company	Qingdao High-tech Zone Haier Park	311,180,000	Zhang Ruimin	Parent Company	16.84%	16.84%
Haier Electric Appliances International Co., Ltd.	Joint-stock company	Qingdao High-tech Zone Haier Park	631,930,635	Zhang Ruimin	Subsidiary of Parent Company	19.76%	19.76%
Qingdao Haier Venture & Investment Information Co., Ltd.	Company with limited liability	Qingdao Free Trade Zone	923,000,000	Zhou Yunjie	Parties acting in concert of Parent Company	2.70%	2.70%
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)	Limited partnership company	Qingdao High-tech Zone Haier Park	1,053,306,000	Zhang Ruimin	Parties acting in concert of Parent Company	1.08%	1.08%

2. Subsidiaries of the Company

The details of the subsidiaries of the Company are detailed in Note VII.1 the disclosure of interests in subsidiaries.

☐Applicable ☒Not Applicable

3. Associates and joint ventures of the Company

The details of the associates and joint ventures of the Company are detailed in Notes V. 11 and Notes

VII. 3

☐Applicable ☒Not Applicable

Other associates and joint ventures that have related party transactions with the Company for the current period or have related party transactions with the Company for the previous period and have formed balances are as follows

☐Applicable ☒Not Applicable

Other Explanations

☐Applicable ☒Not Applicable

4. Related company with no controlling relationship

Name of company	Relationship with the Company
HAIERINTERNATIONAL(HK)LTD.	Holding subsidiary of the parent company
HAIERINTERNATIONALCO.,LTD	Holding subsidiary of the parent company
Haier Group Finance Co., Ltd.	Holding subsidiary of the parent company
Haier Group Electric Appliance Industry Co., Ltd.	Holding subsidiary of the parent company
Haier Energy & Power Co., Ltd.	Holding subsidiary of the parent company
Haier Brothers Animation Industry Co., Ltd.	Holding subsidiary of the parent company
Hefei Haier Logistics Co., Limited	Holding subsidiary of the parent company
Laiyang Haier Electrical Co. Ltd.	Holding subsidiary of the parent company
Qingdao Haier Whole House Home Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haier International Travel Agency Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haier International Trading Co., Ltd.	Holding subsidiary of the

Qingdao Haier Co., Ltd. 2018 Annual Report

	parent company
Qingdao Haier Household Integration Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haier Parts Procurement Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haier Strauss Water Equipment Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haier Special Plastic Development Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haier Communications Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haier Logistics Consulting Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haiyongda Property Management Co., Ltd.	Holding subsidiary of the parent company
Brave Lion (HK) limited	Holding subsidiary of the parent company
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Holding subsidiary of the parent company
Chongqing Haier Logistics Co., Ltd.	Holding subsidiary of the parent company
Suzhou Hai Xin InfoTech Ltd	Holding subsidiary of the parent company
Haier finance leasing (China) Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haier Real Estate Group Co., Ltd.	Holding subsidiary of the parent company
Hefei Huadong Packing Co., Ltd.	Holding subsidiary of the parent company
Qingdao Shenghui Plastic Co., Ltd.	Holding subsidiary of the parent company
Xingyang International Co., Ltd.(星洋国际有限公司)	Holding subsidiary of the parent company
Hefei Hai Zhi Real Estate Co., Ltd.	Holding subsidiary of the parent company
Qingdao Haier New Materials R & D Co., Ltd.	Associate for affiliate of Haier Group

CONTROLADORAMABES.A.deC.V.	Associate
HNR Company (Private) Limited	Associate
Qingdao Haier Software Investment Co., Ltd.	Associate
Qingdao HBIS Composite New Material.	Associate
Hefei Hegang New Material Technology Co., Ltd.	Associate
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Associate
Wolong Electric (Jinan) Motor Co., Ltd.	Associate

5.Related-party transactions

1.The details of the Company's procurement of goods and services from related parties is as follows:

√Applicable □Not Applicable

Unit and Currency: RMB		
Related parties	Amount for the current period	Amount for the previous period
CONTROLADORAMABES.A.deC.V.	9,113,096,659.92	7,402,437,722.16
Qingdao Haier Parts Procurement Co., Ltd.	5,921,843,450.68	8,788,819,505.91
Chongqing Haier Electrical Appliances Sales Co., Ltd.	4,680,091,481.07	5,802,696,369.58
Chongqing Haier Logistics Co., Ltd.	2,073,214,826.93	2,243,036,226.80
HNR Company (Private) Limited	1,840,370,751.33	1,382,295,370.15
Hefei Haier Logistics Co., Limited	1,582,350,911.61	2,635,311,120.52
Qingdao Haier International Trading Co., Ltd.	1,226,021,106.66	1,131,818,054.68
Qingdao Haier Strauss Water Equipment Co., Ltd.	905,260,515.17	491,725,981.72
Hefei Hegang New Material Technology Co., Ltd.	734,384,802.58	741,061,609.82
Qingdao Haier Special Plastic Development Co., Ltd.	719,843,177.61	722,409,540.37
Wolong Electric (Jinan) Motor Co., Ltd.	661,075,508.16	759,511,960.70
Qingdao HBIS Composite New Material.	626,568,343.81	621,080,904.82
Qingdao Shenghui Plastic Co., Ltd.	508,498,527.14	31,475,882.15
Haier Energy & Power Co., Ltd.	451,515,712.09	448,843,514.32
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	323,542,192.07	381,538,275.52
Qingdao Haiyongda Property Management Co., Ltd.	237,267,663.00	196,524,982.09
Hefei Huadong Packing Co., Ltd.	218,307,311.74	182,248,724.81

Qingdao Haier Co., Ltd. 2018 Annual Report

HAIERINTERNATIONALCO.,LTD	140,741,779.07	227,930,736.42
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	85,390,255.89	78,433,710.84
Qingdao Haier Household Integration Co., Ltd.	54,710,255.06	16,811,242.24
Qingdao Haier Whole House Home Co., Ltd.	54,224,184.50	237,032,081.27
HAIERINTERNATIONAL(HK)LTD.	16,770,615.17	282,924,819.61
Other related-party	1,415,368,799.43	1,030,755,699.39
Total	33,590,458,830.69	35,836,724,035.89

1. The details of the related parties to the Company's sales of goods to are as follows:

√Applicable □Not Applicable

Unit and Currency: RMB

Related parties	Amount for the current period	Amount for the previous period
CONTROLADORAMABES.A.deC.V.	715,307,126.17	427,074,898.76
Qingdao Haier Special Plastic Development	679,607,921.20	267,962,166.18
Qingdao Haier International Trading Co., Ltd.	622,373,513.67	638,554,200.89
HNR Company (Private) Limited	428,693,680.74	274,428,749.64
Qingdao Haier New Materials R & D Co., Ltd.	319,471,416.84	519,845,230.06
Chongqing Haier Electrical Appliances Sales Co., Ltd.	246,913,534.92	220,923,910.45
Wolong Electric (Jinan) Motor Co., Ltd.	241,476,982.52	567,996,750.61
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	225,731,209.43	138,168,574.82
Hefei Hegang New Material Technology Co., Ltd.	219,541,831.54	720,039,062.34
Qingdao HBIS Composite New Material.	131,806,476.71	336,114,667.51
Qingdao Haier International Travel Agency	117,712,848.11	38,678,257.43
Haier finance leasing (China) Co., Ltd.	63,821,463.04	32,786,700.84
Qingdao Haier Whole House Home Co., Ltd.	39,019,447.13	25,588,713.65
Haier Group Electric Appliance Industry Co., Ltd.	56,071.59	72,815,827.07
Other related-party	438,235,266.91	413,295,611.29
Total	4,489,768,790.52	4,694,273,321.54

Description of related party transactions for the purchase and sale of goods, provision and acceptance of labor services

□Applicable √Not Applicable

3. Related-party balances

Items	Closing Balance	Opening Balance
Bills receivable:		
Qingdao Haier New Materials R & D Co., Ltd.	34,632,882.73	
Other related-party	7,356,564.87	827,490.67
Dividend receivable:		
Qingdao Haier Software Investment Co., Ltd.	4,524,472.84	4,524,472.84
Accounts receivable:		
HNR COMPANY (PRIVATE) LIMITED	280,435,010.88	157,468,011.66
CONTROLADORAMABES.A.deC.V.	149,908,002.70	85,868,137.29
Haier Group Electric Appliance Industry Co., Ltd.	115,044,945.15	172,889,483.50
Qingdao Haier International Travel Agency Co., Ltd.	82,564,510.88	33,535,331.94
Haier finance leasing (China) Co., Ltd.	80,643,117.12	33,979,469.96
Qingdao Haier Special Plastic Development Co., Ltd.	31,769,104.04	30,061,911.52
HAIERINTERNATIONALCO.,LTD	21,866,762.90	15,579,415.32
Haier Group Corporation	14,363,320.57	4,583,333.33
Hefei Hegang New Material Technology Co., Ltd.	12,430,653.04	37,553,831.20
Suzhou Hai Xin InfoTech Ltd	10,878,625.30	18,580,938.10
Qingdao Haier Household Integration Co., Ltd.	10,567,963.70	12,218,258.48
Qingdao Haier New Materials R & D Co., Ltd.	1,207,127.26	60,381,881.38
Other related-party	274,961,122.45	187,957,558.68
Prepayments:		
Qingdao Haier International Trading Co., Ltd.	52,377,466.40	25,694,085.49
Haier Group Electric Appliance Industry Co., Ltd.	36,250,083.22	18,666,136.33
Qingdao Haier Parts Procurement Co., Ltd.	6,232,019.51	26,855,446.50
Other related-party	36,146,173.00	57,909,844.51
Interest receivable:		
Haier Group Finance Co., Ltd.	8,558,831.18	16,597,598.16
Other receivables:		
Qingdao Haier Real Estate Group Co., Ltd.	69,280,000.00	

Qingdao Haier Co., Ltd. 2018 Annual Report

Haier Group Electric Appliance Industry Co., Ltd.	4,932,361.04	5,054,271.27
Other related-party	81,410,902.63	43,505,955.80
Notes payable:		
Laiyang Haier Electrical Co. Ltd.	60,572,756.31	56,557,892.89
Wolong Electric (Jinan) Motor Co., Ltd.		61,412,756.84
Other related-party	11,747,585.16	6,544,689.10
Accounts payable:		
Qingdao Haier Parts Procurement Co., Ltd.	1,709,722,192.99	975,508,354.98
Chongqing Haier Electrical Appliances Sales Co., Ltd.	887,619,722.87	90,092,109.31
CONTROLADORAMABES.A.deC.V.	448,791,729.31	359,468,427.60
Qingdao Haier International Trading Co., Ltd.	206,304,134.91	268,481,130.24
HAIERINTERNATIONALCO.,LTD	96,592,512.06	56,102,305.76
Dalian Haier International Trade Co., Ltd.	85,369,608.45	4,250,177.48
Qingdao Haier Strauss Water Equipment Co., Ltd.	83,405,508.45	61,152,328.59
HNR COMPANY (PRIVATE) LIMITED	83,263,372.49	49,389,796.48
Chongqing Haier Logistics Co., Ltd.	76,661,148.51	304,825,911.96
Qingdao HBIS Composite New Material.	66,411,374.50	44,091,885.24
Hefei Huadong Packing Co., Ltd.	59,264,205.80	63,977,207.96
Qingdao Haier Communications Co., Ltd.	48,474,102.93	4,801,675.32
Qingdao Haier Special Plastic Development Co., Ltd.	43,902,377.09	52,784,094.74
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	28,603,458.79	3,561,326.45
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	23,124,924.59	25,288,499.85
Hefei Haier Logistics Co., Limited	22,752,588.26	257,354,153.49
Qingdao Haier Whole House Home Co., Ltd.	27,345.53	33,084,367.38
HAIERINTERNATIONAL(HK)LTD.		162,909,377.32
Other related-party	185,177,884.47	280,129,939.47
Receipts in advance:		
Haier Group Electric Appliance Industry Co., Ltd.	1,397.00	5,984,613.13
Hefei Hai Zhi Real Estate Co., Ltd.		155,000,000.00
Other related-party	6,521,502.55	12,369,377.54

Other payables:		
Haier Brothers Animation Industry Co., Ltd.	259,873,164.57	384,741,409.54
Chongqing Haier Logistics Co., Ltd.	51,830,739.06	51,830,739.06
Haier Energy & Power Co., Ltd.	19,548,568.72	42,485,111.74
Xingyang International Co., Ltd.(星洋国际有限公司)	13,885,076.40	13,885,076.40
Other related-party	182,225,144.61	170,143,584.68
Interest payable:		
Haier Group Finance Co., Ltd.	5,911,859.39	5,953,652.09
Dividends payable:		
Brave Lion (HK) limited	104,660,934.22	122,756,874.10
Other related-party	57,544,258.83	30,999,441.54

4. Others

√Applicable □Not Applicable

(1) Certain of the Company's subsidiaries entered into loan contracts with Haier Group Finance Co., Ltd.. The loan balance as of 31 December 2018 was RMB1.388 billion and the interest incurred for the period was RMB124 million.

(2) Information of the guarantor of the Company's guaranteed loan at the end of the period:

Borrower	Loan amount	Guarantor
HAIERU.S.APPLIANCESOLUTIONS,INC.	14,513,911,465.87	Haier Group Corporation
Haier Singapore Investment Holding Co., Ltd.	7,134,552,054.20	Haier Group Corporation
Qingdao Haidayuan Procurement Service Co., Ltd.	550,000,000.00	Haier Group Corporation
Total	22,198,463,520.07	

(3) The interest income from deposits in Haier Group Finance Co., Ltd. for the current period was RMB105 million.

(4) Haier Pakistan (Private) Limited, a Company's subsidiary, lend an amount of RMB289 million to HNR COMPANY (PRIVATE) LIMITED, the Company's associate at the end of the period.

HAIERELECTRICAPPLIANCESRUSLIMITED lend an amount of RMB17 million to HAIERRUSSIANTRADINGCOMPANYLLC..

(5) Qingdao Haier Goodaymart Logistic Co., Ltd., a subsidiary of the Company and other

companies provided logistics services to other related parties within Haier Group, the logistics income for the current period was RMB203 million.

(6) Leasing

Lessees	Lessors	Used for	Lease expense recognized for the period
Subsidiaries of the Company	Qingdao Haier Investment and Development Co., Ltd. and its subsidiaries	Production and operation	16,807,674.41
Subsidiaries of the Company	Other companies of Haier Group	Production and operation	101,682,366.08
Total			118,490,040.49

6. Pricing policy

1. Related-party sales

Following the acquisition of the overseas white household appliances assets, the Company's original overseas sales model, being exports through the Group's exporting platform, was changed. The trading company under the company holding overseas white household appliances assets was fully responsible for sales of export-oriented products. Meanwhile, the trading company was also responsible for the overseas sales of some of the Group's products (such as brown goods). As such, the Company entered into a Sales Framework Agreement with Haier Group Corporation. Under which, it was agreed that the Company and Haier Group Corporation will sell products and provide sales-related services (including but not limited to agency sales services, after-sales services and technical support) on a reciprocal basis for a term of three years.

Sales among Haier Electronics Group Co., Ltd. ("Haier Electronics"), a holding subsidiary of the Company, Qingdao Haier Investment and Development Co., Ltd, Haier Group Corporation are carried out according to relevant provisions of Goods Export Agreement, After-sales Service Agreement, Logistics Service Agreement entered into among parties.

2. Related-party Procurement

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements and delivery of part of raw materials, which is conducted according to the Purchase and Distribution Contract entered among the Company, Haier Group Corporation and

other parties. The price consists of the actual purchase price and the agency fee, of which the agency fee was calculated by 1.25% of the actual purchase price, while in principle the price of materials should not be higher than the price that the Company independently purchases from the market.

Related-party procurements among Haier Electronics, Qingdao Haier Investment and Development Co., Ltd, Haier Group Corporation are carried out according to relevant provisions of Materials Procurement Agreement and Production and Experimental Equipment Procurement Agreement entered among parties.

3. Related-party Transactions on Financial and Logistics Services

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation, its subsidiaries and other companies. According to the Financial Service Agreement entered among the Company, Haier Group Corporation and other parties, the price is not less favorable than market price. The Company is entitled to decide whether to cooperate with them with the knowledge of the price prevailing on the market. While executing the agreement, the Company could also require other financial service institutions to provide related financial services. In order to mitigate foreign exchange fluctuation risk, the Company may choose Haier Group Finance Co., Ltd. ("Finance Company") to provide service after comparison. All foreign exchange business shall have a normal and reasonable business background without speculation. At the same time, the Company has specified the authority and responsibilities at all levels to avoid unauthorized access.

Related-party transactions of financial services among Haier Electronics, Finance Company, Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation are carried out according to relevant provisions of Financial Service Agreement entered into among parties.

In order to further standardize the administrative services provided by the related companies of Haier Group Corporation, the Company signed the Administrative Service Agreement with Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, and entrusted the subsidiaries of Haier Group to provide energy and power, detection, equipment leasing, house rental and maintenance, landscaping and sanitation, gift purchasing, design, consultation, all kinds of booking and other services.

In accordance with the Comprehensive Service Agreement, Promotion Agreement, Product Research and Development Agreement entered into among Haier Electronics, Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, Haier Electronics entrusted subsidiaries of

Haier Group to support on: energy, meeting, accommodation, ticket, product certification, software, catering, property decoration, house lease, finance and marketing, product research and development.

4. Others

In order to expand the sales businesses in the third and fourth-tier markets, Haier Electronics renewed the Products Procurement Agreement and Internal Sales Agreement with Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, according to which, while Haier Electronics purchases products from contracted parties, the purchasing price shall be determined basing on the prices of which Haier Electronics purchases the same type of product in similar transactions from independent third parties in the market, and are not less favorable than the terms and conditions provided by the independent third parties to Haier Electronics; while Haier Electronics sales products to contract parties for their own use or distributes products through sales network, the selling price shall be determined basing on the prices of which Haier Electronics sells the same type of product in similar transactions to independent third parties in the market, and are not less favorable than the terms and conditions provided by Haier Electronics to independent third parties.

The Company and its subsidiaries entered into a series of contracts, including the Framework Agreement Regarding the Procurement of Modular Products with Wolong Electric (Jinan) Motor Co., Ltd. and other companies. Pursuant to which, they agreed to supply modular products to the Company at the most favorable price which is no higher than the price it offered to other clients.

The Company and its subsidiaries entered into a series of contracts, including the Contract Arrangement Regarding the Procurement of Special Steel Plate Products with Qingdao HBIS Composite New Material. Under which, it is agreed that they shall supply goods to the Company on terms which are not less favorable than terms offered by other suppliers.

XIII. Share-based payments

Not Applicable

XIV. Commitments and Contingencies

1. Significant commitments

☐Applicable ☒Not Applicable

2. Contingencies

☒Applicable ☐Not Applicable

As of 31 December 2018, the Company has no significant contingencies that need to be disclosed.

XV. Events after the balance sheet date

1. According to the resolution of the 27th meeting of the 9th session of the Board of Directors of the Company held on 29 April 2019, the profit for the year is proposed to be distributed on the basis of the total number of shares on the registration date when the plan is implemented in the future, the Company will declare cash dividend of RMB3.51 (including taxes) for every 10 shares to all shareholders.

2. On 28 September 2018, the 21st meeting of the ninth session of the Board of Directors of the Company has reviewed and approved the "Proposal of Qingdao Haier Co., Ltd. on the acquisition of 100% shares of CANDY S.p.A" and agreed to acquire 100% shares of CANDY S.p.A held by BEPPE FUMAGALLI, ALDO FUMAGALLI and ALBE FINANZIARIA S.R.L in total. through the overseas wholly-owned subsidiary HAIER EUROPE APPLIANCE HOLDING B. V. (hereinafter referred to as "Haier Europe") The consideration for this transaction was Euros 475 million. On 4 January 2019, the parties to the transaction jointly signed and notarized the "Transfer Certificate" and other documents, confirming that all delivery conditions have been fulfilled, the Company has paid all the money including the consideration of the transaction and the 100 % share of Candy S.p.A was transferred to Haier Europe and the transaction has completed. Since the completion of the transaction, Haier Europe directly holds 100% of Candy S.p.A. The Company indirectly holds 100% of CANDY S.p.A.

3. An indirect holding subsidiary of the Company entered into an equity acquisition agreement, pursuant to which, it acquired 6.33%, 0.08% and 0.08% (totaling 6.49%) equity interests of Qingdao Haier Washing Machine Co., Ltd., an indirect and non-wholly-owned subsidiary of the Company, respectively, from Qingdao Haier New Economy Advisory Company Limited (青岛海尔新经济咨询有限公司), Qingdao Haier Parts Procurement Co., Ltd. And Qingdao Haier International Trading Co., Ltd., being subsidiaries of Haier Group, at transaction considerations of RMB81,666,857, RMB1,032,125 and RMB1,032,125. Such acquisition was completed on 30 January 2019.

3. The Company has no other significant subsequent events that need to be disclosed.

XVI. Risks Related to Financial Instruments

√Applicable □Not Applicable

The book value of various financial instruments on the balance sheet date is as follows:

Financial assets

Items	Closing balance			
	Financial assets measured at fair value and changes of which included in current profit and loss	Measured at amortized cost	Financial assets measured at fair value and changes of which included in other comprehensive income	Total
Cash and cash equivalents		37,456,355,407.28		37,456,355,407.28
Financial assets held for trading	1,775,648,387.76			1,775,648,387.76
Derivative financial assets			96,723,164.37	96,723,164.37
Bills receivable and accounts receivable		24,652,130,810.52		24,652,130,810.52
Other receivables		1,626,975,864.98		1,626,975,864.98
Other current assets		2,838,231,840.90		2,838,231,840.90
Other equity instruments			1,400,316,460.34	1,400,316,460.34
Other non-current financial assets	327,358,825.57			327,358,825.57
Other non-current assets	95,518,757.96			95,518,757.96

Financial assets (Continued)

Items	Opening balance			
	Financial assets measured at fair value and changes of which included in current profit and loss	Loans and accounts receivable	Available-for-sale financial assets	Total
Cash and cash equivalents		35,825,439,039.22		35,825,439,039.22
Financial assets measured at fair value and changes of which included in current profit and loss	20,681,695.50			20,681,695.50
Bills receivable and accounts receivable		25,924,283,460.99		25,924,283,460.99
Other receivables		1,192,291,302.17		1,192,291,302.17
Other current assets		867,526,626.75	1,195,550,000.00	2,063,076,626.75
Available-for-sale financial assets			1,415,354,307.82	1,415,354,307.82
Other non-current assets	389,025,863.70			389,025,863.70

Financial liabilities

Items	Closing balance			
	Financial liabilities measured at fair value and changes of which included in	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value and changes of which included	Total

	current profit and loss		in other comprehensive income	
Short-term borrowings		6,298,504,892.57		6,298,504,892.57
Financial liabilities held for trading	218,748,280.33			218,748,280.33
Derivative financial liabilities			35,603,754.54	35,603,754.54
Bills payable and accounts payable		47,385,218,141.38		47,385,218,141.38
Other payables		12,685,677,402.91		12,685,677,402.91
Non-current liabilities due within one year		3,015,060,105.58		3,015,060,105.58
Long-term borrowings		15,541,466,325.22		15,541,466,325.22
Bills payable		9,191,896,302.70		9,191,896,302.70
Long-term payables		106,763,243.99		106,763,243.99
Other non-current liabilities	1,798,027,644.47			1,798,027,644.47

Financial liabilities (Continued)

Items	Opening balance		
	Financial liabilities measured at fair value and changes of which included in current profit and loss	Financial liabilities measured at amortized cost	Total
Short-term borrowings		10,878,580,275.18	10,878,580,275.18
Financial liabilities measured at fair value and changes of which included in current profit and loss	2,524,569.45		2,524,569.45
Bills payable and accounts payable		42,616,065,864.06	42,616,065,864.06
Other payables		11,309,575,304.78	11,309,575,304.78
Non-current liabilities due within one year		6,149,302,981.65	6,149,302,981.65
Long-term borrowings		16,036,492,809.81	16,036,492,809.81
Bills payable		6,211,088,362.68	6,211,088,362.68
Long-term payables		106,020,029.74	106,020,029.74
Other non-current liabilities	1,170,936,828.56		1,170,936,828.56

Details on each of the financial instruments of the Company are disclosed in Note VII. Risks relating to these financial instruments and the risk management policies to mitigate these risks are summarized below. The Company manages and monitors these risk exposures to ensure above risks are well under control.

1. Credit risk

The credit risk the Company exposed to mainly arise from cash in bank, notes receivable, accounts receivable, interest receivable, other receivable and financial products.

(1)The Company's bank deposits and financial products are mainly deposited with Haier Group Finance Co., Ltd., national banks and other large and medium sized listed banks. The interest receivables mainly refer to the accrued interest from fixed deposits with them. The Group doesn't believe there is any significant credit risk due to defaults of its counterparties which would cause significant loss.

(2)Accounts receivable and notes receivable: The Company only trades with approved and reputable third parties. All consumers who are traded by credit are subject to credit assessment, and the payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivable on an ongoing basis and mitigates the risk with credit insurances.

(3) Other receivables mainly include export tax refund, loans and advances to its employees. The Company strengthened the management of these receivables and corresponding business activities based on historical data, and continued to monitor such receivables, so as to ensure that the Company's significant risk of bad debts are controllable and to be reduced.

2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in fulfilling obligations associated with financial liabilities. The Company utilize various financing methods such as notes and bank loans, to strive for a sustainable and flexible financing. It also has facilities with several commercial banks to satisfy its needs for working capital and capital expenditures.

3. Exchange rate risk

The Company's businesses are based in mainland China, USA, Japan, Southeast Asia, South Asia, central and east Africa, Europe, and Australia, etc. and are settled in RMB, USD, and other currencies.

The Company's overseas assets and liabilities denominated in foreign currencies as well as transactions settled in foreign currencies expose the Company to fluctuations in exchange rates. The Company's finance department is responsible for monitoring the size of transactions in foreign currencies and assets and liabilities denominated in foreign currencies and enter into forward foreign exchange contracts to minimize the exposure.

4. Interest rate risk

The Company mainly faces interest rate risk from its long- and short- term bank loans and bonds payables which are interest-bearing. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Group determines the percentage of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

XVII. Other Significant Events

Guanmei (Shanghai) Enterprise Management Company Limited (贯美(上海)企业管理有限公司), an indirect holding subsidiary of the Company intends to replace the 55% equity interests of Icy Halbert (Shanghai) Enterprise Management Company Limited (冰戟(上海)企业管理有限公司) held by it with the 51% equity interests of Qingdao HSW Water Appliance Co., Ltd. held by Haier Electric Appliances International Co., Ltd. The above transaction has been approved by the shareholders of the Company at the special general meeting of the Company on 21 November 2018, and as at the approval date of these financial statements, it is still subject to the approval or agreement of the relevant government authority of China.

The Company has no other significant events that need to be disclose

XVIII. Notes to Main Items of Financial Statements of the Parent Company

1. Bills receivable and accounts receivable

Summary table

(1) . Categories

☒Applicable ☐Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bills receivable		
Accounts receivable	222,622,017.43	288,499,726.07
Total	222,622,017.43	288,499,726.07

Provision for bad debts by group:

☐Applicable ☒Not Applicable

Accounts receivable

① The disclosure of accounts receivable by ageing is as follows:

Aging	Closing balance	Opening balance
Within one year	205,461,418.79	274,306,287.64
1-2 years	9,306,599.70	29,377,634.54
2-3years	8,649,467.83	
Over 3 years		
Accounts receivable balance	223,417,486.32	303,683,922.18
Allowance for bad debts	795,468.89	15,184,196.11
Net receivables	222,622,017.43	288,499,726.07

② The total amount of the top 5 accounts receivable at the end of the period was RMB219,296,245.47, accounting for 98.16% of book balance of the accounts receivable.

③ Changes in bad debt provision for accounts receivable in the current period:

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off / other movement	
Allowance for bad debts	15,184,196.11		-13,278,745.63	1,109,981.59		795,468.89

Provision for bad debts by group:

☐ Applicable ☒ Not Applicable

2. Other receivables

Summary table

(1). Categories

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	6,292,538.22	220,157,282.75
Dividend receivable	1,912,418,382.82	970,851,045.94
Other receivables	164,056,245.54	15,895,048.43
Total	2,082,767,166.58	1,206,903,377.12

Interest receivable

Aging	Closing balance	Opening balance
Within 1 year	6,292,538.22	220,157,282.75
Over 1 years		
Total	6,292,538.22	220,157,282.75

Dividend receivable**(1). Dividend receivable**

√Applicable □Not Applicable

Unit and Currency: RMB

Item (or investees)	Closing balance	Opening balance
Within 1 year	1,912,418,382.82	970,851,045.94
Total	1,912,418,382.82	970,851,045.94

Other receivables

① The disclosure of other receivables by ageing is as follows:

Aging	Closing balance	Opening balance
Within one year	164,319,278.07	16,731,629.93
More than 1 year		
Other receivables balance	164,319,278.07	16,731,629.93
Allowance for bad debts	263,032.53	836,581.50
Net other receivables	164,056,245.54	15,895,048.43

② The total amount of the top 5 other receivables at the end of the period is RMB 157,482,051.47, accounting for 95.84% of book balance of other receivables.

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

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other movement	Reversal	Write-off / other movement	
Allowance for bad debts	836,581.50	135,311.03	-708,860.00			263,032.53

3. Long-term equity investment

√Applicable □Not Applicable

(1) Details of long-term equity investments:

Items	Closing balance		Opening balance	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Long-term equity investments				
Including: long-term equity investments to subsidiaries	30,675,167,530.39	7,100,000.00	20,490,178,326.42	7,100,000.00
Long-term equity investments to associates:	3,197,166,784.91	21,000,000.00	3,119,176,601.66	21,000,000.00
Total	33,872,334,315.30	28,100,000.00	23,609,354,928.08	28,100,000.00

(2) Long-term equity investments to subsidiaries

Investee	Opening balance	Increase / Decrease	Closing balance	Impairment 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.	329,832,047.28		329,832,047.28	
Qingdao Haier Information Plastic Development Co., Ltd	102,888,407.30		102,888,407.30	
Dalian Haier Precision Products Co., Ltd.	41,836,159.33		41,836,159.33	
Hefei Haier Plastic Co., Ltd.	42,660,583.21		42,660,583.21	
Qingdao Haier Technology Co., Ltd.	16,817,162.03		16,817,162.03	
Qingdao Haier Moulds Co., Ltd.	273,980,796.30	-273,980,796.30		
Qingdao Haier Intelligent Electronics Co., Ltd.	294,453,513.06	-294,453,513.06		

Qingdao Haier Co., Ltd. 2018 Annual Report

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	
Chongqing Haier Intelligent Electronics Co., Ltd.	11,870,511.98	-11,870,511.98		
Qingdao Haier Electronic Plastic Co., Ltd.	48,000,000.00		48,000,000.00	
Dalian Haier Refrigerator Co., Ltd..	99,000,000.00		99,000,000.00	
Dalian Haier Air-conditioning Co., Ltd.	99,000,000.00		99,000,000.00	
Guizhou Haier Electronics Co., Ltd..	96,904,371.71		96,904,371.71	
Hefei Haier Air-conditioning Co., Limited	67,110,323.85		67,110,323.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	158,387,576.48		158,387,576.48	
Qingdao Haier Robot Co., Ltd.	3,149,188.69	-3,149,188.69		
Qingdao Haier Air-Conditioner Electronics Co.,Ltd.	1,113,433,044.51		1,113,433,044.51	
Qingdao Haier Air Conditioner Gen Corp., Ltd.	218,245,822.50	2,390,483.52	220,636,306.02	
Qingdao Haier Special Freezer Co., Ltd.	442,684,262.76		442,684,262.76	
Qingdao Haier Dishwasher Co., Ltd.	206,594,292.82		206,594,292.82	
Wuhan Haier Freezer Co., Ltd.	47,310,000.00		47,310,000.00	
Wuhan Haier Electronics Co., Ltd.	100,715,445.04		100,715,445.04	
Chongqing Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Hefei Haier Refrigerator Co., Ltd.	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.	91,750,000.00		91,750,000.00	

Qingdao Haier Co., Ltd. 2018 Annual Report

Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	8,000,000.00	-8,000,000.00		
Haier Shareholdings (Hong Kong) Limited	13,561,203,702.07	10,063,343.085.45	23,624,546,787.52	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.00		130,000,000.00	
Qingdao Haier Technology Investment Co., Ltd.	200,000,000.00	77,255,635.00	277,255,635.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.	10,000,000.00		10,000,000.00	
Haier Overseas Electric Appliance Co., Ltd.	40,000,000.00		40,000,000.00	
Haier (Shanghai) Electronics Co., Ltd.	12,500,000.00		12,500,000.00	
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	143,000,000.00		143,000,000.00	
Haier Electronics Group Co., Ltd.	669,830,769.26		669,830,769.26	7,100,000.00
Qingdao Haidarui Procurement Service Co., Ltd.	107,800,000.00		107,800,000.00	
Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd.	2,000,000.00		2,000,000.00	
Haier Industrial Holding Co., Ltd.	100,000,000.00	633,454,010.03	733,454,010.03	
Qingdao Haier special refrigerating Appliance Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	326,400,000.00		326,400,000.00	
Total	20,490,178,326.42	10,184,989,203.97	30,675,167,530.39	7,100,000.00

(3) Long-term equity investments to associates:

Associates	Opening Balance	Increased / decreased amount for the current period			Closing balance	Impairment provisions
		Increase / Decrease	Investment income recognized From investments accounted for using equity method	Others		
(Qingdao) Haier Medical and Laboratory Products Co., Ltd.	229,914,790.86	-255,892,778.48	25,977,987.62		-	
Wolong Electric (Jinan) Motor Co., Ltd.	106,957,786.56		8,166,347.28		115,124,133.84	
Qingdao HBIS Composite New Material.	106,068,803.08	-106,068,803.08			-	
Hefei Hegang New Material Technology Co., Ltd.	109,289,567.00	-109,289,567.00			-	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	270,536,881.98		91,843,339.31		362,380,221.29	
Bank of Qingdao Co., Ltd.	917,520,227.90		54,387,479.41	-5,875,728.48	966,031,978.83	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	529,934,750.95		149,480,863.71	-56,772,000.00	622,643,614.66	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	305,185,137.09		27,537,989.41		332,723,126.50	21,000.00
Qingdao Haier multimedia Co., Ltd.	543,768,656.24		8,201,709.19	3,114,251.28	555,084,616.71	
Qingdao Hegang New Material Technology		215,358,370.08	15,721,032.90	12,099,690.1	243,179,093.08	

Co., Ltd.				0		
Total	3,119,176,601.66	-255,892,778.48	381,316,748.83	-47,433,787.10	3,197,166,784.91	21,000,000.00

4. Operating revenue and operating cost

(1) 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	3,199,683,163.9	2,200,981,641.6	3,396,281,592.1	2,383,460,866.
Other Business	60,627,963.89	32,770,272.98	55,720,755.44	407,940.53
Total	3,260,311,127.7	2,233,751,914.6	3,452,002,347.6	2,383,868,807.

5. Investment income

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investments accounted for using cost method	381,316,748.83	251,182,511.39
Investment income from disposal of long-term equity investment	241,239,800.75	
Investment income from long-term equity investment accounted for using cost method	2,027,080,177.86	1,039,337,401.79
Investment income from other equity instrument investments during the holding period	243,162.12	231,157.27
Total	2,649,879,889.56	1,290,751,070.45

XIX. Supplementary Information

1. Basic earnings per share and diluted earnings per share

Items	Amount for the current period			Amount for the previous period		
	Weighted average return on net assets	Earnings per share (RMB)		Weighted average return on net assets	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	21.00%	1.21	1.182	22.89%	1.133	1.085
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	18.63%	1.074	1.046	19.15%	0.922	0.874

2. Extraordinary profit or loss

Items	Amount for the current period	Amount for the previous period
Net profit attributable to ordinary shareholders of the Company	7,440,228,855.90	6,907,629,188.39
Less: Extraordinary profit or loss	838,723,256.11	1,283,567,479.93
Net profit attributable to ordinary shareholders of the Company after deduction of extraordinary profit or loss	6,601,505,599.79	5,624,061,708.46

Details of extraordinary profit and loss for the current period:

Extraordinary profit or loss Items	Amount for the current period
Profit or loss from disposal of non-current assets	214,439,336.04
Profit from disposal of long-term equity investments	259,839,279.75
Government grants included in current profit or loss, except that closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards	640,822,529.56
Gains from the costs of investment in the acquisition of subsidiaries, associated companies and joint ventures being lower than the share of the fair value of the investee's identifiable net assets	185,413.85
Profit or loss from fair value changes of financial assets/liabilities held for trading, as well as investment gain/loss arising from disposal of financial	-15,161,125.59

Qingdao Haier Co., Ltd. 2018 Annual Report

assets/liabilities held for trading and other equity instrument investments, except the effective hedging related to the normal operations of the Company,	
Trust fee income from entrusted business	1,493,710.69
Other non-operating income and expenses except the aforementioned items	292,041,683.31
Impact on non-controlling interests	-333,421,256.64
The acquiree's net profit before business combination under common control	-161,566,826.87
The acquiree's net profit before business combination under common control	-59,949,487.99
Total	838,723,256.11

3.Difference on figures by domestic and foreign Accounting Standards

☐Applicable ☒Not Applicable

4.Other

☐Applicable ☒Not Applicable

Qingdao Haier Co., Ltd.

Legal representative of the Company: Liang Haishan

29 April 2019

SECTION XIII DOCUMENTS AVAILABLE FOR INSPECTION

Documents Available for Inspection	(I) Financial statements with signatures and seals of the legal representative, chief accountant and person in charge of accounting department.
Documents Available for Inspection	(II) Original audit report with seals of accounting firm, signatures and seals of registered accountants.
Documents Available for Inspection	(III) Original of all documents and announcements of the Company which have been publicly disclosed on the newspaper designated by China Securities Regulatory Commission during the reporting period.

Chairman of the Board: Liang Haishan,

Date of approval for publication by the Board: 29 April 2019

Revised information

☐Applicable ☒Not Applicable