

Company Code: 600690.SH, 690D.DE

Short Name: Haier Smart Home

# Haier Smart Home Co., Ltd.

## 2022 Interim Report



# Important Notice

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

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

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

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

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

No

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

Applicable  Not Applicable

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

**VII. Is there any fund occupation by controlling shareholders and 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. Are there more than half of the Directors could not warrant the truthfulness, accuracy and completeness of the interim report disclosed by the Company**

No

**X. Important risk warnings**

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

## Important Notice

### XI. Others

Applicable  Not Applicable

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| Documents Available for Inspection | I. 2022 Interim Report of Haier Smart Home Co., Ltd. with signature of the legal representative.   |
|                                    | II. Financial statements with signatures or seals of the person in charge of the entity, chief accountant and person in charge of accounting department.   |
|                                    | III. All documents publicly disclosed on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">www.sse.com.cn</a> ) during the reporting period. |

# Section I Definitions

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

## DEFINITION OF FREQUENTLY USED TERMS

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

|   |   |
|---|---|
| Euromonitor   | Euromonitor, established in 1972, is the leading strategic market information supplier and has over 40-years of experience in respect of publishing market report, commercial reference data and on-line database. They create data and analysis on thousands of products and services around the world.  |
| All View Cloud  | All View Cloud (AVC) is a big data integrated solution provider to the smart home field, providing enterprises with big data information services, regular data information services and special data services.   |
| IEC   | The International Electrotechnical Commission. Founded in 1906, it is the world's first organization for the preparation and publication of international electrotechnical standardization and is responsible for international standardization for electrical engineering and electronic engineering. The goals of the commission include: to effectively meet the needs of the global market; to ensure that the standards and conformity assessment programs are applied globally in a prioritized manner and to the greatest extent; to assess and improve the quality of products and services involved in its standards; to create conditions for the common use of complicated systems; to improve the effectiveness of the industrialization process; to improve human health and safety, and to protect the environment. |
| IEEE  | The Institute of Electrical and Electronics Engineers, an international association of electronic technology and information science engineers, is currently the largest non-profit professional technology society in the world. It is committed to the development and research of electrical, electronic, computer engineering and science-related fields, and has now developed into an international academic organization with great influence in terms of the fields of space, computer, telecommunications, biomedicine, power and consumer electronics.  |
| Model of <i>Rendanheyi</i><br>(人单合一)                      | The concept of "Achieving win-win via Rendanheyi (人单合一)" is the guarantee of Haier's sustainable operation and the driving force of the Company featuring a self-motivated and empowering corporate culture. "Ren" is an employee who has the spirit of entrepreneurship and innovation; "Dan" is to create value for users. The "Rendanheyi (人单合一)" management model encourages employees to create value for users with an entrepreneurial mindset, and to achieve self-value in line with the those of the Company and its shareholders.   |
| "1+3+5+N" Whole House Intelligence All-Scenario Solutions | Whole House Intelligence All-Scenario Solutions: 1: Smart Home APP; 3: solutions including whole-house air, water, intelligence; 5. five intelligent spaces including balcony, living room, kitchen, bathroom and bedroom; N: various personalized intelligent scenario experience.   |

# Section II General Information of the Company and Key Financial Indicators

## I. INFORMATION OF THE COMPANY

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

## II. CONTACT PERSON AND CONTACT INFORMATION

|         | Secretary to the Board   | Representative of securities affairs   | Company Secretary (D/H shares)   | Others                          |
|---------|--|--|--|---------------------------------|
| Name    | Liu Xiaomei  | Liu Tao  | Ng Chi Yin, Trevor   | Global Customer Service Hotline |
| Address | Department of Securities of Haier Smart Home Co., Ltd. Haier Information Industrial Park, No. 1 Haier Road, Qingdao City | Department of Securities of Haier Smart Home Co., Ltd. Haier Information Industrial Park, No. 1 Haier Road, Qingdao City | Room 3513, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong | /                               |
| Tel     | 0532-88931670  | 0532-88931670  | +852 2169 0000   | 4006 999 999                    |
| Fax     | 0532-88931689  | 0532-88931689  | +852 2169 0880   | /                               |
| Email   | finance@haier.com  | finance@haier.com  | ir@haier.hk  | /                               |

## Section II General Information of the Company and Key Financial Indicators

### III. SUMMARY OF THE CHANGES IN GENERAL INFORMATION

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

### IV. MOVEMENT OF PLACE FOR INFORMATION DISCLOSURE AND DEPOSIT

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

### V. SUMMARIZED INFORMATION OF SHARES OF THE COMPANY

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

## Section II General Information of the Company and Key Financial Indicators

### VI. OTHER RELATED INFORMATION

Applicable  Not Applicable

### VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

#### (I) Key accounting data

Unit and Currency: RMB

| Key accounting data   | For the reporting period<br>(January-June) | The corresponding period of last year |                    | Increase/decrease for the reporting period compared with the corresponding period of last year (%) |
|---|--|---------------------------------------|--------------------|--|
|   |  | After adjustment                      | Before adjustment  |  |
| Operating revenue   | 121,857,522,462.22                         | 111,727,756,211.06                    | 111,618,822,064.73 | 9.07   |
| Net profit attributable to shareholders of the listed Company   | 7,949,084,472.70                           | 6,858,902,854.55                      | 6,852,271,812.97   | 15.89  |
| Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed Company | 7,490,693,705.38                           | 6,269,906,406.72                      | 6,269,906,406.72   | 19.47  |
| Net cash flows from operating activities  | 5,964,247,657.22                           | 8,442,195,160.31                      | 8,423,823,726.89   | -29.35   |

  

|   | As at the end of the reporting period | As at the end of reporting period of last year |                    | Increase/decrease as at the end of the reporting period compared with that of last year (%) |
|---|---------------------------------------|--|--------------------|---|
|   |                                       | After adjustment                               | Before adjustment  |   |
| Net assets attributable to shareholders of the listed Company | 86,251,016,004.21                     | 79,851,734,427.42                              | 79,810,927,325.55  | 8.01  |
| Total assets  | 226,652,759,534.60                    | 217,599,384,435.63                             | 217,459,494,212.74 | 4.16  |

## Section II General Information of the Company and Key Financial Indicators

### (II) Key financial indicators

| Key financial indicators  | For the reporting period<br>(January-June) | The corresponding period of last year |                   | Increase/decrease<br>for the reporting<br>period compared<br>with the<br>corresponding<br>period of last year<br>(%) |
|---|--|---------------------------------------|-------------------|--|
|   |  | After adjustment                      | Before adjustment |  |
| Basic earnings per share (RMB/<br>share)  | 0.85                                       | 0.74                                  | 0.74              | 14.86  |
| Diluted earnings per share (RMB/<br>share)  | 0.85                                       | 0.73                                  | 0.73              | 16.44  |
| Basic earnings per share after<br>deducting non-recurring profit or<br>loss (RMB/share)       | 0.80                                       | 0.68                                  | 0.68              | 17.65  |
| Weighted average return on net<br>assets (%)  | 9.24                                       | 9.29                                  | 9.29              | decreased by 0.05<br>percentage point  |
| Weighted average return on net<br>assets after deducting non-<br>recurring profit or loss (%) | 8.71                                       | 8.50                                  | 8.50              | Increased by 0.21<br>percentage point  |

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

Applicable  Not Applicable

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

Applicable  Not Applicable

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

Applicable  Not Applicable

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

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

Applicable  Not Applicable

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

## Section II General Information of the Company and Key Financial Indicators

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

Applicable  Not Applicable

## IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNT

Applicable  Not Applicable

Unit and Currency: RMB

| Non-recurring profit and loss items   | Amount                |
|---|-----------------------|
| Profit and loss on disposal of non-current assets   | 33,807,493.39         |
| Government subsidies through the profit and loss, except for government subsidies that are closely related to the Company's normal business operations, comply with national policies and regulations, and continue to be enjoyed in a fixed amount or fixed quantity according to certain standards  | 434,830,465.43        |
| Net profit and loss of subsidiaries arising from business combinations under common control of the current period from the beginning of the period to the date of consolidation   | 4,473,481.70          |
| Profit and loss from fair value changes of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as investment gains arising from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities and other debt investments, except the effective hedging related to the normal operations of the Company | 59,249,736.54         |
| Other non-operating income and expenses except the aforementioned items   | 34,282,312.26         |
| reduction: Effect of income tax   | 98,050,857.35         |
| Effect of minority equity interest (After Tax)  | 10,201,864.65         |
| <b>Total</b>  | <b>458,390,767.32</b> |

Explain the reasons for determination of the non-recurring profit and loss items that are in conformity with the definition of non-recurring profit and loss items as set out in the Explanatory Announcement on Information Disclosure by Companies Publicly Issuing Securities No. 1 — Non-recurring Profit and Loss Items

Applicable  Not Applicable

## X. OTHERS

Applicable  Not Applicable

# Section III Management Discussion and Analysis

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

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

- Global leader of the major home appliance industry: According to data from Euromonitor — an authoritative market researcher, the Company ranked first in terms of sales volume in global major appliance market for 13 consecutive years. The Company has a global portfolio of brands, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. From 2008 to 2021, Haier brand refrigeration and laundry appliances ranked first among major home appliance brands in sales volume for 14 and 13 consecutive years, respectively.
- Pioneer of global smart home solutions: Capitalizing on the Company's full-range home appliances products, the Company is recognized by Euromonitor as one of the first in the industry to introduce smart home solutions. Leveraging the Company's connected home appliance products and partners, supported by Haier Smart Home APP and Haier Smart Home Experiential Cloud Platform, with integration of experience centres and franchised stores, the Company provides users with smart home solutions for a variety of application scenarios, satisfying their pursuit for a better life.

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

### Smart Home Business in China

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

- Household Food Solutions (Internet of Food): The Company provides users with refrigerators, freezers, kitchen appliances and other products through domestic market sales and exports. Leveraging the connectivity amongst products, the Company is able to provide users with value-added dietary solutions featuring a combination of products and services including smart cooking and nutrition planning in order to meet users' demands for convenience, wellbeing and taste.
- Household Clothing Solutions (Internet of Clothing): The Company provides users with washing machines, dryers and other products through domestic market sales and exports. Leveraging the connectivity amongst the Company's smart products, the Company is able to provide users with value-added laundry solutions featuring a combination of products and services in order to meet users' demands for washing and caring of apparels.

## Section III Management Discussion and Analysis

- Household Air Solutions (Internet of Air): The Company provides users with residential air-conditioners, commercial air-conditioners, purifiers, ventilation systems and other products through domestic market sales and exports. Leveraging the connectivity amongst the Company's smart products, the Company is able to provide users with smart air solutions in order to meet users' demands for temperature, humidity, cleanliness and freshness.
- Household Water Solutions (Internet of Water): The Company provides users with electric water heaters, gas water heaters, solar water heaters, heat pump water heaters, POE water purifiers, POU water purifiers, water softening equipments and other products through domestic market sales and exports. Leveraging the connectivity amongst the Company's smart products, the Company is able to provide users with smart water solutions in order to meet users' demands for water purification, softening and heating.

### Overseas Smart Home Business

In addition, the Company also manufactures and sells a comprehensive portfolio of home appliance products and provides value-added services in more than 160 countries and regions, including North America, Europe, South Asia and Southeast Asia, Australia and New Zealand, Japan, Middle East, and Africa.

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

At present, the overseas smart home business of the Company has entered a stage of promising growth, having achieved a multi-brand, cross-product, and cross-regional presence on a global basis. According to Euromonitor, the Company's share of the global market (retail volume) for major home appliances in key regions in 2021 is as follows: ranked first in Asia with a market share of 20.4%; ranked second in America with a market share of 15.1% and ranked second in Australia and New Zealand with a market share of 11.6%. The Company ranked third in Middle East and Africa with a market share of 7.4% and ranked fourth in Europe with a market share of 8.1%.

### Other Businesses

Building on its established smart home businesses, the Company has also developed parts and components, small home appliances, channel distribution and other businesses. In particular, the parts and components business mainly involve procurement, production, and sales of upstream ancillary components for home appliances. The small home appliance business primarily involves small home appliances designed by the Company, produced by outsourced third-party manufacturers and sold under the Company's brands and products serving to enrich the Company's smart home solutions. The channel distribution business primarily offers distribution services for products such as televisions and personal electronics products for Haier Group or third-party brands, which leverages the Company's sales network.

## Section III Management Discussion and Analysis

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

### (I) Industry overview for the first half of 2022

#### 1. *The Chinese market*

In the first half of 2022, demand was sluggish in the domestic home appliance market due to economic slowdown, weakened consumer confidence, real estate market downturn, and pandemic containment measures which impacted offline sales, distribution, and installation. Data from CMM showed that the retail sales of the China's home appliance market (excluding 3C & digital products) in the first half of 2022 was RMB397.951 billion, down 9.89% year-on-year. At the same time, high commodity prices have dragged down industry's profit margins.

#### **Retail sales declined year-on-year in refrigerators, washing machines and air conditioners, while emerging categories including tumble dryers continued to grow.**

(1) Retail sales of **the refrigerator and washing machine industries** reached RMB43.667 billion and RMB32.671 billion in the first half of 2022, down 5.26% and 8.34% year-on-year, respectively. Instead of competing over prices, leading players' focus on user experience and R&D-driven product innovation has contributed to a steady increase in average prices, in particular in offline channels. According to CMM, average retail price of refrigerator and washing machine across online and offline channels have surged 12.87% and 9.99% respectively. In addition, benefiting from the rise in consumer demand for food storage during the pandemic, retail sales of freezer increased 12.12% to RMB7.394 billion.

(2) **Air conditioner industry** was impacted by the real estate market slowdown and lower temperature in May and June, retail sales reached RMB84.24 billion in the first half of 2022, down 14.09%. After the price war in 2019, competitions have become more rational, and average prices of the industry rose 7.46% year-on-year. (3) **Traditional kitchen appliances** such as range hoods and gas stoves recorded negative growths impacted by the cooling real estate market, increasing penetration and competition from integrated stoves. Data from CMM showed that in the first half of 2022, retail sales of range hood and gas stove dropped 14.95% and 9.41% year-on-year respectively to RMB16.754 billion and RMB10.999 billion. (4) Retail sales of integrated stoves amounted to RMB11.783 billion, representing an increase of 6.54% year-on-year. (5) **The water heater industry** was impacted by the downturn of the real estate market, retail sales in the first half of the year amounted to RMB27.327 billion, down 13.90% compared to the same period in 2021. (6) Emerging categories such as **tumble dryers, dishwashers and residential central air conditioners** continued to grow. According to data from CMM, retail sales of dishwashers reached RMB5.567 billion in the first half of 2022, a growth of 7.43% year-on-year. Retail sales of tumble dryers amounted to RMB4.361 billion, a surge of 41.08% over the same period in 2021. (7) **Small kitchen appliances** are consumer discretionary in nature with high penetration, industry demand is cooling. According to AVC, retail sales of such products reached RMB26.38 billion in the first half of 2022, down 4.9% year-on-year.

## Section III Management Discussion and Analysis

**Although demand remains suppressed in the short term, industry upgrade continues to happen on health, smart, and green energy.** According to AVC, retail sales of refrigerators above RMB10,000 per unit, washing machines above RMB10,000 per unit and air conditioners above RMB15,000 per unit have grown against the headwind by 10%, 12% and 17% respectively in the first half of the year. For instance, (1) consumers increasingly favoured large-size refrigerators and “refrigerator + freezer” combos, with features of freshness preservation, sterilization, and odour control. According to CMM, for the first half of the year, 500 litre refrigerators accounted for 62.3% of the industry’s total retail sales offline, up 7.5 percentage points year-on-year; and accounted for 41.6% of total retail sales online, a year-on-year increase of 5.7 percentage points. Market demand for self-cleaning, disinfection cabin and fresh air features of air conditioners were on the rise too. (2) Consumer demand for effective space utilization, consistency in design and smart technologies continued to grow, with increasing attention on design and installation of home appliances and decorations. On one hand, this has promoted the rapid growth of new categories such as “built-in refrigerators, built-in washing machines, residential central air conditioners” and according to statistics of China IoL, residential central air conditioners’ output reached RMB18.853 billion in the first half of 2022, representing a year-on-year growth of 7.78%. On the other hand, this has contributed to the growth in suite products. In addition, young consumers in their twenties and thirties are less willing to engage in complicated home furnishing, resulting in a growing demand for one-stop solutions of home furnishing, home improvement and home appliances.

Leading player continued to capture market shares by leveraging technological innovation, brand, and extensive distribution network. Industry concentration continued to increase. According to AVC, the combined offline shares of the top three players in refrigerator, washing machine, air conditioner, water heater and range hood reached 70%, 80%, 84%, 60% and 65% respectively. Those equipped with superior R&D, design, and distribution capabilities for suite products were better positioned to acquire and convert user traffic, increase user value, and accumulate goodwill.

Online retail sales accounting for 53.8% of total sales. Offline chain retailers were challenged as foot traffic and store expansions were restricted by pandemic containment measures. Appliance sales in home improvement channels achieved rapid growth benefitting from user traffic during home renovation and the capability of providing one-stop solutions integrating appliances with home furnishing. As user’s time is becoming increasingly fragmented, traffic has gradually migrated to content platforms such as TikTok, Kuaishou, Xiaohongshu, bilibili, and Zhihu, who have become vibrant sites for product promotion. In addition, consumption preferences continued to differ, high-end products gain significance offline while consumers tend to look for value-for-money items online, leading to faster growth in mid to low-end markets.

## Section III Management Discussion and Analysis

**The government issued policies to promote home appliance consumption and upgrade.** Incentive programmes targeting home appliance consumption have been launched by several municipal governments in the second quarter of 2022. In July 2022, the Ministry of Commerce issued the “Notice on Several Measures to Promote the Consumption of Green and Smart Home Appliances”, which introduced measures to encourage consumption upgrade of green and smart home appliances, including launching a nationwide home appliances “trade-in” campaign, promoting green and smart home appliances in villages and townships, expanding consumption scenarios to enhance consumption experience, and optimizing the supply of green and smart home appliances.

According to statistics from General Administration of Customs, China’s total exports of home appliances in the first half of 2022 amounted to RMB283.3 billion, down 8.2% year-on-year. Refrigerator exports amounted to RMB28.6 billion, down 11.8% year-on-year; washing machine exports reached RMB8.8 billion, down 13.2% year-on-year; air-conditioner exports totalled RMB34.1 billion, down 1.6% year-on-year. Such reduction was also due to an extent, the higher base of China’s home appliances exports in the corresponding period in 2021.

### 2. **Overseas markets**

In the first half of 2022, consumption volume was weakened by high inflation with consumer confidence reduced by economic slowdown overseas. The University of Michigan’s Consumer Sentiment Index dropped from 68.30 in December 2021 to 47.50 in June 2022. In the second quarter of 2022, shipment of core appliances in European and U.S. home appliance markets recorded a single-digit decline year-on-year. The rise of product prices has contributed to growth in the industry’s retail sales.

- (1) **The U.S.:** In the first half of 2022, the home appliance industry was challenged by supply chain shortages and high inflation. According to AHAM (Association of Home Appliance Manufacturers), the total shipment of the U.S. home appliance market fell 6.5% year-on-year in the first half of 2022, with the shipment of core appliances down 5.3%. However, total shipment value of home appliances increased 3.8% while core appliances’ shipment value grew 4.2%.
- (2) **Europe:** Influenced by inflation and rising energy prices, products with class A energy-efficiency were more favoured by consumers. Sales volume remained flat year-on-year as consumer confidence in Western Europe declined. According to GFK, to cover the cost inflation caused by rising commodity prices, average unit prices of white goods have increased by 9%, and retail revenue of the industry has grown 4.9% year-on-year. Record level temperatures this summer also contributed to the robust revenue growth of air conditioners.

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- (3) **South Asia:** In India, GDP began to rebound in the second quarter of 2022. Health-conscious and large-size products remained popular and high-end demand was robust. The overall retail sales in Pakistan have tumbled by 8% in the first half of the year, with sales volume dropped by more than 10%. Average prices have hiked 5%– 10% to mitigate the pressure brought about by currency fluctuations and rising raw material costs.
- (4) **Southeast Asia:** According to GFK: Thailand's home appliance industry was sluggish due to inflation and currency depreciation. Sales volume of refrigerator fell 9.3% in the first half of the year. Sales volume of residential air conditioner dropped 9.9% in the first half of the year due to economic downturn and an early monsoon season, which also resulted in 30% volume decline in second quarter. Market demand continued to polarize with mid to low-end consumers focused on meeting their basic needs, while mid-to high-end market opted for variable-frequency air conditioners, large-capacity refrigerators and washing machines.

Retail volume in the Indonesian market grew 8.7% year-on-year.

- (5) **Australia & New Zealand:** According to distributor's data, sales revenue of home appliance industry in Australia has grown 10% year-on-year. High inflation, escalating shipping cost and supply chain shortages caused the average unit price to surge 20%.

GDP fell 0.2% in New Zealand in the first half of 2022, lower consumer confidence and rising food and fuel prices have forced consumers to cut back on big ticket items such as home appliances. Distributors' data estimated that industry sales revenue have dropped by 2.7%

- (6) **Japan:** The industry was challenged by the sharp depreciation of the yen, escalating prices of energy and food, and the decline in disposable income. According to GFK, the combined sales volume and sales revenue of freezer, refrigerator and washing machine increased by 1% and 4% respectively in the first half. Consumers have increased demand for large-size, health-conscious and energy-saving products, such as large refrigerators with outstanding freshness preservation performance, a second freezer, and large front-load washers with low noise level.

### (II) Industry Outlook for the second half of 2022

#### 1. *The Chinese Market:*

In the second half of 2022, stabilizing economy and the implementation of policy incentives will help restore market confidence and propel recovery. Commodity prices have slumped since the second quarter, which is conducive to easing cost pressure and improving profitability. CMM forecasts retail revenue of China's major home appliance market will grow 3%, reaching RMB320 billion in the second half of 2022.

Looking ahead in the second half of 2022, although commodity and shipping costs continue to drop and foreign trade stabilization policies are gradually taking effect, given the high base volume in 2021, the trend of export market is projected to be neutral.

### 2. **The Global Market:**

In May 2022, the United Nation's World Economic Situation and Prospects Report lowered the projected growth rate of the global economy from 4% earlier in the year to 3.1%. Global inflation is expected to jump to 6.7% in 2022, which is twice the average in 2010–2020. However, there are new opportunities amid challenges. Energy-saving and environmentally friendly home appliances, along with alternative energy heat pumps, have become new growth drivers. The trend of smart connectivity is also catching on in the industry.

Chinese home appliance players with comprehensive brand portfolio, advanced R&D and manufacturing capabilities, extensive localized distribution networks, and efficient management are positioned to gain share globally.

## II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

✓ Applicable  Not Applicable

The Company has established a solid strategic presence and competitive advantage in China and overseas markets. In China's major home appliance market, the Company has long maintained a leading position across all product categories. According to CMM's report, the Company has established a continued leading market position in key major home appliance categories in 2021. In overseas markets, the Company has adhered to its high-end brand creation strategy, building capacity to create leading sustainable growth, which has continuously improved its market shares. Building on this foundation, the Company will further consolidate its leadership position in the industry by leveraging integrated synergies of its global unified platforms, through efficiency transformations driven by digitalization, and by leveraging its technological strengths and innovative capabilities. As cornerstone for sustainable development, the Company's 'Rendanheyi (人单合一)' Model also provided management guidance to the Company to replicate successful experiences. It is believed that the following advantages will help the Company to continue to strengthen its leading position:

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

Riding the trend of consumption upgrade in China, the Company started to develop the high-end brand Casarte in the Chinese market more than 10 years ago. The creation of high-end brands required not only focus, experience, and patience, but also continuous innovation of technological standards and differentiated service capabilities to fulfil user demand for high-quality experiences. The Casarte brand combined the Company's global technological strengths, product development capabilities and manufacturing craftsmanship, as well as privilege marketing and differentiation services, and has gradually won the trust of users in China's high-end market. According to statistics from CMM, the Casarte brand has assumed a definitive leading position in China's high-end major home appliance market, ranking first in the retail sales of refrigerator, washing machine and air conditioner categories in the high-end segment. In the first half of 2022, in terms of offline retail sales, shares of the Casarte brand of washing machines and refrigerators reached 75.2% and 38.6% respectively in the market with product price above RMB10,000 per unit in China, while its share of air conditioners priced above RMB15,000 per unit in the China's market reached 31.2%. The Company's overall average price for refrigerators, air conditioners and washing machines was roughly two to three times the average price of the industry.

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In the North American market, the Company owns high-end brands such as Monogram, Café, and GE Profile. The Company has enhanced its high-end brand profile through launch of products such as professional gas range, large multi-door refrigerators, ultra-fresh dishwashers with stainless steel interior, Opal ice makers, and automatic espresso machines. CAFÉ BELLISSIMO Espresso Machine was named in CBS News (a renowned media outlet in the United States) Best Mother's Gift, GE Profile new Kitchen Hub received 30s Choice Award from NKBA (National kitchen & Bath Association). Through the creation of luxurious, customizable, and smart technology-enabled user experience, high-end Monogram, Café and GE Profile have grown rapidly. In the first half 2022, three high-end brands recorded over 40% revenue growth.

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

As users continued to demand for higher living quality, coupled with the development of technologies such as Internet of Things, big data, cloud computing and artificial intelligence, the industry has shown a smart and high-end development trend that prioritized product suites, based upon scenarios, and home appliances integrated with home furnishings. With leading user insights, extensive product coverage and technological accumulation from intelligent AI algorithms, home big data and IoT equipment technology, the Company provided scenario solutions such as food storage and cooking management, clothes laundry and mix-and-match management, whole-house air comfort and purification management, and healthy drinking water management for five major spaces at home, including the living room, kitchen, bathroom, bedroom and balcony, thereby 'Designing a home, building a home, and serving a home' for users.

Three-Winged Bird stores provided users with scenario solutions that integrates smart home appliances and smart home furnishings, and through having a service steward to attend to the needs of users throughout the process, through coordination and arranging with the internal specialised team, providing users with a whole-process service that comprised design and implementation, building materials selection, as well as installation and fulfilment. For example, the Three-Winged Bird kitchen scenario solution could provide users with a whole-process service from a suite of smart kitchen appliances to cabinet design, delivery, installation, and fulfilment.

Based on the Haier Smart Home Brain platform, users could upgrade the functions of smart home appliances, enjoy services such as professional fitness training, recipe recommendations, purchase of ingredients through refrigerator, automatic selection of laundry programs, and personalized scenarios through interfaces including the Haier Smart Home App and the Xiaoyou Speaker. In the future, the Company will continue to address the needs of user experience, and to further improve and enrich the smart home solutions provided by the Company. Through scenario solutions and ecosystem services, the Company will provide lifelong services for users and further enhance users' loyalty.

### **(iii) Extensive and solid global presence with localized operational capability**

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

The Company's extensive global presence depends on its localized business teams as well as its flexible and autonomous management mechanisms established in various overseas markets, which have enabled the Company to gain rapid insights and respond swiftly to local user demands. The Company also proactively integrates into local markets and cultures and has established a corporate image that is recognized by local communities in the overseas regions where the Company operates.

In 2021, the Company operated 10 R&D centres, 122 manufacturing centres, and 108 marketing centres around the world, and achieved a coverage of nearly 130,000 points of sales in overseas markets.

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

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

### **(v) Cross-border acquisition and synergy realisation capabilities**

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

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

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

- **Global collaborative R&D:** The Company has a global collaborative R&D system and has established global technology R&D mechanisms to share common modules, utilize common technologies, and share patents within the scope of compliance. For example, ① the Company successfully applied the direct-drive motor technology developed by Fisher&Paykel to the Casarte brand of washing machines and achieved satisfactory results. ② integrating global R&D platform resources and leveraging technologies around the globe, such as China's product structures and hydraulic technology, Japan's functional design technology, New Zealand's driver system, and the American control system, the Company launched the GE brand's large-volume front-load washers in the U.S. market, which has led to increases in both the market share and average price of washing machine products in the U.S. market.
- **Global collaborative product development:** The Company has established a global product development mechanism to coordinate global collaborative product development, which can enable regional collaboration and supplementation across product categories. For example, the Company successfully supported GE Appliances to relaunch water heater business: the development teams in North America and China are highly integrated, benchmarking the differences in standards between Haier and products in North America. Haier's R&D advantages were combined with GE Appliance's quality assurance system to jointly develop the product. The resulting electric water heater product has achieved industry leadership in terms of design, manufacturing, and inspection, with annual sales of more than 50,000 units, thus providing solid support for GE brand's water heaters to successfully enter the North American market.
- **Global collaborative procurement:** The Company's global procurement activities are coordinated by its global procurement guidance committee. By leveraging the Company's global procurement operations platform, the Company's operating divisions in different regions can share global procurement resources, thereby achieving economies of scale.
- **Global collaborative supply chain:** The Company has a visualizable and digitalized global supply chain management system, which has enabled flexible deployment of global production capacity, and sharing and collaboration in the development of smart manufacturing technologies.
- **Global collaborative marketing and brand promotion:** The Company operates a multi-level brand portfolio on a global scale, which can realize global collaborative brand promotion. The Company also promotes and introduces successful marketing strategies among regional markets around the world. For example, the Company successfully replicated its sales and marketing model from third and fourth-tier markets in China, in markets such as India, Pakistan, and Thailand, which have strengthened the Company's brand image and its regional market competitiveness.

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

To ensure better living experience for users, the Company has established a global leading R&D system under the premise of developing original technologies, thereby using original technologies to support the overall industry-leading positions of the Company's high-end brands, scenario brands and ecosystem brands.

- Leadership in terms of patent quality: As of the end of June 2022, Haier Smart Home has accumulated more than 83,000 patents applications globally, of which there were more than 53,000 invention patents which accounted for more than 63%. The number of overseas invention patents, which have been obtained in 30 countries, exceeded 15,000, making us the Chinese home appliance enterprise with the largest number of overseas patents.

Haier Smart Home won 1 more gold award in the 23rd China Patent Gold Awards. Having obtained 11 state patent gold awards, Haier Smart Home ranked first in the domestic market.

In the 'Global Smart Home Invention Patent Ranking' in the first half of 2022, Haier outran its counterparts from all over the world with 2,655 published patent applications, ranking first in the world for seven consecutive years. There were 20,298 published patents for the smart home segment.

- Leadership in terms of international standards: As of June 2022, Haier Smart Home has cumulatively led and participated in formulation of 82 international standards and has issued 611 state/industrial standards, among which 389 were state standards and 222 were industrial standards.

It is the only company in the industry to obtain comprehensive coverage in the five major international standard organizations, namely the IEC, ISO, IEEE, OCF and Matter. It is also the only enterprise in the world to serve on the Council Board (CB) and Market Strategy Board (MSB) of IEC, its two highest management authorities, at the same time, which have enabled the Company to stay actively involved in international standardization work and have a voice in the formulation of standards.

- Leadership in terms of original technologies: The Company has innovated a range of solutions that exceeded users' expectations, such as the launch of the Casarte's 'simultaneous five-ring fire' gas stove, which enlarged the pot heating area by 40% through the use of multi-ring uniform combustion system, ingredients in the pot could therefore be more evenly and comprehensively heated. The Company also introduced the Casarte's Zhongzihemei all-in-one laundry machine that could perform the three functions of washing, fabric-caring and drying in the same machine; through continuous iteration of original technologies, it solved the three major pain points of high-end washing, drying and fabric-caring. We therefore created a new product category in the laundry industry and has continued to increase our market share of high-end washing machines.

## Section III Management Discussion and Analysis

In January 2022, the National Development and Reform Commission of China announced the list of national engineering research centers to incorporate new sequence management. The National Engineering Research Center for Digital Home Network built by Haier successfully passed the selection for optimization and integration. The center has achieved a number of breakthroughs in resolving bottlenecks in core and key technologies constraining the development of smart home appliance industry, especially in the application of three key areas: operating system, artificial intelligence and SOC chips.

Our HOPE platform, as Haier's window for external technology collaboration, tracks, analyses and researches technologies closely related to industry development that are 3-5 years ahead of time, and promotes the industrialization of related technologies, continue to build on the core methodologies of user insights, demand analysis, technology analysis and resource assessment, while brings together the supply and demand side of technologies, knowledge and creativity, providing interactive scenarios and tools to facilitate the creation and iterations of innovative products/scenarios. Taking Haier's air conditioner's 'variable shunt technology' as an example, through collaboration with relevant experts, 36 patents have been applied for the technology, including 4 PCT international patents. According to results from a real device test conducted by CHEARI (Beijing) Certification & Testing Co. Ltd., the energy- efficiency of a 1.5 HP Haier variable refrigerant flow air conditioner is 12% higher over a period of one year than that of an air conditioner with the new national standard of first-class energy efficiency with same power level.

### **(viii) Staying committed to the principle of 'value of people comes first'**

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

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

### III. DISCUSSION AND ANALYSIS ON OPERATIONS

Amid the challenging first half of 2022, the Company leveraged strengths in high-end brands, overseas proprietary brands while accelerating digital transformation, to deliver solid results.

In the first half of 2022, the Company realized sales revenue of **RMB121.858 billion**, representing an increase of **9.1%** year-on-year. The growth was driven by: (1) strengths of high-end brands, suite products and scenario-based solutions in the Chinese market which enhanced user value; (2) overseas market share gain supported by localized “R&D, manufacturing & sales” and global integration; (3) expansion in distribution network and accelerated digitalization which improved customer acquisition and conversion.

In the first half of 2022, net profit attributable to the owners of the parent company reached **RMB7.949 billion**, representing an increase of **15.9%** compared to the same period of 2021.

- (1) The Company's gross profit margin reached **30.2%**, up **0.2** percentage points year-on-year, driven by product mix upgrade with enhanced competitiveness, effective supply chain cost management, streamlined SKUs supported by integrating R&D and distribution; improved management of tier 2 & 3 suppliers, increased level of in-house produced components, all of which aimed at improving the Company's competitiveness of the entire value chain.
- (2) The Company's selling expense ratio was **14.4%**, representing a reduction of **0.6** percentage points year-on-year. The optimization was due to digitalization aiming at improve marketing precision and efficiency; integrating manufacturing, distribution & logistics to improve fulfilment efficiency and optimize inventory turnover; replacing service dispatch centres with system's direct matching of user request and maintenance personnel; accurate prediction of manufacturing and storage of spare parts & components using algorithm to reduce spare parts expense ratio<sup>1</sup>.
- (3) The Company's administrative expense ratio was **4.2%**, representing a reduction of **0.3** percentage points year-on-year, because of digital reform and process redesign.
- (4) The Company's financial expense ratio was **-0.2%** (represented as financial income for the period), optimized by **0.5** percentage points year-on-year. This was due to the increase in interest income from the Company's improved capital management and the increase in foreign exchange gain from the optimization of foreign exchange management.
- (5) In the first half of 2022, the Company's net cash inflow from operating activities was **RMB5.964 billion**, a drop of RMB2.478 billion year-on-year; in the second quarter, the Company's net cash inflow from operating activities amounted to RMB4.809 billion, a surge of 316.5% compared to the first quarter. ① In the first quarter, the Company's net cash inflow from operating activities decreased by RMB1.714 billion year-on-year, which was due to increase in commodity inventory and chips procurements in China, reduced payment collection amid pandemic, and increased stockpiling caused by overseas logistics constraints. ② The net cash flow generated from operating activities in the second quarter decreased by RMB764 million on a year-on-year basis, mainly due to the increase in cash expenditure for purchasing goods and services in overseas business due to the sharp rise in raw material prices and shipping fees, as well as the increase in product and raw material stock due to the growth of overseas business and the construction of new factories overseas.

<sup>1</sup> Spare parts expense ratio: the costs of spare parts used for maintenance divided by revenue.

## Section III Management Discussion and Analysis

### (I) Smart Home Business in China

In the first half of 2022, smart home business in China achieved sales revenue of **RMB64.763 billion**, representing an increase of **12.7%** year-on-year. Operating profit grew by **27.7%** to **RMB4.944 billion**. The revenue growth was attributable to the Company's increase in market shares across the board, strong momentum of Casarte, network expansion and enhancement in customer acquisition and conversion.

#### 1. Household Food Storage and Cooking Solutions

##### (1) Refrigerator and Freezer Business

In the first half of 2022, the refrigerator and freezer business achieved sales revenue of **RMB21.744 billion**, a year-on-year increase of **13.3%**, with market share gains and strengthened high-end leadership. According to CMM, Haier's offline market share increased 2.7 percentage points to 43.3%, online market share went up 0.4 percentage points to 39.2%, and offline market share of products above RMB15,000 per unit amounted to 53.1%, up 9.9 percentage points year-on-year.

Casarte focused on kitchen aesthetics and cell-level freshness preservation and introduced the seamless built-in series meetings consumers' demand for large capacity, appealing design, and combination of multiple units. Casarte's built-in products achieved revenue growth of 36% year-on-year, contributing to RMB1,000 increase in average price per unit.

The Company published Built-in Refrigerator Standards 3.0, which upgraded the standards for seamless built-in refrigerator and spearheaded the development of built-in products and kitchen aesthetics in the industry. During the reporting period, seamless built-in technology obtained 155 invention patents and passed the UL certification in the U.S., and consolidated the Company's advantages with its heat dissipation efficiency and flexibility in assembling.

Haier brand adhered to technological upgrades in precise cooling of storage zones, image recognition, and intelligent voice interaction, in order to drive the growth of high-end products such as Boguan (博观) series; according to CMM, Haier brand alone accounted for 9.5% of the retail share of products with price per unit above RMB10,000. During the reporting period, Haier brand pioneered the industry with the launch of a refrigerator containing a freezing capacity of 265 litres to meet users' need for larger storage space. The Company was chiefly responsible for the drafting of IEC International Refrigerator Preservation Standards and the "Level 1 Healthy Preservation" Standards 2.0, and led the development of preservation technologies based on international standard to address healthy diet concern. The Company has made technological breakthrough with the "bottom-based refrigeration system", featuring "zero-temperature-fluctuation, zero-air-blow, and zero-delay" to ensure the freshness of food. This technology has obtained 236 invention patents and passed the European VDE certification and the American UL certification.

## Section III Management Discussion and Analysis

During the reporting period, the Company focused on cell-level freezing and preservation technology to grasp the surge in demand for upright freezers. Sales revenue of freezers in the domestic market grew by **15%**.

The Company also catered to demands for additional refrigeration devices, with the introduction of fridge + freezer (ice bar) and fridge + wine cooler sets.

The Company continued to iterate high-end products, grasped the market opportunity for larger volume refrigerators, high-end T-door refrigerators and French door refrigerators accounting for over 70% of total export revenue, which helped export business outperform the industry.

### (2) ***Kitchen appliance business***

During the reporting period, China's kitchen appliance recorded revenue of **RMB1.988 billion**, a year-on-year increase of **11.4%**. Revenue of Casarte's kitchen appliances grew 46.0% year-on-year, accounting for 27.1% of domestic kitchen appliance revenue, up 6 percentage points. Dishwasher grew 26.9% year-on-year, of which Casarte's dishwasher increased 54.4% year-on-year. According to CMM, the Company's offline retail share of kitchen appliances went up 1 percentage point, reaching 8% in the first half of the year, with Casarte's market share grew by 1.3 percentage points to 3.9%; overall online retail share amounted to 4%.

During the period, the Company focused on showcasing Casarte's best-selling scenarios to increase presence in home improvement channels, gaining ground in retail through forming designers' alliances, and fostering user conversion with cleaning and replacement services. The Company added 313 new Three-Winged Bird smart kitchen stores and entered 902 stores in villages and townships.

The Company continued to leverage technological expertise from GEA, FPA and Candy to establish differentiated competitiveness and gain user goodwill. (1) Casarte's range hood continued to upgrade its smart air technology, which solved the problem of poor smoke exhaust on upper floors and allowed customization of air flow volume according to users' environment. (2) The performance of built-in ovens, steamers and integrated steam ovens continued to improve. The precise and constant temperature control technology enabled consistent baking quality and ensured similar colour and taste of every layer during multi-layer baking. (3) Casarte's Zhongzihemei (中子和美) dishwasher is equipped with FPA direct-drive motor on the upper drawer, and a sterilizer in the lower drawer with medical-grade light wave pasteurization, addressing growing demands for cleansing and caring of fine tableware.

## Section III Management Discussion and Analysis

### 2. Household Clothing Solutions

During the reporting period, the Company's washing machine business achieved sales revenue of **RMB14.784 billion**, representing a year-on-year increase of **14.1%**. According to CMM, the washing machine business continued to lead the industry in terms of market share. Online and offline shares by retail revenue were 40.2% and 45.9% respectively, of which, the share of offline retail revenue grew 3.3 percentage points year-on-year.

During the period, the Company launched Casarte's Zhongzihemei (中子和美) washer and dryer combo, which integrated washing, drying and clothes caring functions while sharing realtime data of each process, it was designed to reduce creases, wear & tear while using lower level of energy. Air Wash with negative ion was also used to enhance experience by removing wrinkles, odour, and bacteria. Zhongzi series adopted an all-flat design that perfectly blended in with the home environment. According to CMM, the Company has 75% of market share of washers above RMB10,000 per unit, demonstrating a leading advantage in the high-end market.

In addition, the Company continued to expand the tumble dryer business. In the first half of the year, domestic revenue of dryers grew 94% year-on-year. To solve the pain points of incomplete drying and tangled laundry, the Company pioneered the dual-engine heat pump technology, to keep the laundry untangled and evenly heated, thus greatly improved user experience. In addition, the Company has optimized its supply chain and started building a new dryer factory in Shanghai which is expected to add 2 million units in capacity. During the period, the Company's dryer business ranked No.1 with offline retail share of 37%, up 5 percentage points year-on-year. Online retail sales skyrocketed 108% year-on-year.

During the period, despite pandemic outbreak, rising shipping costs and currency fluctuations overseas, the washing machine business remained committed to brand premiumization and product mix upgrade, meeting the needs of overseas users with differentiated products. According to China IoL, the Company achieved growth despite declining revenue and volume in the sector. Export volume rose 11.5%, accounting for 26.2% of market share, and export revenue grew 2.7%, accounting for 23.9% of market share.

### 3. Air Solutions

During the reporting period, the Company's air conditioner business achieved revenue of **RMB19.46 billion**, an increase of **10.3%** from the same period in 2021.

#### (1) Residential air conditioner business

The residential air conditioner improved operational efficiency by accelerating network expansion. Online and offline domestic market shares continued to grow. According to CMM, the Company's offline retail share of air conditioners (standing & wall-mounted units) increased 3.96 percentage points to 19.84% in the first half of 2022, whereas online retail share rose 0.9 percentage points to 14.1%. Meanwhile, retail share in the offline high-end market (wall-mounted units priced above RMB4,000 per unit and standing units priced above RMB10,000 per unit) reached 25.5%, an increase of 6.3 percentage points. Residential central air conditioner continued to grow rapidly: according to China IoL, the Company's share of residential central air conditioners was 15.88%, an increase of 1.55 percentage points year-on-year. Overseas business also boomed, data from China IoL showed that the Company's export revenue increased 32.26% in the first half of 2022.

During the reporting period, the Company launched 'Haier polymerized ionic Air Wash' wall-mounted air conditioner with innovative air flow structure for improved experience, and it can remove seven types of air pollutants including PM2.5, while increasing humidity and negative ions.

During the reporting period, the Company's residential central air conditioner recorded revenue growth of 38%. The Company launched "Tianfudishui" (天氟地水) series with ultra-low refrigerant noise and high cooling efficiency, the air conditioner, floor heating and ventilation system could be controlled on the same screen, making this product the focal point of air solutions at home.

The Company improved in-store product display, by demonstrating cooling & heating speed, low noise level and sterilization features while gaining goodwill by providing air conditioner cleaning services in the lower tier market. More than 2,800 new franchise outlets were added in the first half of the year. On the e-commerce channel, the Company concentrated on creating best-sellers such as 'Machinist' series to capture mid to high end markets opportunities. The Company also enhanced presence in lower-tier markets with 30% increase in the number of outlets.

In the first half of the year, Haier's residential air conditioner registered a growth of 32.6% in export revenue. The rapid growth was due to the Company's commitment to health-conscious products. The LED-UVC module in Haier's health-boosting air conditioners can emit ultraviolet rays, it was verified by Texcell in France for its 99.998% inhibitory effect on the COVID-19 virus. The Company also enhanced competitiveness of its export business by integrating product platforms and optimizing SKU portfolio.

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Significant improvement in profitability of residential air conditioner was achieved by ① streamlining SKUs through platform integration, with 17% increase in revenue contribution per SKU. ② implementing supply chain forward integration to increase the in-house manufacturing of five modules including circuit boards, thus, reducing material cost by 5.5 percentage points. ③ establishing a full process cost committee, upgrading the databases of material suppliers, module suppliers, and technical suppliers, and building lean cost models to improve individual model's gross profit margin. Taking the components of tube modules as an example introducing lean cost model has saved over RMB16 million.

### (2) **Commercial air conditioner business**

The Company provided users with customized solutions to quickly grasp market opportunities, leading to a **26.1%** revenue increase in the domestic commercial air conditioner business. In the domestic market, the Company's share increased 0.9 percentage points year-on-year to 10.4% in the first half of the year. The Company ranked second in the export market with 16% market share, up 1.5 percentage points year-on-year.

During the reporting period, the Company continued to innovate IoT central air conditioners and spearheaded the industry development in energy efficiency performance. The Company also made breakthroughs in compressor and high-speed frequency inverter technologies. ① The Company's EVI MRV has undergone upgrade with low-temperature heating performance improved by 30% and stable performance under 56°C. The application of smart IoT technology not only realized remote control, centralized coordination, and separate billing, but also performed load prediction and real-time monitoring of refrigerant quantity through big data analysis. The 600,000-square-meter Shandong University Industry Science Park project in Jinan has a glass structure with high demand for heating and Haier's customized IoT-based VRF units perfectly solved the difficulties of significant difference in drop height and placement of outdoor units and fulfilled the needs for separate billing and intelligent energy-saving. ② The Company introduced the air-cooled modular chiller, with room-temperature unit that can produce heat under the full-working condition of -15°C to 50°C to cater to the heating and cooling demand of offices, hotels, hospitals, schools and others scenarios, whereas the low ambient temperature unit can achieve a water discharge temperature of 45°C at -35°C, meeting heating demand under extremely cold conditions. ③ Luxshare ICT's production site required high precision in temperature and humidity, Haier provided a comprehensive energy-saving solution of 151 water-cooled magnetic bearing centrifugal chiller units, thus laying down foundations for long term strategic partnerships. ④ In response to the market opportunities from clean energy replacement initiated by the "carbon peaking and carbon zero" strategy, the Company introduced building energy saving, manufacturing engineering energy saving and waste heat recovery solutions, and grew this business by 26% in the first half of the year.

## Section III Management Discussion and Analysis

Export revenue of the Company's commercial air conditioners rose 32% in the first half of the year, attributable to: ① The implementation of carbon neutrality policy in the European Union has fuelled consumer demand for heat pumps, the Company quickly seized the market through its comprehensive HVAC channels and doubled its revenue. ② In the American market, the Company developed the market for multi-split products through its localized brands. ③ In the Southeast Asian market, the Company built a professional workforce to make headway in the water chiller market and established competitive edge with water-cooled magnetic bearing centrifugal chiller units in Thailand.

### 4. Household Water Solutions

During the period, the Company's water heater and water purifier business achieved revenue of **RMB6.786 billion**, an increase of **15.3%** year-on-year.

#### (1) *Water heater*

During the reporting period, the Company continued to strengthen its leading advantages. The offline retail share of the Company's water heater business was 30.6%, an increase of 3.5 percentage points year-on-year; online retail share was 33.7%, an increase of 3.4 percentage points year-on-year. Casarte consolidated its high-end market position through differentiated technologies such as crystal tank, seamless titanium tank and gas-electric hybrid system. It is one of the top three brands in the industry with market share of 13.4%.

Following the launch of the limescale-free, leakage-free, and rust-free Casarte Crystal Tank Galaxy series, the Company expanded its dual-tank product line-up meeting user demand for small-size, appealing design, and large-capacity electric water heaters. During the period, the Company's retail share of electric water heaters reached 41.7%, an increase of 2.2 percentage points year-on-year. Casarte's retail share amounted to 15.5%, a growth of 1.8 percentage points year-on-year.

Gas water heater expanded its edge through technological innovation, with revenue increase of more than 20%. During the period, the online retail share of Haier's gas water heaters reached 23.3%, up 2.1 percentage points compared to the same period of last year; offline retail share reached 22.4%, representing a rise of 3.4 percentage points year-on-year. The Company pioneered the hybrid gas/electric constant temperature technology that alternates between gas and electricity to solve users' pain points of slow heat up and inconsistent temperature by providing water at constant temperature, and create enhanced bathing experience.

During the period, the Company's air-sourced heat pump water heater has accelerated the R&D of health-oriented products which featured high water temperature, disinfection, frequency conversion and energy saving. Haier brand has consolidated its leadership with a cumulative offline retail share of over 70%, and an online retail share of 65%. Haier dominated the industry with nine out of ten best-selling models.

## Section III Management Discussion and Analysis

### (2) **Water purifier**

According to CMM, during the period, Haier's water purifier achieved a retail growth of 14.3% offline with retail share increased by 5 percentage points year-on-year and ranking the Company amongst the top three brands in the industry.

During the period, water purifiers strengthened its competitiveness through product innovation. Following the launch of Casarte's Yunzun (云樽) mineral water purifier series that solved users' pain point of lack of minerals in purified water, the Company iterated the product and introduced Yunlan (云澜) series with easy filter replacement, helping the Company ranking No. 1 in terms of market share of products above RMB5,000 per unit.

Water purifier concentrated on supply chain optimization and realized in-house manufacturing of filters, water circuit boards and injection mouldings to facilitate product development, scenario implementation and strong revenue growth.

### 5. **China operation: accelerating reform and taking the initiative to grow against the headwind.**

Facing industry downturn in the first half of the year, in particular multiple pandemic outbreaks in the second quarter, the Company managed to grow against the headwind by accelerated digitalization and distribution network expansion as well as capturing opportunities from government's consumption incentives. According to CMM, the market share of Haier's major home appliances reached 27.4% in the first half of 2022, up 2.4 percentage points year-on-year.

Selling expense ratio was optimized by 0.9 percentage points in China, leveraging reduction in cost redundancies and improvement in marketing efficiency driven by process reform and implementation of digital management tools; increase factory-to-DC fulfilment, while reducing inventory and warehousing handling to reduce logistics expenses.

#### **Strengthening distribution network to enhance competitiveness.**

- (1) Revenue from franchised channel grew **8%** driven by ① store digitalization, as of the end of June, more than 8,000 franchised stores were operating on the platform covering 90% of the entire network; digital marketing tools helped conversion rate reach 19% with total transaction value of RMB21.2 billion. ② unlocking the growth potential of weak areas through targeted deployment of staff, products, and marketing resources.

## Section III Management Discussion and Analysis

- (2) In the first half of the year, retail sales grew by **25% online**, driven by: ① integrated multiple platforms online and offline, facilitating sharing of membership privileges to maximize user value. ② continued product mix optimization, during the reporting period, 22 new products were launched online by high-end Casarte brand, contributing to 12% increase in ASP. Tmall flagship store's revenue from suite products increased 11 percentage points year-on-year, reaching 56% of total. ③ implementing order management model using algorithm to improve accuracy of order forecasting and inventory turnover, the proportion of factory-to-DC delivery increased by 8 percentage points, realizing over RMB21 million reduction in expenses. ④ strengthened presence on new retail platforms including TikTok and Kuaishou, facilitating promotions with rich contents and increases in private domain traffic. The Company has become No.1 major home appliance brand on both TikTok and Kuaishou.
- (3) In the first half of 2022, the Company's retail revenue from **home improvement channels** amounted to RMB5.1 billion, an increase of 66% year-on-year. During the reporting period, the Company formed strategic partnerships with leading players including Red Star Macalline and Easyhome Furnishing, to share marketing and user resources. The Company also established additional presence in 69 Red Star Macalline malls, 55 Easyhome Furnishing malls, 15 Yuexing Furnishing malls, 9 Ouyada malls and 185 local building materials malls.

### Strengthening multi-brand strategy to meet diversified user demands

- (1) **Casarte brand** continued to lead the high-end market with 38.6% and 75.2% share in refrigerators and washing machines above RMB10,000 per unit as well as 31.2% share in air conditioners above RMB15,000 per unit. In the first half of 2022, Casarte's revenue increased by **20.8%** with a growth of over 30% in the first quarter. Pandemic containment measures put pressure on sales and fulfilment offline in April and May, however momentum restored and growth resumed to **20%** in June as the outbreaks were gradually under control.

"Connoisseur series" and "Z series" were introduced targeting high-end and young consumers, while more efforts were made to enhance Casarte's comprehensive sets offerings, in the first half this year, revenue contribution of Casarte's product suites reached 38.6%, a year-on-year increase of 1.5 percentage points. The Company also focused on expanding home improvements related products, Casarte's tumble dryer and dishwasher grew over 50% in the first half of the year, the growth of residential central air conditioners exceeded 80%. The Company accelerated the development in home improvement channels to better meet high-end users' needs for one-stop comprehensive sets of products.

## Section III Management Discussion and Analysis

- (2) Positioned as “Gen Z’s home appliances”, **Leader** achieved 7.0% growth against the headwind. The breakthrough was made with renewed brand image and a collection of best sellers including “Bigger wind curtain” air conditioner that enjoying popularity with strong blow technology, soft wind blow and smart wind control.

### 6. The Three-Winged Bird focused on “customizing smart home living” for users and continued to grow its capabilities in “scenario solutions, the Smart Home Brain, digital platforms and the 1+N system”, to optimize scenario experience and enhance user value.

The Company continued to iterate its scenario solutions. During the reporting period, the Company launched the “1+3+5+N” whole-house complete-scenario smart solution, leveraging Smart Home Brain and whole house connectivity to fulfil users’ needs in various living scenarios. During the reporting period, sales volume of the Company’s smart devices grew 14.5% year-on-year; daily active users of smart devices surged 63% year-on-year; daily active users of scenario solutions soared 88% year-on-year from 1.5 million to 2.83 million.

Leveraging scenario experience, 1+N capabilities and digital tools, the Company enhanced in-store scenario solutions with increased user value. During the reporting period, the Company added more than 200 new Three-Winged Bird touch points, sales per square metre has increased by 8.2% to RMB21,000/year. Sales of high-end products accounted for 39.74% in Three-Winged Bird stores, an increase of 4.65 percentage points year-on-year.

## (II) Overseas home appliances and smart home businesses

During the reporting period, the Company’s overseas business achieved revenue of **RMB61.481 billion**, up **8.0%** year-on-year. Operating profit grew **13.0%** year-on-year to **RMB3.634 billion** operating profit margin reached **5.9%**, a growth of **0.2** percentage points year-on-year. The robust performance exceeding the industry was contributed by the Company’s swift action to grasp high end market opportunity under the “Rendanheyi (人单合一)” Model, i.e. high-end brands’ revenue growth of over 40% in North America. The Company also accelerated channel expansion, in particular in HVAC channel; strengthened local manufacturing capabilities by leveraging global supply chain platform; while mitigating the impact from escalating sea freight and chip shortages with global procurement negotiation, resources optimization and joint procurement.

### 1. America

In the first half, sales revenue reached **RMB37.434 billion** in the American market, a growth of **6.0%**. High-end brands recorded 40% sales increase and continued the success in the marketplace.

## Section III Management Discussion and Analysis

The Company's growth in a negative industry is attributable to long term commitment of product innovation and consumer satisfaction. The successful new launches in the marketplace include Monogram 36 inch integrated panel-ready Column refrigerator, GE Profile™ smart top load and front load washing machine, the first washer with latest Alexa built-in, GE Profile™ UltraFresh™ System Dishwasher with Microban® Antimicrobial Technology, premium brand pro-range, and GE Profile™ ClearView™ Energy Star certified window air conditioner, all of which effectively capturing consumers' demand for improved experience at home.

In the meantime, the Company dedicated to being agile, and to be the easiest to do business with. The Company established favourable customer relationships in not only national retail channel, Builder Groups & Independents, contract channel but also DTC channel, and win the flooring and continuously gain growth. The Company set up 4 special workgroups specializing in manufacture, sourcing, etc. respectively to address the rising cost pressure of H1 through leveraging global synergy platform and resources co-sharing.

The Company opened the water heating manufacturing plant in Camden, South Carolina. Through a vertical integration of the plant, the Company is able to produce high-quality water heaters out of steel coils, serving homes across the U.S. The new plant includes advanced systems for metal fabrication and welding, robotics for material handling and processing, and enamelling of the steel. 140 positions were added in the plant. The Company also opened new West Coast area distribution centre (ADC) in Dixon, California near Sacramento. This addition to the Company's distribution network will help ease supply chain congestion in the Company's ADC near the Port of Los Angeles and reduce delivery times by half for customers in northern California, southern Oregon, and western Nevada, allowing for next day delivery.

During the reporting period, GEA released its 2021 Corporate Citizenship Report, highlighting the latest progress and five bold new goals that will power the company's future work across its five core pillars: Community Engagement, Inclusion & Diversity, Operations Sustainability, Product Sustainability, and Compliance & Ethics. GEA achieved a perfect score on the Human Rights Campaign's Corporate Equality Index (CEI), earning the designation as a "Best Place to Work for LGBTQ Equality" five years in a row.

## Section III Management Discussion and Analysis

### 2. Europe

During the period, the European business achieved revenue of **RMB10.245 billion**, an increase of **12.7%** year-on-year. According to the data from GFK, the Company's market share in Europe has reached 6.8%, up 0.5 percentage points, growth in both revenue and volume ranked first in the market with share expansion in multiple categories including washing machines, refrigerators, dishwashers, and kitchen appliances. The Company's washing machines accounted for 12.7% of the market's volume, an increase of 1.6 percentage points, moved one place up to No. 2 in the industry.

During the period, challenged by high inflation, escalated energy prices and rising shipping and commodity costs, the Company continued to strengthen high-end brand strategy, accumulated consumer insight, accelerated the localization of supply chain and enhanced channel competitiveness to achieve steady growth. The Company met demand for energy-saving products with technological innovation. During the period, 905CD refrigerator and 939 washing machines were launched under Haier brand to raise average prices. Large-volume and energy saving products such as the new ultra-thin iPro7plus washing machine and 905 refrigerators have gained market recognition. The production capacity of the refrigerator factory in Romania was gradually ramping up with accumulated output of 200,000 units, contributing to the rapid growth of built-in refrigerators. In addition, new factories for dishwashers, tumble dryers and kitchen appliances in Turkey were underway. The Company also expanded the room for growth through successive launches of built-in washing machines and refrigerators in home improvement channels.

### 3. Australian and New Zealand

The Company remained committed to product premiumization and recorded sales revenue of **RMB3.49 billion** in Australia and New Zealand, up **0.9%** year-on-year, a **9.2%** growth in local currency. The share of retail revenue in Australia's mainstream channels reached 17.5%, an increase of 1.7 percentage points, while the market share of retail sales in mainstream channels in New Zealand was 37%, an increase of 3 percentage points year-on-year.

Several premium SKUs were launched under both FPA and Haier brands, adding to the competitiveness of comprehensive solutions; the Company also became No.1 in washing machine category in Australia with 28% market share while best-selling heat pump dryer achieved a record breaking 4.6 percentage points market share gain in one month.

A Specialized team was set up to capture the growth from strong housing market, particular efforts were made to develop new partnerships with interior designers while retail performance was improved with enhanced offerings featuring connectivity and IoT technologies. In addition, the Company also increased manufacturing capacity and agility of the factory in Thailand, where total output grew by 14% during the reporting period.

## Section III Management Discussion and Analysis

### 4. South Asia

During the reporting period, the Company achieved sales revenue of **RMB4.823 billion**, an increase of **22.8%** year-on-year. Among which,

- (1) The market share in India increased by 1.2 percentage points to 10.4%. The Company pressed ahead with brand premiumization and multi-brand strategic implementation, expanded the presence in high-quality channels, and improved supply chain capabilities. ① The Company implemented the multi-brand strategy of Casarte, Haier and Candy to increase the share of mid and high-end sales revenue to 46%, up 5 percentage points year-on-year. ② The Company continued to introduce products that fulfilled local needs, by integrating global design resources, the Company launched the first French door refrigerator. The Company also introduced washing machines with heating function to address users' pain points. ③ The Company enhanced presence of quality channels and expanded penetration to 70%. ④ The Company enhanced operation efficiency of the North Industrial Park and the Pune Industrial Park and developed the supply chain to improve whole-process competitiveness.
- (2) In Pakistan, the Company strengthened leadership in refrigerators, freezers, air conditioners and washing machines. The Company's overall share reached 37%, up 2 percentage points year-on-year. The Company grasped the local demand for high-efficiency and energy-saving products and launched the variable-frequency freshness preservation refrigerator series. The Company introduced the T3 air conditioner that can operate under temperature as high as 53°C, thus solving the problem of operation suspension under high temperature condition in the southern region. The Company also launched large-freezer & small-fridge refrigerator to meet large family's demand for more freezing space. The Company's penetration exceeded 70% in Tier 3 and Tier 4 markets with over 300 franchised stores.

### 5. Southeast Asia

During the reporting period, the Company achieved revenue of **RMB2.922 billion**, an increase of **11.9%** year-on-year. The Company grasped demand for large capacity and health-conscious sterilization and accelerated new product launches to grow market share.

In the Thai market, the Company accelerated high-end brand development, with the market share of T-door and French door refrigerators reaching 35% and topped the industry. The residential air conditioner UV series met the users' needs for health-conscious sterilization in the post-pandemic era, driving the retail volume share of air conditioners to 13.6%, ranking first in the industry. 601 large front-load washing machine gained leadership in the industry, retail sales of front-load washing machines surged 95% in the first half of the year. The Company upgraded retail channels and seized opportunities online, the number of store presence in Thailand's chain store channels increased by 40%, while the number of retail touch points in the Philippines grew 51%. In Vietnam, the Company streamlined sales network into district-province-county-township levels and improved the wholesale capabilities and retail efficiency. In the first half of the year, sales revenue grew 80% online in Southeast Asia market. A flagship store was launched on Lazada in June in Vietnam, the GTM system went live in Malaysia and facilitated digital management of store display, a warehouse management system was also launched in Thailand.

## Section III Management Discussion and Analysis

### 6. Japan

During the period, the Company achieved revenue of **RMB1.837 billion** in Japan, up **3.3%** year-on-year, a growth of **17.9%** in local currency. The Company's market share for freezers, refrigerators and washing machines combined reached 15%, with 15.2% in refrigerators and 42.8% in freezers, both ranked first in the industry. During the period, the Company accelerated the transformation towards mid- to high-end products, and actively expanded the line-up of medium- and large-sized products. The Company seized the refrigerators' market share with Delie series and ultra-thin T-style products under AQUA brand, as well as 468/406 T-door and brand new ultra-narrow 3-door products under Haier brand. The Company captured the market opportunity of health-conscious laundry brought about by the pandemic with AQUA's superior line-up of variable-frequency washing machine products line-up and high-end heat pump front-load washers, as well as Haier's medium- and large-size variable-frequency washing machines. The Company strengthened the freezer product line-up with the differentiated Slim series and the 20th anniversary edition. AQUA's high-end revenue contribution grew 5 percentage points to 61%, while Haier's mid to high-end revenue contribution rose 11 percentage points to 50%.

In addition, the community laundry business continued to lead the industry with a market share of 70%. The Company has established more than 100 multi-scenario experience stores offering laundry, maintenance, clothing, food, and transportation solutions with cross-industry partners including FamilyMart, P&G, ENEOS petrol stations and MUJI, to optimize user experience.

### (III) Strengthening digitalization for all processes to improve efficiency.

During the reporting period, the Company has strengthened its digital transformation focusing on CRM, lean manufacturing and R&D.

**The development of a digital user operation platform.** Centring around full life cycle of product purchase, usage, and services, the Company leveraged its User Experiential Brain to integrate marketing, logistics, after-sales and smart devices, so as to visualize user experience, enhance operational efficiency and user satisfaction. In the first half of 2022, 26.59 million new members were added, total number of platform users reached 257 million. Average ticket size per member was 34.3% greater than regular users. ① Establishing digital marketing platform to improve user retention and conversion efficiency. In the first half of 2022, the number of users with retained information<sup>2</sup> amounted to 11.41 million, a growth of 219% year-on-year; conversion reached 18.93%, an increase of 58% year-on-year; digital retail<sup>3</sup> accounted for 22.6% of total sales, a rise of 112% year-on-year. ② Replacing service dispatch centres with system's direct matching of user request and maintenance personnel; accurate prediction and manufacturing of parts & components using algorithm to optimize spare parts expense ratio.

<sup>2</sup> Number of users with retained information: users who allow us to manage the information they submit digitally

<sup>3</sup> Digital retail: sales revenue generated by users acquired through digital tools divided by total sales revenue

## Section III Management Discussion and Analysis

### Lean manufacturing platform:

- ① The manufacturing platform primarily focused on the implementation of digital order management, and DFX new product introduction to improve manufacturing cost competitiveness and delivery efficiency. For example, establish schedule workbenches, which enabled digital management of scheduling, dispatch and logistics coordination, resulting in a 92% accuracy of dispatches with 95% on-time delivery of orders.
- ② Digital procurement service platform facilitated collaborations with third party big data platforms to dynamically optimized supply side resources, increasing the proportion of shared components to save procurement cost.
- ③ Supply chain platform improved management and the accuracy of demand forecasting while facilitating sharing of inventories. In the first half of the year, inventory turnover at regional headquarter level was optimized by 15%.
- ④ The logistics platform targeted end to end optimization of logistics expense by connecting people, cars and data to match vehicles, goods, and orders. In the first half of 2022, truck loading time was reduced by 30%, and logistics expense ratio was reduced by 10%.

**Digitalized R&D platform** was established to optimize product planning process, product life cycle management and standard system, product efficiency<sup>4</sup> was improved by 23% in the first half of the year; in addition, it was also used to implement end to end cost optimization based on modules iterations and facilitate mass application of cost-effective new materials and processes.

### Development plan for the second half of the year

In the second half of 2022, the Company will press ahead with the three-level brand upgrade strategy of “high-end brand, scenario-based brand and ecosystem brand”. Amid macro uncertainties, the Company will seize the opportunities of innovation and structural change in the market through strengthened leadership and forward-looking global deployment. The Company will define the Company’s second curve development path by strategizing the smart home trend and building a smart home appliance ecosystem. At the same time, the Company will push forward with digital restructuring to enhance the efficiency throughout the entire value chain.

In the domestic market, the Company remains committed to high-end brand strategic implementation to increase Casarte’s market share in all categories, continue to improve competitiveness of air conditioners with a focus on developing core technologies from in-house R&D and strategic alliances; accelerate growth in consumer robotics and small appliances while grasping the suite-oriented and home furnishing market trend as well as new opportunities in tumble dryers and dishwashers, focus on creating value for users and distributors with steady performance; accelerate digital reform to facilitate cost reduction and efficiency enhancement.

<sup>4</sup> Product efficiency: Sales revenue divided by quantity of product models

## Section III Management Discussion and Analysis

The Company will continue to implement high-end brand strategy in the overseas market, meeting the pressing worldwide demand for energy-efficient and green products leveraging global R&D capabilities, introduce differentiated and efficient products; speeding up development in HVAC channels supported by localized energy efficient facilities; mitigating cost pressure with global supply chain management platform; with Rendanheyi (人单合一) management model and well-established incentive programmes to inspire employees' enthusiasm, capture growth opportunities, while minimizing market risks.

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

Applicable  Not Applicable

## IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD

### (I) Analysis of principal business

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

Unit and Currency: RMB

| Items   | Current period     | Corresponding period of last year | Change (%)     |
|---|--------------------|-----------------------------------|----------------|
| Operating revenue                                 | 121,857,522,462.22 | 111,727,756,211.06                | 9.07           |
| Operating cost                                    | 85,061,133,319.20  | 78,156,467,866.57                 | 8.83           |
| Selling expenses                                  | 17,605,612,224.80  | 16,731,407,296.02                 | 5.22           |
| Administrative expenses                           | 5,132,033,156.92   | 5,047,535,410.71                  | 1.67           |
| Financial expenses                                | -202,227,082.17    | 295,546,337.17                    | -168.42        |
| R&D expenses                                      | 4,595,691,525.07   | 3,738,316,873.21                  | 22.93          |
| Net cash flow generated from operating activities | 5,964,247,657.22   | 8,442,195,160.31                  | -29.35         |
| Net cash flow generated from investing activities | -4,160,668,747.75  | -3,237,011,990.71                 | Not Applicable |
| Net cash flow generated from financing activities | 2,160,173,397.21   | -9,607,019,105.46                 | Not Applicable |
| Other income                                      | 546,242,698.94     | 378,116,328.72                    | 44.46          |
| Gain on fair value changes                        | -118,790,175.68    | 64,269,511.32                     | -284.83        |
| Loss on credit impairment                         | -258,076,846.14    | -44,031,423.21                    | Not Applicable |
| Gain from disposal of assets                      | 31,589,207.10      | 142,414,954.25                    | -77.82         |
| Income tax expenses                               | 2,000,741,926.36   | 1,525,749,793.00                  | 31.13          |

## Section III Management Discussion and Analysis

Analysis on the reasons for significant changes in certain indicators:

- 1) Reasons for changes in financial expenses: the decrease of 168.42% in finance costs over the corresponding period was primarily due to the increases in the period's interest income and exchange gains over the corresponding period;
  - 2) Reasons for changes in net cash flow generated from financing activities: primarily attributable to the new policy borrowing raised and additional issuance of proceeds during the period;
  - 3) Reasons for changes in other income: the increase of 44.46% in other gains over the corresponding period was primarily due the increase in the period's government grants over the corresponding period;
  - 4) Reasons for changes in gain on fair value changes: the decrease of 284.83% in gains on fair value changes over the corresponding period was primarily due to the decrease in fair value changes in forward contracts over the corresponding period;
  - 5) Reasons for changes in loss on credit impairment: primarily due to the increase in provision for the bad debt of receivables during the period;
  - 6) Reasons for changes in gain from disposal of assets: the decrease of 77.82% in gains on property disposal was primarily due to the decrease in the periods' gains on property disposal from subsidiaries over the corresponding period;
  - 7) Reasons for changes in income tax expenses: the increase of 31.13% in income tax over the corresponding period was primarily due to the increase in taxable profit of the period.
2. Detailed explanation on significant changes in the operation types and the components of profit or sources of profit of the Company during the period
- Applicable  Not Applicable

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

- Applicable  Not Applicable

## Section III Management Discussion and Analysis

### (III) Analysis of assets and liabilities

√ Applicable □ Not Applicable

#### 1. Assets and liabilities

Unit: RMB

| Items                         | Amount as at the end of the period | Percentage of amount at the end of the period over total assets (%) | Amount as at the end of the corresponding period of last year | Percentage of amount at the end of the corresponding period of last year over total assets (%) | Percentage of change in amount from the end of the corresponding period of last year to current period (%) | Explanations  |
|-------------------------------|------------------------------------|---|---|--|--|---|
| Derivative financial assets   | 163,084,726.42                     | 0.07  | 79,819,974.01   | 0.04   | 104.32   | Mainly due to the fluctuation in value of foreign currency forward contracts                |
| Bills receivable              | 8,417,636,171.41                   | 3.71  | 13,354,791,068.29   | 6.14   | -36.97   | Mainly due to the change of repayment terms for channels                                    |
| Right-of-use assets           | 3,664,479,071.10                   | 1.62  | 2,734,678,906.53  | 1.26   | 34.00  | Mainly due to the increase in lease liabilities   |
| Trading financial liabilities | 79,270,648.00                      | 0.03  | 6,294,014.40  | 0.00   | 1,159.46   | Mainly due to the fluctuation in value of foreign currency forward contracts                |
| Contractual liabilities       | 5,397,435,938.66                   | 2.38  | 10,027,091,593.60   | 4.61   | -46.17   | Mainly due to the decrease in advance receipts with performance obligations                 |
| Other current liabilities     | 1,286,194,473.81                   | 0.57  | 2,238,767,551.40  | 1.03   | -42.55   | Mainly due to the decrease in the amount of value-added tax to be transferred to output tax |
| Long-term borrowings          | 2,119,243,998.96                   | 0.94  | 3,038,573,824.53  | 1.40   | -30.26   | Mainly due to the reclassification to non-current liabilities due within one year           |
| Bonds payable                 |                                    |   | 334,730,048.82  | 0.15   | -100.00  | Mainly due to the reclassification to non-current liabilities due within one year           |
| Lease liabilities             | 2,763,944,633.73                   | 1.22  | 1,960,894,981.47  | 0.90   | 40.95  | Mainly due to the increase in lease liabilities   |
| Long-term payables            | 49,353,671.92                      | 0.02  | 99,602,707.76   | 0.05   | -50.45   | Mainly due to the repayment of long-term payables   |
| Other equity instruments      | 81,340,387.43                      | 0.04  | 118,017,507.59  | 0.05   | -31.08   | Mainly due to the decrease in the conversion equity component of the convertible bonds      |
| Treasury stock                | 3,962,689,830.07                   | 1.75  | 2,424,038,819.70  | 1.11   | 63.47  | Mainly due to the share repurchase  |
| Other comprehensive income    | 1,689,673,248.96                   | 0.75  | -1,176,851,699.92   | -0.54  | 243.58   | Mainly due to the translation of foreign currency financial statements                      |

## Section III Management Discussion and Analysis

### 2. Overseas Assets

Applicable  Not Applicable

#### (1) Scope of assets

Among the assets, overseas assets amounted to 10,833,800 (unit and currency: RMB10,000), representing 47.80% of the total assets.

#### (2) Relevant information on high percentage of overseas assets

Applicable  Not Applicable

Unit and Currency: RMB

| Name of overseas asset                          | Reason for Formation  | Operation mode  | Operating revenue           |  |
|---|---|---|-----------------------------|--|
|   |   |   | during the reporting period | Net profit during the reporting period |
| Overseas Home Appliance and Smart Home Business | Overseas mergers & acquisitions and the Company's own development | Localized Operations with the integration of R&D, manufacturing and marketing | 61,480,633,415.58           | 3,634,319,014.7                        |

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

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

Applicable  Not Applicable

### 4. Other explanations

Applicable  Not Applicable

## (IV) Analysis of investment

### 1. Overall analysis on external equity investment

Applicable  Not Applicable

In order to establish the competitiveness of service robots for household cleaning, promote the development of the Company's cleaning appliance business, as well as to enhance its corporate governance and reduce routine connected transactions, Qingdao Haier Smart Life Electric Co. Ltd., a wholly-owned subsidiary of the Company, proposed to acquire the 100% equity interest in Qingdao TAB Robot Technology Co., LTD. held by Qingdao Haier Interconnect Technology Co. Ltd., with a cash consideration of RMB125 million. After the completion of the transaction, Qingdao TAB Robot Technology Co., LTD. has become a wholly-subsiary of Haier Smart. As at the end of the reporting period, the transaction has been completed. For details of the investment, please refer to the Announcement of Haier Smart Home Co., Ltd. on the Acquisition of 100% Equity Interest in Qingdao TAB Robot Technology Co., LTD. by a Subsidiary and Connected Transaction disclosed on 29 April 2022 by the Company.

## Section III Management Discussion and Analysis

### (1) Significant equity investment

✓ Applicable  Not Applicable

Please see the above “1. Overall analysis on external equity investment”.

### (2) Significant non-equity investment

✓ Applicable  Not Applicable

In order to further enhance the sustained high-quality growth of Haier refrigerators in the domestic market, optimize the domestic supply chain, further strengthen the market competitiveness in Shandong, Southwest and Central China and achieve rapid growth in Shandong, Southwest and Central China, the Company invested in the construction of a project with an annual production capacity of 2 million units of large refrigerators in Jiulong Industrial Zone, Jiaozhou, Qingdao through a newly established subsidiary, with a total investment of RMB3.07 billion. The project is currently in progress. For details of the investment, please refer to the Announcement of Haier Smart Home Co., Ltd. on Investing in Large Refrigerator Project with an Annual Capacity of 2 Million Units disclosed on 29 April 2022 by the Company.

### (3) Financial assets measured at fair value

✓ Applicable  Not Applicable

RMB

| Items                                    | Initial investment cost | Source of funds | Current purchase/sale during the reporting period | Investment income during the reporting period | Changes in fair value during the reporting period |
|--|-------------------------|-----------------|---|---|---|
| Wealth management products               | 2,142,050,007.50        | Self-owned      | -15,583,835.62                                    | 42,007,117.65                                 | 1,621,089.28                                      |
| Investments in other equity instruments  | 3,587,415,678.11        | Self-owned      |   | 2,596,583.32                                  | -56,965,311.85                                    |
| Investments in trading equity instrument | 284,382,243.23          | Self-owned      | -200,041,952.15                                   | 45,206,370.39                                 | -24,266,144.66                                    |
| Investment funds                         | 124,067,582.04          | Self-owned      | 42,633,245.20                                     |   | -43,056,624.92                                    |
| Derivative financial assets              | 29,450,000.00           | Self-owned      | —   | 132,833,541.83                                | 89,404,517.91                                     |
| <b>Total</b>                             | <b>6,167,365,510.88</b> |                 | <b>-172,992,542.57</b>                            | <b>222,643,613.19</b>                         | <b>-33,262,474.24</b>                             |

Note: As of 30 June 2022, the aggregate balance of foreign exchange derivative transaction amounted to approximately US\$1.579 billion.

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

Applicable  Not Applicable

In order to focus on the main business of smart home, optimize resources allocation and realize investment income, Haier Shareholdings (Hong Kong) Limited, a wholly-owned subsidiary of the Company, transferred 25% equity interest in Qingdao Haier Mold Co., Ltd. to Qingdao Haier Mold Smart Cloud Technology Co., Ltd. for an amount of RMB277 million. After the completion of the transaction, Haier Shareholdings (Hong Kong) Limited will no longer hold any equity interest in Qingdao Haier Mold Co., Ltd. As at the end of the reporting period, the transaction has been completed. For details of the investment, please refer to the Announcement of Haier Smart Home Co., Ltd. on the Transfer of 25% Equity Interest in Qingdao Haier Mold Co., Ltd. by a Subsidiary and Connected Transaction disclosed on 29 April 2022 by the Company.

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

Applicable  Not Applicable

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

Applicable  Not Applicable

## V. OTHER DISCLOSURES

### (I) Potential risks

Applicable  Not Applicable

1. Risk of decreasing market demand due to macroeconomic slowdown. Sales of white goods as durable consumer appliances are subject to users' income level and their expectations of future income growth which will have a certain impact on their willingness to purchase products. A slowdown in macroeconomic growth causing a decline in users' purchasing power will have a negative impact on industry growth. In addition, a slowdown in real estate market will also have a negative impact on market demand.
2. Risk of price war caused by intensified industry competitions. The white goods industry is highly competitive with a high degree of product homogeneity, industry concentration has continued to increase. However, the increase in inventory in individual sub-sectors due to demand-supply imbalance may lead to price war. Furthermore, rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation are making it increasingly difficult to profit. Although new products, services and technologies are often associated with higher selling prices, it has become necessary for the Company to invest more in R&D.

## Section III Management Discussion and Analysis

3. Risk of fluctuations in raw material prices. The Company's products and core components use metal such as steel, aluminium, and copper, as well as commodities such as plastics and foam. If the prices of raw materials continue to rise, it will put certain pressure on the Company's production and operations. In addition, the Company relies on third party manufacturers and suppliers for key raw materials, components and manufacturing equipment, any disruption in supply or significant price increases by these suppliers will have a negative impact on the Company's businesses. As a leader in the industry, the Company will take measures including volume & price adjustment mechanism as well as hedging to reduce the risk of raw material fluctuations on its operations.
4. Operational risk in overseas business. The Company has established production bases, R&D centres, and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year by year. Overseas markets are subject to political and economic situations (including events such as military conflicts), legal systems and regulatory regimes of those countries and regions. Significant changes in these factors will pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impacts, including collaborating with suppliers and distributors, improving production efficiency, expanding supply chain to other countries, and safety measures to protect its people and assets.
5. Risk of exchange rate fluctuations. As the Company expands its global footprint, the import and export of products involve the exchange of foreign currencies such as the U.S. dollar, the Euro, and the Japanese yen. If the exchange rates of relevant currencies fluctuate, it will have a certain impact on the Company's financial position. In addition, the Company's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of their primary economic environment in which the entity operates and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.
6. Risk of policy changes. The home appliance industry is closely related to the consumer market and the real estate market. Changes in macroeconomic policies, consumption investment policies, real estate policies and relevant laws and regulations will affect product demand, which in turn will affect product sales of the Company. The Company will closely monitor changes in policies, laws, and regulations to ensure stable operation of its businesses.
7. Risk of uncertainties resulted from COVID-19 outbreak. The COVID-19 outbreak that gradually spread around the end of 2019 may lead to a further weakening of consumer demand for home appliances, which in turn will affect the Company's product sales. Lockdowns and travel restrictions will reduce people's mobility and hamper the operations of sales networks. Besides, the pandemic may also cause disruptions to the operations of distributors, logistical disruptions in the delivery of product could result in distributors' dissatisfaction with the Company's services and consequently reduced demand for the Company's products. The Company will leverage its anti-pandemic experience in the Chinese market and coordinate its global resources to mitigate the impact of the pandemic on its businesses.

## Section III Management Discussion and Analysis

8. Credit risk. If the Company is not able to collect all trade receivables from its distributors, or distributors are not able to settle the Company's trade receivables in a timely manner, the Company's business, financial status, and operation performance may be adversely affected. In relation to this risk, the Company will maintain flexibility by offering credit period of 30 to 90 days to certain distributors based on their credit history and transaction amount.
9. Inventory risk. Excess inventory might occur as the Company cannot always accurately predict trends and events and maintain appropriate inventory levels; thus, the Company may be forced to offer discounts or promotions to manage the slow-moving inventory. On the other hand, a shortage of inventory may lead to loss of sales opportunities for the Company. However, the Company will conduct regular impairment assessment of its inventory and manage its inventory according to market situation.

### (II) Other disclosures

- Applicable  Not Applicable

# Section IV Corporate Governance

## I. INTRODUCTION TO THE GENERAL MEETINGS OF SHAREHOLDERS

| Meeting                           | Date         | Index for details of websites designated for publishing resolutions   | Date of disclosure | Resolutions approved   |
|-----------------------------------|--------------|---|--------------------|--|
| 2021 Annual General Meeting       | 28 June 2022 | For details, please refer to the Announcement on Resolutions passed at the 2021 Annual General Meeting, 2022 First A Shares Class Meeting, 2022 First D Shares Class Meeting and 2022 First H Shares Class Meeting of Haier Smart Home Co., Ltd. (L2022-042) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers | 29 June 2022       | Considered and approved the resolutions related to annual report, internal control audit report, profit distribution proposal, re-appointment of auditor, external guarantees, routine connected transactions, general mandate to issue additional shares / repurchase shares, share option incentives, re-election of the Board of Directors / the Board of Supervisors and amendment of the Company's system, etc. |
| 2022 First A Shares Class Meeting |              |   |                    | Considered and approved the resolutions for share option incentives and general mandate to repurchase shares, etc.   |
| 2022 First D Shares Class Meeting |              |   |                    |  |
| 2022 First H Shares Class Meeting |              |   |                    |  |

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

Applicable  Not Applicable

### Explanation of Shareholders' general meeting

Applicable  Not Applicable

The 2021 Annual General Meeting and the 2022 First A/D/H Shares Class Meetings of the Company was held in successive order by way of on-site voting and network voting by poll at Room B101, Haier Rendanheyi Research Center, Haier Information Park, No.1 Haier Road, Qingdao, the PRC, in the afternoon on 28 June 2022, considering the annual report and other relevant resolutions. The total number of the shares of the Company carrying voting right amounted to 9,337,037,472 shares (of which 6,198,798,156 shares were A shares, 271,013,973 shares were D shares and 2,867,225,343 shares were H shares). 820 shareholders and proxies, representing 6,456,427,607 shares or 69.15% of the total number of the shares of the Company carrying voting right, were present at the 2021 Annual General Meeting. 770 shareholders and proxies, representing 4,203,253,922 shares or 67.81% of the total number of A shares of the Company carrying voting rights, were present at the 2022 First A Shares Class Meeting; 40 shareholders and proxies, representing 147,537,203 shares or 54.44% of the total number of D shares of the Company carrying voting rights, were present at the 2022 First D Shares Class Meeting; 9 shareholders and proxies, representing 2,103,823,118 shares or 73.37% of the total number of H shares of the Company carrying voting rights, were present at the 2022 First H

Shares Class Meeting. The Directors, supervisors, and senior management of the Company as well as the lawyers engaged by the Company also attended the abovementioned four meetings. The abovementioned meetings were convened by the Board of the Company and Chairman Mr. Liang Haishan presided over the meetings. The Company had 11 Directors, of whom 9 Directors attended the meetings (Directors Xie Juzhi and Wu Qi were unable to attend the meetings due to personal engagement); the Company had 3 supervisors, of whom 3 supervisors attended the meeting. The secretary to the Board of the Company attended the abovementioned meetings and other members of senior management of the Company were invited to attend the abovementioned meetings.

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

Applicable  Not Applicable

| Name          | Position  | Change Situation |
|---------------|---|------------------|
| Li Huagang    | Chairman and President                                | Election         |
| Liang Haishan | Chairman  | Resignation      |
| Shao Xinzhi   | Vice Chairman   | Election         |
| Xie Juzhi     | Vice Chairman   | Resignation      |
| Gong Wei      | Director, Chief Financial Officer, and Vice President | Election         |
| Wu Changqi    | Director  | Resignation      |
| Lin Sui       | Director  | Resignation      |
| Xie Juzhi     | Vice President  | Appointment      |
| Song Yujun    | Vice President  | Appointment      |
| Zhao Yanfeng  | Vice President  | Appointment      |
| Wang Li       | Vice President  | Retired          |
| Liu Xiaomei   | Secretary to the Board                                | Appointment      |
| Ming Guozhen  | Secretary to the Board                                | Resignation      |

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

Applicable  Not Applicable

During the reporting period, the term of office of the 10th session of the Board of Directors, the Board of Supervisors, and senior management expired, and the 10th session was renewed to the 11th session. Some members of the directors and senior management or their positions have changed in the 11th session as compared to the 10th session, which is shown in the preceding table (those without changes are not presented).

## III. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION OF CAPITAL RESERVE

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

Whether distributed or converted No

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

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

√ Applicable  Not Applicable

| Summary of Matters   | Query Index   |
|--|---|
| <p><b>Completion of registration of grant of reserved options under the 2021 A Share Option Incentive Scheme:</b> According to the relevant resolutions of the 25th meeting of the 10th session of the Board of Directors held by the Company on 15 December 2021, it was confirmed that the total number of reserved options granted under the Company's 2021 A Share Option Incentive Scheme was 4,525,214. In accordance with this resolution, the Company completed the registration of the aforementioned grant of shares on 17 January 2022.</p>   | <p>For details, please refer to the Announcement of Haier Smart Home Co., Ltd on the Completion of Registration of the Grant of the Reserved Share Options under the 2021 A Share Option Incentive Scheme disclosed by the Company on 19 January 2022.</p>  |
| <p><b>Introduction of 2022 A Share Option Incentive and completion of grant:</b> As the Company is leading the effort to upgrade its Internet of Things from "high-end brands" to "scenario brands", and to "ecological brands", the Company needs to have long-term planning to ensure the achievement of its strategic results and also improve its long-term incentive scheme in line with the above objectives. Therefore, considered and approved at the General Meeting and Class Meeting convened on 28 June 2022, the Company introduced the 2022 A Share Option Incentive. And as considered and approved at the Board Meeting held on the same date, 104,756,896 options were granted to the incentive recipients.</p> | <p>For details, please refer to the 2022 A Share Option Scheme of Haier Smart Home Co., Ltd (draft) disclosed by the Company on 29 April 2022, the Announcement on the Adjustment to the Company's 2022 A Share Option Incentive Scheme and Grant of 2022 A Share Option to Incentive Recipients by Haier Smart Home Co., Ltd disclosed by the Company on 29 June 2022, and relevant contents of the announcements of resolutions at the General Meeting.</p> |

| Summary of Matters   | Query Index   |
|--|---|
| <p><b>Introduction of New Phase of A Share and H Share Employee Stock Ownership Plan:</b> In order to further improve the governance mechanism of the Company, create shareholder value and promote the comprehensive implementation of the Company's IoT smart home ecological brand strategy, as considered and authorized at the 2020 Annual General Meeting held by the Company on 25 June 2021, the Company considered and introduced the 2022 H Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd (Draft) and the 2022 A Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd (Draft) at the 28th meeting of the 10th session of the Board of Directors held by the Company on 28 April 2022. During the reporting period, the Company promoted the opening of accounts and other related works for the 2022 A Share and H Share Employee Stock Ownership Plan.</p> | <p>For details, please refer to the 2022 A Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd (Draft), the 2022 H Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd (Draft) and relevant contents disclosed by the Company on 29 April 2022.</p> |

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

**Equity incentive**

Applicable  Not Applicable

**Other explanations**

Applicable  Not Applicable

**Employee stock ownership plan**

Applicable  Not Applicable

**Other Incentives**

Applicable  Not applicable

# Section V Environmental and Social Responsibilities

## 1. ENVIRONMENTAL INFORMATION

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

√ Applicable  Not Applicable

#### 1. Information on pollutant discharge

√ Applicable  Not Applicable

The Company's indirect non-wholly owned subsidiaries Zhengzhou Haier Air-conditioning Co., Ltd. ("Zhengzhou Air-conditioning"), Qingdao Jiaonan Haier Washing Machine Co., Ltd. ("Jiaonan Washing Machine"), Hefei Haier Refrigerator Co., Ltd. ("Hefei Refrigerator"), Wuhan Haier Water Heater Co., Ltd. ("Wuhan Water Heater"), Wuhan Haier Freezer Co., Ltd. ("Wuhan Freezer"), Dalian Haier Refrigerator Co., Ltd. ("Dalian Refrigerator"), Qingdao Haier (Jiaozhou) Co., Limited ("Jiaozhou Air-Conditioning"), Qingdao Haier Special Refrigerator Co., Ltd. ("Huangdao Special Refrigerator") and Tianjin Haier Cleaning Electrical Appliances Co., Ltd. ("Tianjin Washing Machine") are among the key emission units announced by the local environmental protection department.

The main information on pollutant discharge is as follows:

#### (1) **Zhengzhou Air-conditioning**

##### ① Main pollutants:

Wastewater. According to the *Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial)* (HJ 978-2018), Development Zone Energy should apply for a pollutant discharge permit and detect 17 types of pollutants (including specific pollutants), namely, total cadmium, total chromium, total mercury, total lead, total arsenic, hexavalent chromium, COD, ammonia nitrogen, total phosphorus, total nitrogen, PH, suspended solids, chroma, petroleum, BOD, rate of flow and temperature

##### ② Way of discharge: indirect discharge

##### ③ Number and distribution of discharge outlets: one, north of the wastewater treatment plant, pipeline discharge

## Section V Environmental and Social Responsibilities

- ④ Concentration and total amount of discharge and approved total amount of discharge:  
According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

| No. | Name of pollutant | Concentration of discharge | Total amount of discharge | Approved total amount of discharge | Whether it is excessive discharge |
|-----|-------------------|----------------------------|---------------------------|------------------------------------|-----------------------------------|
| 1   | COD               | 20.74 mg/L                 | 0.24 tons                 | 6.25 tons                          | No                                |
| 2   | Ammonia nitrogen  | 3.72 mg/L                  | 0.02 tons                 | 0.63 tons                          | No                                |

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

### (2) **Jiaonan Washing Machine**

- ① Main pollutants:

Wastewater. According to the Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial) (HJ 978-2018), Development Zone Energy should apply for a pollutant discharge permit and detect 17 types of pollutants (including specific pollutants), namely, total cadmium, total chromium, total mercury, total lead, total arsenic, hexavalent chromium, COD, ammonia nitrogen, total phosphorus, total nitrogen, PH, suspended solids, chroma, petroleum, BOD, rate of flow and temperature.

- ② Way of discharge: intermittent discharge
- ③ Number and distribution of discharge outlets: one, north of the wastewater treatment plant, pipeline discharge
- ④ Concentration and total amount of discharge and approved total amount of discharge:  
According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

| No. | Name of pollutant | Concentration of discharge | Total amount of discharge | Approved total amount of discharge | Whether it is excessive discharge |
|-----|-------------------|----------------------------|---------------------------|------------------------------------|-----------------------------------|
| 1   | COD               | 60.3mg/L                   | 3.091 tons                | 60 tons                            | No                                |
| 2   | Ammonia nitrogen  | 7.67mg/L                   | 0.396 tons                | 5.48 tons                          | No                                |

## Section V Environmental and Social Responsibilities

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

### (3) Hefei Refrigerator

- ① Main pollutants:

Wastewater. According to the *Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial)* (HJ 978-2018), Development Zone Energy should apply for a pollutant discharge permit and detect 8 types of pollutants (including specific pollutants), namely, total nitrogen (as N), total phosphorus (as P), rate of flow, suspended solids, PH, Chemical oxygen demand (COD), ammonia nitrogen (NH<sub>3</sub>-N), and five-day biochemical oxygen demand (BOD<sub>5</sub>)

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

- ② Way of discharge: continuous discharge
- ③ Number and distribution of discharge outlets: 1 sewage, at the north entrance of the refrigerator Park; 22 exhaust gas, at the refrigerator block A(10), block B(10), and Phase III Factory(2)
- ④ Concentration of discharge and discharge standard:  
According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

| No. | Name of pollutant | Concentration of discharge | Total amount of discharge | Approved total amount of discharge | Whether it is excessive discharge |
|-----|-------------------|----------------------------|---------------------------|------------------------------------|-----------------------------------|
| 1   | COD               | 101.603 mg/L               | 17.2 tons                 | 300 tons                           | No                                |
| 2   | Ammonia nitrogen  | 12.523 mg/L                | 2.13 tons                 | 28 tons                            | No                                |
| 3   | total nitrogen    | 33.95 mg/L                 | 5.68 tons                 | 20 tons                            | No                                |
| 4   | total phosphorus  | 1.635 mg/L                 | 1.082 tons                | 5 tons                             | No                                |

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

## Section V Environmental and Social Responsibilities

**(4) Wuhan water heater**

- ① Main pollutants:  
Wastewater. According to the *Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial)* (HJ 978–2018), Wuhan water heater should apply for a pollutant discharge permit and detect 9 types of pollutants (including specific pollutants), namely, COD, total zinc, suspended solids, ammonia nitrogen (NH<sub>3</sub>-N), five-day biochemical oxygen demand (BOD<sub>5</sub>), PH, anionic surface active agent, total phosphorus, and animal and vegetable oils.
- ② Way of discharge: indirect discharge
- ③ Number and distribution of discharge outlets: one, on the southwest of the wastewater treatment plant, pipeline discharge
- ④ Concentration and total amount of discharge and approved total amount of discharge:  
According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

| No. | Name of pollutant | Concentration of discharge | Total amount of discharge | Approved total amount of discharge | Whether it is excessive discharge |
|-----|-------------------|----------------------------|---------------------------|------------------------------------|-----------------------------------|
| 1   | COD               | 40 mg/L                    | 4.58 tons                 | 9.075 ton                          | No                                |
| 2   | Ammonia nitrogen  | 0.336 mg/L                 | 0.0385 tons               | 0.9075 ton                         | No                                |

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

**(5) Wuhan freezer**

- ① Main pollutants:  
Wastewater. According to the *Technical Specification for Application and Issuance of Pollutant Permit — Wastewater Treatment (for Trial)* (HJ 978–2018), Wuhan freezer should apply for a pollutant discharge permit and detect 9 types of pollutants (including specific pollutants), namely, COD, total zinc, suspended solids, ammonia nitrogen (NH<sub>3</sub>-N), five-day biochemical oxygen demand (BOD<sub>5</sub>), PH, anionic surface active agent, total phosphorus, and animal and vegetable oils.
- ② Way of discharge: indirect discharge
- ③ Number and distribution of discharge outlets: one, on the south of the wastewater treatment plant, pipeline discharge

## Section V Environmental and Social Responsibilities

- ④ Concentration and total amount of discharge and approved total amount of discharge:  
According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

| No. | Name of pollutant | Concentration of discharge | Total amount of discharge | Approved total amount of discharge | Whether it is excessive discharge |
|-----|-------------------|----------------------------|---------------------------|------------------------------------|-----------------------------------|
| 1   | COD               | 46 mg/L                    | 0.96 tons                 | 4.3628 tons                        | No                                |
| 2   | Ammonia nitrogen  | 0.497 mg/L                 | 0.01 tons                 | 0.4365 ton                         | No                                |

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

### (6) *Dalian Refrigerator*

- ① Main pollutants:  
Wastewater. According to the Environmental Impact Report Form of Construction Project, a total of 6 types of pollutants should be tested, namely, PH, COD, total phosphorus, suspended solids, total nitrogen and petroleum.
- ② Way of discharge: indirect discharge
- ③ Number and distribution of discharge outlets: one, energy wastewater plant, pipeline discharge
- ④ Concentration and total amount of discharge and approved total amount of discharge:  
The concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

| No. | Name of pollutant | Concentration of discharge | Total amount of discharge | Approved total amount of discharge  | Whether it is excessive discharge |
|-----|-------------------|----------------------------|---------------------------|---|-----------------------------------|
| 1   | COD               | 0mg/L                      | 0 tons                    | Pollutant discharge permit management, no requirements regarding the total amount | No                                |
| 2   | Ammonia nitrogen  | 0mg/L                      | 0 tons                    | Pollutant discharge permit management, no requirements regarding the total amount | No                                |

- ⑤ Pollutant discharge standards implemented: *Integrated Wastewater Discharge Standard of Liaoning Province* (DB 21/1627-2008)

## Section V Environmental and Social Responsibilities

**(7) Jiaozhou Air-Conditioning**

① Main pollutants:

Hazardous waste. According to the national directory, 10 types of hazardous waste detected are namely: waste oil, sludge, slag powder, computer boards, activated carbon, cotton filters, lightning tubes, soldering flux buckets, paint buckets and packaging bags.

② Way of discharge: Hazardous waste is transferred to a qualified hazardous waste disposal unit for disposal.

③ Total amount of discharge and approved total amount of discharge:

| No. | Name of hazardous waste | Total amount of transfer (tons) | Total amount of the management plan (tons) | Whether it is excessive discharge |
|-----|-------------------------|---------------------------------|--|-----------------------------------|
| 1   | Packaging bags          | 0.08                            | 0.5  | no                                |
| 2   | Waste oil               | 17.7                            | 40   | no                                |
| 3   | Slag powder             | 15.48                           | 30   | no                                |
| 4   | Forklift battery        | 17.92                           | 22   | no                                |
| 5   | Sludge                  | 3.68                            | 5  | no                                |
| 6   | Paint buckets           | 1                               | 4  | no                                |

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

**(8) Huangdao Special Refrigerator**

① Main pollutants:

Organic exhaust gas. According to legislative requirements, Development Zone Energy should apply for a pollutant discharge permit and detect the primary type of pollutant in the atmosphere, namely non-methane hydrocarbon (VOC), with the maximum concentration of discharge not exceeding 60mg/m<sup>3</sup>. A qualified third-party testing unit is commissioned to conduct organic exhaust gas concentration testing and issue a report on a quarterly basis.

② Way of discharge: Continuous discharge

③ Number and distribution of discharge outlets: Four in total, one absorption exhaust port at the northeast corner of the plant roof, and two welding exhaust ports and one foam exhaust port at the west side of the plant roof

## Section V Environmental and Social Responsibilities

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

| No. | Name of pollutant | Concentration of discharge | Total amount of discharge | Approved total amount of discharge                        | Whether it is excessive discharge |
|-----|-------------------|----------------------------|---------------------------|---|-----------------------------------|
| 1   | VOC               | 2.8mg/m <sup>3</sup>       | 0.52 tons                 | No control regarding the total amount of discharge of VOC | no                                |

- ⑤ Implementation of the Volatile Organic Compounds Discharge Standards Part 7: Other Industries in Shandong Province (DB37/2801.7-2019)

### (9) Tianjin Washing Machine

- ① Main pollutants:

Wastewater. According to legislative requirements, a pollutant discharge permit should be applied and enforced, and 4 types of pollutants should be tested, namely, COD, ammonia nitrogen, PH and suspended solids.

- ② Way of discharge: Indirect discharge

- ③ Number and distribution of discharge outlets: one, the wastewater plant, pipeline discharge

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

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

| No. | Name of pollutant | Concentration of discharge | Total amount of discharge | Approved total amount of discharge | Whether it is excessive discharge |
|-----|-------------------|----------------------------|---------------------------|------------------------------------|-----------------------------------|
| 1   | COD               | 23mg/L                     | 0.177 tons                | 34.742 tons                        | no                                |
| 2   | Ammonia nitrogen  | 0.628mg/L                  | 0.0048 tons               | 3.127 tons                         | no                                |

- ⑤ Pollutant discharge standards implemented: Integrated wastewater discharge standard (DB12356-2018)

## Section V Environmental and Social Responsibilities

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

√ Applicable  Not Applicable

Zhengzhou Air-conditioning, Jiaozhou Air-Conditioning, Wuhan Freezer, Wuhan Water Heater and Tianjin Washing Machine have one, one, one, two and one wastewater treatment plants with a designed treatment capacity of 550 tons/day, 300 tons/day, 550 tons/day, 300 tons/day and 260 tons/day, and 300 tons/day, respectively; there is one wastewater treatment plant in Dalian Haier Park responsible for collecting and treating the wastewater produced by the Dalian Park Companies with a wastewater treatment capacity of 300 tonnes/day. The construction, maintenance and daily operation of all wastewater treatment facilities are conducted in accordance with the requirements of national and local environmental laws and regulations. Information on all wastewater discharge is subject to 24-hour online monitoring and such monitored information is transmitted to environmental authorities in a real-time manner. All equipment is operating normally. In addition, the Company fully promotes all plants to install exhaust treatment facilities and VOCs online monitoring facilities. All equipment is operating normally and exhaust produced is treated by the prevention and treatment facilities before compliant release and is monitored.

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

√ Applicable  Not Applicable

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

### 4. Emergency plans for environmental incidents

√ Applicable  Not Applicable

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

### 5. Self-monitoring environmental programs

√ Applicable  Not Applicable

The Company complies with national and local environmental standard requirements in respect of all pollutant discharge. Wastewater collected is subject to standard treatment and is released in a compliant manner. It is under real-time monitoring through the automatic online wastewater monitoring system, which shares its information with Haier

## Section V Environmental and Social Responsibilities

Smart Energy System. In March 2017, the Company passed the upgraded certification in relation to ISO14001 environment management system. In May 2021, a professional certification firm was appointed to conduct a review and audit on the operation of ISO14001 system in 2020, where satisfactory results were obtained to demonstrate its good operating condition; In May 2022, a second review and audit was conducted on the operation of the system in 2021.

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

Applicable  Not Applicable

**7. Other environmental information that should be disclosed**

Applicable  Not Applicable

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

Applicable  Not Applicable

**1. Administrative penalty due to environmental issues**

Applicable  Not Applicable

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

Applicable  Not Applicable

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

## Section V Environmental and Social Responsibilities

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

### 3. Reasons for failure to disclose other environmental information

Applicable  Not Applicable

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

Applicable  Not Applicable

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

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

Applicable  Not Applicable

The Company proactively advances product iteration and upgrade and participates in the development of ecological environment. The Company took part in the formulation of energy consumption standard of household appliances organized by Beijing Institute of Standardization to promote the shift to energy-saving models in the household appliance field. We cooperated with relevant organizations in relevant refrigerant research and development projects to strive for the application of refrigerants with lower greenhouse gas emission. Meanwhile, the Company and Haier's suppliers, among others, cooperated in the research and development of low-carbon related technology, such as recyclable packaging materials, to facilitate environmental protection.

The Company proactively responds to the household appliance recycling policies of the NDRC by launching a household appliance recycling project and investing in the construction of Haier's household appliance recycling interconnection factory. With the recycling business as the starting point, we tapped into the disintegration process and implemented extended accountability for household appliance manufacturers. The measure will significantly boost the efficiency of resource utilization to achieve sustainable development.

## Section V Environmental and Social Responsibilities

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

Applicable  Not Applicable

As the leading enterprise in the industry, the Company proactively seeks ways to achieve carbon neutrality and carbon peak and optimize industrial structure and energy structure. Currently, the Company has designed and established Haier Zhong De Smart Park, Haier's first "beacon base" in the world to achieve carbon neutrality, and intends to expand its coverage within the Company in the future, with a view to reaching carbon neutrality for Haier Smart Home's industrial parks in the PRC within a reasonable time, while giving due regards to comprehensive elements, such as costs.

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

Applicable  Not Applicable

In accordance with the national targeted poverty alleviation plan and documentation requirements, the Company emphasizes poverty alleviation and conducts targeted poverty alleviation within the authority granted on the general meeting in respect of, among others, donations.

For years, the Company has made genuine contributions to education to improve the basic cultural quality of people in poverty and skills of families in poverty, with an emphasis on shoring up the weak link of the education sector and stopping inter-generational poverty. As of now, the Company, Haier Group Companies (the effective controller of the Company) and its subordinate enterprises have constructed over 300 hope primary schools and hope secondary schools, covering 26 provinces, municipalities and autonomous regions in the PRC. It also offers continuous resource assistance to such schools every year to effectively boost the base education capacity in poverty regions and improve education quality. At the same time, the Company focuses on poverty alleviation in agricultural development and public welfare fund support to actively respond to the government's call for social responsibility fulfillment. In the first half of 2022, the Company spent approximately RMB6.62 million on targeted poverty alleviation.

# Section VI Significant Issues

## I. FULFILLMENT STATUS OF UNDERTAKINGS

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

✓ Applicable □ Not Applicable

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

## Section VI Significant Issues

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

## Section VI Significant Issues

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

## Section VI Significant Issues

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

## Section VI Significant Issues

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

## Section VI Significant Issues

| Background of undertakings         | Type of undertakings                              | Covenanter              | Contents of undertakings   | Date and term of undertakings | Any deadline for performance | Whether performed in a timely and strict way |
|------------------------------------|---|-------------------------|--|-------------------------------|------------------------------|--|
| Undertaking related to refinancing | Eliminate the property right defects in land etc. | Haier Group Corporation | Haier Group Corporation undertakes that it will assure Haier Smart Home and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that Haier Smart Home or any of its subsidiaries suffers any economic loss due to the fact that leased property has no relevant ownership certificate, Haier Group Corporation will make compensation to impaired party in a timely and sufficient way and take all reasonable and practicable measures to support the impaired party to recover to normal operation before the occurrence of loss. Upon the expiration of relevant leasing period, Haier Group Corporation will grant or take practicable measures to assure Haier Smart Home and its subsidiaries of priority to continue to lease the property at a price not higher than the rent in comparable market at that time. Haier Group Corporation will assure Haier Smart Home and its subsidiaries of the constant, stable, free and unobstructed use of self-built property and land of the Group. In the event that Haier Smart Home or any of its subsidiaries fails to continue to use self-built property according to its own will or in original way due to the fact that self-built property has no relevant ownership certificate, Haier Group Corporation will take all reasonable and practicable measures to eliminate obstruction and impact, or will support Haier Smart Home or its affected subsidiary to obtain alternative property as soon as possible, if Haier Group Corporation anticipates it is unable to cope with or eliminate the external obstruction and impact with its reasonable effort. For details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures</i> (L2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014. | 24 December 2013, long-term   | Yes                          | Yes  |

## Section VI Significant Issues

| Background of undertakings               | Type of undertakings                              | Covenanter                 | Contents of undertakings  | Date and term of undertakings   | Any deadline for performance | Whether performed in a timely and strict way |
|--|---|----------------------------|---|---|------------------------------|--|
|  | Eliminate the property right defects in land etc. | Haier Smart Home Co., Ltd. | The Company undertakes that it will eliminate the property rights defects of the Company and main subsidiaries within five years with reasonable business effort since 24 December 2013, to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the <i>Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures</i> (L2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014. As at the end of 2018, the Company has resolved the property defects of itself and its eight major subsidiaries. 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 was extended for three years based on the original deadline. At present, the property defects of the five major subsidiaries have been properly resolved by applying for property ownership certificates, relocating the defective properties and categorizing them as reserve alongside the lands, divesting the defective properties with the equity of the subsidiaries and other means. The Company has fulfilled this undertaking. | 24 December 2013, eight years   | Yes                          | Yes  |
| Undertakings related to equity incentive | Others  | Haier Smart Home Co., Ltd  | The Company will not provide loans or any other forms of financial assistance, including guaranteeing their loans, to any incentive recipient for acquiring relevant stock options under this incentive plan.   | 15 September 2021/28 June 2022, the completion of equity incentive implementation | Yes                          | Yes  |
| Other undertakings                       | Asset injection                                   | Haier Group Corporation    | Inject the assets of Haier Photoelectric to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2025. For more details, please refer to the <i>Announcement of Haier Smart Home Co., Ltd. on the Changes of Some Commitments on Asset Injection</i> (L2020-024) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 30 April 2020.  | December 2015 to June 2025  | Yes                          | Yes  |

## Section VI Significant Issues

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

Applicable  Not Applicable

### **III. INFORMATION ON NON-COMPLIANCE GUARANTEES**

Applicable  Not Applicable

### **IV. INFORMATION ON INTERIM AUDIT**

Applicable  Not Applicable

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

Applicable  Not Applicable

### **VI. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING**

Applicable  Not Applicable

### **VII. MATERIAL LITIGATION AND ARBITRATION MATTERS**

Material litigation and arbitration matter during the reporting period

No material litigation and arbitration matters during the reporting period

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

Applicable  Not applicable

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

Applicable  Not applicable

## X. SIGNIFICANT RELATED-PARTY TRANSACTIONS

### (I) Related-party transactions relating to daily operation

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

Applicable  Not applicable

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

Applicable  Not applicable

Pursuant to the “Resolution on Proposal to the General Meeting to Authorize the Board of Directors and its Authorized Persons to Sign the Framework Agreement on Connected Transactions for 2020–2022” (《关于提请股东大会授权董事会及其授权人士签署2020–2022年关联交易框架协定的议案》) considered and approved at the 10th meeting of the 10th session of the Board of Directors and the Second Extraordinary General Meeting of 2020, the “Resolution on Signing the Framework Agreement on Connected Transactions” (《关于签署关联交易框架协定的议案》) considered and approved at the 14th meeting of the 10th session of the Board of Directors, and the “Resolution of Haier Smart Home Co., Ltd. on Renewing the Framework Agreement on Financial Services with Haier Group Corporation and Estimated Amount of Connected Transactions” (《海尔智家股份有限公司关于与海尔集团公司续签〈金融服务框架协定〉暨预计关联交易额度的议案》) considered and approved at the 18th meeting of the 10th session of the Board of Directors and the 2020 Annual General Meeting, the Company has made estimation on the connected transactions for the next three years, as detailed in the aforesaid announcements regarding the resolutions of the meetings.

For the actual performance of the Company’s connected transactions in the first half of 2022, please refer to “XII. Related parties and related-party transactions” under section X — Financial and Accounting Report set out in this regular report.

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

Applicable  Not applicable

## Section VI Significant Issues

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

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

✓ Applicable  Not applicable

| Summary of matters  | Query index  |
|---|--|
| <p><b>The acquisition of 100% equity interest in Qingdao TAB Robot Technology Co., LTD. and connected transaction:</b> In order to establish the competitiveness of service robots for household cleaning and promote the development of the Company's cleaning appliance business, as well as to enhance its corporate governance and reduce routine connected transactions, Qingdao Haier Smart Life Electric Co., Ltd., a wholly-owned subsidiary of the Company, acquired 100% equity interest in Qingdao TAB Robot Technology Co., LTD., which was owned by Qingdao Haier Interconnect Technology Co., Ltd., at a consideration of RMB125.0 million in cash.</p> | <p>For details, please refer to the Announcement of Haier Smart Home Co., Ltd. on the Acquisition of 100% Equity Interest in Qingdao TAB Robot Technology Co., LTD. by a Subsidiary and Connected Transaction disclosed on 29 April 2022</p> |
| <p><b>The transfer of 25% equity interest in Qingdao Haier Mold Co., Ltd. and connected transaction:</b> In order to focus on the smart home appliance business, optimize resource allocation and generate investment income, Haier Shareholdings (Hong Kong) Limited, a wholly-owned subsidiary of the Company, transferred 25% equity interest in Qingdao Haier Mold Co., Ltd. to Qingdao Haier Mold Smart Cloud Technology Co., Ltd., at a consideration of RMB277.0 million in cash.</p>  | <p>For details, please refer to the Announcement of Haier Smart Home Co., Ltd. on the Transfer of 25% Equity Interest in Qingdao Haier Mold Co., Ltd. by a Subsidiary and Connected Transaction disclosed on 29 April 2022</p>               |

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

## Section VI Significant Issues

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

✓ Applicable  Not applicable

#### 1. Deposit business

✓ Applicable  Not applicable

Unit and Currency: RMB

| Related party           | Relationship              | Maximum daily deposit limit | Range of deposit interest | Balance as at the beginning of the period | Changes of the period                    |  | Balance as at the end of the period |
|-------------------------|---------------------------|-----------------------------|---------------------------|---|--|--|-------------------------------------|
|                         |                           |                             |                           |   | Total amount deposited during the period | Total amount withdrawn during the period |                                     |
| Haier Finance Co., Ltd. | Subsidiary of Haier Group | 32 billion                  | 0.385% to 3.5%            | 28,744,602,432.65                         | 225,622,196,116.58                       | 222,369,714,439.54                       | 31,997,084,109.69                   |
| Total                   | /                         | /                           | /                         | 28,744,602,432.65                         | 225,622,196,116.58                       | 222,369,714,439.54                       | 31,997,084,109.69                   |

#### 2. Lending business

✓ Applicable  Not applicable

Unit and Currency: RMB

| Related party           | Relationship              | Loan limit | Range of loan interest | Balance as at the beginning of the period | Changes of the period                    |  | Balance as at the end of the period |
|-------------------------|---------------------------|------------|------------------------|---|--|--|-------------------------------------|
|                         |                           |            |                        |   | Total amount deposited during the period | Total amount withdrawn during the period |                                     |
| Haier Finance Co., Ltd. | Subsidiary of Haier Group | 7 billion  | 1.81%-2.00%            | 336,507,659.12                            |  | 53,834,130.12                            | 282,673,529.00                      |
| Total                   | /                         | /          | /                      | 336,507,659.12                            |  | 53,834,130.12                            | 282,673,529.00                      |

**3. Trustee business or other finance businesses**

Applicable  Not applicable

Unit and Currency: RMB

| Related party           | Relationship              | Type of business                      | Total amount | Actual number of occurrence |
|-------------------------|---------------------------|---------------------------------------|--------------|-----------------------------|
| Haier Finance Co., Ltd. | Subsidiary of Haier Group | Foreign exchange derivatives products | 5.5 billion  | 188,966,929.21              |
| Haier Finance Co., Ltd. | Subsidiary of Haier Group | Service charge                        | 80 million   | 13,688,276.03               |

**4. Others**

Applicable  Not applicable

**(VI) Other material related transactions**

Applicable  Not applicable

**(VII) Others**

Applicable  Not applicable

## Section VI Significant Issues

### XI. SIGNIFICANT CONTRACTS AND THEIR EXECUTION

#### 1 Trusteeship, contracting and leasing

Applicable  Not applicable

#### 2 Significant guarantees performed and outstanding during the reporting period

Applicable  Not Applicable

Unit and Currency: RMB10'000

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

#### 3 Other major contracts

Applicable  Not Applicable

## XII. STATEMENT ON OTHER SIGNIFICANT EVENTS

✓ Applicable  Not Applicable

- (1) **Entrusted wealth management:** By the end of the reporting period, the balance of the Company's entrusted wealth management amounted to RMB3.692 billion, including two parts: ① temporarily-idle fundraising wealth management: at the end of December 2018, the Company's proceeds for the issuance of convertible corporate bonds were fully landed. In order to improve the yield of temporarily-idle funds, the Company intended to carry out cash management with the amounts not exceeding RMB0.5 billion after approved by the Board of Directors. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB75 million; ② Temporary-idle funds wealth management by the Company and certain subsidiaries: Under the premise of ensuring sufficient capital required by the principal operating activities and daily operations, the Company and certain subsidiaries purchased some low risk wealth management products and structured deposits from major commercial banks to improve the yield of temporarily-idle funds and the return for shareholders within the authority of the president's office meeting and under the condition of ensuring fund safety. By the end of the reporting period, the balance of the entrusted wealth management amounted to RMB3.617 billion.
- (2) **Progress of the A-share repurchase:** On 30 March 2022, the Company convened the 27th meeting of the 10th session of the Board of Directors, which considered and approved the Resolution in Relation to the Repurchase Plan of a Portion of Public A Shares of Haier Smart Home Co., Ltd. It approved the Company to use its own funds to repurchase a portion of A shares of the Company by way of centralised bidding. The repurchase price is no more than RMB35 per share and the proposed total repurchase amount is no more than RMB3.0 billion and no less than RMB1.5 billion. The period of this repurchase is within 12 months from the date the Board considered and approved the resolution of repurchase of shares. As at the end of the reporting period, the Company had repurchased a total of 55,702,939 shares, representing 0.59% of the total share capital of the Company. The highest price purchased was RMB26.00 per share and the lowest price was RMB23.50 per share, and the amount paid was RMB1,406,719,792.04. For details, please refer to the announcements on the related progress disclosed by the Company on a monthly basis.
- (3) **Progress of the Shareholding Increase by shareholders:** On 8 March 2022, Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (hereinafter referred to as "Haichuangzhi"), a concerted actor of Haier Group Corporation (the actual controller of Haier Smart Home Co., Ltd.), informed the Company that Haichuangzhi intended to increase its shareholding of the Company's A shares within the time frame permitted by relevant laws and regulations in the next 6 months, with the amount no less than RMB200 million and no more than RMB350 million (including the increased shares of the Shareholding Increase). As at the end of the reporting period, the Shareholding Increase was completed. Haichuangzhi's shareholding of the Company's A shares increased by 15,712,200 accumulatively, with an amount of shareholding increase of approximately RMB347,719,237.42. For details, please refer to the Announcement of Haier Smart Home Co., Ltd. on the Increase in Shareholding of the Company by Actual Controller's Concerted Actor, and the Announcement of Haier Smart Home Co., Ltd. on Implementation Result of the Increase in Shareholding of the Company by Actual Controller's Concerted Actor disclosed on 9 March 2022 and 19 March 2022 respectively, and other related announcements.

# Section VII Changes in Shares and Information About Shareholders

## I. CHANGES IN SHARE CAPITAL

### (I) Table of Changes in shares

#### 1. Table of Changes in shares

|  | Prior to changes |                | Issue of new shares | Increase/decrease in shares |                              |           |            | After changes |                |
|--|------------------|----------------|---------------------|-----------------------------|------------------------------|-----------|------------|---------------|----------------|
|  | Amount           | Percentage (%) |                     | Bonus shares                | Reserves converted to shares | Others    | Sub-total  | Amount        | Percentage (%) |
| I. Restricted shares                                   |                  |                |                     |                             |                              |           |            |               |                |
| 1. State-owned shares                                  | —                | —              | —                   | —                           | —                            | —         | —          | —             | —              |
| 2. Shares held by state-owned legal entities           | —                | —              | —                   | —                           | —                            | —         | —          | —             | —              |
| 3. Other domestic entities held shares                 | —                | —              | —                   | —                           | —                            | —         | —          | —             | —              |
| Including:   |                  |                |                     |                             |                              |           |            |               |                |
| Shares held by domestic non-state-owned legal entities | —                | —              | —                   | —                           | —                            | —         | —          | —             | —              |
| Shares held by domestic individuals                    | —                | —              | —                   | —                           | —                            | —         | —          | —             | —              |
| 4. Shares held by foreign entities                     | —                | —              | —                   | —                           | —                            | —         | —          | —             | —              |
| Including:   |                  |                |                     |                             |                              |           |            |               |                |
| Shares held by offshore legal entities                 | —                | —              | —                   | —                           | —                            | —         | —          | —             | —              |
| Shares held by offshore individuals                    | —                | —              | —                   | —                           | —                            | —         | —          | —             | —              |
| II. Non-restricted shares                              | 9,398,704,530    | 100.00         | 41,413,600          | —                           | —                            | 6,673,840 | 48,087,440 | 9,446,791,970 | 100.00         |
| 1. Ordinary shares in RMB                              | 6,308,552,654    | 67.12          | —                   | —                           | —                            | —         | —          | 6,308,552,654 | 66.78          |
| 2. Domestically listed foreign-owned Shares            | —                | —              | —                   | —                           | —                            | —         | —          | —             | —              |
| 3. Offshore listed foreign-owned Shares                | 3,090,151,876    | 32.88          | 41,413,600          | —                           | —                            | 6,673,840 | 48,087,440 | 3,138,239,316 | 33.22          |
| 4. Others  | —                | —              | —                   | —                           | —                            | —         | —          | —             | —              |
| III. Total shares                                      | 9,398,704,530    | 100.00         | 41,413,600          | —                           | —                            | 6,673,840 | 48,087,440 | 9,446,791,970 | 100.00         |

## Section VII Changes in Shares and Information About Shareholders

### 2. Statement on the changes in shares

✓ Applicable  Not Applicable

- (1) H-share convertible bonds: On 27 October 2020, the China Securities Regulatory Commission issued the “Reply to the Approval of Issuance of Overseas Listed Foreign Shares and Convertible Corporate Bonds by Haier Smart Home Co., Ltd.” (《关于核准海尔智家股份有限公司发行境外上市外资股及可转换公司债券的批复》) (Zheng Jian Xu Ke [2020] No. 2768), which approved that: (1) the Company to issue not more than 2,856,526,138 overseas listed foreign shares (including additional shares issued to holders of convertible corporate bonds not exceeding HK\$8.0 billion or equivalent in foreign currencies upon the exercise of the convertible rights), with a par value of RMB1 each, all of which are ordinary shares. After the completion of this issuance, the Company can be listed on the main board of the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Stock Exchange”); (2) the issuance of corporate bonds not exceeding HK\$8.0 billion or equivalent in foreign currencies that can be converted into the Company’s overseas listed foreign shares by the overseas wholly-owned subsidiaries guaranteed by the Company. On 23 December 2020, 2,448,279,814 H shares of the Company, issued for the privatisation of Haier Electronics (a Hong Kong listed company), were listed and traded on the Main Board of the Hong Kong Stock Exchange, and the related convertible bonds under the H share convertible bonds scheme amounting to HK\$7,993 million became valid and in effect immediately after the listing. During the reporting period, HK\$124,000,000 of the convertible bonds were converted into a total of 6,673,840 H shares of the Company and the outstanding amount was HK\$275,000,000.
- (2) Placing of H share: Pursuant to the Resolution on Granting General Mandate to the Board of Directors on Additional Issuance of H shares of the Company considered and passed at the Company’s 2020 Annual General Meeting, the Resolution of Haier Smart Home Co., Ltd. on the Issue and Listing of New H Shares on the Main Board of the Stock Exchange of Hong Kong Limited considered and passed at the 23rd meeting of the 10th session of the Board of Directors of the Company, etc. and the China Securities Regulatory Commission’s “Reply to the Approval of Issuance of Overseas Listed Foreign Shares by Haier Smart Home Co., Ltd.” (《关于核准海尔智家股份有限公司发行境外上市外资股的批复》) (Zheng Jian Xu Ke [2021] No. 4055), the Company can additionally issue no more than 73,000,000 overseas listed foreign shares (H shares), with a par value of RMB1 each, all of which are ordinary shares. On the 26th meeting of the 10th session of the Board of Directors of the Company on 11 January 2022, the Resolution on the Placing of New H Shares Under the General Mandate of Haier Smart Home Co., Ltd. was considered and passed and 41,413,600 H shares will be issued by the Company.

## Section VII Changes in Shares and Information About Shareholders

On 21 January 2022, in accordance with the aforesaid resolutions and reply, the Company issued 41,413,600 overseas listed foreign shares (H shares). The new shares accounted for 0.439% of the total number of issued shares and 1.448% of the total number of H shares, respectively, upon completion of placing and the Stock Exchange of Hong Kong Limited has granted the approval for the listing of and permission to deal in the shares on its Main Board.

Based on the above, during the reporting period, the share capital of the Company was changed from 9,398,704,530 shares at the beginning of the reporting period to 9,446,791,970 shares.

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

Applicable  Not Applicable

For the interim period in 2022, the Company recorded a net profit attributable to shareholders of the parent company of RMB7,949,084,472.70 and equity attributable to owners of the parent company as at the end of the reporting period of RMB86,251,016,004.21, representing earnings per Share of RMB0.841 and net asset per Share of RMB9.130, based on the total share capital as at the end of the reporting period of 9,446,791,970 Shares; and earnings per Share of RMB0.841 and net asset per Share of RMB9.129, based on the total share capital as at the date of disclosure of the interim report of 9,448,155,076 Shares.

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

Applicable  Not Applicable

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

Applicable  Not Applicable

## II. INFORMATION ON SHAREHOLDERS

### (I) Total number of shareholders:

|   |         |
|---|---------|
| Total number of ordinary shareholders by the end of the reporting period  | 150,163 |
| Total numbers of preferential shareholders with restoration of voting rights by the end of the reporting period | 0       |

## Section VII Changes in Shares and Information About Shareholders

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

Unit: share

#### Shareholdings of top ten shareholders

| Name of shareholder<br>(full name)  | Increase/<br>decrease<br>during the<br>reporting<br>period | Number of<br>shares held<br>at the end of<br>the period | Percentage<br>(%) | Number of<br>shares held<br>with selling<br>restrictions | Status of shares pledged,<br>marked or frozen |        | Nature of<br>shareholder              |
|---|--|---|-------------------|--|---|--------|---------------------------------------|
|   |  |   |                   |  | Status  | Number |                                       |
| HKSCC NOMINEES LIMITED  | —  | 2,239,863,660   | 23.71             | —  | Unknown                                       | —      | Unknown                               |
| Haier COSMO Co., Ltd.<br>(海尔卡奥斯股份有限公司)  | —  | 1,258,684,824   | 13.32             | —  | None  | —      | Domestic non-state-owned legal entity |
| Haier Group Corporation   | —  | 1,072,610,764   | 11.35             | —  | None  | —      | Domestic non-state-owned legal entity |
| Hong Kong Securities Clearing Co., Ltd.   | —  | 715,059,902   | 7.57              | —  | None  | —      | Unknown                               |
| HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED   | —  | 538,560,000   | 5.70              | —  | None  | —      | Foreign legal entity                  |
| China Securities Finance Corporation Limited  | —  | 182,592,654   | 1.93              | —  | None  | —      | Unknown                               |
| Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司)                       | —  | 172,252,560   | 1.82              | —  | None  | —      | Domestic non-state-owned legal entity |
| Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青岛海创智管理咨询企业(有限合伙)) | —  | 118,724,416   | 1.26              | —  | None  | —      | Domestic non-state-owned legal entity |
| ALIBABA INVESTMENT LIMITED  | —  | 83,823,993  | 0.89              | —  | Unknown                                       | —      | Foreign legal entity                  |
| China Merchant Bank Co., Ltd. — Xingquan Herun mixed securities investment fund                 | —  | 78,018,741  | 0.83              | —  | None  | —      | Unknown                               |

## Section VII Changes in Shares and Information About Shareholders

### Shareholdings of top ten shareholders without selling restrictions

| Name of shareholder  | Number of tradable shares held without selling restrictions               | Class and number of shares     |               |
|--|---|--------------------------------|---------------|
|  |   | Class                          | Number        |
| HKSCC NOMINEES LIMITED   | 2,239,863,660   | Overseas listed foreign shares | 2,239,863,660 |
| Haier COSMO Co., Ltd.<br>(海尔卡奥斯股份有限公司)   | 1,258,684,824   | RMB ordinary                   | 1,258,684,824 |
| Haier Group Corporation  | 1,072,610,764   | RMB ordinary                   | 1,072,610,764 |
| Hong Kong Securities Clearing Co., Ltd.  | 715,059,902   | RMB ordinary                   | 715,059,902   |
| HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED  | 538,560,000   | Overseas listed foreign shares | 538,560,000   |
| China Securities Finance Corporation Limited   | 182,592,654   | RMB ordinary                   | 182,592,654   |
| Qingdao Haier Venture & Investment Information Co., Ltd.<br>(青岛海尔创业投资咨询有限公司)                       | 172,252,560   | RMB ordinary                   | 172,252,560   |
| Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership)<br>(青岛海创智管理咨询企业(有限合伙)) | 118,724,416   | RMB ordinary                   | 118,724,416   |
| ALIBABA INVESTMENT LIMITED   | 83,823,993  | Overseas listed foreign shares | 83,823,993    |
| China Merchant Bank Co., Ltd. — Xingquan Herun mixed securities investment fund                    | 78,018,741  | RMB ordinary                   | 78,018,741    |
| Explanation on repurchase account of top ten shareholders  | The repurchase accounts of the Company held a total of 109,754,498 shares |                                |               |

## Section VII Changes in Shares and Information About Shareholders

| Name of shareholder  | Number of tradable shares held without selling restrictions | Class and number of shares   |        |
|--|---|--|--------|
|  |   | Class  | Number |
| Explanation on delegated voting rights, entrusted voting rights, abstained voting rights of the above shareholders |   | Nil  |        |
| Related parties or parties acting in concert among the aforesaid shareholders                                      |   | (1) Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司) is a subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司), HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED and Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青岛海创智管理咨询企业(有限合伙)) are parties acting in concert with Haier Group Corporation; |        |
|  |   | (2) The Company is not aware of the existence of any connections of other shareholders.  |        |
| Explanation of preferential shareholders with restoration of voting rights and their shareholdings                 |   | Not applicable   |        |

Note: (1) HKSCC NOMINEES LIMITED is the Collection Account for the shareholders of the Company's H-shares, which is the original data provided by the securities registration agency of Hong Kong, China to the Company after the merger according to local market practices and technical settings, not representing the ultimate shareholder.

(2) As at the end of the reporting period, Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青岛海创智管理咨询企业(有限合伙)) engaged in refinancing and securities lending business, involving a total of 1,898,000 shares, whilst the ownership of which had not been transferred. The actual number of shares held by it totaled 120,622,416 shares.

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

Applicable  Not Applicable

## Section VII Changes in Shares and Information About Shareholders

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

Applicable  Not Applicable

## III. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

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

Applicable  Not Applicable

#### Other explanations

Applicable  Not Applicable

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

Applicable  Not Applicable

Unit: 10,000 shares

| Name           | Position          | Number of stock options held at the beginning of the period | Number of stock options newly granted during the reporting period | Exercisable shares options during the reporting period | Shares from stock option exercised during the reporting period | Number of stock options held at the end of the period |
|----------------|-------------------|---|---|--|--|---|
| Li Huagang     | Director          | 91.39   | 0   | 0  | 0  | 91.39   |
| Gong Wei       | Director          | 45.70   | 0   | 0  | 0  | 45.70   |
| Xie Juzhi      | Senior Management | 91.39   | 0   | 0  | 0  | 91.39   |
| Li Pan         | Senior Management | 45.70   | 0   | 0  | 0  | 45.70   |
| Song Yujun     | Senior Management | 31.21   | 0   | 0  | 0  | 31.21   |
| Zhao Yanfeng   | Senior Management | 46.82   | 0   | 0  | 0  | 46.82   |
| Huang Xiaowu   | Senior Management | 45.70   | 0   | 0  | 0  | 45.70   |
| Wu Yong        | Senior Management | 22.85   | 0   | 0  | 0  | 22.85   |
| Li Yang        | Senior Management | 45.70   | 0   | 0  | 0  | 45.70   |
| Guan Jiangyong | Senior Management | 22.85   | 0   | 0  | 0  | 22.85   |
| Liu Xiaomei    | Senior Management | 0   | 11.65   | 0  | 0  | 11.65   |
| Total          | /                 | 489.31  | 11.65   | 0  | 0  | 500.96  |

## Section VII Changes in Shares and Information About Shareholders

### (III) Other explanations

Applicable  Not Applicable

### IV. CHANGES IN CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

Applicable  Not Applicable

# Section VIII Relevant Information of Preferred Shares

Applicable  Not Applicable

# Section IX Relevant Information of Corporate Bonds

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

Applicable  Not Applicable

## II. CONVERTIBLE CORPORATE BOND

Applicable  Not Applicable

### (1) Convertible bond issue

On 27 October 2020, CSRC issued “Reply to the Approval of Issuance of Overseas Listed Foreign Shares and Convertible Corporate Bonds by Haier Smart Home Co., Ltd.” (《关于核准海尔智家股份有限公司发行境外上市外资股及可转换公司债券的批复》) (Zheng Jian Xu Ke [2020] No. 2768) (hereinafter referred to as “CSRC Reply”) to approve: (1) Haier Smart Home to issue not more than 2,856,526,138 overseas listed foreign shares (including shares to be issued pursuant to the exercise of conversion rights by the holders of convertible corporate bonds with an amount of not more than HK\$8.0 billion or equivalent in any foreign currency) with a par value of RMB1, all registered as ordinary shares. Upon the completion of the issue, Haier Smart Home may be listed on the main board of the Hong Kong Stock Exchange; (2) With the guarantee of Haier Smart Home, its wholly-owned foreign subsidiary issued overseas corporate bonds with an amount of not more than HK\$8.0 billion or equivalent in any foreign currency, convertible into overseas listed foreign shares of the issuer. Pursuant to this and approval from relevant parties, 2,448,279,814 H-shares and convertible bonds (exchangeable bonds of HK\$8.0 billion issued in November 2017 were converted into convertible bonds, resulting in valid convertible bonds of HK\$7.993 billion, which were convertible into H-shares of the Company) were issued by the Company and Harvest International Company, a wholly-owned subsidiary of the Company, on the Hong Kong Stock Exchange on 23 December 2020, respectively. Please refer to the prospectus and other relevant documents disclosed by the Company in the Hong Kong market during the reporting period and the Report on the Implementation of Significant Asset Acquisition and Connected Transactions (《重大资产购买暨关联交易实施情况报告书》) and other documents disclosed by the Company on 26 December 2020 for details.

For the above-mentioned bonds, 105.11% of the remaining par value of the bonds were repaid in an one-off repayment of principal and interest upon maturity.

### (2) Convertible bond holders and guarantors for the Reporting Period

|  |  |
|--|--|
| Name of convertible corporate bond   | Harvest International Company<br>HK\$8,000,000,000 Zero Coupon<br>Guaranteed Convertible Bonds due<br>2022 (hereafter, “H Share Convertible<br>Bonds”) |
| Number of convertible bond holders as at the end<br>of the period                | 1  |
| Guarantor of the Company’s convertible bonds                                     | Haier Smart Home Co., Ltd.   |
| Material changes of the profitability, asset and<br>credibility of the guarantor | Nil  |

## Section IX Relevant Information of Corporate Bonds

Top 10 holders of convertible bonds are as follows:

| Name of holder of corporate convertible bonds | Holdings as at the end of the period (RMB) | Holding percentage (%) |
|---|--|------------------------|
| HSBC Nominees (Hong Kong) Limited             | 275,000,000                                | 100                    |

Note: (1) the aforementioned bonds as at the end of the period are denominated in Hong Kong Dollar; (2) H Share Convertible Bonds of the Company are held by HSBC Nominees (Hong Kong) Limited as the sole legal holder, who is not the ultimate holder. Information on the ultimate holders of the bonds is only stored in the clearing system and, without the authorization from the ultimate holder, the clearing system shall not directly provide the detailed list of ultimate bond holders to any party.

### (3) Conversion of convertible bonds for the Reporting Period

Unit and Currency: HKD

| Name of convertible corporate bond | Prior to the changes | Increase/decrease |            |        | After the changes |
|------------------------------------|----------------------|-------------------|------------|--------|-------------------|
|                                    |                      | Conversion        | Redemption | Resale |                   |
| H Share Convertible Bonds          | 399,000,000          | 124,000,000       | —          | —      | 275,000,000       |

### (4) Cumulative conversion of convertible bond for the Reporting Period

Currency: HKD

| Name of convertible corporate bond  | H Share Convertible Bonds |
|---|---------------------------|
| Amount of conversion for the Reporting Period (HKD)   | 124,000,000               |
| Number of conversion for the Reporting Period (Shares)  | 6,673,840                 |
| Cumulative number of conversion (Shares)  | 409,884,729               |
| Percentage of cumulative number of conversion to total issued shares of the Company prior to the conversion (%) | 4.54                      |
| Outstanding amount (HKD)  | 275,000,000               |
| Percentage of outstanding amount to total amount of convertible bonds issued (%)                                | 3.44                      |

### (5) Historical adjustment of conversion price

Unit and Currency: HKD

| Name of convertible corporate bond                            | H Share Convertible Bonds |
|---|---------------------------|
| Latest conversion price as at the end of the Reporting Period | 18.58                     |

## Section IX Relevant Information of Corporate Bonds

### (6) Liabilities, change in credit and cash arrangements of repayment in the coming year of the Company

As at the end of the reporting period, liabilities of the Company amounted to RMB139,076,271,000, in which current liabilities amounted to RMB127,717,442,200 and non-current liabilities amounted to RMB11,358,828,800.

The Company remains stable in every operating condition with reasonable asset structure and good credibility, and is capable of providing stable and sufficient working capital for the repayment of the interests and principal of convertible corporate bonds in the coming year.

### (7) Other information on convertible bonds

On 23 November 2017, the first 2017 Extraordinary General Meeting of the Company adopted the Resolution of Qingdao Haier Co., Ltd. on the Scheme for Public Offering of Convertible Corporate Bonds (the “A-share Convertible Bonds”) upon consideration. Pursuant to the resolution at this general meeting and the approval documents of the China Securities Regulatory Commission and others, the Company completed the issue of convertible corporate bonds in December 2018, with a total issue amount of RMB3,007.49 million. The bonds were listed on 18 January 2019, which is referred to as “Haier Convertible Bonds” and its bond code is 110049. For details, please refer to the Prospectus for the Public Offering of A-share Convertible Corporate Bonds by Qingdao Haier Co., Ltd. as disclosed on 14 December 2018, and the Announcement on the Listing of Convertible Corporate Bonds by Qingdao Haier Co., Ltd. as disclosed on 16 January 2019 and other relevant documents. As the convertible bonds in 2019 met the redemption conditions and the Board of Directors of the Company decided to exercise the redemption right after consideration and approval, the Company redeemed the balance of the convertible bonds in full up to the registered amount on redemption registration date. After the redemption, the convertible bonds of the Company were delisted on 17 December 2019. At present, the A-share convertible bonds have ceased to be in existence, but the funds raised from the issuance of the bonds have not been fully utilized. As of 30 June 2022, RMB2,791.68 million of the funds raised from A-share convertible bonds has been utilized, with a balance of RMB260.91 million (the account balance includes the income generated from the purchase of wealth management products, interest on demand deposits, foreign exchange gains and losses and the not-yet-invested capital raised). For details of the use of funds, please refer to the Special Report on the Deposit and Actual Use of Raised Funds in the First Half of 2022 of Haier Smart Home Co., Ltd., which was disclosed on the same date as this report.

# Section X Financial Report

## I. AUDIT REPORT

Applicable  Not Applicable

## II. FINANCIAL STATEMENTS

### Consolidated Balance Sheet

30 June 2022

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

| Items  | Notes  | Closing balance    | Opening balance    |
|--|--------|--------------------|--------------------|
| <b>Current assets:</b>                             |        |                    |                    |
| Monetary funds                                     | VII.1  | 50,316,121,259.28  | 45,971,035,763.51  |
| Provision of settlement fund                       |        |                    |                    |
| Funds lent   |        |                    |                    |
| Financial assets held for trading                  | VII.2  | 2,560,172,076.58   | 2,786,075,529.09   |
| Derivative financial assets                        | VII.3  | 163,084,726.42     | 79,819,974.01      |
| Bills receivable                                   | VII.4  | 8,417,636,171.41   | 13,354,791,068.29  |
| Accounts receivable                                | VII.5  | 17,920,101,868.72  | 14,642,659,450.22  |
| Financing receivables                              |        |                    |                    |
| Prepayments  | VII.6  | 868,112,660.47     | 857,234,399.26     |
| Premiums receivable                                |        |                    |                    |
| Reinsurance accounts receivable                    |        |                    |                    |
| Reinsurance contract reserves receivable           |        |                    |                    |
| Other receivables                                  | VII.7  | 2,156,760,190.99   | 1,956,721,621.66   |
| Including: Interest receivable                     |        | 400,015,260.13     | 294,379,438.82     |
| Dividend receivable                                |        |                    |                    |
| Financial assets purchased under resale agreements |        |                    |                    |
| Inventories  | VII.8  | 41,006,635,494.22  | 39,901,262,689.59  |
| Contract assets                                    | VII.9  | 280,621,191.36     | 304,434,294.70     |
| Assets held for sale                               |        |                    |                    |
| Non-current assets due in one year                 |        |                    |                    |
| Other current assets                               | VII.10 | 4,515,557,117.17   | 3,920,750,476.57   |
| Total current assets                               |        | 128,204,802,756.62 | 123,774,785,266.90 |
| <b>Non-current assets:</b>                         |        |                    |                    |
| Loans and advances granted                         |        |                    |                    |
| Debt investments                                   |        |                    |                    |
| Other debt investments                             |        |                    |                    |
| Long-term receivables                              |        | 306,402,281.56     | 308,998,755.30     |
| Long-term equity investments                       | VII.11 | 24,110,645,622.66  | 23,200,884,340.57  |
| Investments in other equity instruments            | VII.12 | 4,852,445,212.91   | 4,848,709,438.96   |

## Section X Financial Report

| Items  | Notes  | Closing balance    | Opening balance    |
|--|--------|--------------------|--------------------|
| Other non-current financial assets                 |        |                    |                    |
| Investment properties                              | VII.13 | 25,624,249.19      | 24,964,888.48      |
| Fixed assets                                       | VII.14 | 24,242,589,167.64  | 22,307,090,168.64  |
| Construction in progress                           | VII.15 | 4,858,973,923.48   | 4,183,263,398.79   |
| Biological assets for production                   |        |                    |                    |
| Oil and gas assets                                 |        |                    |                    |
| Right-of-use assets                                | VII.16 | 3,664,479,071.10   | 2,734,678,906.53   |
| Intangible assets                                  | VII.17 | 9,578,002,832.45   | 9,550,384,743.90   |
| Development cost                                   | VII.18 | 225,378,688.91     | 227,892,229.13     |
| Goodwill   | VII.19 | 22,746,678,157.03  | 21,827,103,060.76  |
| Long-term prepaid expenses                         | VII.20 | 686,383,400.01     | 588,796,706.24     |
| Deferred income tax assets                         | VII.21 | 1,399,363,197.75   | 1,857,448,518.29   |
| Other non-current assets                           | VII.22 | 1,750,990,973.29   | 2,164,384,013.14   |
| Total non-current assets                           |        | 98,447,956,777.98  | 93,824,599,168.73  |
| Total assets                                       |        | 226,652,759,534.60 | 217,599,384,435.63 |
| <b>Current liabilities:</b>                        |        |                    |                    |
| Short-term borrowings                              | VII.23 | 13,159,569,303.47  | 11,226,212,134.39  |
| Borrowings from central bank                       |        |                    |                    |
| Due to banks and other financial institutions      |        |                    |                    |
| Financial liabilities held for trading             | VII.24 | 79,270,648.00      | 6,294,014.40       |
| Derivative financial liabilities                   | VII.25 | 77,066,966.55      | 80,212,433.24      |
| Bills payable                                      | VII.26 | 27,955,088,267.08  | 25,023,238,406.72  |
| Accounts payable                                   | VII.27 | 38,977,127,139.49  | 42,396,109,648.76  |
| Receipts in advance                                |        |                    |                    |
| Contract liabilities                               | VII.28 | 5,397,435,938.66   | 10,027,091,593.60  |
| Disposal of repurchased financial assets           |        |                    |                    |
| Absorbing deposit and deposit in inter-bank market |        |                    |                    |
| Customer deposits for trading in securities        |        |                    |                    |
| Amounts due to issuer for securities underwriting  |        |                    |                    |
| Payables for staff's remuneration                  | VII.29 | 3,155,954,164.86   | 4,115,939,635.24   |
| Taxes payable                                      | VII.30 | 2,748,011,705.59   | 2,605,508,703.56   |
| Other payables                                     | VII.31 | 22,391,504,810.19  | 17,533,370,017.01  |
| Including: Interest payable                        |        |                    |                    |
| Dividend payable                                   |        | 4,321,692,240.21   | 10,639,313.22      |
| Fees and commissions payable                       |        |                    |                    |
| Reinsurance Accounts payables                      |        |                    |                    |
| Liabilities held for sale                          |        |                    |                    |
| Non-current liabilities due within one year        | VII.32 | 12,490,218,783.46  | 9,624,339,170.46   |
| Other current liabilities                          | VII.33 | 1,286,194,473.81   | 2,238,767,551.40   |
| Total current liabilities                          |        | 127,717,442,201.16 | 124,877,083,308.78 |

## Section X Financial Report

| Items   | Notes  | Closing balance    | Opening balance    |
|---|--------|--------------------|--------------------|
| <b>Non-current liabilities:</b>   |        |                    |                    |
| Deposits for insurance contracts  |        |                    |                    |
| Long-term borrowings  | VII.34 | 2,119,243,998.96   | 3,038,573,824.53   |
| Bonds payable   | VII.35 |                    | 334,730,048.82     |
| Including: Preference shares  |        |                    |                    |
| Perpetual bonds   |        |                    |                    |
| Lease liabilities   | VII.36 | 2,763,944,633.73   | 1,960,894,981.47   |
| Long-term payables  | VII.37 | 49,353,671.92      | 99,602,707.76      |
| Long-term payables for staff's remuneration                                 | VII.38 | 1,172,642,077.88   | 1,173,151,761.64   |
| Estimated liabilities   | VII.39 | 1,776,817,160.27   | 1,948,565,477.11   |
| Deferred income   | VII.40 | 906,543,570.12     | 852,794,567.20     |
| Deferred income tax liabilities   | VII.21 | 2,517,001,943.72   | 2,121,803,173.83   |
| Other non-current liabilities   |        | 53,281,708.05      | 49,461,683.90      |
| Total non-current liabilities   |        | 11,358,828,764.65  | 11,579,578,226.26  |
| Total liabilities   |        | 139,076,270,965.81 | 136,456,661,535.04 |
| <b>Owners' equity (or shareholders' equity):</b>                            |        |                    |                    |
| Paid-in capital (or share capital)  | VII.41 | 9,446,791,970.00   | 9,398,704,530.00   |
| Other equity instruments  | VII.42 | 81,340,387.43      | 118,017,507.59     |
| Including: Preference shares  |        |                    |                    |
| Perpetual bonds   |        |                    |                    |
| Capital reserve   | VII.43 | 23,820,929,638.40  | 22,579,374,739.46  |
| Less: treasury stock  |        | 3,962,689,830.07   | 2,424,038,819.70   |
| Other comprehensive income  | VII.44 | 1,689,673,248.96   | -1,176,851,699.92  |
| Special reserve   |        |                    |                    |
| Surplus reserve   | VII.45 | 3,438,615,909.84   | 3,438,615,909.84   |
| General risk provisions   |        |                    |                    |
| Undistributed profits   | VII.46 | 51,736,354,679.65  | 47,917,912,260.15  |
| Total equity attributable to owners (or shareholders) of the Parent Company |        | 86,251,016,004.21  | 79,851,734,427.42  |
| Minority shareholders' interests  |        | 1,325,472,564.58   | 1,290,988,473.17   |
| Total owners' equity (or shareholders' equity)                              |        | 87,576,488,568.79  | 81,142,722,900.59  |
| Total liabilities and owners' equity (or shareholders' equity)              |        | 226,652,759,534.60 | 217,599,384,435.63 |

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

**Balance Sheet of the Parent Company**

30 June 2022

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

| Items                                   | Notes   | Closing balance   | Opening balance   |
|---|---------|-------------------|-------------------|
| <b>Current Assets:</b>                  |         |                   |                   |
| Monetary funds                          |         | 4,514,223,019.08  | 4,043,535,735.48  |
| Financial assets held for trading       |         |                   |                   |
| Derivative financial assets             |         |                   |                   |
| Bills receivable                        |         |                   |                   |
| Accounts receivable                     | XVIII.1 | 594,883,399.99    | 546,532,442.90    |
| Financing receivables                   |         |                   |                   |
| Prepayments                             |         | 4,228,627.14      | 275,052,864.92    |
| Other receivables                       | XVIII.2 | 18,054,815,019.15 | 16,245,280,168.41 |
| Including: Interest receivable          |         | 85,694,396.74     | 51,632,471.99     |
| Dividend receivable                     |         | 4,015,840,000.00  | 3,615,840,000.00  |
| Inventories                             |         | 42,213,555.64     | 1,139,135.32      |
| Contract assets                         |         |                   |                   |
| Assets held for sale                    |         |                   |                   |
| Non-current assets due within one year  |         |                   |                   |
| Other current assets                    |         | 1,576,901,109.42  | 337,476,209.01    |
| Total current assets                    |         | 24,787,264,730.42 | 21,449,016,556.04 |
| <b>Non-current assets:</b>              |         |                   |                   |
| Debt investments                        |         |                   |                   |
| Other debt investments                  |         |                   |                   |
| Long-term receivables                   |         |                   |                   |
| Long-term equity investments            | XVIII.3 | 52,725,448,184.23 | 52,513,760,277.77 |
| Investments in other equity instruments |         | 1,615,450,032.92  | 1,615,450,032.92  |
| Other non-current financial assets      |         |                   |                   |
| Investment properties                   |         |                   |                   |
| Fixed assets                            |         | 181,459,945.43    | 179,789,817.34    |
| Construction in progress                |         | 10,549,969.42     | 17,569,516.17     |
| Biological assets for production        |         |                   |                   |
| Oil and gas assets                      |         |                   |                   |
| Right-of-use assets                     |         | 787,591.26        | 1,217,186.49      |
| Intangible assets                       |         | 51,705,499.18     | 55,171,485.39     |
| Development cost                        |         |                   |                   |
| Goodwill                                |         |                   |                   |
| Long-term prepaid expenses              |         | 3,120,559.80      | 3,781,398.54      |
| Deferred income tax assets              |         | 159,338,211.77    | 159,338,211.77    |
| Other non-current assets                |         | 798,000,000.00    | 803,323,404.28    |

## Section X Financial Report

| Items  | Notes | Closing balance   | Opening balance   |
|--|-------|-------------------|-------------------|
| Total non-current assets                         |       | 55,545,859,994.01 | 55,349,401,330.67 |
| Total assets                                     |       | 80,333,124,724.43 | 76,798,417,886.71 |
| <b>Current liabilities:</b>                      |       |                   |                   |
| Short-term borrowings                            |       |                   |                   |
| Financial liabilities held for trading           |       |                   |                   |
| Derivative financial liabilities                 |       |                   |                   |
| Bills payable                                    |       |                   |                   |
| Accounts payables                                |       | 282,420,326.44    | 183,690,889.86    |
| Receipts in advance                              |       |                   |                   |
| Contract liabilities                             |       | 12,605,139.93     | 12,605,139.93     |
| Payables for staff's remuneration                |       | 637,966.36        | 12,323,670.21     |
| Taxes payable                                    |       | 1,539,895.66      | 1,747,023.87      |
| Other payables                                   |       | 39,882,708,592.97 | 34,484,355,762.60 |
| Including: Interest payable                      |       |                   |                   |
| Dividends payable                                |       |                   |                   |
| Liabilities held for sale                        |       |                   |                   |
| Non-current liabilities due within one year      |       | 897,357.83        | 877,995.65        |
| Other current liabilities                        |       | 8,517,052.13      | 5,420,156.55      |
| Total current liabilities                        |       | 40,189,326,331.32 | 34,701,020,638.67 |
| <b>Non-current liabilities:</b>                  |       |                   |                   |
| Long-term borrowings                             |       | 2,100,000,000.00  |                   |
| Bonds payable                                    |       |                   |                   |
| Including: Preference shares                     |       |                   |                   |
| Perpetual bonds                                  |       |                   |                   |
| Lease liabilities                                |       |                   |                   |
| Long-term payable                                |       |                   |                   |
| Long-term payables for staff's remuneration      |       |                   |                   |
| Estimated liabilities                            |       |                   |                   |
| Deferred income                                  |       | 11,730,000.00     | 19,270,000.00     |
| Deferred income tax liabilities                  |       | 448,965,654.25    | 448,965,654.25    |
| Other non-current liabilities                    |       |                   |                   |
| Total non-current liabilities                    |       | 2,560,695,654.25  | 468,235,654.25    |
| Total liabilities                                |       | 42,750,021,985.57 | 35,169,256,292.92 |
| <b>Owners' equity (or Shareholders' equity):</b> |       |                   |                   |
| Paid-in capital (or share capital)               |       | 9,446,791,970.00  | 9,398,704,530.00  |
| Other equity instruments                         |       |                   |                   |
| Including: Preference shares                     |       |                   |                   |
| Perpetual bonds                                  |       |                   |                   |
| Capital reserve                                  |       | 27,121,923,173.96 | 25,802,279,483.13 |
| Less: treasury stock                             |       | 2,902,003,244.14  | 1,495,170,675.08  |
| Other comprehensive income                       |       | 618,738,786.66    | 621,302,944.83    |
| Special reserve                                  |       |                   |                   |
| Surplus reserve                                  |       | 2,833,469,684.39  | 2,833,469,684.39  |

## Section X Financial Report

| Items  | Notes | Closing balance   | Opening balance   |
|--|-------|-------------------|-------------------|
| Undistributed profits  |       | 464,182,367.99    | 4,468,575,626.52  |
| Total owners' equity (or shareholders' equity)                 |       | 37,583,102,738.86 | 41,629,161,593.79 |
| Total liabilities and owners' equity (or shareholders' equity) |       | 80,333,124,724.43 | 76,798,417,886.71 |

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

## Section X Financial Report

### Consolidated Profit Statement

January-June 2022

Unit and Currency: RMB

| Items  | Notes  | 2022 Interim       | 2021 Interim       |
|--|--------|--------------------|--------------------|
| I. Total operating revenue   |        | 121,857,522,462.22 | 111,727,756,211.06 |
| Including: Operating revenue   | VII.47 | 121,857,522,462.22 | 111,727,756,211.06 |
| Interest income  |        |                    |                    |
| Insurance premiums earned  |        |                    |                    |
| Fee and commission income  |        |                    |                    |
| II. Total cost of operations   |        | 112,549,408,749.25 | 104,308,762,442.84 |
| Including: Operating cost  | VII.47 | 85,061,133,319.20  | 78,156,467,866.57  |
| Interest expenses  |        |                    |                    |
| Fee and commission expenses  |        |                    |                    |
| Insurance withdrawal payment   |        |                    |                    |
| Net payment from indemnity   |        |                    |                    |
| Net provisions withdrew for insurance liability  |        |                    |                    |
| Insurance policy dividend paid   |        |                    |                    |
| Reinsurance cost   |        |                    |                    |
| Taxes and surcharges   | VII.48 | 357,165,605.43     | 339,488,659.16     |
| Selling expenses   | VII.49 | 17,605,612,224.80  | 16,731,407,296.02  |
| Administrative expenses  | VII.50 | 5,132,033,156.92   | 5,047,535,410.71   |
| R&D expenses   | VII.51 | 4,595,691,525.07   | 3,738,316,873.21   |
| Financial expenses   | VII.52 | -202,227,082.17    | 295,546,337.17     |
| Including: Interest expenses   |        | 345,810,365.32     | 363,287,457.45     |
| Interest income  |        | 362,045,401.51     | 264,658,985.86     |
| Add: other income  | VII.53 | 546,242,698.94     | 378,116,328.72     |
| investment income (losses are represented by “-”)  | VII.54 | 1,170,336,743.41   | 1,136,280,339.22   |
| Including: Investment income of associates and joint ventures  |        |                    |                    |
| Income generated from the derecognition of financial assets measured at amortized cost (losses are represented by “-”) |        |                    |                    |
| Exchange gain (losses are represented by “-”)  |        |                    |                    |
| Gains on net exposure hedges (losses are represented by “-”)   |        |                    |                    |
| Income from change in fair value (losses are represented by “-”)   | VII.55 | -118,790,175.68    | 64,269,511.32      |
| Loss on credit impairment (losses are represented by “-”)  | VII.56 | -258,076,846.14    | -44,031,423.21     |

## Section X Financial Report

| Items  | Notes  | 2022 Interim     | 2021 Interim     |
|--|--------|------------------|------------------|
| Loss on assets impairment (losses are represented by “-”)  | VII.57 | -707,061,947.81  | -653,387,326.88  |
| Gain from disposal of assets (losses are represented by “-”)   | VII.58 | 31,589,207.10    | 142,414,954.25   |
| III. Operating profit (losses are represented by “-”)  |        | 9,972,353,392.79 | 8,442,656,151.64 |
| Add: non-operating income  | VII.59 | 68,854,227.41    | 80,167,397.14    |
| Less: non-operating expenses   | VII.60 | 43,535,551.68    | 51,064,696.04    |
| IV. Total profit (total losses are represented by “-”)   |        | 9,997,672,068.52 | 8,471,758,852.74 |
| Less: income tax expense   | VII.61 | 2,000,741,926.36 | 1,525,749,793.00 |
| V. Net profit (net losses are represented by “-”)  |        | 7,996,930,142.16 | 6,946,009,059.74 |
| (I) Classification by continuous operation   |        |                  |                  |
| 1. Net profit from continuous operation (net losses are represented by “-”)                          |        | 7,996,930,142.16 | 6,946,009,059.74 |
| 2. Net profit from discontinued operation (net losses are represented by “-”)                        |        |                  |                  |
| (II) Classification by ownership of the equity   |        |                  |                  |
| 1. Net profit attributable to shareholders of the Parent Company (net losses are represented by “-”) |        | 7,949,084,472.70 | 6,858,902,854.55 |
| 2. Profit or loss attributable to minority shareholders (net losses are represented by “-”)          |        | 47,845,669.46    | 87,106,205.19    |
| VI. Other comprehensive income, net of tax   | VII.62 | 2,864,992,299.95 | -296,041,116.28  |
| (I) Other comprehensive income attributable to owners of the Parent Company, net of tax              |        | 2,866,524,948.88 | -293,997,754.26  |
| 1. Other comprehensive income that cannot be reclassified into the profit or loss                    |        | -45,646,560.54   | 38,290,357.71    |
| (1) Changes arising from re-measurement of defined benefit plans                                     |        | 4,562,166.91     | -595,263.81      |
| (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                                 |        | -50,208,727.45   | 38,885,621.52    |

## Section X Financial Report

| Items   | Notes   | 2022 Interim      | 2021 Interim     |
|---|---------|-------------------|------------------|
| (4) Changes in fair value of credit risks of the enterprise                                       |         |                   |                  |
| 2. Other comprehensive income to be reclassified into the profit or loss                          |         | 2,912,171,509.42  | -332,288,111.97  |
| (1) Other comprehensive income that can be transferred into profit or loss under equity method    |         | 108,350,151.43    | 55,956,231.90    |
| (2) Changes in fair value of other debt investments   |         |                   |                  |
| (3) Reclassified financial assets that are credited to other comprehensive income                 |         |                   |                  |
| (4) Credit impairment provision for other debt investments  |         |                   |                  |
| (5) Reserve for cash flow hedging   |         | 25,995,214.10     | 112,586,182.47   |
| (6) Exchange differences on translation of financial statements denominated in foreign currencies |         | 2,777,826,143.89  | -500,830,526.34  |
| (7) Others  |         |                   |                  |
| (II) Other comprehensive income attributable to minority shareholders, net of tax                 |         | -1,532,648.93     | -2,043,362.02    |
| VII. Total comprehensive income   |         | 10,861,922,442.11 | 6,649,967,943.46 |
| (I) Total comprehensive income attributable to the owners of Parent Company                       |         | 10,815,609,421.58 | 6,564,905,100.29 |
| (II) Total comprehensive income attributable to the minority shareholders                         |         | 46,313,020.53     | 85,062,843.17    |
| VIII. Earnings per share:   |         |                   |                  |
| (I) Basic earnings per share (RMB/share)  | XVIII.1 | 0.85              | 0.74             |
| (II) Diluted earnings per share (RMB/share)   | XVIII.1 | 0.85              | 0.73             |

For business combination under common control occurring in the current period, the net profit of the acquiree before the combination was RMB4,473,481.70, and the net profit of the acquiree for the previous period was RMB5,535,635.66.

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

## Profit Statement of the Parent Company

January-June 2022

Unit and Currency: RMB

| Items   | Notes   | 2022 Interim   | 2021 Interim   |
|---|---------|----------------|----------------|
| I. Operating income   | XVIII.4 | 93,323,883.33  | 196,151,588.84 |
| Less: operating cost  | XVIII.4 | 80,891,389.46  | 170,532,414.76 |
| Taxes and surcharges  |         | 1,171,987.68   | 1,174,776.60   |
| Selling expenses  |         | 4,615,963.20   | 1,542,784.65   |
| Administration expenses   |         | 328,116,657.42 | 143,500,790.38 |
| R&D expenses  |         | 5,806,423.66   | 17,296,703.96  |
| Financial expenses  |         | —42,487,430.75 | —32,789,762.71 |
| Including: Interest expenses  |         | 4,530,273.29   | 7,372,782.23   |
| Interest income   |         | 53,365,585.67  | 35,812,614.94  |
| Add: other income   |         | 17,240,565.58  | 39,709,407.90  |
| investment income (losses are represented by “—”)   | XVIII.5 | 548,236,536.95 | 113,153,980.76 |
| Including: Investment income of associates and joint ventures                                       |         |                |                |
| Derecognition income on financial assets measured at amortized cost (losses are represented by “—”) |         |                |                |
| Gains on net exposure hedges (losses are represented by “—”)  |         |                |                |
| Income from change in fair value (losses are represented by “—”)                                    |         |                |                |
| Loss on credit impairment (losses are represented by “—”)   |         | 116,871.97     | —7,122,909.94  |
| Loss on assets impairment (losses are represented by “—”)   |         |                |                |
| Gain from disposal of assets (losses are represented by “—”)  |         | 35,074,022.45  | 142,444,000.00 |
| II. Operating profit (losses are represented by “—”)  |         | 315,876,889.61 | 183,078,359.92 |
| Add: non-operating income   |         | 204,216.74     | 60,749.06      |
| Less: non-operating expenses  |         | 28,698.02      | 50,687.25      |
| III. Total profit (total losses are represented by “—”)   |         | 316,052,408.33 | 183,088,421.73 |
| Less: income tax expenses   |         |                | —15,190,900.38 |
| IV. Net profit (net losses are represented by “—”)  |         | 316,052,408.33 | 198,279,322.11 |

## Section X Financial Report

| Items  | Notes | 2022 Interim   | 2021 Interim   |
|--|-------|----------------|----------------|
| (I) Net profit from continuous operations<br>(net losses are represented by “-”)                 |       | 316,052,408.33 | 198,279,322.11 |
| (II) Net profit from discontinued operations<br>(net losses are represented by “-”)              |       |                |                |
| V. Other comprehensive income, net of tax  |       | —2,564,158.17  | 11,664,510.69  |
| (I) Other comprehensive income that cannot be reclassified into the profit or loss               |       |                |                |
| 1. Changes arising from re-measurement of defined benefit plans                                  |       |                |                |
| 2. Other comprehensive income that cannot be transferred into profit or loss under equity method |       |                |                |
| 3. Changes in fair value of investments in other equity instruments                              |       |                |                |
| 4. Changes in fair value of credit risks of the enterprise                                       |       |                |                |
| (II) Other comprehensive income to be reclassified into the profit or loss                       |       | —2,564,158.17  | 11,664,510.69  |
| 1. Other comprehensive income that can be transferred into profit or loss under equity method    |       | —2,564,158.17  | 11,664,510.69  |
| 2. Changes in fair value of other debt investments   |       |                |                |
| 3. Reclassified financial assets that are credited to other comprehensive income                 |       |                |                |
| 4. Credit impairment provision for other debt investments  |       |                |                |
| 5. Reserve for cash flow hedging   |       |                |                |
| 6. Exchange differences on translation of financial statements denominated in foreign currencies |       |                |                |
| 7. Others  |       |                |                |
| VI. Total comprehensive income   |       | 313,488,250.16 | 209,943,832.80 |
| VII. Earnings per share:   |       |                |                |
| (I) Basic earnings per share (RMB/share)   |       |                |                |
| (II) Diluted earnings per share (RMB/share)  |       |                |                |

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

**Consolidated Cash Flow Statement**

January-June 2022

Unit and Currency: RMB

| Items   | Notes  | 2022 Interim       | 2021 Interim       |
|---|--------|--------------------|--------------------|
| <b>I. Cash flow from operating activities:</b>                        |        |                    |                    |
| Cash received from the sale of goods and rendering services           |        | 125,785,043,134.22 | 117,944,101,751.66 |
| Net increase in customer and inter-bank deposits                      |        |                    |                    |
| Net increase in borrowing from the central bank                       |        |                    |                    |
| Net cash increase in borrowing from other financial institutes        |        |                    |                    |
| Cash received from premiums under original insurance contract         |        |                    |                    |
| Net cash received from reinsurance business                           |        |                    |                    |
| Net increase in deposits of policy holders and investment             |        |                    |                    |
| Cash received from interest, fee and commissions                      |        |                    |                    |
| Net increase in placement from banks and other financial institutions |        |                    |                    |
| Net increase in cash received from repurchase operation               |        |                    |                    |
| Net cash received from customer deposits for trading in securities    |        |                    |                    |
| Refunds of taxes  |        | 1,359,611,570.36   | 964,437,758.54     |
| Cash received from other related operating activities                 | VII.63 | 841,294,815.74     | 737,260,365.59     |
| Sub-total of cash inflows from operating activities                   |        | 127,985,949,520.32 | 119,645,799,875.79 |
| Cash paid on purchase of goods and services                           |        | 89,586,479,170.53  | 80,310,181,952.46  |
| Net increase in loans and advances of customers                       |        |                    |                    |
| Net increase in deposits in the PBOC and inter-bank                   |        |                    |                    |
| Cash paid for compensation payments under original insurance contract |        |                    |                    |
| Net increase in cash lent   |        |                    |                    |
| Cash paid for interest, bank charges and commissions                  |        |                    |                    |

## Section X Financial Report

| Items   | Notes  | 2022 Interim       | 2021 Interim       |
|---|--------|--------------------|--------------------|
| Cash paid for insurance policy dividend   |        |                    |                    |
| Cash paid to and on behalf of employees   |        | 13,701,958,122.17  | 12,773,459,633.28  |
| Cash paid for all types of taxes  |        | 5,091,644,757.74   | 5,080,969,771.64   |
| Cash paid to other operation related activities   | VII.64 | 13,641,619,812.66  | 13,038,993,358.10  |
| Sub-total of cash outflows from operating activities  |        | 122,021,701,863.10 | 111,203,604,715.48 |
| Net cash flow from operating activities   |        |                    |                    |
| <b>II. Cash flow from investing activities:</b>   | VII.67 | 5,964,247,657.22   | 8,442,195,160.31   |
| Cash received from recovery of investments  |        | 4,997,285,703.11   | 2,869,349,936.62   |
| Cash received from return on investments  |        | 421,887,380.66     | 313,949,022.75     |
| Net cash received from the disposal of fixed assets, intangible assets and other long-term assets |        | 74,590,057.10      | 19,269,652.96      |
| Net cash received from disposal of subsidiaries and other operating entities                      |        |                    |                    |
| Other cash received from investment activities  |        |                    |                    |
| Sub-total of cash inflows from investing activities   |        | 5,493,763,140.87   | 3,202,568,612.33   |
| Cash paid on purchase of fixed assets, intangible assets and other long-term assets               |        | 3,342,824,864.02   | 3,155,717,619.84   |
| Cash paid for investments   |        | 6,274,280,514.60   | 3,283,612,983.20   |
| Net increase in secured loans   |        |                    |                    |
| Net cash paid on acquisition of subsidiaries and other operating entities                         |        | 37,326,510.00      |                    |
| Other cash paid on investment activities  |        |                    | 250,000.00         |
| Sub-total of cash outflows from investing activities  |        | 9,654,431,888.62   | 6,439,580,603.04   |
| Net cash flow from investing activities   |        | —4,160,668,747.75  | —3,237,011,990.71  |

| Items  | Notes  | 2022 Interim      | 2021 Interim      |
|--|--------|-------------------|-------------------|
| <b>III. Cash flow from financing activities:</b>   |        |                   |                   |
| Cash received from capital contributions   |        | 986,491,004.94    | 8,600,000.00      |
| Including: Cash received from capital contributions by minority shareholders of subsidiaries |        |                   |                   |
| Cash received from borrowings  |        | 8,044,351,638.86  | 4,920,230,964.76  |
| Other cash received from financing activities  | VII.65 | 1,000,235.35      |                   |
| Sub-total of cash inflows from financing activities  |        | 9,031,842,879.15  | 4,928,830,964.76  |
| Cash paid on repayment of loans  |        | 4,667,753,225.90  | 11,117,743,195.81 |
| Cash paid on distribution of dividends, profits or repayment of interest expenses            |        | 327,338,483.19    | 327,295,977.88    |
| Including: Dividend and profit paid to minority shareholders by subsidiaries                 |        |                   |                   |
| Other cash paid to financing activities  | VII.66 | 1,876,577,772.85  | 3,090,810,896.53  |
| Sub-total of cash outflows from financing activities   |        | 6,871,669,481.94  | 14,535,850,070.22 |
| Net cash flow from financing activities  |        | 2,160,173,397.21  | -9,607,019,105.46 |
| <b>IV. Effect of fluctuations in exchange rates on cash and cash equivalents</b>             |        | 230,069,372.19    | -107,597,142.14   |
| <b>V. Net increase in cash and cash equivalents</b>  |        | 4,193,821,678.87  | -4,509,433,078.00 |
| Add: balance of cash and cash equivalents at the beginning of the period                     | VII.68 | 45,071,366,271.21 | 45,738,120,000.70 |
| <b>VI. Balance of cash and cash equivalents at the end of the period</b>                     | VII.68 | 49,265,187,950.08 | 41,228,686,922.70 |

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

## Section X Financial Report

### Cash Flow Statement of the Parent Company

January-June 2022

Unit and Currency: RMB

| Items   | Notes | 2022 Interim     | 2021 Interim     |
|---|-------|------------------|------------------|
| <b>I. Cash flow from operating activities:</b>  |       |                  |                  |
| Cash received from the sale of goods and rendering of services                                    |       | 25,976,480.20    | 4,574,156,292.06 |
| Refunds of taxes  |       | 7,799,497.52     | 15,641,231.71    |
| Other cash received from operating activities   |       | 311,936,036.56   | 60,444,554.93    |
| Sub-total of cash inflows from operating activities   |       | 345,712,014.28   | 4,650,242,078.70 |
| Cash paid on purchase of goods and services   |       | 141,857.64       | 81,405,473.91    |
| Cash paid to and on behalf of employees   |       | 24,825,638.14    | 138,942,956.91   |
| Cash paid for all types of taxes  |       | 1,578,405.68     | 33,242,176.88    |
| Other cash paid to operation activities   |       | 81,136,892.33    | 9,853,987.61     |
| Sub-total of cash outflows from operating activities  |       | 107,682,793.79   | 263,444,595.31   |
| Net cash flow from operating activities   |       | 238,029,220.49   | 4,386,797,483.39 |
| <b>II. Cash flow from investing activities:</b>   |       |                  |                  |
| Cash received from recovery of investments  |       | 803,860,000.00   | 273,250,000.00   |
| Cash received from return on investments  |       | 72,346,255.88    | 92,194,698.15    |
| Net cash received from the disposal of fixed assets, intangible assets and other long-term assets |       | 35,206,354.85    |                  |
| Net cash received from disposal of subsidiaries and other operating entities                      |       |                  |                  |
| Other cash received from investment activities  |       |                  |                  |
| Sub-total of cash inflows from investing activities   |       | 911,412,610.73   | 365,444,698.15   |
| Cash paid on purchase of fixed assets, intangible assets and other long-term assets               |       | 15,544,095.62    | 31,022,950.45    |
| Cash paid for investments   |       | 2,173,745,507.20 | 231,500,000.00   |

| Items   | Notes | 2022 Interim      | 2021 Interim       |
|---|-------|-------------------|--------------------|
| Net cash paid on acquisition of subsidiaries and other operating entities         |       |                   |                    |
| Other cash paid on investment activities  |       | 1,521,600,000.00  | 75,886,144.59      |
| Sub-total of cash outflows from investing activities                              |       | 3,710,889,602.82  | 338,409,095.04     |
| Net cash flow from investing activities   |       | -2,799,476,992.09 | 27,035,603.11      |
| <b>III. Cash flow from financing activities:</b>                                  |       |                   |                    |
| Cash received from capital contributions  |       | 940,041,004.94    |                    |
| Cash received from borrowings   |       | 2,100,000,000.00  |                    |
| Other cash received from financing activities                                     |       | 1,408,448,043.37  |                    |
| Sub-total of cash inflows from financing activities                               |       | 4,448,489,048.31  |                    |
| Cash paid on repayment of borrowings  |       |                   | 5,520,000,000.00   |
| Cash paid on distribution of dividends, profits or repayment of interest expenses |       | 3,091,905.56      | 43,159,752.53      |
| Other cash paid on financing activities   |       | 1,409,796,873.02  | 5,359,441,498.61   |
| Sub-total of cash outflows from financing activities                              |       | 1,412,888,778.58  | 10,922,601,251.14  |
| Net cash flow from financing activities   |       | 3,035,600,269.73  | -10,922,601,251.14 |
| <b>IV. Effect of fluctuations in exchange rates on cash and cash equivalents</b>  |       | -3,465,214.53     | 5,596,792.78       |
| <b>V. Net increase in cash and cash equivalents</b>                               |       | 470,687,283.60    | -6,503,171,371.86  |
| Add: balance of cash and cash equivalents at the beginning of the period          |       | 4,043,535,735.48  | 8,286,549,909.64   |
| <b>VI. Balance of cash and cash equivalents at the end of the period</b>          |       | 4,514,223,019.08  | 1,783,378,537.78   |

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

## Consolidated Statement of Changes in Owner's Equity

### January-June 2022

Unit and Currency: RMB

| Items  | 2022 Interim  |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
|--|---|-----------------|--------|-----------------|----------------------|----------------------------|-------------------|-----------------|------------------------|-----------------------|--------------------|-------------------|----------------------|-------------------|---------------|
|  | Equity attributable to owners of the Parent Company |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   | Total owners' equity |                   |               |
|  | Other equity instruments                            |                 |        | Capital reserve | Less: treasury stock | Other comprehensive income | Special reserve   | Surplus reserve | General risk provision | Undistributed profits | Others             | Sub-total         |                      | Minority equity   |               |
| Paid-in capital (or share capital)   | Preference shares                                   | Perpetual bonds | Others |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| I. Closing balance for the previous year                                       | 9,398,704,530.00                                    |                 |        | 118,017,507.59  | 22,549,345,568.94    | 2,424,038,819.70           | -1,176,851,699.92 |                 | 3,438,615,909.84       |                       | -47,907,134,328.80 | 79,810,927,325.55 | 1,272,034,100.17     | 81,082,961,425.72 |               |
| Add: changes in accounting policies  |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| Error correction for prior period  |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| Business combination under common control                                      |   |                 |        | 30,029,170.52   |                      |                            |                   |                 |                        |                       |                    | 10,777,931.35     | 40,807,101.87        | 189,543.73        | 59,761,474.87 |
| Others   |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   | 0.00                 | 0                 |               |
| II. Opening balance for the current year                                       | 9,398,704,530.00                                    |                 |        | 118,017,507.59  | 22,579,374,739.46    | 2,424,038,819.70           | -1,176,851,699.92 |                 | 3,438,615,909.84       |                       | 47,917,912,260.15  | 79,851,734,427.42 | 1,290,988,473.17     | 81,142,722,900.59 |               |
| III. Increase/decrease for the current period (decrease is represented by "-") | 48,087,440.00                                       |                 |        | -36,677,120.16  | 1,241,554,898.94     | 1,538,651,010.37           | 2,866,524,948.88  |                 |                        |                       | 3,818,442,419.50   | 6,399,281,576.79  | 34,484,091.41        | 6,433,765,668.20  |               |
| (I) Total comprehensive income   |   |                 |        |                 |                      |                            | 2,866,524,948.88  |                 |                        |                       | 7,949,084,472.70   | 10,815,609,421.58 | 46,313,020.53        | 10,861,922,442.11 |               |
| (II) Capital injection and reduction by owners                                 | 48,087,440.00                                       |                 |        | -36,677,120.16  | 1,238,717,313.17     | 1,538,651,010.37           |                   |                 |                        |                       |                    | -288,523,377.36   | -11,072,350.20       | -299,595,727.56   |               |
| 1. Ordinary shares invested by owners  | 41,413,600.00                                       |                 |        |                 | 898,627,404.94       |                            |                   |                 |                        |                       |                    | 940,041,004.94    | 11,072,350.20        | 928,968,654.74    |               |
| 2. Capital contribution by holders of other equity instruments                 | 6,673,840.00  |                 |        | -36,677,120.16  | 134,131,566.36       |                            |                   |                 |                        |                       |                    | 104,128,286.20    |                      | 104,128,286.20    |               |
| 3. Share-based payment included in owners' equity                              |   |                 |        |                 | 332,853,517.66       |                            |                   |                 |                        |                       |                    | 332,853,517.66    |                      | 332,853,517.66    |               |
| 4. Others  |   |                 |        |                 | -126,895,175.79      | 1,538,651,010.37           |                   |                 |                        |                       |                    | -1,665,546,186.16 |                      | -1,665,546,186.16 |               |
| (III) Profit distribution  |   |                 |        |                 |                      |                            |                   |                 |                        |                       | -4,320,445,666.86  | -4,320,445,666.86 | -756,578.92          | -4,321,202,245.78 |               |
| 1. Withdrawal of surplus reserves  |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   | 0.00                 |                   |               |
| 2. Withdrawal of provisions for general risks                                  |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| 3. Distribution to owners (or shareholders)                                    |   |                 |        |                 |                      |                            |                   |                 |                        |                       | -4,320,445,666.86  | -4,320,445,666.86 | -756,578.92          | -4,321,202,245.78 |               |
| 4. Others  |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| (IV) Internal transfer of owner's equity                                       |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| 1. Transfer of capital reserves into capital (or share capital)                |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| 2. Transfer of surplus reserves into capital (or share capital)                |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| 3. Surplus reserves used for remedying loss                                    |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| 4. Changes in defined benefit plans carried forward to retained earnings       |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| 5. Other comprehensive income carried forward to retained earnings             |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| 6. Others  |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| (V) Special reserve  |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| 1. Withdrawal for the period   |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| 2. Utilization for the period  |   |                 |        |                 |                      |                            |                   |                 |                        |                       |                    |                   |                      |                   |               |
| (VI) Others  |   |                 |        |                 | 2,837,585.77         |                            |                   |                 |                        |                       | 189,803,613.66     | 192,641,199.43    |                      | 192,641,199.43    |               |
| IV. Closing balance for the period   | 9,446,791,970.00                                    |                 |        | 81,340,387.43   | 23,820,929,638.40    | 3,962,689,830.07           | 1,689,673,248.96  |                 | 3,438,615,909.84       |                       | 51,736,354,679.65  | 86,251,016,004.21 | 1,325,472,564.58     | 87,576,488,568.79 |               |

| Items   | 2021 Interim                          |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
|---|---------------------------------------|----------------------|--------------------|---|------------------|-------------------------|----------------------------------|------------------|-----------------|---------------------------|--------------------------|-------------------|------------------|-------------------|
|   | Other equity instruments              |                      |                    | Equity attributable to owners of the Parent Company |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
|   | Paid-in capital<br>(or share capital) | Preference<br>shares | Perpetual<br>bonds | Others  | Capital reserve  | Less: treasury<br>stock | Other<br>comprehensive<br>income | Special reserve  | Surplus reserve | General risk<br>provision | Undistributed<br>profits | Others            | Sub-total        | Minority equity   |
| I. Closing balance for the previous year  | 9,027,846,441.00                      |                      | 2,364,195,333.79   | 15,007,475,607.40                                   | 28,896,550.65    | -1,046,216,729.06       |                                  | 3,045,334,539.60 |                 | 38,467,787,059.79         |                          | 66,837,525,701.87 | 1,294,584,557.09 | 68,132,110,258.96 |
| Add: changes in accounting policies   |                                       |                      |                    |   |                  | 37,788,663.41           |                                  |                  |                 |                           | 183,214,768.11           |                   | 221,003,431.52   | 221,293,164.22    |
| Error correction for prior period   |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   | 289,732.70       |                   |
| Business combination under common control   |                                       |                      |                    | 30,029,170.52                                       |                  |                         |                                  |                  |                 |                           | 7,891,303.69             |                   | 37,920,474.21    | 549,363,433.39    |
| Others  |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| II. Opening balance for the current year  | 9,027,846,441.00                      |                      | 2,364,195,333.79   | 15,037,504,777.92                                   | 28,896,550.65    | -1,008,428,065.65       |                                  | 3,045,334,539.60 |                 | 38,658,893,131.59         |                          | 67,096,449,607.60 | 1,311,890,158.97 | 68,408,339,766.57 |
| III. Increase/decrease for the current period<br>(decrease is represented by "-") | 365,324,040.00                        |                      | -2,215,712,153.81  | 7,301,326,543.56                                    | 1,767,258,036.36 | -293,925,605.96         |                                  |                  |                 | 3,425,666,565.86          |                          | 6,815,421,353.29  | 60,278,653.37    | 6,875,700,006.66  |
| (I) Total comprehensive income  |                                       |                      |                    |   |                  | -293,925,605.96         |                                  |                  |                 | 6,858,902,854.55          |                          | 6,564,905,100.29  | 85,062,843.17    | 6,649,967,943.46  |
| (II) Capital injection and reduction by owners                                    | 365,324,040.00                        |                      | -2,215,712,153.81  | 7,301,398,691.86                                    | 1,767,258,036.36 |                         |                                  |                  |                 |                           |                          | 3,683,752,541.69  | 16,167,229.15    | 3,699,919,770.84  |
| 1. Ordinary shares invested by owners   |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          | 0.00              |                  | 0.00              |
| 2. Capital contribution by holders of other equity instruments                    | 397,676,840.00                        |                      | -2,215,712,153.81  | 8,095,619,066.22                                    |                  |                         |                                  |                  |                 |                           |                          | 6,277,583,752.41  | 0                | 6,277,583,752.41  |
| 3. Share-based payment included in owners' equity                                 |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| 4. Others   | -32,352,800.00                        |                      |                    | -794,220,374.36                                     | 1,767,258,036.36 |                         |                                  |                  |                 |                           |                          | -2,593,831,210.72 | 161,672,229.15   | -2,577,663,981.57 |
| (III) Profit distribution   |                                       |                      |                    |   |                  |                         |                                  |                  |                 | -3,420,918,669.85         |                          | -3,420,918,669.85 | -40,951,418.95   | -3,461,870,088.80 |
| 1. Withdrawal of surplus reserves   |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          | 0.00              |                  | 0                 |
| 2. Withdrawal of provisions for general risks                                     |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          | 0.00              |                  | 0                 |
| 3. Distribution to owners (or shareholders)                                       |                                       |                      |                    |   |                  |                         |                                  |                  |                 | -3,420,918,669.85         |                          | -3,420,918,669.85 | -40,951,418.95   | -3,461,870,088.80 |
| 4. Others   |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| (IV) Internal transfer of owner's equity  |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| 1. Transfer of capital reserves into capital (or share capital)                   |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| 2. Transfer of surplus reserves into capital (or share capital)                   |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| 3. Surplus reserves used for remedying loss                                       |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| 4. Changes in defined benefit plans carried forward to retained earnings          |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| 5. Other comprehensive income carried forward to retained earnings                |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| 6. Others   |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| (V) Special reserve   |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| 1. Withdrawal for the period  |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| 2. Utilization for the period   |                                       |                      |                    |   |                  |                         |                                  |                  |                 |                           |                          |                   |                  |                   |
| (VI) Others   |                                       |                      |                    | -72,148.30  |                  | 72,148.30               |                                  |                  |                 |                           | -12,317,618.84           |                   | -12,317,618.84   | -12,317,618.84    |
| IV. Closing balance for the period  | 9,393,170,481.00                      |                      | 148,483,179.98     | 22,338,831,321.48                                   | 1,796,154,587.01 | -1,302,353,671.61       |                                  | 3,045,334,539.60 |                 | 42,084,559,697.45         |                          | 73,911,870,960.89 | 1,372,168,812.34 | 75,284,039,773.23 |

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

### Statement of Changes in Owners' Equity of the Parent Company January-June 2022

# Section X Financial Report

Unit and Currency: RMB

| Items  | 2022 Intecim                             |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
|--|--|--------------------------|--|--|-------------------|-------------------------|----------------------------------|--------------------|--------------------|--------------------------|-------------------------|
|  | Paid-in capital<br>(or share<br>capital) | Other equity instruments |  |  | Capital reserve   | Less: treasury<br>stock | Other<br>comprehensive<br>income | Special<br>reserve | Surplus<br>reserve | Undistributed<br>profits | Total owners'<br>equity |
| Preference<br>shares   | Perpetual<br>bonds                       | Others                   |  |  |                   |                         |                                  |                    |                    |                          |                         |
| I. Closing balance for the previous year                                       | 9,398,704,530.00                         |                          |  |  | 25,802,279,483.13 | 1,495,170,675.08        | 621,302,944.83                   |                    | 2,833,469,684.39   | 4,468,575,626.52         | 41,629,161,593.79       |
| Add: changes in accounting policies  |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| Error correction for prior period  |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| Others   |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| II. Opening balance for the current year                                       | 9,398,704,530.00                         |                          |  |  | 25,802,279,483.13 | 1,495,170,675.08        | 621,302,944.83                   |                    | 2,833,469,684.39   | 4,468,575,626.52         | 41,629,161,593.79       |
| III. Increase/decrease for the current period (decrease is represented by "-") | 48,087,440.00                            |                          |  |  | 1,319,643,690.83  | 1,406,832,569.06        | -2,564,158.17                    |                    |                    | -4,004,393,258.53        | -4,046,058,854.93       |
| (I) Total comprehensive income   |  |                          |  |  |                   |                         | -2,564,158.17                    |                    |                    | 316,052,408.33           | 313,488,250.16          |
| (II) Capital injection and reduction by owners                                 | 48,087,440.00                            |                          |  |  | 1,319,643,690.83  | 1,406,832,569.06        |                                  |                    |                    |                          | -39,101,438.23          |
| 1. Ordinary shares invested by owners  | 41,413,600.00                            |                          |  |  | 898,627,404.94    |                         |                                  |                    |                    |                          | 940,041,004.94          |
| 2. Capital contribution by holders of other equity instruments                 | 6,673,840.00                             |                          |  |  | 97,454,446.20     |                         |                                  |                    |                    |                          | 104,128,286.20          |
| 3. Share-based payment included in owners' equity                              |  |                          |  |  | 323,222,114.26    |                         |                                  |                    |                    |                          | 323,222,114.26          |
| 4. Others  |  |                          |  |  | 338,725.43        | 1,406,832,569.06        |                                  |                    |                    |                          | -1,406,492,843.63       |
| (III) Profit distribution  |  |                          |  |  |                   |                         |                                  |                    |                    | -4,320,445,666.86        | -4,320,445,666.86       |
| 1. Withdrawal of surplus reserves  |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| 2. Distribution to owners (or shareholders)                                    |  |                          |  |  |                   |                         |                                  |                    |                    | -4,320,445,666.86        | -4,320,445,666.86       |
| 3. Others  |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| (IV) Internal transfer of owner's equity                                       |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| 1. Transfer of capital reserves into capital (or share capital)                |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| 2. Transfer of surplus reserves into capital (or share capital)                |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| 3. Surplus reserves used for remedying loss                                    |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| 4. Changes in defined benefit plans carried forward to retained earnings       |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| 5. Other comprehensive income carried forward to retained earnings             |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| 6. Others  |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| (V) Special reserve  |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| 1. Withdrawal for the period   |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| 2. Utilization for the period  |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| (VI) Others  |  |                          |  |  |                   |                         |                                  |                    |                    |                          |                         |
| IV. Closing balance for the period   | 9,446,791,970.00                         |                          |  |  | 27,121,923,173.96 | 2,902,003,244.14        | 618,738,786.66                   |                    | 2,833,469,684.39   | 464,182,367.99           | 37,583,102,738.86       |

## Section X Financial Report

| Items  | 2021 Interim                             |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
|--|--|--------------------------|--------------------|--------|-------------------|-------------------------|----------------------------------|--------------------|--------------------|--------------------------|-------------------------|
|  | Paid-in capital<br>(or share<br>capital) | Other equity instruments |                    |        | Capital reserve   | Less: treasury<br>stock | Other<br>comprehensive<br>income | Special<br>reserve | Surplus<br>reserve | Undistributed<br>profits | Total owners'<br>equity |
|  |  | Preference<br>shares     | Perpetual<br>bonds | Others |                   |                         |                                  |                    |                    |                          |                         |
| I. Closing balance for the previous year                                       | 9,027,846,441.00                         |                          |                    |        | 20,408,352,380.95 |                         | -10,030,704.15                   | 2,440,188,314.15   | 4,349,961,964.23   |                          | 36,216,318,396.18       |
| Add: changes in accounting policies  |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| Error correction for prior period  |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| Others   |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| II. Opening balance for the current year                                       | 9,027,846,441.00                         |                          |                    |        | 20,408,352,380.95 |                         | -10,030,704.15                   | 2,440,188,314.15   | 4,349,961,964.23   |                          | 36,216,318,396.18       |
| III. Increase/decrease for the current period (decrease is represented by "-") | 365,324,040.00                           |                          |                    |        | 5,085,971,596.28  | 1,767,258,036.36        | 11,664,510.69                    |                    | -3,222,639,347.74  | 473,062,762.87           |                         |
| (I) Total comprehensive income   |  |                          |                    |        |                   |                         | 11,664,510.69                    |                    | 198,279,322.11     | 209,943,832.80           |                         |
| (II) Capital injection and reduction by owners                                 | 365,324,040.00                           |                          |                    |        | 5,085,971,596.28  | 1,767,258,036.36        |                                  |                    |                    | 3,684,037,599.92         |                         |
| 1. Ordinary shares invested by owners  | -32,352,800.00                           |                          |                    |        | -793,935,316.13   |                         |                                  |                    |                    | -826,288,116.13          |                         |
| 2. Capital contribution by holders of other equity instruments                 | 397,676,840.00                           |                          |                    |        | 5,879,906,912.41  |                         |                                  |                    |                    | 6,277,583,752.41         |                         |
| 3. Share-based payment included in owners' equity                              |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| 4. Others  |  |                          |                    |        |                   | 1,767,258,036.36        |                                  |                    |                    | -1,767,258,036.36        |                         |
| (III) Profit distribution  |  |                          |                    |        |                   |                         |                                  |                    | -3,420,918,669.85  | -3,420,918,669.85        |                         |
| 1. Withdrawal of surplus reserves  |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| 2. Distribution to owners (or shareholders)                                    |  |                          |                    |        |                   |                         |                                  |                    | -3,420,918,669.85  | -3,420,918,669.85        |                         |
| 3. Others  |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| (IV) Internal transfer of owner's equity                                       |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| 1. Transfer of capital reserves into capital (or share capital)                |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| 2. Transfer of surplus reserves into capital (or share capital)                |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| 3. Surplus reserves used for remedying loss                                    |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| 4. Changes in defined benefit plans carried forward to retained earnings       |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| 5. Other comprehensive income carried forward to retained earnings             |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| 6. Others  |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| (V) Special reserve  |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| 1. Withdrawal for the period   |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| 2. Utilization for the period  |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| (VI) Others  |  |                          |                    |        |                   |                         |                                  |                    |                    |                          |                         |
| IV. Closing balance for the period   | 9,393,170,481.00                         |                          |                    |        | 25,494,323,977.23 | 1,767,258,036.36        | 1,633,806.54                     | 2,440,188,314.15   | 1,127,322,616.49   |                          | 36,689,381,159.05       |

Person in charge of the Company: Li Huagang

Person in charge of accounting function: Gong Wei

Person in charge of accounting department: Ying Ke

### III. GENERAL INFORMATION OF THE COMPANY

#### 1. Overview of the Company

Applicable  Not Applicable

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

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

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

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

These financial statements have been approved for publication by the Board of the Company on 29 August 2022.

#### 2. Scope of consolidated financial statements

Applicable  Not Applicable

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

## IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 1. Basis of Preparation

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

### 2. Going Concern

✓ Applicable  Not Applicable

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

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

✓ Applicable  Not Applicable

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

### 1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises, which accurately and completely reflected information relating to the financial condition as at 30 June 2022, the operating results of January to June 2022 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.

## Section X Financial Report

### 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

✓ Applicable  Not Applicable

Renminbi is the recording currency of the Company.

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

✓ Applicable  Not Applicable

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

#### (1) Business combinations under common control

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

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

shares issued shall be adjusted to capital reserve (capital premium or share premium); in case the capital reserve (capital premium or share premium) is insufficient for the elimination, the surplus reserves and undistributed profits shall be used to dilute such expenses in order.

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

For business combination under common control realized through several transactions step by step, in case of a package transaction, each transaction is 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 relevant profit and loss, the other comprehensive income and changes in the other owners' equity recognized during the period between the later of the date of acquisition and the date when the combining and the combined parties are under the common control of the same party and the date of combination, are written down to the retained earnings or profit or loss at the beginning of the comparative reporting period, respectively.

**(2) Business combinations not under common control**

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

## Section X Financial Report

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

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value on the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the transferor's identifiable net assets obtained on the acquisition date, 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 acquirer's interest in the fair value of the identifiable net assets of the transferor obtained during the course of combination, then the difference is recorded in the profit and loss.

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

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

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

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

√ Applicable  Not Applicable

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

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

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

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

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

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

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

**(4) Accounting treatment of subsidiaries acquired from combination**

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

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

√ Applicable  Not Applicable

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

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

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

When the Company, as a joint venture, invests or sells assets to or purchase assets (the assets do not constitute a business, the same below) from joint operations, the Company shall only recognize the part of profit or lost from this transaction attributable to other parties of joint operations before these assets are sold to a third party. In case of an impairment loss incurred on these assets which meets the requirements as set out in "Accounting Standards for Business Enterprises No. 8 — Asset Impairment", the Company shall full recognize the amount of this loss in relation to its investment in or sale of assets to joint operations or recognize the loss according to the Company's share of commitment in relation to 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 "12 Long-term equity investment" of Note V.

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

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

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

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

√ Applicable  Not Applicable

**(1) Foreign currency transactions**

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

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

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

**(2) Translation of foreign currency financial statements**

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

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

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

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

### 10. Financial instruments

√ Applicable  Not Applicable

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

#### (1) Financial assets

##### 1 *Classification and measurement*

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

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value through profit or 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 (inclusive) from the balance sheet date as non-current assets matured within one year; the creditor's rights investments matured within one year (inclusive) 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 (inclusive) from the balance sheet date are listed as non-current assets matured within one year; other creditor's rights investments matured within one year (inclusive) 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.

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

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

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

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

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

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

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

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

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

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

### 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 terminated; 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.

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### (2) Financial liabilities

Financial liabilities are classified as financial liabilities measured at amortized cost and financial liabilities at fair value through profit or 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 (inclusive) are listed as current liabilities: those with maturity of more than one year but are mature within one year from the balance sheet date (inclusive) 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 trading 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 this year.

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

### a. Classification of financial assets

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

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

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

### b. Judgment that credit risk increases significantly

The main standards for the Company to judge significant increase in credit risk are that overdue days are more than 30 days, or that significant changes occur in one or more of the following indicators: business environment of debtors, internal and external credit rating, the significant change of 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, goods in progress, self-made semi-finished goods, finished goods (merchandise inventory) and engineering construction, etc.

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(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 measured 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 based on the estimated selling price of such inventory deducted by the estimated selling expenses and relevant taxes. The net realizable value of materials held for production is determined based on the estimated selling price of the finished product deducted by the estimated cost to be incurred upon completion, estimated selling expenses and relevant taxes. 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 based on the general selling 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 inventory impairment 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 amount of provision for inventory impairment originally recognized, and the reversed amount shall be 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 other equity instrument investments.

### (1) Recognition of initial cost of investment

- ① For long-term equity investment obtained from business consolidation under common control, the initial cost is measured at the combining party's share of the carrying amount of the equity of the combined party; for a long-term equity investment obtained from business consolidation not under common control, the initial cost is the consolidation cost at the date of acquisition;
- ② For 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 purchase price actually paid; 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 determined in accordance with the relevant 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 determined 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 recovering the investment, the carrying value is generally unchanged. The profit distributions or cash dividends declared by the investee attributable to the Company 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 income according to its share of net profit or loss and other comprehensive income of the investee, and the carrying amount of the long-term equity investments shall be adjusted accordingly; the carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by an investee; for changes in owner's equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and recognized to capital reserve. When recognizing attributable share of the net profit and losses of the investee, the net profit of the investee shall be recognized after adjustment on the ground of the fair value of all identifiable assets of the investee when it obtains the investment. If the accounting policies and accounting periods adopted by the investee are different from those adopted by the Company, an adjustment shall be made to the financial statements of the investee in accordance with the accounting policies and accounting periods of the Company and recognize the investment incomes and other comprehensive income.

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

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

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

- ② Change of measurement at fair value or accounting under equity method to cost method: the equity investment originally held by the investor with no control, joint control or significant impact on the investee and accounted according to the Standards for Recognition and Measurement of Financial Instruments, or the long-term equity investment originally held in associates or joint ventures that can impose control over the investee due to addition of investment, shall be accounted as long-term equity investment formed by combination of relevant enterprises.
  - ③ Change of accounting under equity method to measurement at fair value: for the long-term equity investment originally held with common control or significant impact on the investee that can no longer impose common control or significant impact on the investee due to a decrease of shareholding as a result of factors such as partial disposal, the remaining equity investment shall be accounted in accordance with Standards for Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact no longer exists and the book value is included in profit or loss.
  - ④ Change of cost method to equity method or measured at fair value: For loss of control in the invested company due to reasons such as partial disposal of equity investment, in the preparation of separate financial statements, the residual equity which can apply common control or impose significant influence to the invested company after disposal shall be accounted for under equity method. Such residual equity shall be treated as accounting for under equity method since the equity is obtained and adjusted. For residual equity which cannot apply common control or impose significant influence after disposal, it shall be accounted for in accordance with relevant requirements of “Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instrument”, and the difference between the fair value and the carrying value of residual equity on the date loss of control shall be included in the profit or loss for such period. In the preparation of combined financial statements, it shall be accounted for in accordance with relevant requirements of “Accounting Standards for Business Enterprises No. 33 — Combined Financial Statements”.
- (4) Basis of conclusion for common control and significant impact over the investee**
- ① Joint control over an investee means that activities which have a significant impact on the return of a certain arrangement could be decided only by mutual consent of the investing parties sharing the right of 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 impact on the investee exists when the investing parties hold more than 20% but less than 50% of the shares with voting rights in the investee or, if the investing parties hold less than 20% shares in the investee, they:
    - 1) have representatives in the board of directors or similar governing body of the investee;

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- 2) participate in the investee's policy formulation;
- 3) assign management personnel to the investee;
- 4) provide technology or technical information that the investor is dependent on;
- 5) have major transactions with the investee.

### (5) **methods of impairment test and provision for impairment**

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

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

### (6) **Disposal of long-term equity investments**

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

## 13. **Investment properties**

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

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

**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 operation and management purposes, and have a useful life of more than one fiscal year, which are recognized when the following conditions are met:

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

**(2). Depreciation method**

The fixed assets of the Company can be divided into: houses and buildings, production equipment, transportation equipment, 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 estimates. The Company has made provisions for all the fixed assets except for the fixed assets that have been fully depreciated and still in use.

| Type                        | Depreciation<br>life (year) | Residual ratio |
|-----------------------------|-----------------------------|----------------|
| Land ownership              | —                           | —              |
| Buildings                   | 8–40 years                  | 0%-5%          |
| Machinery equipment         | 4–20 years                  | 0%-5%          |
| Transportation equipment    | 5–10 years                  | 0%-5%          |
| Office equipment and others | 3–10 years                  | 0%-5%          |

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

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

**(4). Disposal of fixed assets**

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

### 15. Construction in progress

√ Applicable  Not Applicable

#### (1) Measurement of construction in progress

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

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

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

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

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

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

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

**16. Borrowing costs**

√ Applicable  Not Applicable

**(1) Recognition principles for capitalization of borrowing costs**

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

**(2) Computation of capitalized amount**

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

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

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

**17. Right-of-use assets**

√ Applicable  Not Applicable

Right-of-use assets are the right of the Company as a lessee to use leased assets during the lease term. On the commencement date of the lease term, the Company as lessee shall recognize the right-of-use assets and lease liabilities for the lease, except for short-term leases and low value assets leases which are treated with practical expedient. The commencement date of the lease term refers to the start date when the lessor provides the leased assets to make it available to the lessee.

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

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

The Company refers to the relevant depreciation provisions of *Accounting Standards for Business Enterprises No. 4 — Fixed Assets* to accrue depreciation for right-of-use assets. If the Company can reasonably determine that the ownership of the leased asset can be acquired at the expiration of the lease term, the leased asset shall be depreciated within its remaining useful life. If the Company cannot reasonably determine that the ownership of the leased asset can be acquired at the expiration of the lease term, the leased asset shall be depreciated within the lease term or its remaining useful life (whichever is shorter).

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

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

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

## 18. Intangible assets

√ Applicable  Not Applicable

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

### (1) Measurement of intangible assets

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

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

### (2) Criterion of determining indefinite useful life

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

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

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

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

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

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

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

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

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

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

**19. Impairment of long-term assets**

✓ Applicable  Not Applicable

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

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

In terms of impairment test of the goodwill of the Company, 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 a sign that the related asset groups or asset group portfolios are prone to impair, the Company shall first conduct impairment test on the asset groups or asset group portfolios excluding goodwill, calculate the recoverable amount and recognize the corresponding impairment loss by comparing with its carrying amount. The Company shall then conduct impairment test on the asset groups or asset group portfolios including goodwill and compare the carrying amount (including the carrying amount of allocated goodwill) of related asset groups or asset group portfolios with the recoverable amount thereof. Impairment loss on goodwill shall be recognized when the recoverable amount of the related asset groups or asset group portfolios is lower than the carrying amount thereof.

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

**20. Long-term prepaid expense**

✓ Applicable  Not Applicable

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

### 21. Staff's remuneration

#### (1). Accounting treatment of short-term remuneration

Applicable  Not Applicable

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

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

#### (2). Accounting treatment of post-employment benefits

Applicable  Not Applicable

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

#### (3). Accounting treatment of termination benefits

Applicable  Not Applicable

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

**(4). Accounting treatment of other long-term employee benefits**

Applicable  Not Applicable

**22. Lease liabilities**

Applicable  Not Applicable

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

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

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

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

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

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

### 23. Estimated liability

Applicable  Not Applicable

#### (1) Criterion for determining of estimated liability

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

#### (2) Measurement of estimated liability

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

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

### 24. Share-based payments

Applicable  Not Applicable

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

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

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

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

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

### 25. Revenue

Applicable  Not Applicable

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

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

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

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

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

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

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

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

- ① The Company and its subsidiaries enjoy the right of instant collection over such goods and services;
- ② The Company and its subsidiaries have transferred the material objects of such goods to the client;

- ③ The Company and its subsidiaries have transferred statutory ownership right of the goods or major risks and rewards of the ownership to the client;
- ④ The client has accepted such goods or service.

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

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

**(1) Sale of goods**

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

**(2) Construction contract income**

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

### (3) Warranty obligations

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

## 26. Government grants

Applicable  Not Applicable

### (1) Types of government grants

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

### (2) Accounting treatment of government grants

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

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

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

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

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

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

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

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

**(5) Recognition of government grants**

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

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

### 27. Deferred income tax assets/deferred income tax liabilities

√ Applicable  Not Applicable

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

- (1) Based on the difference between the carrying amount and the tax base amount of an asset or a liability (items not recognized as assets and liabilities but their tax base is ascertained by the tax laws and regulations, the tax base is the difference), deferred income tax asset or deferred income tax liability is calculated using the applicable tax rate prevailing at the expected time of recovering the asset or discharging the liability.
- (2) Deferred income tax asset is recognized to the extent that there is enough taxable income for the deduction of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there will be enough taxable income in the future for the deduction of the deductible temporary difference, the deferred income tax asset not recognized in previous accounting period is recognized. If there is no sufficient evidence that there will be enough taxable income in the future for the deduction of the deferred income tax asset, the carrying value of the deferred income tax asset is reduced.

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- (3) Deferred income tax liability is recognized for taxable temporary difference arising from investments in subsidiaries and associated companies, unless the Company could control the time of reversal of the temporary differences and the temporary differences would not be probably reversed in the foreseeable future. For deductible temporary differences arising from investments in subsidiaries and associated companies, deferred income tax asset is recognized if the temporary difference will be very probably reversed in the foreseeable future and it is highly probable that taxable income will be available in the future to deduct the deductible temporary difference.
- (4) No deferred income tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable income (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that apply to the period when the asset is expected to be recovered or the liability is expected to be settled.

### 28. Other significant accounting policies and accounting estimations

✓ Applicable  Not Applicable

#### (1) Asset securitization business

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

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

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

### (2) Hedge accounting

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

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

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

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

### (3) Explanations on significant accounting estimates

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

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

① Estimated liabilities

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

② Provision of expected credit losses

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

### ③ Impairment provision of inventories

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

### ④ Fair value of financial instruments

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

### ⑤ Impairment of investment in other equity instruments

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

### ⑥ Provision of long-term assets impairment

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

### ⑦ Depreciation and amortization

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

### ⑧ Deferred income tax assets

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

## ⑨ Income tax

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

## ⑩ Provisions for sales rebates

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

**29. Changes in the significant accounting policies and accounting estimates****(1). Changes in the significant accounting policies**

Applicable  Not Applicable

**(2). Changes in the significant accounting estimates**

Applicable  Not Applicable

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

Applicable  Not Applicable

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

**Disclosure of tax entities with different enterprise income tax rates**

Applicable  Not Applicable

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### 2. Preferential tax

√ Applicable  Not Applicable

Companies subjected to preferential tax:

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

| Name of company  | Tax rate | Preferential tax   |
|--|----------|--|
| Foshan Haier Freezer Co., Ltd.   | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Haier Central Air Conditioning Co., Ltd.                                 | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Haier Air Conditioner Gen Corp., Ltd.                                    | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Haier U+smart Intelligent Technology (Beijing) Co., Ltd.                         | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Beijing Zero Micro Technology Co., Ltd.  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Hefei Haier Washing Machine Co., Ltd.  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Haier Washing Machine Co., Ltd.  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Jiaonan Haier Washing Machine Co., Ltd.                                  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Foshan Shunde Haier Electric Co., Ltd.   | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Tianjin Haier Washing Appliance Co., Ltd.  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Economic and Technological Development Zone Haier Water Heater Co., Ltd. | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Wuhan Haier Water Heater Co., Ltd.   | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Foshan Drum Washing Machine Co., Ltd.  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Strauss Water Equipment Co., Ltd.  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Haier Smart Living Appliances Co., Ltd.                                  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Haier New Energy Electric Appliance Co., Ltd.                            | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Haier Washing Appliance Co., Ltd.  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Ririshun Lexin Cloud Technology Co., Ltd.                                | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Hefei Haier Drum Washing Machine Co., Ltd.                                       | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Zhengzhou Haier New Energy Technology Co., Ltd.                                  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |
| Qingdao Haier Electronic Plastic Co., Ltd.                                       | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise |

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| Name of company  | Tax rate | Preferential tax   |
|--|----------|--|
| Qingdao Wei Xi Intelligent Technology Co., Ltd.                            | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Qingdao Haier Special Refrigerating Appliance Co., Ltd.                    | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Qingdao Haier Smart Kitchen Appliance Co., Ltd.                            | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Hefei Haier Air-conditioning Co., Limited                                  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Beijing Lingli Technology Co., Ltd.  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Qingdao Hairuijiejing Electronics Co., Ltd.                                | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Shanghai Haier Medical Technology Co., Ltd.                                | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Qingdao Yunshang Yuyi IOT Technology Co., Ltd.                             | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Haier (Shenzhen) R&D Co., Ltd.   | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Qingdao Ririshun Lejia IOT Technology Co., Ltd.                            | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Qingdao Haier Smart Electrical Equipment Limited                           | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Laiyang Haier Smart Kitchen Appliance Co., Ltd.                            | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Guangdong Heilong Intelligent Technology Co. Ltd                           | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Dalian Haier Refrigerator Co., Ltd.  | 15.00%   | entitled to the preferential taxation policies as a hi-tech enterprise                             |
| Chongqing Haier Electronics Sales Co., Ltd. and some Western companies     | 15.00%   | entitled to the preferential taxation policies under the Western Development initiative of the PRC |
| Chongqing Xin Ririshun Electric Sales Co., Ltd. and some Western companies | 15.00%   | entitled to the preferential taxation policies under the Western Development initiative of the PRC |
| Chongqing Haier Air-conditioning Co., Ltd.                                 | 15.00%   | entitled to the preferential taxation policies under the Western Development initiative of the PRC |
| Chongqing Haier Refrigeration Appliance Co., Ltd.                          | 15.00%   | entitled to the preferential taxation policies under the Western Development initiative of the PRC |

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

## VII. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, the following closing balance refers to the amount as of 30 June 2022. The opening balance refers to the amount as of 31 December 2021. The amount for the current period refers to the amount in the period from 1 January to 30 June 2022. The amount of the previous period refers to the amount of the period from 1 January to 30 June 2021.

### 1. Monetary funds

√ Applicable  Not Applicable

Unit and Currency: RMB

| Items                                    | Closing<br>balance | Opening balance   |
|--|--------------------|-------------------|
| Cash on hand                             | 912,949.13         | 3,085,964.28      |
| Deposit in bank                          | 48,618,833,840.21  | 44,884,013,498.57 |
| Other monetary funds                     | 1,696,374,469.94   | 1,083,936,300.66  |
| Total                                    | 50,316,121,259.28  | 45,971,035,763.51 |
| Including: Total amount deposit overseas | 8,844,868,035.47   | 8,966,246,518.74  |

Other explanations:

Other monetary funds mainly were the investment fund, the deposit on third party payment platforms, security deposit and other restricted fund, etc.

### 2. Financial assets held for trading

| Items                                 | Closing<br>balance | Opening balance  |
|---------------------------------------|--------------------|------------------|
| Short-term wealth management products | 2,153,399,840.01   | 2,168,622,090.00 |
| Investment in equity instruments      | 106,249,514.01     | 330,557,610.82   |
| Investment fund                       | 158,003,403.16     | 150,516,274.37   |
| Forward foreign exchange contracts    | 142,519,319.40     | 136,379,553.90   |
| Total                                 | 2,560,172,076.58   | 2,786,075,529.09 |

**3. Derivative financial assets**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items                              | Closing balance | Opening balance |
|------------------------------------|-----------------|-----------------|
| Forward foreign exchange contracts | 151,624,141.73  | 72,822,190.59   |
| Interest rate swap agreement       | 11,460,584.69   |                 |
| Forward commodity contracts        |                 | 6,997,783.42    |
| Total                              | 163,084,726.42  | 79,819,974.01   |

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

| Items                         | Closing balance  | Opening balance   |
|-------------------------------|------------------|-------------------|
| Bank acceptance notes         | 8,200,648,941.32 | 13,053,809,505.49 |
| Commercially acceptance notes | 282,194,019.57   | 368,076,810.80    |
| Balance of bills receivable   | 8,482,842,960.89 | 13,421,886,316.29 |
| Allowance for bad debts       | 65,206,789.48    | 67,095,248.00     |
| Bills receivable, net         | 8,417,636,171.41 | 13,354,791,068.29 |

**(2) Changes in allowance for bad debts of bills receivable in the current period**√ Applicable  Not Applicable

| Items                   | Opening balance | Increase for the current period |                 | Decrease for the current period |                              | Closing balance |
|-------------------------|-----------------|---------------------------------|-----------------|---------------------------------|------------------------------|-----------------|
|                         |                 | Provision                       | Other increases | Reversal                        | Write-off/<br>other movement |                 |
| Allowance for bad debts | 67,095,248.00   | 35,478,414.82                   |                 | 3,986,104.53                    | 33,380,768.81                | 65,206,789.48   |
| Total                   | 67,095,248.00   | 35,478,414.82                   |                 | 3,986,104.53                    | 33,380,768.81                | 65,206,789.48   |

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

The bills receivable pledged by the Company at the end of the period was RMB7,905,189,214.59 (amount at the beginning of the period: RMB12,526,757,275.50).

## Section X Financial Report

### 5. Accounts receivable

① Accounts receivable are disclosed by aging as follows:

| Aging                        | Closing balance   | Opening balance   |
|------------------------------|-------------------|-------------------|
| Within one year              | 17,992,836,678.82 | 14,794,015,085.51 |
| 1–2 years                    | 632,122,299.07    | 376,187,052.43    |
| 2–3 years                    | 187,957,672.11    | 78,861,353.76     |
| Over 3 years                 | 106,770,894.99    | 135,768,657.33    |
| Accounts receivable, balance | 18,919,687,544.99 | 15,384,832,149.03 |
| Allowance for bad debts      | 999,585,676.27    | 742,172,698.81    |
| Accounts receivable, net     | 17,920,101,868.72 | 14,642,659,450.22 |

② By method of provision of allowance for bad debts

√ Applicable  Not Applicable

| Categories  | Closing balance   |                         |                             | Carrying value    |
|---|-------------------|-------------------------|-----------------------------|-------------------|
|   | Book balance      | Allowance for bad debts | Percentage of provision (%) |                   |
| Account receivables<br>subject to provision for<br>bad debts on a<br>separate basis   | 523,300,149.88    | 517,255,653.38          | 98.84                       | 6,044,496.50      |
| Account receivables<br>subject to provision for<br>bad debts on a<br>collective basis | 18,396,387,395.11 | 482,330,022.89          | 2.62                        | 17,914,057,372.22 |
| Total   | 18,919,687,544.99 | 999,585,676.27          | 5.28                        | 17,920,101,868.72 |

(continued)

| Categories   | Opening balance   |                         |                             | Carrying value    |
|--|-------------------|-------------------------|-----------------------------|-------------------|
|  | Book balance      | Allowance for bad debts | Percentage of provision (%) |                   |
| Account receivables subject to provision for bad debts on a separate basis   | 381,406,983.17    | 320,303,932.13          | 83.98                       | 61,103,051.04     |
| Account receivables subject to provision for bad debts on a collective basis | 15,003,425,165.86 | 421,868,766.68          | 2.81                        | 14,581,556,399.18 |
| Total  | 15,384,832,149.03 | 742,172,698.81          | 4.82                        | 14,642,659,450.22 |

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

✓ Applicable  Not Applicable

| Items         | Balance as at the end of the period |                         |                             |
|---------------|-------------------------------------|-------------------------|-----------------------------|
|               | Book Balance                        | Allowance for bad debts | Percentage of provision (%) |
| Within 1 year | 17,789,646,425.90                   | 386,576,175.00          | 2.17                        |
| 1–2 years     | 439,466,228.58                      | 10,765,414.88           | 2.45                        |
| 2–3 years     | 74,455,469.23                       | 21,507,533.99           | 28.89                       |
| Over 3 years  | 92,819,271.40                       | 63,480,899.02           | 68.39                       |
| Total         | 18,396,387,395.11                   | 482,330,022.89          | 2.62                        |

(continued)

| Items         | Balance as at the beginning of the period |                         |                             |
|---------------|---|-------------------------|-----------------------------|
|               | Book Balance                              | Allowance for bad debts | Percentage of provision (%) |
| Within 1 year | 14,566,776,731.02                         | 312,565,470.27          | 2.15                        |
| 1–2 years     | 229,160,440.39                            | 9,396,866.15            | 4.10                        |
| 2–3 years     | 76,516,782.74                             | 23,388,497.43           | 30.57                       |
| Over 3 years  | 130,971,211.71                            | 76,517,932.83           | 58.42                       |
| Total         | 15,003,425,165.86                         | 421,868,766.68          | 2.81                        |

## Section X Financial Report

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

| Items                   | Opening balance | Increase for the current period  |                | Decrease for the current period |                          | Closing balance |
|-------------------------|-----------------|----------------------------------|----------------|---------------------------------|--------------------------|-----------------|
|                         |                 | Provision for the current period | Other movement | Reversal                        | Write-off/other movement |                 |
| Allowance for bad debts | 742,172,698.81  | 264,092,566.49                   | 33,380,768.81  | 41,415,511.37                   | -1,355,153.53            | 999,585,676.27  |

- ⑤ The aggregate amount of the top 5 account receivables as at the end of the period was RMB4,500,321,373.99 (amount at the beginning of the period: RMB3,856,035,612.12), accounting for 23.79% of the book balance of account receivables (as at the beginning of the period: 25.06%).
- ⑥ Actual write-off of accounts receivable in the current period The amount of accounts receivable actually written off in the current period is RMB13,058,370.53 (amount for the corresponding period: RMB10,143,124.34) and there is no important bad debt write-off of accounts receivable.
- ⑦ The company's accounts receivable that were terminated due to the transfer of financial assets in the current period.

At the end of the period, the amount of accounts receivable that were terminated due to the transfer of financial assets was RMB5,148,671,077.42 (amount at the beginning of the period: RMB4,127,671,197.04) and the transfer method was outright sale factoring/asset securitization.

- ⑧ Restricted accounts receivable in the current period

The amount of accounts receivable restricted at the end of the period is RMB2,848,722,579.01 (amount at the beginning of the period: RMB1,913,582,226.30).

**6. Prepayments****(1) Prepayments are disclosed by aging as follows:**

| Aging           | Closing<br>balance | Opening balance |
|-----------------|--------------------|-----------------|
| Within one year | 820,552,086.75     | 816,906,386.84  |
| 1–2 years       | 31,756,515.81      | 22,367,994.84   |
| 2–3 years       | 9,516,658.41       | 9,728,842.63    |
| Over 3 years    | 6,287,399.50       | 8,231,174.95    |
| Total           | 868,112,660.47     | 857,234,399.26  |

**(2)** The amount of the top 5 in the prepayments at the end of the period totals RMB88,045,020.96, which accounts for 10.14% of the book balance of prepayment (amount at the beginning of the period: RMB174,076,576.41, accounting for 20.31%).

**7. Other receivables**

Applicable  Not Applicable

Unit and Currency: RMB

| Items               | Closing<br>balance | Opening balance  |
|---------------------|--------------------|------------------|
| Interest receivable | 400,015,260.13     | 294,379,438.82   |
| Other receivables   | 1,756,744,930.86   | 1,662,342,182.84 |
| Total               | 2,156,760,190.99   | 1,956,721,621.66 |

Other explanations:

Applicable  Not Applicable

## Section X Financial Report

### (1) Interest receivable

| Aging           | Closing<br>balance | Opening balance |
|-----------------|--------------------|-----------------|
| Within one year | 266,633,376.88     | 231,011,687.28  |
| 1–2 years       | 79,940,828.30      | 47,983,727.86   |
| 2–3 years       | 45,391,054.95      | 15,384,023.68   |
| Over 3 years    | 8,050,000.00       |                 |
| Total           | 400,015,260.13     | 294,379,438.82  |

### (2) Other receivables

① Other receivables are disclosed by aging as follows:

| Aging                     | Closing<br>balance | Opening balance  |
|---------------------------|--------------------|------------------|
| Within one year           | 1,348,982,183.92   | 1,274,872,226.90 |
| 1–2 years                 | 118,830,576.45     | 109,677,138.52   |
| 2–3 years                 | 361,449,614.43     | 355,219,038.13   |
| Over 3 years              | 127,053,718.52     | 113,213,998.61   |
| Other receivables balance | 1,956,316,093.32   | 1,852,982,402.16 |
| Allowance for bad debts   | 199,571,162.46     | 190,640,219.32   |
| Other receivables, net    | 1,756,744,930.86   | 1,662,342,182.84 |

② The total amount of the top 5 other receivables at the end of the period is RMB776,125,043.70 (amount at the beginning of the period: RMB588,207,363.50), which accounts for 39.67% of the book balance of other receivables (at the beginning of the period: 31.74%).

## ③ Provision of allowance for bad debts

| Allowance for bad debts                     | Stage 1   | Stage 2   | Stage 3   | Total          |
|---|---|---|---|----------------|
|   | Expected credit losses for the coming 12 months | Lifetime expected credit losses (not credit-impaired) | Lifetime expected credit losses (credit-impaired) |                |
| Balance as at the beginning of the period   | 112,022,673.37                                  |   | 78,617,545.95                                     | 190,640,219.32 |
| Provision for the current period            | 9,354,271.38                                    |   |   | 9,354,271.38   |
| Reversal for the current period             | 5,446,790.65                                    |   |   | 5,446,790.65   |
| Write-off and others for the current period | -5,076,162.41                                   |   | 52,700.00   | -5,023,462.41  |
| Balance as at the end of the period         | 121,006,316.51                                  |   | 78,564,845.95                                     | 199,571,162.46 |

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

| Items                   | Opening balance | Increase for the current period  |                | Decrease for the current period |                           | Closing balance |
|-------------------------|-----------------|----------------------------------|----------------|---------------------------------|---------------------------|-----------------|
|                         |                 | Provision for the current period | Other movement | Reversal                        | Write-off/ other movement |                 |
| Allowance for bad debts | 190,640,219.32  | 9,354,271.38                     |                | 5,446,790.65                    | -5,023,462.41             | 199,571,162.46  |

## ⑤ Other receivables written off during the period

The amount of other receivables actually written off in the current period is RMB306,025.66 (amount for the corresponding period: RMB4,293,611.04), and no significant other receivables are written off for bad debts.

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

8. Inventories

(1) Details of Inventories

| Items            | Closing balance       |                         | Opening balance       |                         |
|------------------|-----------------------|-------------------------|-----------------------|-------------------------|
|                  | Book value<br>balance | Impairment<br>provision | Book value<br>balance | Impairment<br>provision |
| Raw material     | 5,505,526,057.02      | 129,495,787.11          | 5,160,836,755.15      | 117,428,681.85          |
| Work in progress | 148,110,212.49        |                         | 115,676,026.77        |                         |
| Finished goods   | 36,906,925,191.71     | 1,424,430,179.89        | 35,990,645,130.23     | 1,248,466,540.71        |
| Total            | 42,560,561,461.22     | 1,553,925,967.00        | 41,267,157,912.15     | 1,365,895,222.56        |

(2) Impairment provision of inventories

| Items            | Opening<br>balance | Increase for<br>the period |                    | Decrease for<br>the period |                             | Closing<br>balance |
|------------------|--------------------|----------------------------|--------------------|----------------------------|-----------------------------|--------------------|
|                  |                    | Provision                  | Other<br>Increases | Reversal                   | Write-off/other<br>movement |                    |
| Raw material     | 117,428,681.85     | 13,180,554.37              |                    |                            | 1,113,449.11                | 129,495,787.11     |
| Work in progress |                    |                            |                    |                            |                             |                    |
| Finished goods   | 1,248,466,540.71   | 372,249,744.36             |                    | 13,571,021.80              | 182,715,083.38              | 1,424,430,179.89   |
| Total            | 1,365,895,222.56   | 385,430,298.73             |                    | 13,571,021.80              | 183,828,532.49              | 1,553,925,967.00   |

9. Contract assets

(1) Details

| Items  | Closing balance       |                         | Opening balance       |                         |
|--|-----------------------|-------------------------|-----------------------|-------------------------|
|  | Book value<br>balance | Impairment<br>Provision | Book value<br>balance | Impairment<br>Provision |
| Relating to construction<br>service contract | 280,621,191.36        |                         | 304,434,294.70        |                         |
| Total  | 280,621,191.36        |                         | 304,434,294.70        |                         |

## 10. Other current assets

## (1) Details

| Items                               | Closing balance       |                         | Opening balance       |                         |
|-------------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
|                                     | Book value<br>balance | Impairment<br>provision | Book value<br>balance | Impairment<br>provision |
| Bank deposit for financial products | 1,551,745,385.00      |                         | 316,590,333.42        |                         |
| Taxes to be deducted                | 2,588,443,347.96      |                         | 3,275,762,776.66      |                         |
| Return cost receivable              | 657,641,276.81        | 336,533,252.53          | 585,140,752.69        | 328,552,987.70          |
| Others                              | 54,260,359.93         |                         | 71,809,601.50         |                         |
| Total                               | 4,852,090,369.70      | 336,533,252.53          | 4,249,303,464.27      | 328,552,987.70          |

## (2) Impairment provision

| Items                   | Opening<br>balance | Increase for<br>the period |                    | Decrease for<br>the period |                             | Closing<br>balance |
|-------------------------|--------------------|----------------------------|--------------------|----------------------------|-----------------------------|--------------------|
|                         |                    | Provision                  | Other<br>Increases | Reversal                   | Write-off/other<br>movement |                    |
| Return cost receivables | 328,552,987.70     | 336,533,252.53             |                    | 1,330,581.65               | 327,222,406.05              | 336,533,252.53     |
| Total                   | 328,552,987.70     | 336,533,252.53             |                    | 1,330,581.65               | 327,222,406.05              | 336,533,252.53     |

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### 11. Long-term equity investments

√ Applicable □ Not Applicable

| Investees  | Opening balance  | Increase/decrease for the period |  |  |                         | Declaration of cash dividends or profits |
|--|------------------|----------------------------------|--|--|-------------------------|--|
|  |                  | Investment increase              | Investment profit recognized under equity method | Adjustment in other comprehensive income | Other changes in equity |  |
| Associate:   |                  |                                  |  |  |                         |  |
| Haier Group Finance Co., Ltd.  | 7,108,709,375.38 |                                  | 318,680,094.64                                   | 7,661,131.00                             |                         | -218,400,000.00                          |
| Bank of Qingdao Co., Ltd.  | 2,654,248,436.12 | 352,102,643.20                   | 165,347,683.41                                   | -6,472,692.99                            | 7,483,342.53            | -76,288,906.40                           |
| Wolong Electric (Jinan) Motor Co., Ltd.  | 151,837,378.99   |                                  | 12,237,610.99                                    |  |                         |  |
| Qingdao Hegang New Material Technology Co., Ltd.                               | 312,493,256.21   |                                  | 10,746,218.86                                    |  |                         |  |
| Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership) | 393,598,372.59   |                                  | -904,601.39                                      |  |                         | -17,199,060.82                           |
| Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.         | 682,901,976.73   |                                  | 52,979,520.61                                    |  |                         |  |
| Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.                        | 409,053,808.05   |                                  | 10,936,464.63                                    |  |                         | -17,900,226.81                           |
| Qingdao Haier multimedia Co., Ltd.   | 277,102,563.88   |                                  | -14,629,468.29                                   |  |                         |  |
| Qingdao Haier Moulds Co., Ltd.   | 269,158,534.54   | -272,577,907.92                  | 3,419,373.38                                     |  |                         |  |
| Hefei Feier Smart Technology Co., Ltd.   | 265,106.27       |                                  | -265,106.27                                      |  |                         |  |
| Anhui Kunhe Intelligent Technology Co., Ltd.*                                  | 1,877,574.14     |                                  | 109,595.88                                       |  |                         |  |
| Zhejiang Futeng Fluid Technology Co., Ltd.*                                    | 82,098,847.75    |                                  |  |  |                         |  |
| Beijing Mr. Hi Network Technology Company Limited                              | 7,507,759.75     |                                  |  |  |                         |  |
| Beijing Xiaobei Technology Co., Ltd.   | 2,687,341.82     | -2,687,341.82                    |  |  |                         |  |
| Beijing ASU Tech Co., Ltd.   | 15,529,700.01    |                                  | -12,256,393.21                                   |  | 9,809,616.09            |  |
| Shenzhen Genyuan Environmental Protection Technology Co., Ltd.                 | 6,914,487.73     |                                  | 681,807.62                                       |  |                         |  |
| Qingdao Haimu Investment Management Co., Ltd.                                  | 2,465,299.70     |                                  | -53,862.77                                       |  |                         |  |
| Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)          | 59,424,662.44    |                                  | -100,251.06                                      |  |                         |  |

\* For identification purposes only

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| Investees  | Opening balance          | Increase/decrease for the period |  |  |                         | Declaration of cash dividends or profits |
|--|--------------------------|----------------------------------|--|--|-------------------------|--|
|  |                          | Investment increase              | Investment profit recognized under equity method | Adjustment in other comprehensive income | Other changes in equity |  |
| Guangzhou Heying Investment Partnership (Limited Partnership)                      | 285,793,577.87           |                                  |  |  |                         |  |
| Qingdao Home Wow Cloud Network Technology Co., Ltd.                                | 2,600,050.50             |                                  | -34,037.86                                       |  |                         |  |
| Bingji (Shanghai) Corporate Management Co., Ltd.                                   | 972,200,487.88           |                                  | 23,218,909.91                                    |  |                         |  |
| Youjin (Shanghai) Corporate Management Co., Ltd.                                   | 1,766,819,068.86         |                                  | 42,216,199.84                                    |  |                         |  |
| RRS (Shanghai) Investment Co., Ltd.  | 3,211,580,125.21         |                                  | 76,756,726.98                                    |  |                         |  |
| Haier Best Water Technology Co., Ltd.  | 79,785,557.39            |                                  | -1,432,974.65                                    |  |                         |  |
| Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership) | 119,008,967.03           | 119,797,980.61                   |  |  |                         |  |
| Qingdao Ririshun Huizhi Investment Co., Ltd.                                       | 2,083,482.78             | 2,000,000.00                     |  |  |                         |  |
| Qingdao Xinshenghui Technology Co., Ltd.   | 9,964,773.52             |                                  | -953,012.17                                      |  |                         |  |
| Meiling Candy Washing Machine Co., Ltd.  | 22,752,232.07            |                                  | -92,564.23                                       |  |                         |  |
| EuropaltersitaliaS.r.l.  | 9,361,965.48             |                                  |  |  |                         |  |
| OryginLLC  |                          | 13,494,211.65                    |  |  |                         |  |
| Konan Electronic Co., Ltd.   | 69,273,712.61            |                                  | 305,414.02                                       | -7,882,359.76                            |                         | -237,150.00                              |
| HNR Company (Private) Limited  | 114,055,318.97           |                                  | 17,731,336.90                                    | -7,497,761.95                            |                         |  |
| HPZ LIMITED  | 71,269,048.97            |                                  | 6,432,609.47                                     | 2,444,486.30                             |                         |  |
| Haier Raya Electric S.A.E  | 10,568,507.40            |                                  | -716,353.69                                      |  |                         |  |
| CONTROLADORAMABES. A.deC.V.  | 4,131,983,673.10         |                                  | 246,779,790.69                                   | 119,156,456.19                           |                         | -47,111,575.26                           |
| Middle East Airconditioning Company, Limited                                       | 10,318,898.13            |                                  | -2,475,341.75                                    | 465,090.46                               |                         |  |
| <b>Total</b>   | <b>23,327,293,929.87</b> | <b>212,129,585.72</b>            | <b>954,665,390.49</b>                            | <b>107,874,349.25</b>                    | <b>17,292,958.62</b>    | <b>-377,136,919.29</b>                   |

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(Continued)

| Investees   | Increase/decrease for the period | Closing balance               | Impairment<br>provision<br>Closing balance |
|---|----------------------------------|-------------------------------|--|
|   | Other<br>movement                | Disposal of the<br>investment |  |
| Associate:  |                                  |                               |  |
| Haier Finance Co., Ltd.   |                                  | 7,216,650,601.02              |  |
| Bank of Qingdao Co., Ltd.   |                                  | 3,096,420,505.87              |  |
| Wolong Electric (Jinan)<br>Motor Co., Ltd.  |                                  | 164,074,989.98                |  |
| Qingdao Hegang New<br>Material Technology Co.,<br>Ltd.                                  |                                  | 323,239,475.07                |  |
| Qingdao Haier SAIF Smart<br>Home Industry<br>Investment Center<br>(Limited Partnership) |                                  | 375,494,710.38                |  |
| Mitsubishi Heavy Industries<br>Haier (Qingdao) Air-<br>conditioners Co., Ltd.           |                                  | 735,881,497.34                |  |
| Qingdao Haier Carrier<br>Refrigeration Equipment<br>Co., Ltd.                           |                                  | 402,090,045.87                | -21,000,000.00                             |
| Qingdao Haier Multimedia<br>Co., Ltd  |                                  | 262,473,095.59                | -88,300,000.00                             |
| Qingdao Haier Moulds Co.,<br>Ltd  |                                  |                               |  |
| Hefei Feier Smart<br>Technology Co., Ltd.   |                                  |                               |  |
| Anhui Kunhe Intelligent<br>Technology Co., Ltd.*  |                                  | 1,987,170.02                  |  |
| Zhejiang Futeng Fluid<br>Technology Co., Ltd.*  |                                  | 82,098,847.75                 |  |
| Beijing Mr. Hi Network<br>Technology Company<br>Limited                                 |                                  | 7,507,759.75                  | -7,507,759.75                              |
| Beijing Xiaobei Technology<br>Co., Ltd.   |                                  |                               |  |
| Beijing ASU Tech Co., Ltd.  |                                  | 13,082,922.89                 |  |
| Shenzhen Genyuan<br>Environmental Protection<br>Technology Co., Ltd.                    |                                  | 7,596,295.35                  | -6,914,487.73                              |
| Qingdao Haimu Investment<br>Management Co., Ltd.  |                                  | 2,411,436.93                  |  |
| Qingdao Haimu Zhijia<br>Investment Partnership<br>(Limited Partnership)                 |                                  | 59,324,411.38                 |  |

\* For identification purposes only

| Investees  | Increase/decrease for the period |                            | Closing balance          | Impairment provision<br>Closing balance |
|--|----------------------------------|----------------------------|--------------------------|---|
|  | Other movement                   | Disposal of the investment |                          |   |
| Guangzhou Heying Investment Partnership (Limited Partnership)                      |                                  |                            | 285,793,577.87           |   |
| Qingdao Home Wow Cloud Network Technology Co., Ltd.                                |                                  |                            | 2,566,012.64             |   |
| Bingji (Shanghai) Corporate Management Co., Ltd.                                   |                                  |                            | 995,419,397.79           |   |
| Youjin (Shanghai) Corporate Management Co., Ltd                                    |                                  |                            | 1,809,035,268.70         |   |
| RRS (Shanghai) Investment Co., Ltd.  |                                  |                            | 3,288,336,852.19         |   |
| Haier Best Water Technology Co., Ltd.  |                                  |                            | 78,352,582.74            |   |
| Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership) |                                  |                            | 238,806,947.64           |   |
| Qingdao Ririshun Huizhi Investment Co., Ltd.                                       |                                  |                            | 4,083,482.78             |   |
| Qingdao Xinchenghui Technology Co., Ltd.   |                                  |                            | 9,011,761.35             |   |
| Meiling Candy Washing Machine Co., Ltd.  |                                  |                            | 22,659,667.84            |   |
| EuropaltersItaliaS.r.l.  |                                  |                            | 9,361,965.48             |   |
| OryginLLC  |                                  |                            | 13,494,211.65            |   |
| Konan Electronic Co., Ltd.   |                                  |                            | 61,459,616.87            |   |
| HNR Company (Private) Limited  |                                  |                            | 124,288,893.92           |   |
| HPZ LIMITED  |                                  |                            | 80,146,144.74            |   |
| HaierRayaElectricS.A.E   |                                  |                            | 9,852,153.71             |   |
| CONTROLADORAMABES. A.deC.V.  | -7,751,424.52                    |                            | 4,443,056,920.20         |   |
| Middle East Airconditioning Company, Limited                                       |                                  |                            | 8,308,646.84             |   |
| <b>Total</b>   | <b>-7,751,424.52</b>             |                            | <b>24,234,367,870.14</b> | <b>-123,722,247.48</b>                  |

12. Investment in other equity instruments

(1) Details of investment in other equity instruments:

✓ Applicable  Not Applicable

Unit and Currency: RMB

| Items  | Closing balance         | Opening balance         |
|--|-------------------------|-------------------------|
| SINOPEC Fuel Oil Sales Corporation Limited     | 1,285,836,952.03        | 1,290,487,901.40        |
| Haier COSMO IOT Ecosystem Technology Co., Ltd. | 2,812,000,000.00        | 2,812,000,000.00        |
| Others   | 754,608,260.88          | 746,221,537.56          |
| <b>Total</b>                                   | <b>4,852,445,212.91</b> | <b>4,848,709,438.96</b> |

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

| Items                                     | Amount for the current period |
|---|-------------------------------|
| Others — Shenzhen Toposcend Capital, etc. | 2,596,583.32                  |
| <b>Total</b>                              | <b>2,596,583.32</b>           |

13. Investment properties

Measure mode for investment properties

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

| Items  | Houses and buildings | Land use rights | Total         |
|--|----------------------|-----------------|---------------|
| I. Original book value   |                      |                 |               |
| 1. Opening balance   | 34,022,711.50        | 2,128,550.51    | 36,151,262.01 |
| 2. Increase for the period   |                      |                 |               |
| (1) Outsourced   |                      |                 |               |
| (2) Inventories\fixed assets\construction in progress transferred in |                      |                 |               |
| (3) Increase in business combinations                                |                      |                 |               |
| 3. Decrease for the period   |                      |                 |               |
| (1) Disposal   |                      |                 |               |
| (2) Disposal of subsidiary   |                      |                 |               |
| (3) Other transferring out   |                      |                 |               |

| Items   | Houses and<br>buildings | Land use rights | Total         |
|---|-------------------------|-----------------|---------------|
| 4. Converted difference in foreign currency statements    | 1,594,734.05            |                 | 1,594,734.05  |
| 5. Closing balance  | 35,617,445.55           | 2,128,550.51    | 37,745,996.06 |
| II. Accumulated depreciation and accumulated amortization |                         |                 |               |
| 1. Opening balance  | 10,555,753.15           | 630,620.38      | 11,186,373.53 |
| 2. Increase for the period                                |                         |                 |               |
| (1) Provision or amortization                             | 649,271.97              | 20,118.11       | 669,390.08    |
| 3. Decrease for the period                                |                         |                 |               |
| (1) Disposal  |                         |                 |               |
| (2) Disposal of subsidiary                                |                         |                 |               |
| (3) Other transferring out                                |                         |                 |               |
| 4. Converted difference in foreign currency statements    | 265,983.26              |                 | 265,983.26    |
| 5. Closing balance  | 11,471,008.38           | 650,738.49      | 12,121,746.87 |
| III. Impairment provision                                 |                         |                 |               |
| 1. Opening balance  |                         |                 |               |
| 2. Increase for the period                                |                         |                 |               |
| (1) Provision   |                         |                 |               |
| 3. Decrease for the period                                |                         |                 |               |
| (1) Disposal  |                         |                 |               |
| (2) Disposal of subsidiary                                |                         |                 |               |
| (3) Other transferring out                                |                         |                 |               |
| 4. Converted difference in foreign currency statements    |                         |                 |               |
| 5. Closing balance  |                         |                 |               |
| IV. Book value  |                         |                 |               |
| 1. Closing book value                                     | 24,146,437.17           | 1,477,812.02    | 25,624,249.19 |
| 2. Opening book value                                     | 23,466,958.35           | 1,497,930.13    | 24,964,888.48 |

(2) The depreciation and amortization amount charge for the period is RMB669,390.08 (amount for the corresponding period: RMB920,365.49).

(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.

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### 14. Fixed assets

#### Presented as

✓ Applicable  Not Applicable

Unit and Currency: RMB

| Items                     | Closing balance   | Opening balance   |
|---------------------------|-------------------|-------------------|
| Fixed assets              | 24,238,045,798.12 | 22,302,546,799.12 |
| Disposals of fixed assets | 4,543,369.52      | 4,543,369.52      |
| Total                     | 24,242,589,167.64 | 22,307,090,168.64 |

#### Fixed assets

##### (1) Fixed assets:

| Items  | Houses and buildings | Production equipment | Transportation equipment |
|--|----------------------|----------------------|--------------------------|
| I. Original book value                                 |                      |                      |                          |
| 1. Opening balance                                     | 11,353,869,023.33    | 26,553,243,290.47    | 179,083,687.93           |
| 2. Increase for the period                             |                      |                      |                          |
| (1) Acquisition  | 24,855,788.90        | 648,692,116.07       | 890,259.74               |
| (2) Construction in progress transferred in            | 473,266,969.36       | 1,316,653,800.21     | 6,815,087.61             |
| (3) Increase in business combinations                  |                      |                      |                          |
| 3. Decrease for the period                             |                      |                      |                          |
| (1) Disposal or Write-off                              | 13,836,783.88        | 275,325,898.20       | 3,042,808.78             |
| (2) Disposal of subsidiary                             |                      |                      | 754,649.79               |
| (3) Transfer to hold for sale                          |                      |                      |                          |
| 4. Converted difference in foreign currency statements | 362,938,367.98       | 1,035,957,018.26     | 4,804,656.26             |
| 5. Closing balance                                     | 12,201,093,365.69    | 29,279,220,326.81    | 187,796,232.97           |
| II. Accumulated depreciation                           |                      |                      |                          |
| 1. Opening balance                                     | 3,922,452,407.13     | 13,208,010,163.95    | 107,950,259.30           |
| 2. Increase for the period                             |                      |                      |                          |
| (1) Provision  | 266,310,942.35       | 1,250,733,974.65     | 9,978,627.44             |
| (2) Increase in business combinations                  |                      |                      |                          |
| 3. Decrease for the period                             |                      |                      |                          |
| (1) Disposal or write-off                              | 7,174,156.14         | 212,276,135.09       | 2,883,264.99             |
| (2) Disposal of subsidiary                             |                      |                      | 645,746.91               |
| (3) Transfer to hold for sale                          |                      |                      |                          |

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| Items   | Houses and<br>buildings | Production<br>equipment | Transportation<br>equipment |
|---|-------------------------|-------------------------|-----------------------------|
| 4. Converted difference in foreign<br>currency statements | 38,318,137.17           | 478,123,536.12          | 1,941,465.37                |
| 5. Closing balance  | 4,219,907,330.51        | 14,724,591,539.63       | 116,341,340.21              |
| III. Impairment provision                                 |                         |                         |                             |
| 1. Opening balance  | 29,499,438.21           | 21,647,562.09           | 173,485.13                  |
| 2. Increase for the period                                |                         |                         |                             |
| (1) Provision   |                         |                         |                             |
| (2) Increase in business<br>combinations                  |                         |                         |                             |
| 3. Decrease for the period                                |                         |                         |                             |
| (1) Disposal or Write-off                                 |                         | 20,287.80               |                             |
| (2) Disposal of subsidiary                                |                         |                         |                             |
| (3) Transfer to hold for sale                             |                         |                         |                             |
| 4. Converted difference in foreign<br>currency statements | -2,488,257.57           | -263,526.91             | -10,241.16                  |
| 5. Closing balance  | 27,011,180.64           | 21,363,747.38           | 163,243.97                  |
| IV. Book value  |                         |                         |                             |
| 1. Closing book value                                     | 7,954,174,854.54        | 14,533,265,039.80       | 71,291,648.79               |
| 2. Opening book value                                     | 7,401,917,177.99        | 13,323,585,564.43       | 70,959,943.50               |

(Continued)

| Items   | Office furniture | Others           | Total             |
|---|------------------|------------------|-------------------|
| I. Original book value                                    |                  |                  |                   |
| 1. Opening balance  | 1,030,764,014.90 | 2,464,395,005.90 | 41,581,355,022.53 |
| 2. Increase for the period                                |                  |                  |                   |
| (1) Acquisition   | 78,881,852.21    | 34,929,055.41    | 788,249,072.33    |
| (2) Construction in progress<br>transferred in            | 84,566,124.47    | 162,827,779.57   | 2,044,129,761.22  |
| (3) Increase in business combinations                     |                  |                  |                   |
| 3. Decrease for the period                                |                  |                  |                   |
| (1) Disposal or Write-off                                 | 25,668,390.60    | 52,084,817.45    | 369,958,698.91    |
| (2) Disposal of subsidiary                                |                  | 37,980.00        | 792,629.79        |
| (3) Transfer to hold for sale                             |                  |                  |                   |
| 4. Converted difference in foreign<br>currency statements | 19,135,686.09    | 149,484,827.72   | 1,572,320,556.31  |
| 5. Closing balance  | 1,187,679,287.07 | 2,759,513,871.15 | 45,615,303,083.69 |
| II. Accumulated depreciation                              |                  |                  |                   |
| 1. Opening balance  | 565,204,246.86   | 1,418,493,692.20 | 19,222,110,769.44 |
| 2. Increase for the period                                |                  |                  |                   |

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| Items  | Office furniture | Others           | Total             |
|--|------------------|------------------|-------------------|
| (1) Provision  | 142,392,072.66   | 125,203,692.69   | 1,794,619,309.79  |
| (2) Increase in business combinations                  |                  |                  |                   |
| 3. Decrease for the period                             |                  |                  |                   |
| (1) Disposal or Write-off                              | 13,259,061.00    | 14,233,168.34    | 249,825,785.56    |
| (2) Disposal of subsidiary                             |                  | 36,090.25        | 681,837.16        |
| (3) Transfer to hold for sale                          |                  |                  |                   |
| 4. Converted difference in foreign currency statements | 7,271,653.01     | 31,510,438.78    | 557,165,230.45    |
| 5. Closing balance                                     | 701,608,911.53   | 1,560,938,565.08 | 21,323,387,686.96 |
| III. Impairment provision                              |                  |                  |                   |
| 1. Opening balance                                     | 258,528.08       | 5,118,440.46     | 56,697,453.97     |
| 2. Increase for the period                             |                  |                  |                   |
| (1) Provision  |                  |                  |                   |
| (2) Increase in business combinations                  |                  |                  |                   |
| 3. Decrease for the period                             |                  |                  |                   |
| (1) Disposal or Write-off                              | 4,406.40         |                  | 24,694.20         |
| (2) Disposal of subsidiary                             |                  |                  |                   |
| (3) Transfer to hold for sale                          |                  |                  |                   |
| 4. Converted difference in foreign currency statements | -27,194.93       | -13,940.59       | -2,803,161.16     |
| 5. Closing balance                                     | 226,926.75       | 5,104,499.87     | 53,869,598.61     |
| IV. Book Value   |                  |                  |                   |
| 1. Closing book value                                  | 485,843,448.79   | 1,193,470,806.20 | 24,238,045,798.12 |
| 2. Opening book value                                  | 465,301,239.96   | 1,040,782,873.24 | 22,302,546,799.12 |

- (2) In the current period, the balance of the construction in progress transferred to the original value of the fixed assets is total RMB2,044,129,761.22 (amount for the corresponding period: RMB1,484,788,584.15).

(3) There was no mortgage secured by the fixed assets mortgage at the end of the period, and there was no mortgage secured by the fixed assets mortgage at the beginning of the period.

(4) Disposals of fixed assets

| Items                                    | Closing<br>balance | Opening<br>balance | Reason for<br>transferring to<br>disposal |
|--|--------------------|--------------------|---|
| Relocation of Qingdao<br>Industrial Park | 4,543,369.52       | 4,543,369.52       | Demolition                                |
| Total                                    | 4,543,369.52       | 4,543,369.52       |   |

#### 15. Construction in progress

Presented as

Applicable  Not Applicable

Unit and Currency: RMB

| Items                    | Closing<br>balance | Opening<br>balance |
|--------------------------|--------------------|--------------------|
| Construction in progress | 4,858,973,923.48   | 4,183,263,398.79   |
| Construction materials   |                    |                    |
| Total                    | 4,858,973,923.48   | 4,183,263,398.79   |

## Section X Financial Report

### Construction in progress

#### (1) Details of construction in progress

✓ Applicable □ Not Applicable

Unit and Currency: RMB

| Projects                   | Closing balance         |                      |                         | Opening balance         |                      |                         |
|----------------------------|-------------------------|----------------------|-------------------------|-------------------------|----------------------|-------------------------|
|                            | Book balance            | Impairment provision | Book value              | Book balance            | Impairment provision | Book value              |
| Smart Home Appliance       |                         |                      |                         |                         |                      |                         |
| Technology Project         | 822,506,153.78          |                      | 822,506,153.78          | 598,122,551.15          |                      | 598,122,551.15          |
| Eastern Europe Project     | 410,516,576.87          |                      | 410,516,576.87          | 182,497,069.58          |                      | 182,497,069.58          |
| Shanghai Haier Washing     |                         |                      |                         |                         |                      |                         |
| Appliance Project          | 304,975,083.42          |                      | 304,975,083.42          | 4,756,839.22            |                      | 4,756,839.22            |
| Europe Candy Project       | 431,710,887.15          |                      | 431,710,887.15          | 153,117,404.68          |                      | 153,117,404.68          |
| Special Freezer Project    | 222,065,402.53          |                      | 222,065,402.53          | 220,203,225.72          |                      | 220,203,225.72          |
| America GEA Project        | 221,394,829.44          |                      | 221,394,829.44          | 722,008,600.99          |                      | 722,008,600.99          |
| Qingdao Jiaozhou           |                         |                      |                         |                         |                      |                         |
| Washing Appliance          |                         |                      |                         |                         |                      |                         |
| Project                    | 192,445,321.17          |                      | 192,445,321.17          | 167,168.14              |                      | 167,168.14              |
| Hailiyuan Recycling        |                         |                      |                         |                         |                      |                         |
| Technology Project         | 186,280,749.74          |                      | 186,280,749.74          | 58,589,285.46           |                      | 58,589,285.46           |
| Zhengzhou New Energy       |                         |                      |                         |                         |                      |                         |
| Project                    | 163,699,647.98          |                      | 163,699,647.98          | 125,734,579.67          |                      | 125,734,579.67          |
| New Zealand FPA Project    | 161,190,432.03          |                      | 161,190,432.03          | 111,516,266.46          |                      | 111,516,266.46          |
| Qingdao Haier Washing      |                         |                      |                         |                         |                      |                         |
| Machine Project            | 140,224,507.71          |                      | 140,224,507.71          | 139,065,246.00          |                      | 139,065,246.00          |
| Haier India Project        | 127,636,129.62          |                      | 127,636,129.62          | 179,479,688.03          |                      | 179,479,688.03          |
| Foshan Freezer Project     | 114,194,193.12          |                      | 114,194,193.12          | 199,726,996.70          |                      | 199,726,996.70          |
| Haier Dishwasher Project   | 112,460,548.93          |                      | 112,460,548.93          | 91,964,708.57           |                      | 91,964,708.57           |
| Wuhan Haier Freezer        |                         |                      |                         |                         |                      |                         |
| Project                    | 89,806,704.07           |                      | 89,806,704.07           | 103,052,450.36          |                      | 103,052,450.36          |
| Hefei Haier Drum           |                         |                      |                         |                         |                      |                         |
| Washing Machine            |                         |                      |                         |                         |                      |                         |
| Project                    | 87,599,984.93           |                      | 87,599,984.93           | 54,949,612.93           |                      | 54,949,612.93           |
| Hefei Refrigerator Project | 69,449,237.57           |                      | 69,449,237.57           | 208,080,465.14          |                      | 208,080,465.14          |
| Qingdao Smart Appliance    |                         |                      |                         |                         |                      |                         |
| Equipment Project          | 62,138,638.82           |                      | 62,138,638.82           | 39,116,050.61           |                      | 39,116,050.61           |
| Tianjin Haier Washing      |                         |                      |                         |                         |                      |                         |
| Appliance Project          | 51,851,612.74           |                      | 51,851,612.74           | 59,409,379.45           |                      | 59,409,379.45           |
| Foshan Drum Washing        |                         |                      |                         |                         |                      |                         |
| Machine Project            | 46,487,983.76           |                      | 46,487,983.76           | 35,705,132.24           |                      | 35,705,132.24           |
| Special Refrigerator       |                         |                      |                         |                         |                      |                         |
| Project                    | 44,668,942.12           |                      | 44,668,942.12           | 55,838,238.24           |                      | 55,838,238.24           |
| Others                     | 796,764,668.50          | 1,094,312.52         | 795,670,355.98          | 841,367,421.17          | 1,204,981.72         | 840,162,439.45          |
| <b>Total</b>               | <b>4,860,068,236.00</b> | <b>1,094,312.52</b>  | <b>4,858,973,923.48</b> | <b>4,184,468,380.51</b> | <b>1,204,981.72</b>  | <b>4,183,263,398.79</b> |

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

| Project Name                               | Opening balance         | Increase for the current period | Transfer to fixed tax   | Other decrease | Converted difference in foreign currency statements | Closing balance         | Source of fund                    |
|--|-------------------------|---------------------------------|-------------------------|----------------|---|-------------------------|-----------------------------------|
| Smart home appliance technology project    | 598,122,551.15          | 224,383,602.63                  |                         |                |   | 822,506,153.78          | Self-funding                      |
| Eastern Europe Project                     | 182,497,069.58          | 311,848,282.34                  | 214,893,401.62          |                | 131,064,626.57                                      | 410,516,576.87          | Self-funding                      |
| Shanghai Haier Washing Appliance Project   | 4,756,839.22            | 300,218,244.20                  |                         |                |   | 304,975,083.42          | Self-funding                      |
| Europe Candy Project                       | 153,117,404.68          | 225,876,944.09                  | 61,928,761.17           |                | 114,645,299.55                                      | 431,710,887.15          | Self-funding                      |
| Special freezer Project                    | 220,203,225.72          | 30,677,004.00                   | 28,814,827.19           |                |   | 222,065,402.53          | Self-funding                      |
| America GEA Project                        | 722,008,600.99          | 156,597,708.77                  | 677,235,170.56          |                | 20,023,690.24                                       | 221,394,829.44          | Self-funding                      |
| Qingdao Jiaozhou Washing Appliance Project | 167,168.14              | 192,445,321.17                  | 167,168.14              |                |   | 192,445,321.17          | Self-funding                      |
| Hailiyuan Recycling Technology Project     | 58,589,285.46           | 127,691,464.28                  |                         |                |   | 186,280,749.74          | Self-funding                      |
| Zhengzhou New Energy Project               | 125,734,579.67          | 67,690,537.98                   | 29,725,469.67           |                |   | 163,699,647.98          | Self-funding                      |
| New Zealand FPA Project                    | 111,516,266.46          | 97,733,306.99                   | 45,251,422.96           |                | -2,807,718.46                                       | 161,190,432.03          | Self-funding                      |
| Qingdao Haier Washing Machine Project      | 139,065,246.00          | 3,628,288.25                    | 2,469,026.54            |                |   | 140,224,507.71          | Self-funding<br>Self-funding/fund |
| Haier Indian Project                       | 179,479,688.03          |                                 | 50,251,103.87           |                | -1,592,454.54                                       | 127,636,129.62          | raising                           |
| Foshan freezer Project                     | 199,726,996.70          | 28,921,954.44                   | 114,454,758.02          |                |   | 114,194,193.12          | Self-funding                      |
| Haier Dishwasher Project                   | 91,964,708.57           | 64,617,999.76                   | 44,122,159.40           |                |   | 112,460,548.93          | Self-funding                      |
| Wuhan Haier Freezer Project                | 103,052,450.36          | 14,019,389.30                   | 27,265,135.59           |                |   | 89,806,704.07           | Self-funding                      |
| Hefei Haier Drum Washing Machine Project   | 54,949,612.93           | 54,785,576.69                   | 22,135,204.69           |                |   | 87,599,984.93           | Self-funding                      |
| Hefei Refrigerator Project                 | 208,080,465.14          | 24,729,111.19                   | 163,360,338.76          |                |   | 69,449,237.57           | Self-funding                      |
| Qingdao Smart Appliance Equipment Project  | 39,116,050.61           | 24,324,358.55                   | 1,301,770.34            |                |   | 62,138,638.82           | Self-funding                      |
| Tianjin Haier Washing Appliance Project    | 59,409,379.45           | 16,185,270.24                   | 23,743,036.95           |                |   | 51,851,612.74           | Self-funding                      |
| Foshan Drum Washing Machine Project        | 35,705,132.24           | 19,869,545.53                   | 9,086,694.01            |                |   | 46,487,983.76           | Self-funding                      |
| Special Refrigerator Project               | 55,838,238.24           | 20,579,388.16                   | 31,748,684.28           |                |   | 44,668,942.12           | Self-funding<br>Self-funding/fund |
| Others                                     | 841,367,421.17          | 454,583,937.62                  | 496,286,027.46          |                | -2,900,662.83                                       | 796,764,668.50          | raising                           |
| <b>Total</b>                               | <b>4,184,468,380.51</b> | <b>2,461,407,236.18</b>         | <b>2,044,240,161.22</b> |                | <b>258,432,780.53</b>                               | <b>4,860,068,236.00</b> |                                   |

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### (3) Impairment provision of construction in progress

| Project name      | Opening balance | Increase for the period | Transfer to fixed assets | Other decrease | Exchange differences | Closing balance |
|-------------------|-----------------|-------------------------|--------------------------|----------------|----------------------|-----------------|
| Lejia IOT Project | 837,735.85      |                         |                          |                |                      | 837,735.85      |
| Other             | 367,245.87      |                         | 110,400.00               |                | -269.20              | 256,576.67      |
| Total             | 1,204,981.72    |                         | 110,400.00               |                | -269.20              | 1,094,312.52    |

### 16. Right-of-use assets

| Items  | Houses and buildings | Production equipment | Transportation equipment |
|--|----------------------|----------------------|--------------------------|
| I. Original book value:                                |                      |                      |                          |
| 1. Opening balance                                     | 3,565,296,279.05     | 43,142,180.40        | 205,005,241.06           |
| 2. Increase for the current period                     |                      |                      |                          |
| (1) Increase   | 1,161,271,114.89     | 301,257.21           | 25,412,104.57            |
| 3. Decrease for the current period                     |                      |                      |                          |
| (1) Disposal   | 611,788,508.76       | 795,530.81           | 20,112,631.09            |
| (2) Disposal of subsidiary                             |                      |                      |                          |
| 4. Converted difference in foreign currency statements | 156,242,728.76       | -8,765,414.49        | -8,987,426.53            |
| 5. Closing balance                                     | 4,271,021,613.94     | 33,882,492.31        | 201,317,288.01           |
| II. Accumulated amortization                           |                      |                      |                          |
| 1. Opening balance                                     | 1,186,766,506.57     | 18,538,537.80        | 104,827,622.22           |
| 2. Increase for the current period                     |                      |                      |                          |
| (1) Provision  | 323,725,547.97       | 4,949,946.49         | 34,038,164.63            |
| 3. Decrease for the current period                     |                      |                      |                          |
| (1) Disposal   | 588,472,607.50       | 795,530.81           | 19,949,709.83            |
| (2) Disposal of subsidiary                             |                      |                      |                          |
| 4. Converted difference in foreign currency statements | 9,634,131.77         | -1,636,435.14        | -7,304,649.12            |
| 5. Closing balance                                     | 931,653,578.81       | 21,056,518.34        | 111,611,427.90           |
| III. Impairment provision                              |                      |                      |                          |
| 1. Opening balance                                     |                      |                      |                          |
| 2. Increase for the current period                     |                      |                      |                          |
| (1) Provision  |                      |                      |                          |
| 3. Decrease for the current period                     |                      |                      |                          |
| (1) Disposal   |                      |                      |                          |
| (2) Disposal of subsidiary                             |                      |                      |                          |
| 4. Converted difference in foreign currency statements |                      |                      |                          |
| 5. Closing balance                                     |                      |                      |                          |
| IV. Book Value   |                      |                      |                          |
| 1. Closing book value                                  | 3,339,368,035.13     | 12,825,973.97        | 89,705,860.11            |
| 2. Opening book value                                  | 2,378,529,772.48     | 24,603,642.60        | 100,177,618.84           |

(Continued)

| Items   | Office furniture | Other          | Total            |
|---|------------------|----------------|------------------|
| I. Original book value:                                   |                  |                |                  |
| 1. Opening balance  | 56,885,631.59    | 392,228,761.08 | 4,262,558,093.18 |
| 2. Increase for the current period                        |                  |                |                  |
| (1) Increase  | 8,136,184.29     | 33,108,576.29  | 1,228,229,237.25 |
| 3. Decrease for the current period                        |                  |                |                  |
| (1) Disposal  | 1,559,558.19     | 202,958,067.53 | 837,214,296.38   |
| (2) Disposal of subsidiary                                |                  |                |                  |
| 4. Converted difference in foreign<br>currency statements | —13,517,335.54   | 14,659,575.00  | 139,632,127.20   |
| 5. Closing balance  | 49,944,922.15    | 237,038,844.84 | 4,793,205,161.25 |
| II. Accumulated amortization                              |                  |                |                  |
| 1. Opening balance  | 17,981,428.91    | 199,765,091.15 | 1,527,879,186.65 |
| 2. Increase for the current period                        |                  |                |                  |
| (1) Provision   | 5,060,790.35     | 43,718,264.38  | 411,492,713.82   |
| 3. Decrease for the current period                        |                  |                |                  |
| (1) Disposal  | 1,559,558.19     | 202,958,067.53 | 813,735,473.86   |
| (2) Disposal of subsidiary                                |                  |                |                  |
| 4. Converted difference in foreign<br>currency statements | —2,593,846.00    | 4,990,462.03   | 3,089,663.54     |
| 5. Closing balance  | 18,888,815.07    | 45,515,750.03  | 1,128,726,090.15 |
| III. Impairment provision                                 |                  |                |                  |
| 1. Opening balance  |                  |                |                  |
| 2. Increase for the current period                        |                  |                |                  |
| (1) Provision   |                  |                |                  |
| 3. Decrease for the current period                        |                  |                |                  |
| (1) Disposal  |                  |                |                  |
| (2) Disposal of subsidiary                                |                  |                |                  |
| 4. Converted difference in foreign<br>currency statements |                  |                |                  |
| 5. Closing balance  |                  |                |                  |
| IV. Book Value  |                  |                |                  |
| 1. Closing book value                                     | 31,056,107.08    | 191,523,094.81 | 3,664,479,071.10 |
| 2. Opening book value                                     | 38,904,202.68    | 192,463,669.93 | 2,734,678,906.53 |

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### 17. Intangible assets

√ Applicable  Not Applicable

| Items  | Proprietary technology | Licenses and franchises | Land use rights  |
|--|------------------------|-------------------------|------------------|
| I. Original book value                                 |                        |                         |                  |
| 1. Opening balance                                     | 1,852,677,632.57       | 4,242,396,745.16        | 1,266,446,332.10 |
| 2. Increase for the current period                     |                        |                         |                  |
| (1) Purchase   | 1,037,735.83           | 961,872.37              | 46,392,458.56    |
| (2) Internal research and development                  | 67,576,805.41          |                         |                  |
| (3) Increase in business combination                   |                        |                         |                  |
| 3. Decrease for the current period                     |                        |                         |                  |
| (1) Disposal   |                        | 20,192,568.03           | 60,749,402.91    |
| (2) Disposal of subsidiary                             |                        |                         |                  |
| (3) Transfer to hold for sale                          |                        |                         |                  |
| 4. Converted difference in foreign currency statements | -2,494,817.42          | 200,306,753.65          | -500,060.67      |
| 5. Closing balance                                     | 1,918,797,356.39       | 4,423,472,803.15        | 1,251,589,327.08 |
| II. Accumulated amortization                           |                        |                         |                  |
| 1. Opening balance                                     | 946,309,396.14         | 822,985,645.24          | 215,300,271.80   |
| 2. Increase for the current period                     |                        |                         |                  |
| (1) Provision  | 102,719,184.79         | 15,472,631.47           | 15,366,965.82    |
| (2) Increase in business combination                   |                        |                         |                  |
| 3. Decrease for the current period                     |                        |                         |                  |
| (1) Disposal   |                        | 17,102,272.21           | 656,357.40       |
| (2) Disposal of subsidiary                             |                        |                         |                  |
| (3) Transfer to hold for sale                          |                        |                         |                  |
| 4. Converted difference in foreign currency statements | 3,510,077.04           | 72,622,670.10           | 52,947.00        |
| 5. Closing balance                                     | 1,052,538,657.97       | 893,978,674.60          | 230,063,827.22   |

| Items   | Proprietary<br>technology | Licenses and<br>franchises | Land use rights  |
|---|---------------------------|----------------------------|------------------|
| III. Impairment provision                                 |                           |                            |                  |
| 1. Opening balance  |                           |                            |                  |
| 2. Increase for the current period                        |                           |                            |                  |
| (1) Provision   |                           |                            |                  |
| (2) Increase in business<br>combination                   |                           |                            |                  |
| 3. Decrease for the current period                        |                           |                            |                  |
| (1) Disposal  |                           |                            |                  |
| (2) Disposal of subsidiary                                |                           |                            |                  |
| (3) Transfer to hold for sale                             |                           |                            |                  |
| 4. Converted difference in foreign<br>currency statements |                           |                            |                  |
| 5. Closing balance  |                           |                            |                  |
| IV. Book Value  |                           |                            |                  |
| 1. Closing book value                                     | 866,258,698.42            | 3,529,494,128.55           | 1,021,525,499.86 |
| 2. Opening book value                                     | 906,368,236.43            | 3,419,411,099.92           | 1,051,146,060.30 |

(Continued)

| Items                                    | Trademark rights | Application<br>management<br>software and<br>others | Total             |
|--|------------------|---|-------------------|
| I. Original book value                   |                  |   |                   |
| 1. Opening balance                       | 2,475,717,142.63 | 4,195,088,908.80                                    | 14,032,326,761.26 |
| 2. Increase in the current period        |                  |   |                   |
| (1) Purchase                             |                  | 72,126,713.97                                       | 120,518,780.73    |
| (2) Internal research and<br>development |                  | 232,742,532.42                                      | 300,319,337.83    |
| (3) Increase in business<br>combination  |                  |   |                   |
| 3. Decrease for the current period       |                  |   |                   |
| (1) Disposal                             | 35,194.39        | 25,688,952.22                                       | 106,666,117.55    |
| (2) Disposal of subsidiary               |                  |   |                   |
| (3) Transfer to hold for sale            |                  |   |                   |

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| Items  | Trademark rights | Application management software and others | Total             |
|--|------------------|--|-------------------|
| 4. Converted difference in foreign currency statements | -21,246,625.22   | 85,326,599.51                              | 261,391,849.85    |
| 5. Closing balance                                     | 2,454,435,323.02 | 4,559,595,802.48                           | 14,607,890,612.12 |
| II. Accumulated amortization                           |                  |  |                   |
| 1. Opening balance                                     |                  | 2,441,416,170.95                           | 4,426,011,484.13  |
| 2. Increase in the current period                      |                  |  |                   |
| (1) Provision  |                  | 312,603,464.66                             | 446,162,246.74    |
| (2) Increase in business combination                   |                  |  |                   |
| 3. Decrease for the current period                     |                  |  |                   |
| (1) Disposal   |                  | 17,946,662.17                              | 35,705,291.78     |
| (2) Disposal of subsidiary                             |                  |  |                   |
| (3) Transfer to hold for sale                          |                  |  |                   |
| 4. Converted difference in foreign currency statements |                  | 61,303,113.21                              | 137,488,807.35    |
| 5. Closing balance                                     |                  | 2,797,376,086.65                           | 4,973,957,246.44  |
| III. Impairment provision                              |                  |  |                   |
| 1. Opening balance                                     |                  | 55,930,533.23                              | 55,930,533.23     |
| 2. Increase in the current period                      |                  |  |                   |
| (1) Provision  |                  |  |                   |
| (2) Increase in business combination                   |                  |  |                   |
| 3. Decrease for the current period                     |                  |  |                   |
| (1) Disposal   |                  |  |                   |
| (2) Disposal of subsidiary                             |                  |  |                   |
| (3) Transfer to hold for sale                          |                  |  |                   |
| 4. Converted difference in foreign currency statements |                  |  |                   |
| 5. Closing balance                                     |                  | 55,930,533.23                              | 55,930,533.23     |
| IV. Book value   |                  |  |                   |
| 1. Closing book value                                  | 2,454,435,323.02 | 1,706,289,182.60                           | 9,578,002,832.45  |
| 2. Opening book value                                  | 2,475,717,142.63 | 1,697,742,204.62                           | 9,550,384,743.90  |

At the end of the period, the intangible assets developed through the Company accounted for 18.76% of the original value (at the beginning of the period: 17.06%).

## 18. Development cost

| Items        | Opening balance | Increase for the period | Decrease for the period          |                                     |                          | Converted difference in foreign currency statements | Closing balance |
|--------------|-----------------|-------------------------|----------------------------------|-------------------------------------|--------------------------|---|-----------------|
|              |                 |                         | Confirmed as an intangible asset | Included in Current profit and loss | Disposal of subsidiaries |   |                 |
| 91ABD.ERP IT |                 |                         |                                  |                                     |                          |   |                 |
| Program      | 41,946,252.47   | 37,987,997.64           | 49,262,205.87                    |                                     |                          | 1,818,982.22  | 32,491,026.46   |
| IOT Project  | 110,027,251.84  | 151,890,695.99          | 161,537,475.35                   | 12,660,213.46                       |                          |   | 87,720,259.02   |
| Others       | 75,918,724.82   | 210,205,140.79          | 89,519,656.61                    | 76,108,815.49                       |                          | -15,327,990.08                                      | 105,167,403.43  |
| Total        | 227,892,229.13  | 400,083,834.42          | 300,319,337.83                   | 88,769,028.95                       |                          | -13,509,007.86                                      | 225,378,688.91  |

## 19. Goodwill

| Items  | Opening balance   | Increase for the period | Decrease for the period | Impact of fluctuation in exchange rate for the period | Closing balance   |
|--------|-------------------|-------------------------|-------------------------|---|-------------------|
|        |                   |                         |                         |   |                   |
| Candy  | 1,877,121,985.56  |                         |                         | -19,282,820.54  | 1,857,839,165.02  |
| Others | 1,011,517,345.77  |                         |                         | -54,937,999.58  | 956,579,346.19    |
| Total  | 21,827,103,060.76 |                         |                         | 919,575,096.27  | 22,746,678,157.03 |

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

The recoverable amount of the asset group (including goodwill) is calculated with discounted estimated future cash flow method based on a management-approved 5–15 years budget. Future cash flows beyond the budget period are estimated using the estimated perpetual annual growth rate. The perpetual annual growth rate (mainly 2%) adopted by the management is consistent with industry forecast data and does not exceed the long-term average growth rate of each product. The management determines the compound income growth rate (mainly 3%- 15.54%) and the EBITDA profit margin (mainly 3%–14%) based on historical experience and market development forecasts, and adopts the pre-tax interest rate that can reflect the specific risks of the relevant asset group as the discount rate (mainly 9.42%–17.85%). The management analyzes the recoverable amount of each asset group based on these assumptions and believes that there is no need to make provision for goodwill.

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### 20. Long-term prepaid expenses

| Items                          | Opening balance | Increase for the current period | Amortization for the current period | Other decrease | Converted difference in foreign currency statements | Closing balance |
|--------------------------------|-----------------|---------------------------------|-------------------------------------|----------------|---|-----------------|
| Renovation                     | 341,401,034.69  | 221,864,471.45                  | 147,742,517.01                      |                | 49,069.43   | 415,572,058.56  |
| Improvement on leased property | 153,829,229.13  | 6,586,874.52                    | 11,665,192.70                       |                | 1,337,698.99  | 150,088,609.94  |
| Others                         | 93,566,442.42   | 49,364,367.49                   | 24,090,767.44                       |                | 1,882,689.04  | 120,722,731.51  |
| Total                          | 588,796,706.24  | 277,815,713.46                  | 183,498,477.15                      |                | 3,269,457.46  | 686,383,400.01  |

### 21. Deferred income tax assets and deferred income tax liabilities

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

| Items  | Closing balance  | Opening balance  |
|--|------------------|------------------|
| Provision for assets impairment                            | 455,770,682.35   | 354,806,051.43   |
| Liabilities  | 1,199,049,482.58 | 1,405,119,092.59 |
| Internal unrealized earnings eliminated due to combination | 412,996,571.07   | 619,291,715.60   |
| Government grants  | 65,451,012.87    | 163,806,221.87   |
| Uncovered losses   | 827,520,243.52   | 817,306,157.01   |
| Others   | 306,999,705.89   | 286,586,600.19   |
| Total  | 3,267,787,698.28 | 3,646,915,838.69 |

#### (2) Deferred income tax liabilities before elimination

| Item  | Closing balance  | Opening balance  |
|---|------------------|------------------|
| Asset amortisation  | 2,612,909,276.23 | 2,318,829,386.48 |
| Remeasurement of fair value of the remaining equity interest on the date of loss of control | 878,623,804.46   | 878,623,804.46   |
| Changes in fair value of investments in other equity instruments                            | 292,550,406.68   | 292,476,080.49   |
| Others  | 601,342,956.88   | 421,341,222.80   |
| Total   | 4,385,426,444.25 | 3,911,270,494.23 |

- (3) The deferred income tax assets and the deferred income tax liabilities eliminated at the end of this period was RMB1,868,424,500.53 (amount at the beginning of the period: RMB1,789,467,320.40).

**22. Other non-current assets**

| Item                               | Closing<br>balance | Opening<br>balance |
|------------------------------------|--------------------|--------------------|
| Prepayments for equipment and land | 1,493,069,487.59   | 1,859,693,694.07   |
| Others                             | 257,921,485.70     | 304,690,319.07     |
| Total                              | 1,750,990,973.29   | 2,164,384,013.14   |

**23. Short-term borrowings****(1) Classification of short-term borrowings**

√ Applicable  Not Applicable

Unit and Currency: RMB

| Item                                       | Closing<br>balance | Opening<br>balance |
|--|--------------------|--------------------|
| Borrowings — secured by pledge             | 132,610,219.46     | 255,103,925.36     |
| Borrowings — secured by guarantee          | 287,673,529.00     | 304,896,830.40     |
| Borrowings — unsecured                     | 12,728,578,402.59  | 10,661,927,352.96  |
| Interest payable for short-term borrowings | 10,707,152.42      | 4,284,025.67       |
| Total                                      | 13,159,569,303.47  | 11,226,212,134.39  |

**24. Financial liabilities held for trading**

| Item                               | Closing<br>balance | Opening<br>balance |
|------------------------------------|--------------------|--------------------|
| Forward foreign exchange contracts | 79,270,648.00      | 6,294,014.40       |
| Total                              | 79,270,648.00      | 6,294,014.40       |

**25. Derivative financial liabilities**

√ Applicable  Not Applicable

Unit and Currency: RMB

| Item                               | Closing<br>balance | Opening<br>balance |
|------------------------------------|--------------------|--------------------|
| Forward foreign exchange contracts | 50,925,674.51      | 60,527,532.76      |
| Forward commodity contracts        | 24,918,179.06      |                    |
| Interest rate swap agreement       | 1,223,112.98       | 19,684,900.48      |
| Total                              | 77,066,966.55      | 80,212,433.24      |

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### 26. Bills payable

√ Applicable  Not Applicable

Unit and Currency: RMB

| Item                          | Closing balance   | Opening balance   |
|-------------------------------|-------------------|-------------------|
| Commercially acceptance notes | 3,942,641,684.10  | 3,022,602,833.31  |
| Bank acceptance notes         | 24,012,446,582.98 | 22,000,635,573.41 |
| Total                         | 27,955,088,267.08 | 25,023,238,406.72 |

### 27. Accounts payable

√ Applicable  Not Applicable

Unit and Currency: RMB

| Item             | Closing balance   | Opening balance   |
|------------------|-------------------|-------------------|
| Accounts payable | 38,977,127,139.49 | 42,396,109,648.76 |
| Total            | 38,977,127,139.49 | 42,396,109,648.76 |

The ending book balance is mainly the advance payment that has been collected and has not yet performed the contractual obligations.

### 28. Contract liabilities

√ Applicable  Not Applicable

Unit and Currency: RMB

| Item                 | Closing balance  | Opening balance   |
|----------------------|------------------|-------------------|
| Contract liabilities | 5,397,435,938.66 | 10,027,091,593.60 |
| Total                | 5,397,435,938.66 | 10,027,091,593.60 |

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

## 29. Payables for staff's remuneration

## (1) Payables for staff's remuneration

√ Applicable  Not Applicable

Unit and Currency: RMB

| Items  | Opening balance  | Increase for the current period | Decrease for the current period | Closing balance  |
|--|------------------|---------------------------------|---------------------------------|------------------|
| I. Short-term remuneration                             | 3,985,572,611.32 | 12,372,081,213.66               | 13,380,927,669.30               | 2,976,726,155.68 |
| II. Post-employment benefits-defined contribution plan | 18,949,702.17    | 692,714,047.99                  | 636,031,124.88                  | 75,632,625.28    |
| III. Termination benefits                              | 9,818,188.41     | 1,385,509.59                    | 1,385,509.59                    | 9,818,188.41     |
| IV. Other benefits due within one year                 | 101,599,133.34   | 56,162,753.31                   | 63,984,691.16                   | 93,777,195.49    |
| Total  | 4,115,939,635.24 | 13,122,343,524.55               | 14,082,328,994.93               | 3,155,954,164.86 |

## (2) Short-term remuneration

√ Applicable  Not Applicable

Unit and Currency: RMB

| Items                                     | Opening balance  | Increase for the current period | Decrease for the current period | Closing balance  |
|---|------------------|---------------------------------|---------------------------------|------------------|
| I. Salaries, bonus, allowance and benefit | 2,845,636,628.83 | 9,253,069,040.11                | 10,202,853,922.29               | 1,895,851,746.65 |
| II. Employee welfare                      | 321,996,794.22   | 449,278,231.27                  | 455,875,857.26                  | 315,399,168.23   |
| III. Social benefit                       | 171,645,833.66   | 798,357,880.79                  | 778,939,560.28                  | 191,064,154.17   |
| IV. Housing fund                          | 11,137,621.51    | 249,412,342.32                  | 222,501,879.20                  | 38,048,084.63    |
| V. Labor union fee and education fee      | 3,512,041.39     | 50,357,157.86                   | 50,352,259.63                   | 3,516,939.62     |
| VI. Short-term compensated absences       | 268,213,164.85   | 245,925,928.71                  | 238,516,364.01                  | 275,622,729.55   |
| VII. Others                               | 363,430,526.86   | 1,325,680,632.60                | 1,431,887,826.63                | 257,223,332.83   |
| Total                                     | 3,985,572,611.32 | 12,372,081,213.66               | 13,380,927,669.30               | 2,976,726,155.68 |

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### (3) Defined contribution plan

✓ Applicable  Not Applicable

Unit and Currency: RMB

| Items                           | Opening balance | Increase for the current period | Decrease for current the period | Closing balance |
|---------------------------------|-----------------|---------------------------------|---------------------------------|-----------------|
| I. Basic pension insurance      | 18,396,477.11   | 651,265,918.55                  | 595,881,144.31                  | 73,781,251.35   |
| II. Unemployment insurance      | 132,417.35      | 16,469,204.68                   | 16,153,403.18                   | 448,218.85      |
| III. Enterprise annuity payment | 420,807.71      | 24,978,924.76                   | 23,996,577.39                   | 1,403,155.08    |
| Total                           | 18,949,702.17   | 692,714,047.99                  | 636,031,124.88                  | 75,632,625.28   |

### (4) Termination benefits

| Items                    | Closing balance | Opening balance |
|--------------------------|-----------------|-----------------|
| Termination compensation | 9,818,188.41    | 9,818,188.41    |
| Total                    | 9,818,188.41    | 9,818,188.41    |

## 30. Taxes payable

✓ Applicable  Not Applicable

Unit and Currency: RMB

| Items   | Closing balance  | Opening balance  |
|---|------------------|------------------|
| Value-added tax   | 1,132,740,094.75 | 961,177,432.39   |
| Enterprise income tax                                       | 1,359,436,105.72 | 1,307,101,572.02 |
| Individual income tax                                       | 56,493,685.90    | 94,881,505.62    |
| City maintenance and construction tax                       | 31,212,179.57    | 40,370,470.70    |
| Education surcharge   | 13,646,982.77    | 16,171,169.66    |
| The electrical and electronic products waste treatment fund | 80,351,158.58    | 95,522,090.50    |
| Other taxes   | 74,131,498.30    | 90,284,462.67    |
| Total   | 2,748,011,705.59 | 2,605,508,703.56 |

**31. Other payables**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items             | Closing balance   | Opening balance   |
|-------------------|-------------------|-------------------|
| Dividends payable | 4,321,692,240.21  | 10,639,313.22     |
| Other payables    | 18,069,812,569.98 | 17,522,730,703.79 |
| Total             | 22,391,504,810.19 | 17,533,370,017.01 |

**(1) Dividends payable:**

| Name of company                     | Closing balance  | Opening balance |
|-------------------------------------|------------------|-----------------|
| Haier Group Corporation             | 494,859,702.08   |                 |
| Haier Cosmo Co., Limited            | 580,706,830.40   |                 |
| Other Shareholders of Social Shares | 3,246,125,707.73 | 10,639,313.22   |
| Total                               | 4,321,692,240.21 | 10,639,313.22   |

**(2) Other payables**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items          | Closing balance   | Opening balance   |
|----------------|-------------------|-------------------|
| Other payables | 18,069,812,569.98 | 17,522,730,703.79 |
| Total          | 18,069,812,569.98 | 17,522,730,703.79 |

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

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

Applicable  Not Applicable

Unit and Currency: RMB

| Items                                     | Closing balance   | Opening balance  |
|---|-------------------|------------------|
| Long-term borrowings due within one year  | 9,321,663,925.51  | 6,745,950,334.20 |
| Lease liabilities due within one year     | 830,251,373.67    | 687,991,183.42   |
| Estimated liabilities due within one year | 2,093,647,663.56  | 2,190,397,652.84 |
| Bond payables due within one year         | 244,655,820.72    |                  |
| Total                                     | 12,490,218,783.46 | 9,624,339,170.46 |

### 33. Other current liabilities

Applicable  Not Applicable

Unit and Currency: RMB

| Items                        | Closing balance  | Opening balance  |
|------------------------------|------------------|------------------|
| Payable refund               | 641,035,214.33   | 655,801,519.33   |
| Tax amount to be written off | 633,816,441.43   | 1,568,670,492.94 |
| Super-short-term bonds       |                  |                  |
| Others                       | 11,342,818.05    | 14,295,539.13    |
| Total                        | 1,286,194,473.81 | 2,238,767,551.40 |

Other explanations:

Applicable  Not Applicable

### 34. Long-term borrowings

Applicable  Not Applicable

Unit and Currency: RMB

| Items                  | Closing balance  | Opening balance  |
|------------------------|------------------|------------------|
| Borrowings — unsecured | 2,119,243,998.96 | 3,038,573,824.53 |
| Total                  | 2,119,243,998.96 | 3,038,573,824.53 |

Interest rates of long-term loans of the Company ranged from 1.54% to 5.00%.

### 35. Bonds payable

In November 2017, Harvest International Company, the Company's wholly-owned subsidiary, issued HK\$8 billion five-year exchangeable corporate bonds, with a coupon rate of zero and a rate on investment of 1%. In September 2020, the Company approved the plan to convert the exchangeable bonds into convertible bonds, pursuant to which, target shares of the original exchangeable bonds were changed from shares of Haier Electrics to newly issued H Shares of Haier Smart Home (the "EB-to-CB Proposal"). On 23 December 2020, H Shares of Haier Smart Home was listed, and the EB-to-CB Proposal became effective. The outstanding principal of the original exchangeable bonds amounted to HK\$7.993 billion and the maturity, coupon rate and rate on investment remained unchanged. The convertible bonds were divided into liabilities and equities on initial recognition:

| Items                                      | Exchangeable corporate bonds<br>issued on 23 December 2020 |
|--|--|
| Initial recognition:                       | 9,105,660,619.93   |
| Including:                                 |  |
| Equity portion of the exchangeable bond    | 2,364,195,333.79   |
| Liability portion of the exchangeable bond | 6,741,465,286.14   |

#### (1) Changes in the liability portion of corporate bonds in the current period:

| Items | Opening balance | Increase for the<br>current period | Accrued bond<br>interest for the<br>current period | Less: Bond<br>interest paid for<br>the current<br>period | Exchange rate<br>impact | Shares<br>converted in the<br>current period | Shares redeemed<br>in the current<br>period | Closing balance |
|-------|-----------------|------------------------------------|--|--|-------------------------|--|---|-----------------|
|       |                 |                                    |  |  |                         |  |   |                 |
| Total | 334,730,048.82  |                                    | 3,645,444.33                                       |  |                         | 104,128,286.20                               | 10,408,613.77                               | 244,655,820.72  |

#### (2) Closing balance of bond payables

| Items                                   | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Bond payables                           | 244,655,820.72  | 334,730,048.82  |
| Less: bond payables due within one year | 244,655,820.72  |                 |
| Total                                   | —               | 334,730,048.82  |

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### 36. Lease liabilities

| Items                                       | Closing balance  | Opening balance  |
|---|------------------|------------------|
| Lease liabilities                           | 3,594,196,007.40 | 2,648,886,164.89 |
| Less: lease liabilities due within one year | 830,251,373.67   | 687,991,183.42   |
| Total                                       | 2,763,944,633.73 | 1,960,894,981.47 |

### 37. Long-term payables

| Items  | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Investment from CDB development fund         | 36,500,000.00   | 36,500,000.00   |
| Others                                       | 12,853,671.92   | 63,102,707.76   |
| Less: long-term payables due within one year |                 |                 |
| Total  | 49,353,671.92   | 99,602,707.76   |

Under the Investment Contract of China Development Fund executed by the Company and its subsidiaries including Qingdao Haier Air Conditioner Gen Corp., Ltd., Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited together with China Development Fund Co. Ltd. in 2015 and 2016, China Development Fund Co. Ltd. invested RMB73 million in Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited. China Development Fund Co. Ltd. obtained an annual return of 1.2% by means of dividends or buyback premium for the above investments. As at 30 June 2022, subsidiaries of the Company repurchased RMB36.50 million.

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

Applicable  Not Applicable

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

Applicable  Not Applicable

Unit and Currency: RMB

| Items   | Closing balance  | Opening balance  |
|---|------------------|------------------|
| I. Post-employment benefits-net liability of defined benefit plan | 543,028,353.07   | 517,077,143.43   |
| II. Termination benefits  | 427,728,738.99   | 453,425,129.57   |
| III. Other long-term benefits                                     |                  |                  |
| IV. Provision for work-related injury compensation                | 201,884,985.82   | 202,649,488.64   |
| Total   | 1,172,642,077.88 | 1,173,151,761.64 |

**(2) Defined benefit plan**

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

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

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

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

Actuarial assumption used in the defined benefit plan

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

Present value of defined benefit obligations

| Items  | Amount         |
|--|----------------|
| I. Opening balance   | 279,152,422.12 |
| II. Defined benefit cost recognized in current profit or loss      | 8,127,898.84   |
| 1. Current service cost  | 8,127,898.84   |
| 2. Past service cost   |                |
| 3. Settlement gains (loss indicated in “-”)                        |                |
| 4. Interest expenses   |                |
| III. Defined benefit cost recognized in other comprehensive income |                |
| 1. Actuarial loss (gain indicated in “-”)                          |                |
| IV. Other changes  | -32,185,093.79 |
| 1. The consideration paid at the time of settlement                |                |
| 2. Benefits paid   |                |
| 3. Exchange differences  | -32,185,093.79 |
| V. Closing balance   | 255,095,227.17 |

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Fair value of plan assets

| Items  | Amount         |
|--|----------------|
| I. Opening balance   | 337,081,685.24 |
| II. Defined benefit cost recognized in current profit or loss              |                |
| 1. Interest income   |                |
| III. Defined benefit cost recognized in other comprehensive income         |                |
| 1. Return on plan assets (except those included in net interests)          |                |
| 2. Changes in impact of asset cap (except those included in net interests) |                |
| IV. Other changes  | -29,042,363.63 |
| 1. Employer contributions  | 9,822,252.35   |
| 2. Benefits paid   |                |
| 3. Exchange differences  | -38,864,615.98 |
| V. Closing balance   | 308,039,321.61 |

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   | -57,929,263.12 |
| II. Defined benefit cost recognized in current profit or loss      | 8,127,898.84   |
| III. Defined benefit cost recognized in other comprehensive income |                |
| IV. Other changes  | -3,142,730.16  |
| V. Closing balance   | -52,944,094.44 |

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

② **The defined benefit plan of Roper Corporation, a subsidiary of the Company**

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

Actuarial assumptions used in defined benefit plans

| Item          | Rate  |
|---------------|-------|
| Discount rate | 2.91% |

Present value of defined benefit obligations

| Item  | Amount         |
|---|----------------|
| I. Opening balance  | 128,979,684.17 |
| II. Business combination not under common control                 |                |
| III. Defined benefit cost recognized in current profit or loss    | 11,151,712.37  |
| 1. Current period service cost                                    | 7,729,103.67   |
| 2. Past service cost  |                |
| 3. Settlement gains ((loss indicated in “-”)                      |                |
| 4. Interest expenses  | 3,422,608.70   |
| IV. Defined benefit cost recognized in other comprehensive income |                |
| 1. Actuarial loss (gain indicated in “-”)                         |                |
| V. Other changes  | -442,300.02    |
| 1. The consideration paid at the time of settlement               |                |
| 2. Benefits paid  | -7,364,356.69  |
| 3. Exchange differences   | 6,922,056.67   |
| VI. Closing balance   | 139,689,096.52 |

Net liability (net asset) of defined benefit plan

| Items   | Amount         |
|---|----------------|
| I. Opening balance  | 128,979,684.17 |
| II. Business combination not under common control                 |                |
| III. Defined benefit cost recognized in current profit or loss    | 11,151,712.37  |
| IV. Defined benefit cost recognized in other comprehensive income |                |
| V. Other changes  | -442,300.02    |
| VI. Closing balance   | 139,689,096.52 |

The average term for the defined benefit obligation is 10.68 years at the balance sheet date.

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

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

Actuarial assumptions used in defined benefit plans

| Item          | Rate  |
|---------------|-------|
| Discount rate | 2.62% |

Present value of defined benefit obligations

| Items   | Amount         |
|---|----------------|
| I. Opening balance  | 221,602,455.52 |
| II. Business combination not under common control                 |                |
| III. Defined benefit cost recognized in current profit or loss    | 14,160,180.44  |
| 1. Current period service cost                                    | 11,302,750.80  |
| 2. Past service cost  |                |
| 3. Settlement gains (loss indicated in “-”)                       |                |
| 4. Interest expenses  | 2,857,429.64   |
| IV. Defined benefit cost recognized in other comprehensive income |                |
| 1. Actuarial loss (gain indicated in “-”)                         |                |
| V. Other changes  | -14,185,489.79 |
| 1. The consideration paid at the time of settlement               |                |
| 2. Benefits paid  | -25,462,931.24 |
| 3. Exchange differences   | 11,277,441.45  |
| VI. Closing balance   | 221,577,146.17 |

Net liability (net asset) of defined benefit plan

| Items   | Amount         |
|---|----------------|
| I. Opening balance  | 221,602,455.52 |
| II. Business combination not under common control                 |                |
| III. Defined benefit cost recognized in current profit or loss    | 14,160,180.44  |
| IV. Defined benefit cost recognized in other comprehensive income |                |
| V. Other changes  | -14,185,489.79 |
| VI. Closing balance   | 221,577,146.17 |

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

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

Actuarial assumptions used in defined benefit plans

| Item          | Rate  |
|---------------|-------|
| Discount rate | 2.61% |

Present value of defined benefit obligations

| Items   | Amount         |
|---|----------------|
| I. Opening balance  | 166,510,439.87 |
| II. Business combination not under common control                 |                |
| III. Defined benefit cost recognized in current profit or loss    | 5,234,493.60   |
| 1. Current service cost   | 4,697,968.57   |
| 2. Past service cost  |                |
| 3. Settlement gains (loss indicated in “-”)                       |                |
| 4. Interest expenses  | 536,525.03     |
| IV. Defined benefit cost recognized in other comprehensive income |                |
| 1. Actuarial loss (gain indicated in “-”)                         |                |
| V. Other changes  | -25,682,890.10 |
| 1. The consideration paid at the time of settlement               |                |
| 2. Benefits paid  | -33,474,257.78 |
| 3. Exchange differences   | 7,791,367.68   |
| VI. Closing balance   | 146,062,043.37 |

## Section X Financial Report

### Fair value of plan assets

| Items  | Amount         |
|--|----------------|
| I. Opening balance   | 126,020,077.85 |
| II. Defined benefit cost recognized in current profit or loss              | 1,415,308.99   |
| 1. Interest income   | 1,415,308.99   |
| III. Defined benefit cost recognized in other comprehensive income         |                |
| 1. Return on plan assets (except those included in net interests)          |                |
| 2. Changes in impact of asset cap (except those included in net interests) |                |
| IV. Other changes  | -24,249,168.88 |
| 1. Employer contributions  | 3,574,130.55   |
| 2. Benefits paid   | -33,474,257.78 |
| 3. Exchange differences  | 5,650,958.35   |
| V. Closing balance   | 103,186,217.96 |

### Net liability (net asset) of defined benefit plan

| Items   | Amount        |
|---|---------------|
| I. Opening balance  | 40,490,362.02 |
| II. Business combination not under common control                 |               |
| III. Defined benefit cost recognized in current profit or loss    | 3,819,184.61  |
| IV. Defined benefit cost recognized in other comprehensive income |               |
| V. Other changes  | -1,433,721.22 |
| VI. Closing balance   | 42,875,825.41 |

**(3) Provision for work-related injury compensation**

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

| Items   | Amount         |
|---|----------------|
| I. Opening balance                                      | 202,649,488.64 |
| II. Business combination not under common control       |                |
| III. Compensation recognized in current profit and loss | 42,595,195.29  |
| IV. Actual compensation paid in the current period      | -31,089,549.42 |
| V. Other changes  | -12,270,148.69 |
| VI. Closing balance                                     | 201,884,985.82 |

***Classification of the balance of defined benefit plan***

| Items             | Closing balance | Opening balance |
|-------------------|-----------------|-----------------|
| Short-term salary | 20,343,350.71   | 32,502,729.33   |
| Long-term salary  | 543,028,353.07  | 517,077,143.43  |
| Total             | 563,371,703.78  | 549,579,872.76  |

**39. Estimated liabilities**

✓ Applicable  Not Applicable

Unit and Currency: RMB

| Items  | Opening balance  | Closing balance  |
|--|------------------|------------------|
| Pending litigation                                   | 29,259,869.48    | 28,403,516.67    |
| Others   | 252,996,489.56   | 237,072,214.65   |
| Projection of three guarantees and installation fees | 1,666,309,118.07 | 1,511,341,428.95 |
| Total  | 1,948,565,477.11 | 1,776,817,160.27 |

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

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### 40. Deferred income

√ Applicable  Not Applicable

Unit and Currency: RMB

| Items             | Opening balance | Increase for the current period | Decrease for the current period | Closing balance |
|-------------------|-----------------|---------------------------------|---------------------------------|-----------------|
| Government grants | 852,794,567.20  | 121,524,102.45                  | 67,775,099.53                   | 906,543,570.12  |
| Total             | 852,794,567.20  | 121,524,102.45                  | 67,775,099.53                   | 906,543,570.12  |

### 41. Share capital

| Categories of shares                                      | Opening balance | Increase for the current period | Decrease for the current period | Closing balance |
|---|-----------------|---------------------------------|---------------------------------|-----------------|
| I. Restricted shares                                      |                 |                                 |                                 |                 |
| 1. State-owned shares                                     |                 |                                 |                                 |                 |
| 2. Shares held by domestic non-state-owned legal entities |                 |                                 |                                 |                 |
| 3. Shares held by domestic individuals                    |                 |                                 |                                 |                 |
| 4. Shares held by offshore non-state-owned legal entities |                 |                                 |                                 |                 |
| II. Non-restricted shares                                 | 9,398,704,530   | 48,087,440                      |                                 | 9,446,791,970   |
| 1. Ordinary shares in RMB                                 | 6,308,552,654   |                                 |                                 | 6,308,552,654   |
| 2. Domestic listed foreign Shares                         |                 |                                 |                                 |                 |
| 3. Offshore listed foreign Shares                         | 3,090,151,876   | 48,087,440                      |                                 | 3,138,239,316   |
| 4. Others   |                 |                                 |                                 |                 |
| III. Total shares   | 9,398,704,530   | 48,087,440                      |                                 | 9,446,791,970   |

**42. Other equity instruments**

| Items                               | Opening balance | Increase for the current period | Decrease for the current period | Closing balance |
|-------------------------------------|-----------------|---------------------------------|---------------------------------|-----------------|
| Equity portion of convertible bonds | 118,017,507.59  |                                 | 36,677,120.16                   | 81,340,387.43   |
| Total                               | 118,017,507.59  |                                 | 36,677,120.16                   | 81,340,387.43   |

**43. Capital reserve**

✓ Applicable  Not Applicable

Unit and Currency: RMB

| Items                                   | Opening balance   | Increase for the current period | Decrease for the current period | Closing balance   |
|---|-------------------|---------------------------------|---------------------------------|-------------------|
| Capital premium (share capital premium) | 21,504,525,556.91 | 1,061,307,365.80                | 155,443,570.29                  | 22,410,389,352.42 |
| Other capital reserve                   | 1,074,849,182.55  | 350,146,476.28                  | 14,455,372.85                   | 1,410,540,285.98  |
| Total                                   | 22,579,374,739.46 | 1,411,453,842.08                | 169,898,943.14                  | 23,820,929,638.40 |

The main reasons for the change in share premium: The non-public offering of H shares during the period resulted in the increase in share premium of RMB898,627,404.94; the conversion of CB shares during the period resulted in the increase in share premium of RMB134,131,566.36; the common control combination occurred during the period resulted in the decrease in share premium by RMB152,818,769.28.

The main reasons for the change in other capital reserve: The amortized share-based payment for the period included in other capital reserve was RMB332,853,517.66.

## 44. Other comprehensive income

| Items | Amount for the current period |  |                                   |   |        |  | Closing balance  |
|-------|-------------------------------|--|-----------------------------------|---|--------|--|------------------|
|       | Opening balance               | Amount before income tax in the current period | Deduction of impact on income tax | Amount attributable to the parent company |        | Amount attributable to minority shareholders after tax |                  |
|       |                               |  |                                   | after tax                                 | Others |  |                  |
| a     | -341,470,688.45               | 108,350,151.43                                 |                                   | 108,350,151.43                            |        |  | -233,120,537.02  |
| b     | 1,618,386.47                  | 44,150,892.48                                  | -13,269,887.07                    | 25,995,214.10                             |        | 4,885,791.31   | 27,613,600.57    |
| c     | -1,916,614,455.79             | 2,771,447,499.33                               |                                   | 2,777,826,143.89                          |        | -6,378,644.56  | 861,211,688.10   |
| d     | 1,005,776,349.60              | -56,688,764.76                                 | 6,440,238.56                      | -50,208,727.45                            |        | -39,798.75   | 955,567,622.15   |
| e     | 73,838,708.25                 | 5,026,518.27                                   | -464,348.29                       | 4,562,166.91                              |        | 3.07   | 78,400,875.16    |
| Total | -1,176,851,699.92             | 2,872,286,296.75                               | -7,293,996.80                     | 2,866,524,948.88                          |        | -1,532,648.93  | 1,689,673,248.96 |

### Notes:

- (1) Items a, b, and c are other comprehensive income that will be reclassified into profit or loss, the details are as follows:
- Item a represents other comprehensive income classified into profit and loss under the equity method.
- Item b represents cash flow hedge reserves (effective portion of profit or loss generated from cash flow hedge). Item c represents the balance arising from translation of foreign currency financial statements.
- (2) Items d and e are other comprehensive income that cannot be reclassified into profit or loss. Details are as follows:
- Item d represents the change in fair value of investments in other equity instruments.
- Item e represents changes arising from remeasurement of net liabilities or assets of defined benefit plans.

**45. Surplus reserve**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items                         | Opening balance  | Increase for the current period | Decrease for the current period | Closing balance  |
|-------------------------------|------------------|---------------------------------|---------------------------------|------------------|
| Statutory surplus reserve     | 3,390,959,108.25 |                                 |                                 | 3,390,959,108.25 |
| Discretionary surplus reserve | 26,042,290.48    |                                 |                                 | 26,042,290.48    |
| Reserve fund                  | 11,322,880.64    |                                 |                                 | 11,322,880.64    |
| Enterprise development fund   | 10,291,630.47    |                                 |                                 | 10,291,630.47    |
| Total                         | 3,438,615,909.84 |                                 |                                 | 3,438,615,909.84 |

**46. Undistributed profits**√ Applicable  Not Applicable

| Items   | Amounts           |
|---|-------------------|
| Undistributed profits at the end of previous year                               | 47,907,134,328.80 |
| Changes in accounting policies  |                   |
| Business combination under common control                                       | 10,777,931.35     |
| Undistributed profits at the beginning of the year                              | 47,917,912,260.15 |
| Add: net profit attributable to owners of the parent company                    | 7,949,084,472.70  |
| Other transfer in   | 189,803,613.66    |
| Adjustment due to implementation of enterprise accounting standard <sup>①</sup> |                   |
| Profit available for appropriation for the year                                 | 56,056,800,346.51 |
| Less: appropriation of statutory surplus reserve                                |                   |
| Appropriation of staff incentive and welfare fund                               |                   |
| Dividend payable for ordinary shares  | -4,320,445,666.86 |
| Undistributed profits at the end of period                                      | 51,736,354,679.65 |

## Section X Financial Report

### 47. Operating income and operating cost

#### (1) Operating income

| Items            | Amount for the<br>current period | Amount for the<br>previous period |
|------------------|----------------------------------|-----------------------------------|
| Primary business | 121,248,482,590.74               | 111,070,737,835.16                |
| Other business   | 609,039,871.48                   | 657,018,375.90                    |
| Total            | 121,857,522,462.22               | 111,727,756,211.06                |

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

| Categories  | Amount for the<br>current period |                          | Amount for the<br>previous period |                          |
|---|----------------------------------|--------------------------|-----------------------------------|--------------------------|
|   | Primary business<br>income       | Primary business<br>cost | Primary business<br>income        | Primary business<br>cost |
| Air conditioner   | 23,670,538,686.34                | 17,107,788,658.52        | 21,626,942,343.55                 | 15,570,568,221.85        |
| Refrigerator  | 37,913,367,317.50                | 26,475,741,807.66        | 33,637,015,872.13                 | 23,400,300,288.46        |
| Kitchen appliance                                       | 18,750,037,462.88                | 12,816,780,100.13        | 16,918,040,488.85                 | 11,715,172,134.94        |
| Water appliance   | 6,713,300,912.43                 | 3,934,510,287.34         | 5,778,983,645.59                  | 3,336,143,841.42         |
| Washing machine   | 26,516,919,361.82                | 17,907,657,332.94        | 24,988,233,426.16                 | 16,920,815,831.58        |
| Equipment product and<br>integrated channel<br>services | 7,684,318,849.77                 | 6,682,457,643.78         | 8,121,522,058.88                  | 7,069,369,377.40         |
| Total   | 121,248,482,590.74               | 84,924,935,830.37        | 111,070,737,835.16                | 78,012,369,695.65        |

**48. Taxes and surcharge**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items                 | Amount for the current period | Amount for the previous period |
|-----------------------|-------------------------------|--------------------------------|
| City construction tax | 122,226,136.72                | 117,279,029.59                 |
| Education surcharge   | 88,480,235.93                 | 85,175,835.15                  |
| Property tax          | 28,716,064.84                 | 25,464,790.86                  |
| Land use tax          | 7,536,240.97                  | 7,635,139.14                   |
| Stamp duty            | 91,371,622.87                 | 84,907,708.18                  |
| Others                | 18,835,304.10                 | 19,026,156.24                  |
| Total                 | 357,165,605.43                | 339,488,659.16                 |

**49. Selling expenses**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items            | Amount for the current period | Amount for the previous period |
|------------------|-------------------------------|--------------------------------|
| Selling expenses | 17,605,612,224.80             | 16,731,407,296.02              |
| Total            | 17,605,612,224.80             | 16,731,407,296.02              |

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

**50. Administrative expenses**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items                   | Amount for the current period | Amount for the previous period |
|-------------------------|-------------------------------|--------------------------------|
| Administrative expenses | 5,132,033,156.92              | 5,047,535,410.71               |
| Total                   | 5,132,033,156.92              | 5,047,535,410.71               |

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

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### 51. R&D expenses

✓ Applicable  Not Applicable

Unit and Currency: RMB

| Item         | Amount for the current period | Amount for the previous period |
|--------------|-------------------------------|--------------------------------|
| R&D expenses | 4,595,691,525.07              | 3,738,316,873.21               |
| Total        | 4,595,691,525.07              | 3,738,316,873.21               |

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

### 52. Financial expenses

| Items                     | Amount for the current period | Amount for the previous period |
|---------------------------|-------------------------------|--------------------------------|
| Interest expenses         | 345,810,365.32                | 363,287,457.45                 |
| Less: Interest income     | 362,045,401.51                | 264,658,985.86                 |
| Less: Cash discount       | 79,106,314.27                 | 82,709,178.40                  |
| Exchange gains and losses | -169,143,266.33               | 211,633,480.85                 |
| Others                    | 62,257,534.62                 | 67,993,563.13                  |
| Total                     | -202,227,082.17               | 295,546,337.17                 |

Interest expenditure in lease liabilities in the current period is RMB37,109,559.27 (interest expenditure in lease liabilities in the corresponding period: RMB50,962,914.77).

### 53. Other income

✓ Applicable  Not Applicable

Unit and Currency: RMB

| Items                                | Amount for the current period | Amount for the previous period |
|--------------------------------------|-------------------------------|--------------------------------|
| Government grants related to revenue | 493,172,631.97                | 338,438,305.23                 |
| Government grants related to assets  | 53,070,066.97                 | 39,678,023.49                  |
| Total                                | 546,242,698.94                | 378,116,328.72                 |

**54. Investment income**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items   | Amount for the<br>current period | Amount for the<br>previous period |
|---|----------------------------------|-----------------------------------|
| Income from long-term equity investment<br>calculated by equity method                      | 936,511,207.40                   | 942,666,393.83                    |
| Investment income from disposal of long-term<br>equity investment                           | 11,181,922.82                    |                                   |
| Dividend income from other equity instruments<br>investment during holding period           | 2,596,583.32                     | 440,255.20                        |
| Income from wealth management products  | 42,007,117.65                    | 28,216,179.52                     |
| Investment income from disposal of financial<br>assets at fair value through profit or loss | 178,039,912.22                   | 164,957,510.67                    |
| <b>Total</b>  | <b>1,170,336,743.41</b>          | <b>1,136,280,339.22</b>           |

**55. Gains on changes in fair value (losses are represented by "-")**

Unit and Currency: RMB

| Items  | Amount for the<br>current period | Amount for the<br>previous period |
|--|----------------------------------|-----------------------------------|
| Changes in fair value of forward foreign exchange<br>contracts | -53,088,495.38                   | 46,929,961.72                     |
| Changes in fair value of equity instrument<br>investments      | -67,322,769.58                   | 15,457,768.79                     |
| Changes in fair value of wealth management<br>products         | 1,621,089.28                     | 1,881,780.81                      |
| <b>Total</b>   | <b>-118,790,175.68</b>           | <b>64,269,511.32</b>              |

## Section X Financial Report

### 56. Credit impairment loss

√ Applicable  Not Applicable

Unit and Currency: RMB

| Items                                   | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Bad debts losses on bills receivable    | -31,492,310.29                | 156,696.60                     |
| Bad debts losses on accounts receivable | -222,677,055.12               | -33,122,995.20                 |
| Bad debts losses on other receivables   | -3,907,480.73                 | -11,065,124.61                 |
| Total                                   | -258,076,846.14               | -44,031,423.21                 |

### 57. Impairment loss on assets (losses are represented by "-")

| Items                                     | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Impairment losses on inventory            | -371,859,276.93               | -402,766,436.32                |
| Impairment losses on other current assets | -335,202,670.88               | -228,869,824.32                |
| Impairment losses on fixed assets         |                               | -21,751,066.24                 |
| Total                                     | -707,061,947.81               | -653,387,326.88                |

### 58. Gains on disposal of assets (losses are represented by "-")

| Items                                    | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Gains on disposal of non-current assets  | 38,409,742.18                 | 157,808,087.44                 |
| Losses on disposal of non-current assets | -6,820,535.08                 | -15,393,133.19                 |
| Total                                    | 31,589,207.10                 | 142,414,954.25                 |

**59. Non-operating income**√ Applicable  Not Applicable

| Items                                   | Amount for the<br>current period | Amount for the<br>previous period |
|---|----------------------------------|-----------------------------------|
| Gains on disposal of non-current assets | 96,551.42                        | 924,615.55                        |
| Quality claims and fines                | 25,959,518.87                    | 19,559,885.95                     |
| Others                                  | 42,798,157.12                    | 59,682,895.64                     |
| Total                                   | 68,854,227.41                    | 80,167,397.14                     |

**60. Non-operating expenses**

| Items                                    | Amount for the<br>current period | Amount for the<br>previous period |
|--|----------------------------------|-----------------------------------|
| Losses on disposal of non-current assets | 9,060,187.94                     | 7,928,197.15                      |
| Others                                   | 34,475,363.74                    | 43,136,498.89                     |
| Total                                    | 43,535,551.68                    | 51,064,696.04                     |

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

| Items                        | Amount for the<br>current period | Amount for the<br>previous period |
|------------------------------|----------------------------------|-----------------------------------|
| Current income tax expenses  | 1,240,831,826.79                 | 985,282,651.38                    |
| Deferred income tax expenses | 759,910,099.57                   | 540,467,141.62                    |
| Total                        | 2,000,741,926.36                 | 1,525,749,793.00                  |

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

| Items  | Amounts          |
|--|------------------|
| Total accounting profit  | 9,997,672,068.52 |
| Income tax expenses calculated pursuant to statutory tax rate(s)                                 | 2,499,418,017.12 |
| Impact from different tax rates applicable to subsidiaries                                       | -544,232,640.78  |
| Impact from adjustment to income tax in prior periods  | -162,828,321.06  |
| Impact from non-taxable income   | -224,434,783.55  |
| Impact from non-deductible cost, expense and loss  | 67,350,658.86    |
| Impact from deductible provisional differences or deductible losses of unrecognized deferred tax | 434,970,684.94   |
| Others   | -69,501,689.17   |
| Total income tax expense   | 2,000,741,926.36 |

### 62. Other comprehensive income

Applicable  Not Applicable

Please refer to Note VII. 44 for details.

### 63. Other cash received from operating activities

Applicable  Not Applicable

Unit and Currency: RMB

| Items  | Amount for the current period |
|--|-------------------------------|
| Deposits and securities                          | 93,387,920.50                 |
| Government grants                                | 373,042,872.09                |
| Non-operating income excluding government grants | 26,813,348.55                 |
| Interest income                                  | 258,507,374.28                |
| Others   | 89,543,300.32                 |
| Total  | 841,294,815.74                |

**64. Other cash paid to operating activities**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items  | Amount for the current period |
|--|-------------------------------|
| Cash paid on selling expenses                | 10,010,028,996.55             |
| Cash paid on administrative and R&D expenses | 3,442,392,616.83              |
| Cash paid on financial expenses              | 68,146,435.16                 |
| Non-operating expenses                       | 3,136,224.43                  |
| Others                                       | 117,915,539.69                |
| <b>Total</b>                                 | <b>13,641,619,812.66</b>      |

**65. Other cash received from financing activities**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items        | Amount for the current period |
|--------------|-------------------------------|
| Others       | 1,000,235.35                  |
| <b>Total</b> | <b>1,000,235.35</b>           |

**66. Other cash paid to financing activities**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items                              | Amount for the current period |
|------------------------------------|-------------------------------|
| Cash paid to lease                 | 333,323,858.52                |
| Repurchase of shares               | 1,538,651,010.37              |
| Expenses from issuance of H-shares | 2,964,303.96                  |
| Others                             | 1,638,600.00                  |
| <b>Total</b>                       | <b>1,876,577,772.85</b>       |

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### 67. 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 |
|---|-------------------------------|--------------------------------|
| <b>1. Net profit</b>  | 7,996,930,142.16              | 6,946,009,059.74               |
| Add: impairment provision for assets  | 965,138,793.95                | 697,418,750.09                 |
| Depreciation of fixed assets  | 2,206,781,413.69              | 2,112,591,601.45               |
| Amortization of intangible assets   | 446,162,246.74                | 465,527,405.85                 |
| Amortization of long-term prepaid expenses  | 183,498,477.15                | 110,874,756.18                 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets ('-' represents 'gains') | -22,625,570.58                | -135,411,372.65                |
| Loss and gains on change of fair value ('-' represents 'gains')   | 118,790,175.68                | -64,269,511.32                 |
| Financial expenses ('-' represents 'gains')   | 176,667,098.99                | 574,900,097.68                 |
| Loss on investments ('-' represents 'gains')  | -1,170,336,743.41             | -1,136,280,339.22              |
| Decrease in deferred income tax assets ('-' represents 'increase')  | 404,639,263.48                | 549,883,365.96                 |
| Increase of deferred income tax liabilities ('-' represents 'decrease')                                   | 355,270,836.09                | -9,416,224.31                  |
| Decrease in inventories ('-' represents 'increase')   | -1,477,232,081.57             | -3,760,150,208.14              |
| Decrease of operational account receivables ('-' represents 'increase')                                   | -3,324,723,794.98             | -2,216,760,781.29              |
| Increase of operational account payables ('-' represents 'decrease')                                      | -1,281,315,120.75             | 4,323,142,646.68               |
| Others  | 386,602,520.58                | -15,864,086.39                 |
| Net cash flow generated from operational activities   | 5,964,247,657.22              | 8,442,195,160.31               |
| <b>2. Significant investment and financing activities</b>   |                               |                                |
| <b>not involving cash inflows and outflows:</b>   |                               |                                |
| Capital transferred from debts  | 104,128,286.20                | 6,277,583,752.41               |
| Convertible corporate bonds due within one year   | 244,655,820.72                |                                |
| Fixed assets under finance lease  |                               |                                |
| <b>3. Net changes of cash and cash equivalents:</b>   |                               |                                |
| Cash balance at the end of the period   | 49,265,187,950.08             | 41,228,686,922.70              |
| Less: cash balance at the beginning of the period   | 45,071,366,271.21             | 45,738,120,000.70              |
| 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   | 4,193,821,678.87              | -4,509,433,078.00              |

**68. Cash and cash equivalents**

| Items   | Closing balance   | Opening balance   |
|---|-------------------|-------------------|
| I. Cash   | 49,265,187,950.08 | 45,071,366,271.21 |
| Including: cash on hand                             | 912,949.13        | 3,085,964.28      |
| Bank deposits always available for payment          | 48,618,833,840.21 | 44,884,013,498.57 |
| Other monetary funds always available for payment   | 645,441,160.74    | 184,266,808.36    |
| II. Cash equivalents                                |                   |                   |
| Including: Bond investments due within three months |                   |                   |
| III. Closing balance of cash and cash equivalents   | 49,265,187,950.08 | 45,071,366,271.21 |

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### 69. Monetary items in foreign currency

| Items                                   | Closing balance             |               |                   | Opening balance             |               |                   |
|---|-----------------------------|---------------|-------------------|-----------------------------|---------------|-------------------|
|   | Balance in foreign currency | Exchange rate | Balance in RMB    | Balance in foreign currency | Exchange rate | Balance in RMB    |
| Monetary funds                          |                             |               |                   |                             |               |                   |
| USD                                     | 821,482,280.28              | 6.7114        | 5,513,296,175.84  | 850,630,647.69              | 6.3757        | 5,423,365,820.48  |
| EUR                                     | 78,855,228.66               | 7.0084        | 552,648,984.57    | 149,225,110.60              | 7.2197        | 1,077,360,530.99  |
| JPY                                     | 5,996,642,282.85            | 0.049136      | 294,651,015.21    | 10,520,503,841.74           | 0.055415      | 582,993,720.39    |
| HKD                                     | 556,953,838.73              | 0.8552        | 476,306,922.88    | 483,444,582.35              | 0.8176        | 395,264,290.53    |
| Others                                  |                             |               | 2,832,750,561.34  |                             |               | 2,955,290,563.22  |
| Subtotal                                |                             |               | 9,669,653,659.84  |                             |               | 10,434,274,925.61 |
| Accounts receivables                    |                             |               |                   |                             |               |                   |
| USD                                     | 954,504,870.98              | 6.7114        | 6,406,063,991.10  | 721,343,093.77              | 6.3757        | 4,599,067,162.94  |
| EUR                                     | 451,436,990.50              | 7.0084        | 3,163,851,004.22  | 413,528,990.85              | 7.2197        | 2,985,555,255.25  |
| JPY                                     | 4,145,366,008.83            | 0.049136      | 203,686,704.21    | 4,064,574,659.93            | 0.055415      | 225,238,404.78    |
| Others                                  |                             |               | 4,219,899,122.68  |                             |               | 3,668,237,038.46  |
| Subtotal                                |                             |               | 13,993,500,822.21 |                             |               | 11,478,097,861.43 |
| Short-term borrowings                   |                             |               |                   |                             |               |                   |
| USD                                     | 389,158,946.13              | 6.7114        | 2,611,801,351.09  | 347,844,969.69              | 6.3757        | 2,217,755,173.25  |
| EUR                                     | 1,044,112,198.27            | 7.0084        | 7,317,555,930.38  | 883,863,602.21              | 7.2197        | 6,381,230,048.85  |
| JPY                                     | 740,035,110.71              | 0.049136      | 36,362,365.20     | 623,360,869.80              | 0.055415      | 34,543,542.60     |
| HKD                                     | 2,600,000,000.00            | 0.8552        | 2,223,520,000.00  | 2,600,000,000.00            | 0.8176        | 2,125,760,000.00  |
| Others                                  |                             |               | 752,120,202.25    |                             |               | 328,850,057.11    |
| Subtotal                                |                             |               | 12,941,359,848.92 |                             |               | 11,088,138,821.81 |
| Accounts payables                       |                             |               |                   |                             |               |                   |
| USD                                     | 2,215,683,621.44            | 6.7114        | 14,870,339,056.95 | 2,033,952,669.54            | 6.3757        | 12,967,872,035.21 |
| EUR                                     | 617,905,515.03              | 7.0084        | 4,330,529,011.55  | 640,851,532.98              | 7.2197        | 4,626,755,812.65  |
| JPY                                     | 6,923,831,822.49            | 0.049136      | 340,209,400.43    | 8,161,874,338.90            | 0.055415      | 452,290,266.49    |
| NZD                                     | 207,421,161.10              | 4.1771        | 866,418,932.05    | 151,371,298.46              | 4.3553        | 659,267,416.20    |
| Others                                  |                             |               | 3,422,870,500.22  |                             |               | 3,268,885,987.84  |
| Subtotal                                |                             |               | 23,830,366,901.20 |                             |               | 21,975,071,518.39 |
| Non-current liabilities due in one year |                             |               |                   |                             |               |                   |
| USD                                     | 1,088,778,232.77            | 6.7114        | 7,307,226,231.42  | 757,148,488.12              | 6.3757        | 4,827,351,615.72  |
| EUR                                     | 172,986,633.48              | 7.0084        | 1,212,359,522.06  | 214,053,730.55              | 7.2197        | 1,545,403,718.47  |
| JPY                                     | 1,664,720,591.01            | 0.049136      | 81,797,710.96     | 3,705,244,389.61            | 0.055415      | 205,326,117.85    |
| RUB                                     | 532,452,480.00              | 0.1285        | 68,420,143.68     | 651,073,870.06              | 0.0855        | 55,666,815.89     |
| Others                                  |                             |               | 1,535,283,774.82  |                             |               | 1,589,397,292.33  |
| Subtotal                                |                             |               | 10,205,087,382.94 |                             |               | 8,223,145,560.26  |

| Items                | Closing balance                   |                  |                   | Opening balance                   |                  |                   |
|----------------------|-----------------------------------|------------------|-------------------|-----------------------------------|------------------|-------------------|
|                      | Balance in<br>foreign<br>currency | Exchange<br>rate | Balance<br>in RMB | Balance in<br>foreign<br>currency | Exchange<br>rate | Balance<br>in RMB |
| Long-term borrowings |                                   |                  |                   |                                   |                  |                   |
| USD                  | 52,000,000.00                     | 6.7114           | 348,992,800.00    | 403,838,717.50                    | 6.3757           | 2,574,754,511.17  |
| EUR                  | 34,145,508.68                     | 7.0084           | 239,305,383.00    | 37,498,911.17                     | 7.2197           | 270,730,888.98    |
| RUB                  | 250,000,000.00                    | 0.1285           | 32,125,000.00     | 186,061,000.00                    | 0.0855           | 15,908,215.50     |
| JPY                  | 2,640,540,340.48                  | 0.049136         | 129,745,590.17    | 3,197,333,012.36                  | 0.055415         | 177,180,208.88    |
| Subtotal             |                                   |                  | 750,168,773.17    |                                   |                  | 3,038,573,824.53  |

## VIII. CHANGES OF CONSOLIDATION SCOPE

### 1. Business combination not under common control

✓ Applicable  Not Applicable

### 2. Business consolidation under common control

✓ Applicable  Not Applicable

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

| Name of the<br>acquiree                      | The proportion<br>of equity<br>acquired in the<br>business<br>combination | The basis for<br>the transaction<br>of constituting<br>business<br>combination<br>under common<br>control | Combination<br>date | Recognition<br>basis of<br>combination<br>date                                      |
|--|---|---|---------------------|---|
| Qingdao Ririshun<br>Service Co., Ltd.        | 100.00%   | Controlled by<br>Haier Group<br>Corporation<br>before and after<br>combination                            | 2022.6              | Subject equity-<br>related right and<br>obligation<br>transferred to the<br>Company |
| Qingdao TAB Robot<br>Technology Co.,<br>LTD. | 100.00%   | Controlled by<br>Haier Group<br>Corporation<br>before and after<br>combination                            | 2022.6              | Subject equity-<br>related right and<br>obligation<br>transferred to the<br>Company |

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(Continued)

| Name of the acquiree                   | The income of the acquiree from the beginning of the current period to combination date | Net profit of the acquiree from the beginning of the current period to combination date | The income of the acquiree during the comparison period | Net profit of the acquiree during the comparison period |
|--|---|---|---|---|
| Qingdao Ririshun Service Co., Ltd.     | 37,211.90   | 1,421,013.21  | 66,451,627.95   | 1,008,319.99  |
| Qingdao TAB Robot Technology Co., LTD. | 205,120,142.19  | 3,052,468.49  | 94,431,139.69   | 4,527,315.67  |

(2). Combination cost

✓ Applicable  Not Applicable

Unit and Currency: RMB10,000

| Combination cost | Qingdao Ririshun Service Co., Ltd. | Qingdao TAB Robot Technology Co., LTD. |
|------------------|------------------------------------|--|
| —Cash            | 5,095.78                           | 12,500.00                              |
| —Equity          | 3,216.91                           | /                                      |

(3). Book value of acquiree's assets and liabilities as at the combination date

✓ Applicable  Not Applicable

Unit and Currency: RMB

| Items                             | Qingdao Ririshun Service Co., Ltd. |                            |
|-----------------------------------|------------------------------------|----------------------------|
|                                   | Combination date                   | End of the previous period |
| Monetary funds                    | 46,604,249.71                      | 59,493,989.32              |
| Accounts receivables              | 1,041,138.30                       | 1,144,058.93               |
| Inventories                       | 1,837,248.48                       | 1,879,270.49               |
| Other current assets              | 4,840.17                           | 778,605.93                 |
| Less: Accounts payables           | 12,023,461.45                      | 26,719,700.69              |
| Payables for staff's remuneration | 65,143.90                          | 988,310.00                 |
| Taxes payable                     | 383,755.86                         | 337.90                     |
| Other current liabilities         | 118,797.58                         | 112,271.42                 |
| Net assets                        | 36,896,317.87                      | 35,475,304.66              |

| Items                                   | Qingdao TAB Robot<br>Technology Co., LTD. |                               |
|---|---|-------------------------------|
|   | Combination<br>date                       | End of the<br>previous period |
| Monetary funds                          | 70,965,249.26                             | 54,371,498.79                 |
| Accounts receivables                    | 35,633,561.58                             | 32,228,299.73                 |
| Inventories                             | 64,895,694.34                             | 36,212,378.79                 |
| Other current assets                    |   | 990,753.45                    |
| Long-term assets                        | 742,124.92                                | 1,559,671.95                  |
| Deferred income tax assets              | 2,638,785.39                              | 2,638,785.39                  |
| Less: Accounts payables                 | 108,357,839.93                            | 64,054,579.25                 |
| Payables for staff's remuneration       | 997,688.00                                | 1,069,738.28                  |
| Taxes payable                           | 2,702,903.89                              | 1,824,903.82                  |
| Non-current liabilities due in one year | 647,508.67                                | 1,324,322.70                  |
| Other current liabilities               | 3,514,317.62                              | 4,125,155.16                  |
| Net assets                              | 58,655,157.38                             | 55,602,688.89                 |

### 3. Disposal of subsidiary

Whether single disposal of investment in subsidiary will result in losing control power:

| Items   | Yantai Ririshun<br>Electronics<br>Co., Ltd. |
|---|---|
| Equity disposal price   | 26,139,242.23                               |
| Proportion of equity disposal   | 81%   |
| Method of equity disposal   | Disposal                                    |
| Time of loss-of-control   | 2022.1                                      |
| Basis for determination the time of loss-of-control   | Transfer                                    |
| Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level | -4,432,192.08                               |

### 4. Changes of consolidation scope due to other reasons

✓ Applicable  Not Applicable

- (1) Chongqing Yunshang Yilian Technology Co., Ltd., a subsidiary of the Company, established a subsidiary, Chengdu Yunshang Meier Yilian Technology Co., Ltd. (成都云裳美尔衣联科技有限公司) for the period.
- (2) Chongqing Yunshang Yilian Technology Co., Ltd., a subsidiary of the Company, established a subsidiary, Beijing Yunshang Yilian Technology Co., Ltd. (北京云裳衣联科技有限公司) for the period.
- (3) Chongqing Yunshang Yilian Technology Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary, Chengdu Yunshang Yilian Technology Co., Ltd. (成都云裳衣联科技有限公司) for the period.
- (4) Chongqing Haier Water Heater Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary, Qingdao Haier Water Ecology Technology Co., Ltd. (青岛海尔水生态科技有限公司) for the period.

## IX. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1). Composition of the Group

✓ Applicable  Not Applicable

| Name of subsidiary                                   | Principal place of business                     | Place of registration                           | Nature of business  | Shareholding (%) |          | % of the voting rights (%) | Acquiring method                              |
|--|---|---|---|------------------|----------|----------------------------|---|
|  |   |   |   | Direct           | Indirect |                            |   |
| Flourishing Reach Limited                            | Mainland of China                               | British Virgin Islands                          | Group company, which mainly engage in investment holding, the production and sale of washing machines and water heaters, distribution service | 100.00           |          | 100.00                     | Establishment                                 |
| Haier Electronics Group Co., Ltd.                    | Mainland of China and Hong Kong                 | Bermuda   | Group company, which mainly engage in investment holding, the production and sale of water equipment, distribution service                    | 100.00           |          | 100.00                     | Establishment                                 |
| Haier U.S. Appliance Solutions, Inc.                 | the United States                               | the United States                               | Group company, which mainly engage in home appliances production and distribution business  |                  | 100.00   | 100.00                     | Establishment                                 |
| Haier Singapore Investment Holding Co., Ltd.         | Singapore and other overseas areas              | Singapore                                       | Group company, which mainly engage in home appliances production and distribution business  |                  | 100.00   | 100.00                     | Business combination under common control     |
| Haier New Zealand Investment Holding Company Limited | New Zealand                                     | New Zealand                                     | Group company, which mainly engage in home appliances production and distribution business  |                  | 100.00   | 100.00                     | Business combination under common control     |
| Candy S.p.A  | Europe  | Italy   | Group company, which mainly engage in home appliances production and distribution business  |                  | 100.00   | 100.00                     | Business combination not under common control |
| Qingdao Haier Air Conditioner Gen Corp., Ltd.*       | Qingdao High-tech Zone                          | Qingdao High-tech Zone                          | Manufacture and sale of household air-conditioners  | 100.00           |          | 100.00                     | Business combination under common control     |
| Guizhou Haier Electronics Co., Ltd.*                 | Huichuan District, Zunyi City, Guizhou Province | Huichuan District, Zunyi City, Guizhou Province | Manufacture and sale of refrigerator  | 59.00            |          | 59.00                      | Business combination under common control     |
| Hefei Haier Air-conditioning Co., Limited*           | Hefei Haier Industrial Park                     | Hefei Haier Industrial Park                     | Manufacture and sale of air- conditioners   | 99.22            |          | 99.22                      | Business combination under common control     |

\* For identification purposes only

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| Name of subsidiary   | Principal place of business                     | Place of registration                           | Nature of business   | Shareholding (%) |          | % of the voting rights (%) | Acquiring method                          |
|--|---|---|--|------------------|----------|----------------------------|---|
|  |   |   |  | Direct           | Indirect |                            |   |
| Wuhan Haier Electronics Holding Co., Ltd.*                               | Wuhan Haier Industrial Park                     | Wuhan Haier Industrial Park                     | Manufacture and sale of air- conditioners                                    | 60.00            |          | 60.00                      | Business combination under common control |
| Qingdao Haier Air- Conditioner Electronics Co., Ltd.*                    | Qingdao Development Zone                        | Qingdao Development Zone                        | Manufacture and sale of air- conditioners                                    | 100.00           |          | 100.00                     | Business combination under common control |
| Qingdao Haier Information Plastic Development Co., Ltd.*                 | Qingdao High-tech Zone                          | Qingdao High-tech Zone                          | Manufacturing of plastic products  | 100.00           |          | 100.00                     | Business combination under common control |
| Dalian Haier Precision Products Co., Ltd.*                               | Dalian Export Expressing Zone                   | Dalian Export Expressing Zone                   | Manufacture and sale of precise plastics                                     | 90.00            |          | 90.00                      | Business combination under common control |
| Hefei Haier Plastic Co., Ltd.*   | Hefei Economic & Technological Development Area | Hefei Economic & Technological Development Area | Manufacture and sale of plastic parts  | 77.36            | 4.83     | 82.19                      | Business combination under common control |
| Qingdao Meier Plastic Powder Co., Ltd.*                                  | Qingdao Development Zone                        | Qingdao Development Zone                        | Manufacture of plastic powder, plastic sheet and high-performance coatings   | 40.00            | 60.00    | 100.00                     | Business combination under common control |
| Chongqing Haier Precision Plastic Co., Ltd.*                             | Jiangbei District, Chongqing City               | Jiangbei District, Chongqing City               | Plastic products, sheet metal work, electronics and hardware                 | 90.00            | 10.00    | 100.00                     | Business combination under common control |
| Qingdao Haier Refrigerator Co., Ltd.*                                    | Qingdao High-tech Zone                          | Qingdao High-tech Zone                          | Manufacture and production of fluorine-free refrigerators                    | 100.00           |          | 100.00                     | Establishment                             |
| Qingdao Haier Refrigerator (International) Co., Ltd.*                    | Pingdu Development Zone, Qingdao                | Pingdu Development Zone, Qingdao                | Manufacture of refrigerators   | 100.00           |          | 100.00                     | Establishment                             |
| Qingdao Household Appliance Technology and Equipment Research Institute* | Qingdao High-tech Zone                          | Qingdao High-tech Zone                          | Research and development of home appliances mold and technological equipment | 100.00           |          | 100.00                     | Establishment                             |
| Qingdao Haier Whole Set Home Appliance Service Co., Ltd.*                | Qingdao High-tech Zone                          | Qingdao High-tech Zone                          | Research, development and sales of health- related small home appliance      | 98.33            |          | 98.33                      | Establishment                             |
| Qingdao Haier Special Refrigerator Co., Ltd.*                            | Qingdao Development Zone                        | Qingdao Development Zone                        | Manufacture and sales of fluorine-free refrigerators                         | 100.00           |          | 100.00                     | Establishment                             |
| Qingdao Haier Dishwasher Co., Ltd.*                                      | Qingdao Development Zone                        | Qingdao Development Zone                        | Manufacture of dish washing machine and gas stove                            | 100.00           |          | 100.00                     | Establishment                             |

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| Name of subsidiary   | Principal place of business   | Place of registration   | Nature of business  | Shareholding (%) |          | % of the voting rights (%) | Acquiring method |
|--|---|---|---|------------------|----------|----------------------------|------------------|
|  |   |   |   | Direct           | Indirect |                            |                  |
| Qingdao Haier Special Freezer Co., Ltd.*                         | Qingdao Development Zone  | Qingdao Development Zone  | Research, manufacture and sales of freezer and other refrigeration products                                   | 100.00           |          | 100.00                     | Establishment    |
| Dalian Haier Air-conditioning Co., Ltd.*                         | Dalian Export Expressing Zone   | Dalian Export Expressing Zone   | Air conditioner processing and manufacturing  | 90.00            |          | 90.00                      | Establishment    |
| Dalian Haier Refrigerator Co., Ltd.*                             | Dalian Export Expressing Zone   | Dalian Export Expressing Zone   | Refrigerator processing and manufacturing   | 100.00           |          | 100.00                     | Establishment    |
| Qingdao Haier Electronic Plastic Co., Ltd.*                      | Qingdao Development Zone  | Qingdao Development Zone  | Development, assembling and sales of plastics, electronics and products                                       | 100.00           |          | 100.00                     | Establishment    |
| Wuhan Haier Freezer Co., Ltd.*                                   | Wuhan Economic & Technological Development Zone High-tech Industrial Park | Wuhan Economic & Technological Development Zone High-tech Industrial Park | Research, manufacture and sales of freezer and other refrigeration products                                   | 95.00            | 5.00     | 100.00                     | Establishment    |
| Qingdao Haidarui Procurement Service Co., Ltd.*                  | Qingdao High-tech Zone  | Qingdao High-tech Zone  | Development, purchase and sale of electrical products and components  | 98.00            | 2.00     | 100.00                     | Establishment    |
| Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.*   | Qingdao High-tech Zone  | Qingdao High-tech Zone  | Development and application of home appliances, communication, electronics and network engineering technology | 98.91            | 1.09     | 100.00                     | Establishment    |
| Chongqing Haier Air-conditioning Co., Ltd.*                      | Jiangbei District, Chongqing City   | Jiangbei District, Chongqing City   | Manufacture and sales of air conditioners   | 76.92            | 23.08    | 100.00                     | Establishment    |
| Qingdao Haier Precision Products Co., Ltd.*                      | Qianwang ang Road, Jiaonan City   | Qianwang ang Road, Jiaonan City   | Development and manufacture of precise plastic, metal plate, mold and electronic products for home appliances |                  | 70.00    | 70.00                      | Establishment    |
| Qingdao Haier Air Conditioning Equipment Co., Ltd.*              | Jiaonan City, Qingdao   | Jiaonan City, Qingdao   | Manufacture of home appliances and electronics  |                  | 100.00   | 100.00                     | Establishment    |
| Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd.* | Dalian Export Expressing Zone   | Dalian Export Expressing Zone   | Domestic trade  |                  | 100.00   | 100.00                     | Establishment    |
| Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.*     | Dalian Export Expressing Zone   | Dalian Export Expressing Zone   | Domestic trade  |                  | 100.00   | 100.00                     | Establishment    |
| Chongqing Haier Electronics Sales Co., Ltd.*                     | Jiangbei District, Chongqing City   | Jiangbei District, Chongqing City   | Sales of home appliances  | 95.00            | 5.00     | 100.00                     | Establishment    |

\* For identification purposes only

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| Name of subsidiary  | Principal place of business                           | Place of registration                                 | Nature of business   | Shareholding (%) |          | % of the voting rights (%) | Acquiring method                          |
|---|---|---|--|------------------|----------|----------------------------|---|
|   |   |   |  | Direct           | Indirect |                            |   |
| Chongqing Haier Refrigeration Appliance Co., Ltd.*          | Jiangbei District, Chongqing City                     | Jiangbei District, Chongqing City                     | Processing and manufacturing of refrigerator                         | 84.95            | 15.05    | 100.00                     | Establishment                             |
| Hefei Haier Refrigerator Co., Ltd.*                         | Hefei Haier Industrial Park                           | Hefei Haier Industrial Park                           | Processing and manufacturing of refrigerator                         | 100.00           |          | 100.00                     | Establishment                             |
| Qingdao Haier HVAC Engineering Co., Ltd.*                   | Qingdao Development Zone                              | Qingdao Development Zone                              | Air-conditioning engineer  |                  | 100.00   | 100.00                     | Establishment                             |
| Chongqing Goodaymart Electric Appliance Sale Co., Ltd.*     | Jiangbei District, Chongqing City                     | Jiangbei District, Chongqing City                     | Sales of home appliances and electronics                             |                  | 51.00    | 51.00                      | Establishment                             |
| Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited*     | Jiaozhou City, Qingdao                                | Jiaozhou City, Qingdao                                | Manufacture and sale of air- conditioners                            |                  | 100.00   | 100.00                     | Establishment                             |
| Qingdao Haier Component Co., Ltd.*                          | Jiaozhou City, Qingdao                                | Jiaozhou City, Qingdao                                | Manufacture and sales of plastic and precise sheet metal products    |                  | 100.00   | 100.00                     | Establishment                             |
| Haier Shareholdings (Hong Kong) Limited*                    | Hong Kong   | Hong Kong   | Investment   | 100.00           |          | 100.00                     | Establishment                             |
| Harvest International Company*                              | Cayman Islands  | Cayman Islands  | Investment   |                  | 100.00   | 100.00                     | Establishment                             |
| Shenyang Haier Refrigerator Co., Ltd.*                      | Shenbei New Area, Shenyang City                       | Shenbei New Area, Shenyang City                       | Manufacture and sales of refrigerator                                | 100.00           |          | 100.00                     | Establishment                             |
| Foshan Haier Freezer Co., Ltd.*                             | Sanshui District, Foshan City                         | Sanshui District, Foshan City                         | Manufacture and sales of freezer                                     | 100.00           |          | 100.00                     | Establishment                             |
| Zhengzhou Haier Air- conditioning Co., Ltd.*                | Zhengzhou Economic and Technological Development Zone | Zhengzhou Economic and Technological Development Zone | Manufacture and sales of air conditioner                             | 100.00           |          | 100.00                     | Establishment                             |
| Qingdao Haidayuan Procurement Service Co., Ltd.*            | Qingdao Development Zone                              | Qingdao Development Zone                              | Development, purchase and sale of electrical products and components | 100.00           |          | 100.00                     | Establishment                             |
| Qingdao Haier Intelligent Technology Development Co., Ltd.* | Qingdao High-tech Zone                                | Qingdao High-tech Zone                                | Development and research of home appliance products                  | 100.00           |          | 100.00                     | Establishment                             |
| Qingdao Hairi Hi-Tech Model Co., Ltd.*                      | Qingdao High-tech Zone                                | Qingdao High-tech Zone                                | Design, manufacture and sales of product model and mould             |                  | 100.00   | 100.00                     | Business combination under common control |
| Qingdao Hai Gao Design and Manufacture Co., Ltd.*           | Qingdao High-tech Zone                                | Qingdao High-tech Zone                                | Industrial design and prototype production                           |                  | 75.00    | 75.00                      | Business combination under common control |

\* For identification purposes only

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| Name of subsidiary   | Principal place of business | Place of registration | Nature of business   | Shareholding (%) |          | % of the voting rights (%) | Acquiring method                          |
|--|-----------------------------|-----------------------|--|------------------|----------|----------------------------|---|
|  |                             |                       |  | Direct           | Indirect |                            |   |
| Beijing Haier Guangke Digital Technology Co., Ltd.*            | Beijing                     | Beijing               | Development, promotion and transfer of technology                    |                  | 55.00    | 55.00                      | Business combination under common control |
| Shanghai Haier Medical Technology Co., Ltd.*                   | Shanghai                    | Shanghai              | Wholesale and retail of medical facility                             |                  | 80.93    | 80.93                      | Establishment                             |
| Qingdao Haier Technology Co., Ltd.*                            | Qingdao                     | Qingdao               | Development and sales of software and information product            | 100.00           |          | 100.00                     | Business combination under common control |
| Qingdao Haier Technology Investment Co., Ltd.*                 | Qingdao                     | Qingdao               | Entrepreneurship investment and consulting                           | 100.00           |          | 100.00                     | Establishment                             |
| Qingdao Casarte Smart Living Appliances Co., Ltd.*             | Qingdao                     | Qingdao               | Development, production and sales of appliances                      |                  | 100.00   | 100.00                     | Establishment                             |
| Qingdao Haichuangyuan Appliances Sales Co., Ltd.*              | Qingdao                     | Qingdao               | Sales of home appliances and digital products                        |                  | 100.00   | 100.00                     | Establishment                             |
| Haier Overseas Electric Appliance Co., Ltd.*                   | Qingdao                     | Qingdao               | Sales of home appliances, international freight forwarding           | 100.00           |          | 100.00                     | Establishment                             |
| Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.* | Dalian                      | Dalian                | Sales of home appliances, international freight forwarding           | 100.00           |          | 100.00                     | Business combination under common control |
| Qingdao Haier Central Air Conditioning Co., Ltd.*              | Qingdao                     | Qingdao               | Production and sales of air conditioners and refrigeration equipment |                  | 100.00   | 100.00                     | Establishment                             |
| Chongqing Haier Home Appliance Sale Hefei Co., Ltd.*           | Hefei                       | Hefei                 | Sales of home appliances   |                  | 100.00   | 100.00                     | Establishment                             |
| Qingdao Weixi Smart Technology Co., Ltd.*                      | Qingdao                     | Qingdao               | Intelligent sanitary ware  |                  | 71.43    | 71.43                      | Establishment                             |
| Haier U+smart Intelligent Technology (Beijing) Co., Ltd.*      | Beijing                     | Beijing               | Software development   | 100.00           |          | 100.00                     | Establishment                             |
| Haier (Shanghai) Electronics Co., Ltd.*                        | Shanghai                    | Shanghai              | Sales, research and development of home appliances                   | 100.00           |          | 100.00                     | Establishment                             |
| Shanghai Haier Zhongzhi Fang Chuang Ke Management Co., Ltd.*   | Shanghai                    | Shanghai              | Business management consulting, chuanguke management                 | 100.00           |          | 100.00                     | Establishment                             |
| Qingdao Haier Smart Kitchen Appliance Co., Ltd.*               | Qingdao                     | Qingdao               | Production and sales of kitchen smart home appliances                |                  | 100.00   | 100.00                     | Establishment                             |
| GE Appliance (Shanghai) Co., Ltd.*                             | Shanghai                    | Shanghai              | Sales of home appliances   |                  | 100.00   | 100.00                     | Establishment                             |
| Qingdao Haier Special Refrigerating Appliance Co., Ltd.*       | Qingdao                     | Qingdao               | Production and sales of home appliances                              |                  | 100.00   | 100.00                     | Establishment                             |

\* For identification purposes only

## Section X Financial Report

| Name of subsidiary   | Principal place of business | Place of registration | Nature of business   | % of the voting rights (%) |          | Acquiring method                                    |
|--|-----------------------------|-----------------------|--|----------------------------|----------|---|
|  |                             |                       |  | Shareholding (%)<br>Direct | Indirect |   |
| Beijing Zero Micro Technology Co., Ltd.*                                   | Beijing                     | Beijing               | Promotion of technological development   |                            | 55.00    | 55.00 Establishment                                 |
| Laiyang Haier Smart Kitchen Appliance Co., Ltd.*                           | Laiyang                     | Laiyang               | Production and sales of home appliances  |                            | 100.00   | 100.00 Establishment                                |
| Hefei Haier Air Conditioning Electronics Co., Ltd.*                        | Hefei                       | Hefei                 | Production and sales of home appliances  |                            | 100.00   | 100.00 Establishment                                |
| Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.* | Shanghai                    | Shanghai              | Research and development of home appliances  |                            | 100.00   | 100.00 Establishment                                |
| Haier (Shenzhen) R&D Co., Ltd.*  | Shenzhen                    | Shenzhen              | Development, research and technical services of household and commercial electrical appliances |                            | 100.00   | 100.00 Establishment                                |
| Guangzhou Haier Air Conditioner Co., Ltd.*                                 | Guangdong                   | Guangdong             | Manufacturing of refrigeration and air conditioning equipment                                  |                            | 100.00   | 100.00 Establishment                                |
| Qingdao Yunshang Yuyi IOT Technology Co., Ltd.*                            | Qingdao                     | Qingdao               | IoT technology research and development  |                            | 70.00    | 70.00 Establishment                                 |
| Qingdao Haizhi Investment Management Co., Ltd.*                            | Qingdao                     | Qingdao               | Asset management, equity investment  |                            | 100.00   | 100.00 Establishment                                |
| Qingdao Jijia Cloud Intelligent Technology Co., Ltd.*                      | Qingdao                     | Qingdao               | R&D and sales of lighting appliances   |                            | 80.00    | 80.00 Establishment                                 |
| Qingdao Haimeihui Management Consulting Co., Ltd.                          | Qingdao                     | Qingdao               | Leasing and business services  |                            | 100.00   | 100.00 Establishment                                |
| Wuxi Yunshang Internet of Clothing Technology Co., Ltd.*                   | Wuxi                        | Wuxi                  | Internet of Things technology R & D  |                            | 100.00   | 100.00 Establishment                                |
| Hangzhou Gandao Intelligent Technology Co., Ltd.*                          | Hangzhou                    | Hangzhou              | Technology development, service  |                            | 52.58    | 52.58 Establishment                                 |
| Qingdao Haidacheng Procurement Service Co., Ltd.*                          | Qingdao                     | Qingdao               | Development, purchase and sale of electrical products and components                           | 100.00                     |          | 100.00 Establishment                                |
| Guangdong Heilong Intelligent Technology Co. Ltd*                          | Guangzhou                   | Guangzhou             | Scientific research and technology service sector  |                            | 76.72    | 76.72 Business combination not under common control |

\* For identification purposes only

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| Name of subsidiary   | Principal place of business | Place of registration | Nature of business   | % of the voting rights (%) |          | Acquiring method                              |
|--|-----------------------------|-----------------------|--|----------------------------|----------|---|
|  |                             |                       |  | Shareholding (%)<br>Direct | Indirect |   |
| Beijing Haixianghui Technology Co., Ltd.*                          | Beijing                     | Beijing               | Scientific research and technology service sector  | 100.00                     | 100.00   | Establishment                                 |
| Qingdao Hairuijieing Electronics Co., Ltd.*                        | Qingdao                     | Qingdao               | Electronic equipment technology research, development, transfer, consulting and services   | 51.00                      | 51.00    | Business combination not under common control |
| Haier Smart Home Experience Cloud Ecological Technology Co., Ltd.* | Qingdao                     | Qingdao               | Technology development of smart home products, whole furniture customization, etc.   | 100.00                     | 100.00   | Establishment                                 |
| Haier Smart Home (Qingdao) Network Co., Ltd.*                      | Qingdao                     | Qingdao               | Technical services, development, consulting, transfer, etc.  | 100.00                     | 100.00   | Establishment                                 |
| Haier Smart Home (Qingdao) Network Operation Co., Ltd.*            | Qingdao                     | Qingdao               | Residential interior decoration, professional construction operation, special equipment installation, upgrading and repair, etc. | 100.00                     | 100.00   | Establishment                                 |
| Qingdao Internet of Wine Technology Co., Ltd.*                     | Qingdao                     | Qingdao               | Urban distribution and transportation services, import and export of goods, technology import and export and food business, etc. | 100.00                     | 100.00   | Establishment                                 |
| Qingdao Linghai Air Conditioning Equipment Co., Ltd.*              | Qingdao                     | Qingdao               | Manufacture and production of air conditioner and refrigeration equipment  | 100.00                     | 100.00   | Establishment                                 |
| Chongqing Yunshang Yilian Technology Co., Ltd.*                    | Chongqing                   | Chongqing             | Food business, commodity import and export, technology import and export, Internet information services, etc.                    | 100.00                     | 100.00   | Establishment                                 |
| Shenzhen Yunshang Yilian Technology Co., Ltd.*                     | Shenzhen                    | Shenzhen              | Import and export business, Internet, Internet of things, big data, AI, AR and technical services operation                      | 100.00                     | 100.00   | Establishment                                 |
| Qingdao Haixiangxue Human Resources Co., Ltd.*                     | Qingdao                     | Qingdao               | Professional intermediary activities   | 100.00                     | 100.00   | Establishment                                 |
| Jiangxi Haier Medical Technology Co., Ltd.*                        | Jiangxi                     | Jiangxi               | Wholesale and retail of medical equipment  | 100.00                     | 100.00   | Establishment                                 |
| Qingdao Haizhi Shenlan Technology Co., Ltd.*                       | Qingdao                     | Qingdao               | Technical service development  | 100.00                     | 100.00   | Establishment                                 |
| Qingdao Haishengze Technology Co., Ltd.*                           | Qingdao                     | Qingdao               | Air conditioning equipment technical services  | 100.00                     | 100.00   | Establishment                                 |

\* For identification purposes only

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| Name of subsidiary   | Principal place of business | Place of registration | Nature of business                                   | % of the voting rights (%) |          | Acquiring method                           |
|--|-----------------------------|-----------------------|--|----------------------------|----------|--|
|  |                             |                       |  | Shareholding (%)<br>Direct | Indirect |  |
| Qingdao Hailiyuan Recycling Technology Co., Ltd.*            | Qingdao                     | Qingdao               | Electrical and electronic products waste treatment   | 100.00                     | 100.00   | Establishment                              |
| Tianjin Internet of clothes Ecological Technology Co., Ltd.* | Tianjin                     | Tianjin               | IoT technology development                           | 100.00                     | 100.00   | Establishment                              |
| Qingdao Haier HVAC Equipment Co., Ltd.*                      | Qingdao                     | Qingdao               | Manufacture and sale of air- conditioners            | 100.00                     | 100.00   | Establishment                              |
| Qingdao Haier Home AI Industry Innovation Center Co., Ltd.*  | Qingdao                     | Qingdao               | Integrated service of AI industry application system | 100.00                     | 100.00   | Establishment                              |
| Zhejiang Weixi IoT Technology Co., Ltd.*                     | Zhejiang                    | Zhejiang              | IoT application service                              | 100.00                     | 100.00   | Establishment                              |
| Qingdao Haier Quality Inspection Co., Ltd.*                  | Qingdao                     | Qingdao               | Inspection and testing of home appliance             | 100.00                     | 100.00   | Business combination under common control  |
| Qingdao Haiyongcheng Certification Service Co., Ltd.*        | Qingdao                     | Qingdao               | Product certification service                        | 100.00                     | 100.00   | Business combination under common control  |
| Qingdao Zhonghai Borui Testing Technology Service Co., Ltd.* | Qingdao                     | Qingdao               | Home appliance testing and technology consulting     | 100.00                     | 100.00   | Business combination under common controls |
| Qingdao Haixianghui Technology Co., Ltd.*                    | Qingdao                     | Qingdao               | Software development and sale of daily necessities   | 100.00                     | 100.00   | Establishment                              |
| Haier Smart Home (Xiongan, Hebei) Technology Co., Ltd.*      | Qingdao                     | Qingdao               | Promotion of energy-saving technology                | 100.00                     | 100.00   | Establishment                              |
| Qingdao Ruibo Ecological Environmental Technology Co., Ltd.* | Qingdao                     | Qingdao               | Environmental and AI technology consulting           | 100.00                     | 100.00   | Establishment                              |
| Qingdao Sanyiniao Technology Co., Ltd.*                      | Qingdao                     | Qingdao               | Technology service and advertisement design          | 100.00                     | 100.00   | Establishment                              |
| Qingdao Jingzhi Recycle Environmental Technology Co., Ltd.*  | Qingdao                     | Qingdao               | Operation of dangerous waste                         | 100.00                     | 100.00   | Establishment                              |
| Qingdao Yunshang Jieshen Yilian Technology Co., Ltd.*        | Qingdao                     | Qingdao               | Professional cleaning and sale of daily necessities  | 51.00                      | 51.00    | Establishment                              |

\* For identification purposes only

## Section X Financial Report

| Name of subsidiary   | Principal place of business | Place of registration | Nature of business                                  | Shareholding (%) |          | % of the voting rights (%) | Acquiring method |
|--|-----------------------------|-----------------------|---|------------------|----------|----------------------------|------------------|
|  |                             |                       |   | Direct           | Indirect |                            |                  |
| Shanghai Yunshang Yuyi IoT Technology Co., Ltd.*   | Shanghai                    | Shanghai              | Professional cleaning and sale of daily necessities |                  | 51.00    | 51.00                      | Establishment    |
| Shijiazhuang Yunshang Yilian Technology Co., Ltd.*   | Shijiazhuang                | Shijiazhuang          | Professional cleaning and sale of daily necessities |                  | 51.00    | 51.00                      | Establishment    |
| Nanjing Yunshang Yilian Technology Co., Ltd.*  | Nanjing                     | Nanjing               | Professional cleaning and sale of daily necessities |                  | 51.00    | 51.00                      | Establishment    |
| Yunshang Zhonglian Technology (Shanghai) Co., Ltd.*  | Shanghai                    | Shanghai              | Professional cleaning and sale of daily necessities |                  | 51.00    | 51.00                      | Establishment    |
| Shanxi Yunshang Yilian Technology Co., Ltd.*   | Shanxi                      | Shanxi                | Professional cleaning and sale of daily necessities |                  | 51.00    | 51.00                      | Establishment    |
| Tianjin Yunshang Yilian Technology Co., Ltd.*  | Tianjin                     | Tianjin               | Professional cleaning and sale of daily necessities |                  | 51.00    | 51.00                      | Establishment    |
| Chongqing Yunshang Haihong Yilian Technology Co., Ltd.*  | Chongqing                   | Chongqing             | Professional cleaning and sale of daily necessities |                  | 51.00    | 51.00                      | Establishment    |
| Chengdu Yunshang Meier Yilian Technology Co., Ltd.   | Chengdu                     | Chengdu               | Professional cleaning and sale of daily necessities |                  | 51.00    | 51.00                      | Establishment    |
| Beijing Yunshang Yilian Technology Co., Ltd.   | Beijing                     | Beijing               | Professional cleaning and sale of daily necessities |                  | 51.00    | 51.00                      | Establishment    |
| Chengdu Yunshang Yilian Technology Co., Ltd.   | Chengdu                     | Chengdu               | Professional cleaning and sale of daily necessities |                  | 100.00   | 100.00                     | Establishment    |
| Qingdao Haier Water Ecology Technology Co., Ltd.   | Qingdao                     | Qingdao               | Technical services, development, consulting         |                  | 100.00   | 100.00                     | Establishment    |
| Qingdao Haixiangmian Technology Co., Ltd.*   | Qingdao                     | Qingdao               | Sale of food and daily necessities                  |                  | 100.00   | 100.00                     | Establishment    |
| Qingdao Haier Kitchen IoT Technology Co., Ltd.*  | Qingdao                     | Qingdao               | Technology service and sale of daily necessities    |                  | 100.00   | 100.00                     | Establishment    |
| Tibet Haifeng Intelligent Innovation Technology Co., Ltd.*                                     | Tibet                       | Tibet                 | Development of software and medical equipment       |                  | 100.00   | 100.00                     | Establishment    |
| Microenterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd.* | All over the country        | All over the country  | Sales of home appliances                            |                  |          |                            | Establishment    |

\* For identification purposes only

Reasons for including subsidiaries in which the Company has 50% or less of the equity into the scope of consolidated financial statements:

At the end of the reporting period, the Company had substantial control over the finance and operation decisions of microenterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd\*, which were included into the scope of consolidated financial statements.

(2). **Material non-wholly owned subsidiaries**

| Name of subsidiary                   | Shareholding of minority shareholders | Profit or loss attributable to minority shareholders in the current period | Dividends announced to be distributed to minority shareholders in the current period | Balance of minority interests at the end of the period |
|--------------------------------------|---------------------------------------|--|--|--|
| Guizhou Haier Electronics Co., Ltd.* | 41.00%                                | 5,369,901.24   |  | 114,047,911.86   |
| Wuhan Haier Electronics Co., Ltd.*   | 40.00%                                | 925,353.74   |  | 249,848,547.86   |

\* For identification purposes only

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### (3). Summarized financial information in respect of material non-wholly owned subsidiaries

| Name of subsidiary                   | Closing balance |                    |                |                     |   |
|--------------------------------------|-----------------|--------------------|----------------|---------------------|---|
|                                      | Current assets  | Non-current Assets | Total assets   | Current liabilities | Non-current liabilities Total liabilities |
| Guizhou Haier Electronics Co., Ltd.* | 395,923,946.65  | 83,135,071.60      | 479,059,018.25 | 193,634,661.14      | 7,258,718.48 200,893,379.62               |
| Wuhan Haier Electronics Co., Ltd.*   | 733,916,522.83  | 137,255,826.48     | 871,172,349.31 | 246,550,979.65      | 246,550,979.65                            |

(continued)

| Name of Subsidiary                   | Opening balance |                    |                |                     |   |
|--------------------------------------|-----------------|--------------------|----------------|---------------------|---|
|                                      | Current assets  | Non-current Assets | Total assets   | Current liabilities | Non-current liabilities Total liabilities |
| Guizhou Haier Electronics Co., Ltd.* | 548,369,499.75  | 90,003,558.19      | 638,373,057.94 | 368,134,127.34      | 5,170,612.06 373,304,739.40               |
| Wuhan Haier Electronics Co., Ltd.*   | 795,204,982.68  | 144,368,337.05     | 939,573,319.73 | 317,265,334.43      | — 317,265,334.43                          |

| Name of subsidiary                   | Amount for the current period |               |                            | Cash flow from operating activities |
|--------------------------------------|-------------------------------|---------------|----------------------------|-------------------------------------|
|                                      | Operating revenue             | Net profit    | Total comprehensive income |                                     |
| Guizhou Haier Electronics Co., Ltd.* | 687,283,541.12                | 13,097,320.09 | 13,097,320.09              | -258,232,502.08                     |
| Wuhan Haier Electronics Co., Ltd.*   | 820,118,983.24                | 2,313,384.36  | 2,313,384.36               | -40,171,033.70                      |

(continued)

| Name of subsidiary                   | Amount for the previous period |               |                            | Cash flow from operating activities |
|--------------------------------------|--------------------------------|---------------|----------------------------|-------------------------------------|
|                                      | Operating revenue              | Net profit    | Total comprehensive income |                                     |
| Guizhou Haier Electronics Co., Ltd.* | 662,890,916.60                 | 15,818,829.01 | 15,818,829.01              | -96,960,642.56                      |
| Wuhan Haier Electronics Co., Ltd.*   | 1,116,565,155.40               | 9,676,024.48  | 9,676,024.48               | 146,467,762.05                      |

\* For identification purposes only

**2. Control over subsidiaries' transactions despite change in owners' equity in subsidiaries**

√ Applicable  Not Applicable

**(1). Descriptions of change in owners' equity in subsidiaries**

√ Applicable  Not Applicable

Capital increase by minority shareholders of the Company's subsidiaries resulted in the change in the Company's shareholding ratio.

**(2). Impact of the transactions on minority interests and the equity attributable to shareholders of the Parent Company:**

| Items   | Others         |
|---|----------------|
| Total consideration for acquisition/disposal  |                |
| Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed | -28,548,394.50 |
| Difference  | 28,548,394.50  |
| Including: capital reserve adjustment   | 28,548,394.50  |

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### 3. Interests in joint ventures or associates

✓ Applicable  Not Applicable

#### (1) Joint ventures or associates

| Name of joint ventures or associates  | Principal place of business | Place of registration | Nature of business                             | Shareholding | Accounting treatment of investment |
|---|-----------------------------|-----------------------|--|--------------|------------------------------------|
| Haier Finance Co., Ltd.*  | Qingdao                     | Qingdao               | Financial services                             | 42.00%       | Equity method                      |
| Bank of Qingdao Co., Ltd.*  | Qingdao                     | Qingdao               | Commercial Bank                                | 8.19%        | Equity method                      |
| Wolong Electric (Jinan) Motor Co., Ltd.*  | Jinan                       | Jinan                 | Motor Manufacturing                            | 30.00%       | Equity method                      |
| Qingdao Hegang New Material Technology Co., Ltd.*                               | Qingdao                     | Qingdao               | Steel plate Manufacturing                      | 23.94%       | Equity method                      |
| Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)* | Qingdao                     | Qingdao               | Manufacturing of household appliances          | 63.13%       | Equity method                      |
| Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.*         | Qingdao                     | Qingdao               | Manufacturing of household appliances          | 45.00%       | Equity method                      |
| Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.*                        | Hefei                       | Hefei                 | R&D and sales of televisions                   | 49.00%       | Equity method                      |
| Qingdao Haier Multimedia Co., Ltd.*   | Hefei                       | Hefei                 | Technology development                         | 20.20%       | Equity method                      |
| Hefei Feier Smart Technology Co., Ltd.*   | Huzhou                      | Huzhou                | Electrical equipment R&D                       |              | Equity method                      |
| Anhui Kunhe Intelligent Technology Co., Ltd.*                                   |                             |                       | Gas compression machinery                      | 40.00%       |                                    |
| Zhejiang Futeng Fluid Technology Co., Ltd.*                                     | Beijing                     | Beijing               | development and manufacturing                  | 30.00%       | Equity method                      |
| Beijing Mr. Hi Network Technology Company Limited*                              | Beijing                     | Beijing               | Technology development                         | 36.29%       | Equity method                      |
| Beijing ASU Tech Co. Ltd*   |                             |                       | Technical service import and export business   | 48.00%       |                                    |
| Shenzhen Genyuan Environmental Protection Technology Co., Ltd.*                 | Shenzhen                    | Shenzhen              | Technical advisory services                    | 36.45%       | Equity method                      |
| Qingdao Haimu Investment Management Co., Ltd.*                                  | Qingdao                     | Qingdao               | Investment Management                          | 14.70%       | Equity method                      |
| Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)*          | Qingdao                     | Qingdao               | Investment Management                          | 49.00%       | Equity method                      |
| Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd.* | Qingdao                     | Qingdao               | Development of Technology                      | 24.00%       | Equity method                      |
| Guangzhou Heying Investment Partnership (Limited Partnership)*                  | Guangzhou                   | Guangzhou             | Investment                                     | 35.51%       | Equity method                      |
| Qingdao Java Cloud Network Technology Co., Ltd.*                                | Qingdao                     | Qingdao               | Home online service                            | 49.00%       | Equity method                      |
| Bingji (Shanghai) Corporate Management Co., Ltd.*                               | Shanghai                    | Shanghai              | Investment management                          | 24.93%       | Equity method                      |
| Youjin (Shanghai) Corporate Management Co., Ltd.*                               | Shanghai                    | Shanghai              | Investment management                          | 45.00%       | Equity method                      |
| RRS (Shanghai) Investment Co., Ltd.*  | Shanghai                    | Shanghai              | Investment management                          | 45.00%       | Equity method                      |
| Haier Best Water Technology Co., Ltd.*  | Qingdao                     | Qingdao               | Water equipment technology development service | 49.00%       | Equity method                      |

\* For identification purposes only

| Name of joint ventures or associates   | Principal place of business | Place of registration | Nature of business                    | Shareholding | Accounting treatment of investment |
|--|-----------------------------|-----------------------|---------------------------------------|--------------|------------------------------------|
| Huizhi Xiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)* | Qingdao                     | Qingdao               | Investment management                 | 30.00%       | Equity method                      |
| Qingdao RRS Huizhi Investment Co., Ltd.*   | Qingdao                     | Qingdao               | Investment management                 | 50.00%       | Equity method                      |
| Qingdao Xinshenghui Technology Co., Ltd.*  | Qingdao                     | Qingdao               | Technology service development        | 20.00%       | Equity method                      |
| Meiling Candy Washing Machine Co., Ltd.*   | Hefei                       | Hefei                 | Manufacturing of home appliances      | 40.00%       | Equity method                      |
| Konan Electronic Co., Ltd.   | Japan                       | Japan                 | Motor Manufacturing                   | 50.00%       | Equity method                      |
| HPZ LIMITED  | Nigeria                     | Nigeria               | Manufacturing of household appliances | 25.01%       | Equity method                      |
| HNR Company (Private) Limited  | Pakistan                    | Pakistan              | Manufacturing of household appliances | 31.72%       | Equity method                      |
| Haier Raya Electric S.A.E  | Egypt                       | Egypt                 | Manufacturing of home appliances      | 15.00%       | Equity method                      |
| Controladora Mabe S.A.deC.V.   | Mexico                      | Mexico                | Manufacturing of household appliances | 48.41%       | Equity method                      |
| Middle East Air conditioning Company, Limited  | Saudi Arabia                | Saudi Arabia          | Sales of household appliances         | 49.00 %      | Equity method                      |

**(1). Major financial information of significant joint ventures**

Applicable  Not Applicable

**(2). Major financial information of significant associates**

Applicable  Not Applicable

**① Basic information of significant associates:**

Haier Finance Co., Ltd. (hereinafter referred to as "Finance Company") was established by Haier Group Corporation and its three affiliates via capital contribution. The place of registration and principal place of business of the Finance Company is Yulong International Center, No.178-2 Haier Road, Laoshan District, Qingdao City. The Company's subsidiaries hold an aggregate of 42.00% equity in the Finance Company.

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### ② Financial Information of significant associates:

Unit and Currency: RMB

| Items   | Finance company                                      |   |
|---|--|---|
|   | Closing balance/<br>Amount for the<br>current period | Opening balance/<br>Amount for the<br>previous period |
| Current assets  | 63,774,900,733.81                                    | 61,294,606,916.47                                     |
| Non-current assets  | 10,659,822,054.73                                    | 9,404,030,263.35                                      |
| Total assets  | 74,434,722,788.54                                    | 70,698,637,179.82                                     |
| Current liabilities   | 57,002,029,453.95                                    | 53,403,515,414.15                                     |
| Non-current liabilities   | 250,191,903.78                                       | 369,623,253.07  |
| Total liabilities   | 57,252,221,357.73                                    | 53,773,138,667.22                                     |
| Minority equity interests   |  |   |
| Equity interest attributable to shareholders<br>of the Parent Company         | 17,182,501,430.81                                    | 16,925,498,512.60                                     |
| Including: share of net assets calculated based<br>on shareholding percentage | 7,216,650,600.94                                     | 7,108,709,375.29                                      |
| Operating income  | 1,033,551,173.17                                     | 1,071,931,150.97                                      |
| Net profit  | 758,762,130.10                                       | 790,600,102.99  |
| Other comprehensive income  | 18,240,788.11  | 73,947,771.60   |
| Total comprehensive income  | 777,002,918.21                                       | 864,547,874.59  |
| Dividend received from associates for the year                                | 218,400,000.00                                       | 126,000,000.00  |

### (3). Summarized financial information of insignificant joint ventures or associates

| Investment in Associates   | Closing balance/<br>Amount for the<br>current period | Opening balance/<br>Amount for the<br>previous period |
|--|--|---|
| Bank of Qingdao Co., Ltd.*   | 3,096,420,505.87                                     | 2,654,248,436.12                                      |
| Wolong Electric (Jinan) Motor Co., Ltd.*   | 164,074,989.98                                       | 151,837,378.99  |
| Qingdao Hegang New Material Technology Co., Ltd.*                                  | 323,239,475.07                                       | 312,493,256.21  |
| Qingdao Haier SAIF Smart Home Industry Investment<br>Center (Limited Partnership)* | 375,494,710.38                                       | 393,598,372.59  |
| Mitsubishi Heavy Industries Haier (Qingdao)<br>Air Conditioner Co., Ltd.*          | 735,881,497.34                                       | 682,901,976.73  |
| Qingdao Haier Carrier Refrigeration Equipment<br>Co., Ltd.*                        | 402,090,045.87                                       | 409,053,808.05  |
| Qingdao Haier Multimedia Co., Ltd.*  | 262,473,095.59                                       | 277,102,563.88  |
| Qingdao Haier Moulds Co., Ltd.*  |  | 269,158,534.54  |
| Hefei Feier Smart Technology Co., Ltd.*  |  | 265,106.27  |

\* For identification purposes only

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| <b>Investment in Associates</b>  | <b>Closing balance/<br/>Amount for the<br/>current period</b> | <b>Opening balance/<br/>Amount for the<br/>previous period</b> |
|--|---|--|
| Anhui Kunhe Intelligent Technology Co., Ltd.*  | 1,987,170.02  | 1,877,574.14   |
| Zhejiang Futeng Fluid Technology Co., Ltd.*  | 82,098,847.75   | 82,098,847.75  |
| Beijing Mr. Hi Network Technology Company Limited*   | 7,507,759.75  | 7,507,759.75   |
| Beijing Xiaobei Technology Co., Ltd.*  |   | 2,687,341.82   |
| Beijing ASU Tech Co., Ltd.*  | 13,082,922.89   | 15,529,700.01  |
| Shenzhen Genyuan Environmental Protection<br>Technology Co., Ltd.*   | 7,596,295.35  | 6,914,487.73   |
| Qingdao Haimu Investment Management Co., Ltd.*   | 2,411,436.93  | 2,465,299.70   |
| Qingdao Haimu Smart Home Investment Partnership<br>(Limited Partnership)*                                    | 59,324,411.38   | 59,424,662.44  |
| Guangzhou Heying Investment Partnership<br>(Limited Partnership)*  | 285,793,577.87  | 285,793,577.87   |
| Qingdao Java Cloud Network Technology Co., Ltd.*   | 2,566,012.64  | 2,600,050.50   |
| Bingji (Shanghai) Corporate Management Co., Ltd.*  | 995,419,397.79  | 972,200,487.88   |
| Youjin (Shanghai) Corporate Management Co., Ltd.*  | 1,809,035,268.70  | 1,766,819,068.86   |
| RRS (Shanghai) Investment Co., Ltd.*   | 3,288,336,852.19  | 3,211,580,125.21   |
| Haier Best Water Technology Co., Ltd.*   | 78,352,582.74   | 79,785,557.39  |
| Huizhi Xiangshun Equity Investment Fund (Qingdao)<br>Partnership (Limited Partnership)*                      | 238,806,947.64  | 119,008,967.03   |
| Qingdao RRS Huizhi Investment Co., Ltd.*   | 4,083,482.78  | 2,083,482.78   |
| Qingdao Xinshenghui Technology Co., Ltd.*  | 9,011,761.35  | 9,964,773.52   |
| Meiling Candy Washing Machine Co., Ltd.*   | 22,659,667.84   | 22,752,232.07  |
| Europalters Italia S.r.l.  | 9,361,965.48  | 9,361,965.48   |
| Orygin LLC   | 13,494,211.65   |  |
| Konan Electronic Co., Ltd.   | 61,459,616.87   | 69,273,712.61  |
| HNR Company (Private) Limited  | 124,288,893.92  | 114,055,318.97   |
| HPZ LIMITED  | 80,146,144.74   | 71,269,048.97  |
| Haier Raya Electric S.A.E  | 9,852,153.71  | 10,568,507.40  |
| Controladora Mabe S.A.deC.V.   | 4,443,056,920.20  | 4,131,983,673.10   |
| Middle East Airconditioning Company, Limited   | 8,308,646.84  | 10,318,898.13  |
| Total book value of investment   | 17,017,717,269.12   | 16,218,584,554.49  |
| Total amount of the following financial data of<br>associates calculated based on shareholding<br>percentage |   |  |
| Net profit   | 635,985,295.85  | 610,614,350.57   |
| Other comprehensive income   | 100,213,218.25  | 25,022,215.72  |
| Total comprehensive income   | 736,198,514.10  | 635,636,566.29   |

\* For identification purposes only

### X. SEGMENT REPORT

✓ Applicable  Not Applicable

The Company principally engaged in manufacture and sales of household appliances and relevant services business, manufacture of upstream household appliances parts business and distribution of products of third-party and after-sale business. The Company has three business segments: (1) China smart home business segment; (2) Overseas home appliance and smart home business segment; (3) Other business segments. The management of the Company assesses operating performance of each segment and allocates resources according to the division. Sales between segments were mainly based on market price.

- (1) China smart home business segment consists of:
  - ① Internet of Food solutions: mainly engages in production and sales of refrigerator/freezers and kitchen appliances.
  - ② Internet of Clothing solutions: mainly engages in production and sales of washing machine products.
  - ③ Air energy solutions: mainly engages in production and sales of air conditioners products.
  - ④ Whole house water solutions: mainly engages in production and sales of water home appliances such as water heaters and water purification products.
- (2) Overseas home appliance and smart home business segment mainly includes overseas business segments such as GEA, FPA, Candy, etc.
- (3) Other business segments: mainly include channel, equipment components, small home appliance business and others.

Due to centralized management under the headquarters or exclusion from the assessment scope of segment management, the total assets of segments exclude monetary funds, financial assets held for trading, derivative financial assets, dividends receivable, held-for-sale financial assets, other current assets, other equity instruments investment, long-term accounts receivable, long-term equity investment, goodwill and deferred income tax assets; the total liabilities of segments exclude long-term and short-term borrowings, financial liabilities held for trading, derivative financial liabilities, taxes payable, interests payable, dividends payable, held-for-sale liabilities, bonds payable, deferred income tax liabilities and other non-current liabilities; profits of segments exclude financial expenses, profit or loss in fair value changes, income from investment, and income on disposal of assets, Non-value-added tax refundable upon imposition component of other income, non-operating incomes and expenses and income tax.

(1) Information of reportable segments  
Segment information for the current period

| Segment information          | China smart home business  |                    |                      |                                |                             |
|------------------------------|----------------------------|--------------------|----------------------|--------------------------------|-----------------------------|
|                              | Internet of Food solutions |                    | Air energy solutions | Internet of clothing solutions | Whole house water solutions |
|                              | Refrigerator/ freezers     | Kitchen appliances | Air conditioners     | Washing machine                | Water home appliances       |
|                              |                            |                    |                      |                                |                             |
| Segment revenue              | 21,744,034,195.34          | 1,988,398,642.99   | 19,460,445,551.54    | 14,783,761,779.19              | 6,786,264,746.43            |
| Including: external revenue  | 19,263,438,400.09          | 1,655,732,227.00   | 15,920,771,259.18    | 12,473,357,903.20              | 6,677,037,998.51            |
| Inter-segment revenue        | 2,480,595,795.25           | 332,666,415.99     | 3,539,674,292.36     | 2,310,403,875.99               | 109,226,747.92              |
| Total segment operating cost | 19,442,607,634.74          | 1,943,862,296.11   | 19,004,620,002.77    | 13,489,839,349.11              | 5,938,407,699.27            |
| Segment operating profit     | 2,301,426,560.60           | 44,536,346.88      | 455,825,548.77       | 1,293,922,430.08               | 847,857,047.16              |
| Total segment assets         | 13,947,960,634.62          | 2,336,367,873.37   | 18,574,611,480.04    | 12,119,100,356.71              | 4,696,763,365.04            |
| Total segment liabilities    | 33,573,717,325.74          | 2,007,978,966.42   | 10,793,012,958.08    | 6,106,984,807.46               | 4,328,337,137.59            |

(Continued)

| Segment information          | Overseas home appliance and smart home business | Other businesses  | Inter-segment offsetting | Total              |
|------------------------------|---|-------------------|--------------------------|--------------------|
|                              |   |                   |                          |                    |
| Segment revenue              | 61,480,633,415.58                               | 43,031,566,226.70 | -47,417,582,095.55       | 121,857,522,462.22 |
| Including: external revenue  | 61,195,622,271.60                               | 4,671,562,402.64  | —                        | 121,857,522,462.22 |
| Inter-segment revenue        | 285,011,143.98                                  | 38,360,003,824.06 | -47,417,582,095.55       | —                  |
| Total segment operating cost | 57,846,314,400.88                               | 43,496,297,716.75 | -47,556,586,707.77       | 113,605,362,391.86 |
| Segment operating profit     | 3,634,319,014.70                                | -464,731,490.05   | 139,004,612.22           | 8,252,160,070.36   |
| Total segment assets         | 68,392,051,106.40                               | 44,008,099,650.93 | -48,392,664,583.87       | 115,682,289,883.24 |
| Total segment liabilities    | 38,284,912,733.13                               | 57,501,775,867.52 | -48,204,054,758.87       | 104,392,665,037.07 |

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### Segment information for the corresponding period of last year

| Segment information          | China smart home business  |                    |                      |                                |                             |
|------------------------------|----------------------------|--------------------|----------------------|--------------------------------|-----------------------------|
|                              | Internet of Food solutions |                    | Air energy solutions | Internet of Clothing solutions | Whole house water solutions |
|                              | Refrigerator/ freezers     | Kitchen appliances | Air conditioners     | Washing machine                | Water home appliances       |
|                              |                            |                    |                      |                                |                             |
| Segment revenue              | 19,188,607,407.17          | 1,784,628,763.28   | 17,645,069,189.02    | 12,958,083,453.07              | 5,884,989,693.13            |
| Including: external revenue  | 16,898,259,985.27          | 1,495,140,647.14   | 15,095,177,397.57    | 10,900,998,372.57              | 5,806,336,225.56            |
| Inter-segment revenue        | 2,290,347,421.90           | 289,488,116.14     | 2,549,891,791.45     | 2,057,085,080.50               | 78,653,467.57               |
| Total segment operating cost | 17,158,967,925.84          | 1,746,319,577.28   | 17,416,889,248.90    | 12,111,188,820.80              | 5,157,901,538.45            |
| Segment operating profit     | 2,029,639,481.33           | 38,309,186.00      | 228,179,940.12       | 846,894,632.27                 | 727,088,154.68              |
| Total segment assets         | 17,849,098,835.46          | 2,547,615,110.79   | 17,958,004,697.79    | 20,919,506,189.82              | 8,406,963,618.39            |
| Total segment liabilities    | 42,593,142,081.38          | 2,371,416,306.28   | 15,600,383,361.76    | 11,249,225,999.71              | 7,865,505,122.98            |

(Continued)

| Segment information          | Overseas home appliance and smart home business | Other business    | Inter-segment offsetting | Total              |
|------------------------------|---|-------------------|--------------------------|--------------------|
|                              |   |                   |                          |                    |
| Segment revenue              | 56,916,219,464.44                               | 43,378,230,663.00 | -46,028,072,422.05       | 111,727,756,211.06 |
| Including: external revenue  | 56,669,104,381.43                               | 4,862,739,201.52  |                          | 111,727,756,211.06 |
| Inter-segment revenue        | 247,115,083.01                                  | 38,515,491,461.48 | -46,028,072,422.05       | —                  |
| Total segment operating cost | 53,698,944,763.59                               | 43,451,860,533.69 | -46,125,082,855.89       | 104,616,989,552.66 |
| Segment operating profit     | 3,217,274,700.85                                | -73,629,870.69    | 97,010,433.84            | 7,110,766,658.40   |
| Total segment assets         | 57,368,272,498.73                               | 51,142,515,604.10 | -63,393,417,976.51       | 112,798,558,578.57 |
| Total segment liabilities    | 33,874,070,274.78                               | 59,762,657,521.50 | -63,126,518,841.51       | 110,189,881,826.88 |

### (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          | 59,357,352,517.26             | 53,700,041,129.00              |
| Other countries/regions | 62,500,169,944.96             | 58,027,715,082.06              |
| Including:              |                               |                                |
| America                 | 37,433,676,787.86             | 35,324,883,693.09              |
| Australia               | 3,489,830,122.80              | 3,458,819,500.44               |
| South Asia              | 4,822,648,942.01              | 3,925,925,777.81               |
| Europe                  | 10,245,305,312.81             | 9,093,752,866.83               |
| Southeast Asia          | 2,922,334,445.85              | 2,610,757,476.24               |
| Central East and Africa | 1,163,078,229.45              | 909,684,097.45                 |
| Japan                   | 1,836,927,420.37              | 1,778,184,357.59               |
| Others                  | 586,368,683.81                | 925,707,312.61                 |
| Total                   | 121,857,522,462.22            | 111,727,756,211.06             |

**Total non-current assets**

| Items                   | Closing balance   | Opening balance   |
|-------------------------|-------------------|-------------------|
| Mainland China          | 17,488,703,477.71 | 16,572,158,325.12 |
| Other countries/regions | 27,543,718,828.36 | 25,209,296,729.73 |
| Total                   | 45,032,422,306.07 | 41,781,455,054.85 |

The total non-current assets exclude other equity instruments investment, long-term accounts receivable, long-term equity investment, goodwill, deferred income tax assets and other non-current financial assets.

**XI. DISCLOSURE OF FAIR VALUE****1. Assets and liabilities measured at fair value**

The level to which the fair value measurement result belongs is determined by the lowest level of inputs which are significant to the fair value measurement as a whole:

Level 1: Unadjusted quotes for the same asset or liability in an active market

Level 2: Inputs that are directly or indirectly observable for related assets or liabilities, except for Level 1 inputs.

Level 3: Unobservable inputs of related assets or liabilities.

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At the end of the period

| Items   | Inputs used for fair value measurement |                                      |  | Total            |
|---|--|--------------------------------------|--|------------------|
|   | Quotes in an active market (Level 1)   | Important observable input (Level 2) | Important unobservable input (Level 3) |                  |
| <b>Continuously measured at fair value</b>  |  |                                      |  |                  |
| <b>Financial assets held for trading</b>  | 158,003,403.16                         | 2,295,919,159.41                     | 106,249,514.01                         | 2,560,172,076.58 |
| Including: Bank wealth management products  |  | 2,153,399,840.01                     |  | 2,153,399,840.01 |
| Forward foreign exchange contract   |  | 142,519,319.40                       |  | 142,519,319.40   |
| Investment funds  | 158,003,403.16                         |                                      |  | 158,003,403.16   |
| Equity instruments investment   |  |                                      | 106,249,514.01                         | 106,249,514.01   |
| <b>Derivative financial assets</b>  |  | 163,084,726.42                       |  | 163,084,726.42   |
| Including: Forward foreign exchange contract  |  | 151,624,141.73                       |  | 151,624,141.73   |
| Interest rate swap agreement  |  | 11,460,584.69                        |  | 11,460,584.69    |
| <b>Other equity instruments</b>   | 21,244,171.82                          | 2,812,000,000.00                     | 2,019,201,041.09                       | 4,852,445,212.91 |
| Including: Equity instruments measured at fair value through other comprehensive income | 21,244,171.82                          | 2,812,000,000.00                     | 2,019,201,041.09                       | 4,852,445,212.91 |
| <b>Other non-current assets</b>   |  |                                      | 46,832,494.61                          | 46,832,494.61    |
| Including: Other non-current financial assets   |  |                                      | 46,832,494.61                          | 46,832,494.61    |
| <b>Financial liabilities held for trading</b>   |  | 79,270,648.00                        |  | 79,270,648.00    |
| Including: Forward foreign exchange contract  |  | 79,270,648.00                        |  | 79,270,648.00    |
| <b>Derivative financial liabilities</b>   |  | 77,066,966.55                        |  | 77,066,966.55    |
| Including: Forward foreign exchange contract  |  | 50,925,674.51                        |  | 50,925,674.51    |
| Forward commodity contract  |  | 24,918,179.06                        |  | 24,918,179.06    |
| Interest rate swap agreement  |  | 1,223,112.98                         |  | 1,223,112.98     |

## At the beginning of the period

| Items  | Input used for fair value measurement |                                      |  | Total            |
|--|---------------------------------------|--------------------------------------|--|------------------|
|  | Quotes in an active market (Level 1)  | Important observable input (Level 2) | Important unobservable input (Level 3) |                  |
| <b>Continuously measured at fair value</b>   |                                       |                                      |  |                  |
| <b>Financial assets held for trading</b>   | 374,782,417.76                        | 2,305,001,643.90                     | 106,291,467.43                         | 2,786,075,529.09 |
| Including: Bank wealth management products   |                                       | 2,168,622,090.00                     |  | 2,168,622,090.00 |
| Forward foreign exchange contract  |                                       | 136,379,553.90                       |  | 136,379,553.90   |
| Investment funds   | 150,516,274.37                        |                                      |  | 150,516,274.37   |
| Investment in equity instruments   | 224,266,143.39                        |                                      | 106,291,467.43                         | 330,557,610.82   |
| <b>Derivative financial assets</b>   |                                       | 79,819,974.01                        |  | 79,819,974.01    |
| Including: Forward foreign exchange contract   |                                       | 72,822,190.59                        |  | 72,822,190.59    |
| Forward commodity contract   |                                       | 6,997,783.42                         |  | 6,997,783.42     |
| <b>Other equity instruments</b>  | 21,055,159.54                         | 2,812,000,000.00                     | 2,015,654,279.42                       | 4,848,709,438.96 |
| Including: Equity instruments measured at fair value and changes of which included in other comprehensive income | 21,055,159.54                         | 2,812,000,000.00                     | 2,015,654,279.42                       | 4,848,709,438.96 |
| <b>Other non-current assets</b>  |                                       |                                      | 46,832,494.61                          | 46,832,494.61    |
| Including: Other non-current financial assets  |                                       |                                      | 46,832,494.61                          | 46,832,494.61    |
| <b>Financial liabilities held for trading</b>  |                                       | 6,294,014.40                         |  | 6,294,014.40     |
| Including: Forward foreign exchange contract   |                                       | 6,294,014.40                         |  | 6,294,014.40     |
| <b>Derivative financial liabilities</b>  |                                       | 80,212,433.24                        |  | 80,212,433.24    |
| Including: Forward foreign exchange contract   |                                       | 60,527,532.76                        |  | 60,527,532.76    |
| Interest rate swap agreement   |                                       | 19,684,900.48                        |  | 19,684,900.48    |

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.

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### 2. Continual and non-continual Level 2 fair value measurement items, the valuation techniques adopted and the qualitative and quantitative information of important parameters

√ Applicable □ Not Applicable

| Items  | Closing<br>fair value | Valuation techniques      |
|--|-----------------------|---------------------------|
| <b>Financial assets held for trading</b>   |                       |                           |
| Including: Bank wealth management products   | 2,153,399,840.01      | Discounted cash flow      |
| Forward exchange contract  | 142,519,319.40        | Discounted cash flow      |
| <b>Derivative financial assets</b>   |                       |                           |
| Including: Forward exchange contract   | 151,624,141.73        | Discounted cash flow      |
| Interest rate swap agreement   | 11,460,584.69         | Discounted cash flow      |
| <b>Other equity instruments investment</b>   |                       |                           |
| Including: Equity instruments measured at fair value and changes of which included in other comprehensive income | 2,812,000,000.00      | Recent transaction method |
| <b>Financial liabilities held for trading</b>  |                       |                           |
| Including: Forward exchange contract   | 79,270,648.00         | Discounted cash flow      |
| <b>Derivative financial liabilities</b>  |                       |                           |
| Including: Forward exchange contract   | 50,925,674.51         | Discounted cash flow      |
| Forward commodity contract   | 24,918,179.06         | Discounted cash flow      |
| Interest rate swap agreement   | 1,223,112.98          | Discounted cash flow      |

### 3. Continual and non-continual Level 3 fair value measurement items, the valuation techniques adopted and the qualitative and quantitative information of important parameters

✓ Applicable  Not Applicable

| Items   | Fair value at the end of the period | Valuation technique | Significant unobservable input        | Range          | Sensitivity of the input to fair value   |
|---|-------------------------------------|---------------------|---------------------------------------|----------------|--|
| Other equity Instruments                      |                                     |                     |                                       |                |  |
| Including:                                    | 1,285,836,952.03                    | Market approach     | 1. Average P/E multiple of peers      | 1. 17.77–18.13 | 1. 1% increase (decrease) in average P/E multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB11,177,000.00. |
| 1. SINOPEC Fuel Oil Sales Corporation Limited |                                     |                     | 2. Discount for lack of marketability | 2. 11%–13%     | 2. 1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by RMB12,701,000.00.                        |

### 4. Fair value of financial assets and financial liabilities not measured at fair value

✓ Applicable  Not Applicable

| Items                                       | Closing book value | Closing fair value |
|---|--------------------|--------------------|
| Bonds payable (convertible corporate bonds) | 244,655,820.72     | 355,949,322.87     |

Financial assets and financial liabilities not measured at fair value include: monetary funds, bills receivable, accounts receivable, other receivables, other current assets, long-term and short-term borrowings, bills payable, accounts payable, other payables, long-term payables, bonds payable, etc. Except for the difference between the book value and the fair value of bonds payable disclosed above, the difference between the book value and the fair value of financial assets and financial liabilities not measured at fair value at the end of the period is small.

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (I) Explanation for basis of identifying related party

According to Accounting Standards for Business Enterprises No. 36 — Related Party Disclosures, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party. Parties (two or more than two) are also considered to be related if they are subject to common control, joint control or significant influence from another party.

According to Management Practices for Information Disclosure of Listed Company (China Securities Regulatory Commission Order No. 182), related legal entity or individual will be identified as related parties in certain occasions.

### (II) Relationships between related parties

#### 1. Information about the parent company and other companies holding shares of the Company

| Name of enterprise  | Type of enterprise             | Registered place                  | Registered capital | Legal representative | Relationships with the Company              | Interest in the Company | Voting rights to the Company |
|---|--------------------------------|-----------------------------------|--------------------|----------------------|---|-------------------------|------------------------------|
| Haier Group Corporation   | Collective ownership company   | Qingdao High-tech Zone Haier Park | 311,180,000        | Zhou Yunjie          | Parent Company                              | 11.35%                  | 11.35%                       |
| Haier COSMO Co., Ltd.   | Joint-stock company            | Qingdao High-tech Zone Haier Park | 631,930,000        | Zhou Yunjie          | Subsidiary of Parent Company                | 13.32%                  | 13.32%                       |
| HCH (HK) Investment Management Co., Limited                                 | Private company                | Hong Kong                         | HKD 10,000         | /                    | Parties acting in concert of Parent Company | 5.70%                   | 5.70%                        |
| Qingdao Haier Venture & Investment Information Co., Ltd.                    | Company with limited liability | Qingdao Free Trade Zone           | 923,000,000        | Zhou Yunjie          | Parties acting in concert of Parent Company | 1.82%                   | 1.82%                        |
| Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) | Limited partnership            | Qingdao High-tech Zone Haier Park | 118,924,416        | Zhang Ruimin         | Parties acting in concert of Parent Company | 1.28%                   | 1.28%                        |
| Haier International Co., Limited  | Private company                | Hong Kong                         | HKD 2              | /                    | Parties acting in concert of Parent Company | 0.62%                   | 0.62%                        |

#### 2. Subsidiaries of the Company

Applicable  Not Applicable

The details of the subsidiaries of the Company are detailed in Note IX. 1 the disclosure of interests in subsidiaries

### 3. Associates and joint ventures

The details of associates and joint ventures of the Company are detailed in Note VII. 11 and Note IX. 3.

### 4. Related company with no controlling relationship

| Name of company                                       | Relationship with the Company           |
|---|---|
| Qingdao Haier Parts Procurement Co., Ltd.             | Subsidiary of Haier Group               |
| Gooday Supply Chain Technologies Co., Ltd.            | Subsidiary of Haier Group               |
| Chongqing Haier Electrical Appliances Sales Co., Ltd. | Subsidiary of Haier Group               |
| Shanghai Cotai Supply Chain Management Co., Ltd.      | Subsidiary of Haier Group               |
| Hotoem Information Technology                         | Subsidiary of Haier Group               |
| Cosmoplat Chuangzhi IOT Technology Co., Ltd.          | Subsidiary of Haier Group               |
| Qingdao Haier Moulds Co., Ltd.                        | Subsidiary of Haier Group               |
| Qingdao Haier International Trading Co., Ltd.         | Subsidiary of Haier Group               |
| Qingdao Haier Special Plastic Development Co., Ltd.   | Subsidiary of Haier Group               |
| Qingdao Haier International Travel Agency Co., Ltd.   | Subsidiary of Haier Group               |
| Qingdao Haina Cloud Intelligent System Co., Ltd.      | Subsidiary of Haier Group               |
| Chongqing Haier Smart Electronics Co., Ltd.           | Subsidiary of Haier Group               |
| Chongqing Zhonglian Energy Technology Co., Ltd.       | Subsidiary of Haier Group               |
| Shanghai Zhiyu Technology Co., Ltd.                   | Subsidiary of Haier Group               |
| Qingdao Haiyongda Property Management Co., Ltd.       | Subsidiary of Haier Group               |
| Qingdao Oasis Technology Co., Ltd.                    | Subsidiary of Haier Group               |
| Qingdao Haier Energy and Power Co., Ltd.              | Subsidiary of Haier Group               |
| Dalian Haier International Trade Co., Ltd.            | Subsidiary of Haier Group               |
| Qingdao Goodaymart Supply Chains Co., Ltd.            | Subsidiary of Haier Group               |
| Qingdao Haier Brothers Animation Industry Co., Ltd.   | Subsidiary of Haier Group               |
| Qingdao Manniq Intelligent Technology Co., Ltd.       | Subsidiary of Haier Group               |
| Qingdao Manniq Intelligent Equipment Co., Ltd.        | Subsidiary of Haier Group               |
| Qingdao Ding Xin Electronics Technology Co., Ltd.     | Subsidiary of Haier Group               |
| Qingdao Haier New Materials R & D Co., Ltd.           | Subsidiary and associate of Haier Group |
| Controladora Mabe S.A.deC.V.                          | Associate                               |
| HNR Company (Private) Limited                         | Associate                               |

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| Name of company                                  | Relationship with the Company |
|--|-------------------------------|
| Qingdao Haier Multimedia Co., Ltd.               | Associate                     |
| HPZ Limited                                      | Associate                     |
| Wolong Electric (Jinan) Motor Co., Ltd.          | Associate                     |
| Qingdao Hegang New Material Technology Co., Ltd. | Associate                     |
| Hefei Hegang New Material Technology Co., Ltd.   | Subsidiary of associate       |
| Qingdao HBIS Composite New Material Co., Ltd.    | Subsidiary of associate       |

### (III) Related party transactions

1. Details of the goods and services purchased by the Company from the related parties are as follows:

| Related parties                                       | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Controladora Mabe S.A.deC.V.                          | 5,992,396,585.28              | 5,919,857,050.59               |
| Qingdao Haier Parts Procurement Co., Ltd.             | 3,437,294,477.05              | 243,004,611.97                 |
| Gooday Supply Chain Technologies Co., Ltd.            | 2,566,807,694.51              | 1,795,893,473.89               |
| HNR Company (Private) Limited                         | 2,225,964,262.84              | 1,753,260,194.66               |
| Chongqing Haier Electrical Appliances Sales Co., Ltd. | 1,428,396,771.15              | 1,735,448,645.80               |
| Shanghai Cotai Supply Chain Management Co., Ltd.      | 760,063,618.26                | 837,090,677.39                 |
| Hotoem Information Technology                         | 323,614,793.49                | 15,780,675.02                  |
| Cosmoplat Chuangzhi IOT Technology Co., Ltd.          | 306,393,628.09                | 1,007,738,751.14               |
| Qingdao Haier Moulds Co., Ltd.                        | 264,629,834.22                | 283,420,737.56                 |
| Wolong Electric (Jinan) Motor Co., Ltd.               | 218,455,947.50                | 494,269,324.67                 |
| Qingdao HBIS Composite New Material Co., Ltd.         | 155,274,371.48                | 392,032,148.49                 |
| Qingdao Ding Xin Electronics Technology Co., Ltd.     | 125,203,847.62                | 429,570,435.77                 |
| Chongqing Haier Intelligent Electronics Co., Ltd.     | 119,484,178.14                | 493,639,084.84                 |
| Hefei Hegang New Material Technology Co., Ltd.        | 117,399,517.14                | 474,928,583.73                 |
| Qingdao Haier Special Plastic Development Co., Ltd.   | 66,199,048.27                 | 217,734,562.12                 |
| Other related parties                                 | 1,868,504,632.15              | 2,534,023,594.60               |
| Total   | 19,976,083,207.19             | 18,627,692,552.24              |

## 2. Details of the Company's sales of goods to the related parties are as follows:

| Related parties  | Amount for the<br>current period | Amount for the<br>previous period |
|--|----------------------------------|-----------------------------------|
| Controladora Mabe S.A.deC.V.                           | 540,669,324.96                   | 468,040,995.25                    |
| HNR Company (Private) Limited                          | 371,766,028.14                   | 314,817,192.25                    |
| Qingdao Haier Special Plastic Development<br>Co., Ltd. | 273,537,316.50                   | 324,988,575.86                    |
| Qingdao Haier International Trading Co., Ltd.          | 231,644,878.27                   | 312,037,256.25                    |
| Qingdao Haier International Travel Agency<br>Co., Ltd. | 118,333,617.35                   | 105,505,398.38                    |
| Qingdao Haier Multimedia Co., Ltd.                     | 62,200,352.87                    | 25,743,020.75                     |
| HPZ Limited  | 46,402,303.46                    | 85,694,941.35                     |
| Other related parties                                  | 383,482,730.84                   | 451,160,486.74                    |
| <b>Total</b>   | <b>2,028,036,552.39</b>          | <b>2,087,987,866.83</b>           |

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### 3. Amount for outstanding items of related parties

| Items and name of customers                         | Closing Balance | Opening Balance |
|---|-----------------|-----------------|
| <b>Bills receivable:</b>                            |                 |                 |
| Qingdao Haier Special Plastic Development Co., Ltd. | 35,258,514.73   |                 |
| Qingdao Haina Cloud Intelligent System Co., Ltd.    | 18,392,400.67   | 21,511,057.07   |
| Chongqing Haier Smart Electronics Co., Ltd.         | 10,693,195.91   | 2,528,394.74    |
| Qingdao Haier Moulds Co., Ltd.                      | 6,220,430.00    | 600,000.00      |
| Cosmoplat Chuangzhi IOT Technology Co., Ltd.        | 5,710,000.00    | 13,520,000.00   |
| Other related parties                               | 18,803,440.35   | 20,326,664.87   |
| <b>Accounts receivable:</b>                         |                 |                 |
| HNR Company (Private) Limited                       | 692,724,378.50  | 588,605,242.72  |
| Qingdao Haier International Travel Agency Co., Ltd. | 87,754,866.94   | 99,648,729.88   |
| Qingdao Haier Special Plastic Development Co., Ltd. | 59,912,071.24   | 39,101,648.72   |
| HPZ Limited   | 59,823,027.70   | —               |
| Controladora Mabe S.A.deC.V.                        | 56,877,475.23   | 123,524,843.42  |
| Chongqing Zhonglian Energy Technology Co., Ltd.     | 51,648,147.74   | 45,405,801.21   |
| Qingdao Haier International Trading Co., Ltd.       | 51,507,251.38   | 34,295,519.63   |
| Shanghai Zhiyu Technology Co., Ltd.                 | 43,917,268.67   | 43,349,588.61   |
| Qingdao Haina Cloud Intelligent System Co., Ltd.    | 31,656,497.71   | 31,824,063.09   |
| Other related parties                               | 198,063,150.61  | 223,239,739.94  |
| <b>Prepayments:</b>                                 |                 |                 |
| Qingdao Haier International Travel Agency Co., Ltd. | 23,158,794.37   | 23,936,807.36   |
| Qingdao Haiyongda Property Management Co., Ltd.     | 16,886,792.00   | 17,069,128.00   |
| Qingdao Oasis Technology Co., Ltd.                  | 15,085,363.44   | —               |
| Qingdao Haier Moulds Co., Ltd.                      | 13,664,084.98   | 7,287,661.33    |
| Other related parties                               | 27,520,134.41   | 152,967,725.88  |
| <b>Other receivables:</b>                           |                 |                 |
| Controladora Mabe S.A.deC.V.                        | 23,141,410.56   | 16,260,655.41   |
| Gooday Supply Chain Technologies Co., Ltd.          | 19,979,917.89   | 27,180,000.00   |
| Qingdao Haier International Trading Co., Ltd.       | 16,291,509.07   | 16,601,596.21   |
| Qingdao Haier Energy and Power Co., Ltd.            | 15,515,825.00   | 15,315,825.00   |
| Other related parties                               | 65,933,332.86   | 71,877,028.63   |
| <hr/>   |                 |                 |
| Items and name of suppliers                         | Closing Balance | Opening Balance |
| <b>Bills payable:</b>                               |                 |                 |
| Qingdao Haier New Materials R & D Co., Ltd.         | 304,428,684.81  | 90,348,253.59   |
| Wolong Electric (Jinan) Motor Co., Ltd.             | 44,870,947.00   | 4,127,872.00    |
| Other related parties                               | 57,995,232.71   | 50,019,985.82   |

| Items and name of customers                           | Closing<br>Balance | Opening<br>Balance |
|---|--------------------|--------------------|
| <b>Accounts payable:</b>                              |                    |                    |
| Controladora Mabe S.A.deC.V.                          | 1,437,362,278.03   | 941,545,815.41     |
| Qingdao Haier Parts Procurement Co., Ltd.             | 1,270,602,288.35   | 1,985,902,077.10   |
| Qingdao Haier International Trading Co., Ltd.         | 198,134,907.93     | 106,344,044.12     |
| Dalian Haier International Trade Co., Ltd.            | 146,623,099.52     | 175,739,251.85     |
| Chongqing Haier Electrical Appliances Sales Co., Ltd. | 126,873,182.47     | 332,415,203.41     |
| Qingdao Haier New Materials R & D Co., Ltd.           | 117,832,792.95     | 21,654,400.63      |
| Qingdao Haier Moulds Co., Ltd.                        | 79,707,945.36      | 136,685,798.49     |
| Cosmoplat Chuangzhi IOT Technology Co., Ltd.          | 49,049,546.13      | 268,605,818.56     |
| Wolong Electric (Jinan) Motor Co., Ltd.               | 47,439,179.69      | 117,800,983.85     |
| Qingdao HBIS Composite New Material Co., Ltd.         | 44,967,206.10      | 161,242,782.98     |
| Qingdao Hegang New Material Technology Co., Ltd.      | 30,430,316.84      | 72,015,400.20      |
| Other related parties                                 | 71,230,012.81      | 1,223,019,630.13   |
| <b>Contract liabilities:</b>                          |                    |                    |
| Wolong Electric (Jinan) Motor Co., Ltd.               | 15,133,132.31      | 21,373,101.27      |
| Qingdao Haier Parts Procurement Co., Ltd.             | 7,939,821.15       | 91,082,063.05      |
| Chongqing Haier Electrical Appliances Sales Co., Ltd. | 4,897,848.16       | 779,853.29         |
| Other related parties                                 | 13,395,732.42      | 41,359,339.35      |
| <b>Dividends payable:</b>                             |                    |                    |
| Haier COSMO Co., Ltd.                                 | 580,706,830.40     |                    |
| Haier Group Corporation                               | 494,859,702.08     |                    |
| HCH (HK) Investment Management Co., Limited           | 248,470,041.60     |                    |
| Other related parties                                 | 161,942,052.03     |                    |
| <b>Other payables:</b>                                |                    |                    |
| Gooday Supply Chain Technologies Co., Ltd.            | 1,013,756,001.98   | 687,378,382.22     |
| Shanghai Cotai Supply Chain Management Co., Ltd.      | 317,902,528.95     | 154,351,301.35     |
| Qingdao Goodaymart Supply Chains Co., Ltd.            | 69,476,766.47      | 72,545,343.35      |
| Qingdao Haier Brothers Animation Industry Co., Ltd.   | 40,538,987.00      | —                  |
| Qingdao Manniq Intelligent Technology Co., Ltd.       | 32,559,033.02      | —                  |
| Qingdao Haier Moulds Co., Ltd.                        | 29,846,291.87      | 21,298,170.87      |
| Qingdao Manniq Intelligent Equipment Co., Ltd.        | 26,540,689.73      | 18,114,339.24      |
| Qingdao Haier International Travel Agency Co., Ltd.   | 22,412,379.87      | 16,372,400.80      |
| Dalian Haier International Trade Co., Ltd.            | 21,800,000.00      | 21,800,000.00      |
| Other related parties                                 | 120,035,044.34     | 184,728,610.07     |

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### 4. Other related party transactions

- (1) On 29 April 2021, Haier Group Corporation and Haier Group Finance Co., Ltd. (hereafter, the “Finance Company”) renewed the Financial Services Framework Agreement, and the “Resolution on the Renewal of the Financial Services Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation and the Estimated Amount of Connected Transaction” was considered and passed at the 2020 Annual General Meeting held on 25 June 2021. The Financial Services Framework Agreement became effective from the passing of the resolution at the general meeting.

Various current balances of the Company and the Finance Company are as follows:

| Items   | Closing Balance   | Opening Balance   |
|---|-------------------|-------------------|
| Monetary funds deposited at the Finance Company     | 31,997,084,109.69 | 28,744,602,432.65 |
| Interest receivable from the Finance Company        | 359,448,232.39    | 260,262,550.46    |
| Loans of the Finance Company                        | 282,673,529.00    | 336,507,659.12    |
| Interest payable to the Finance Company             | 3,921,345.84      | 1,813,534.66      |
| Bank acceptance note issued                         | 23,758,244,622.90 | 21,697,666,574.19 |
| Foreign exchange derivatives of the Finance Company | 111,771,387.14    | 1,577,848.15      |

Various balances of the Company and the Finance Company are as follows:

| Items                                   | Amount for the current period | Amount for the previous period |
|---|-------------------------------|--------------------------------|
| Interest income of the Finance Company  | 260,517,401.68                | 131,478,780.14                 |
| Interest expense of the Finance Company | 4,004,749.21                  | 6,396,052.75                   |
| Service fee of the Finance Company      | 13,688,276.03                 | 11,729,401.16                  |

- (2) The lease expense of the Company and its subsidiaries for production and operation leased from related parties for the current period was RMB60 million (amount for the corresponding period: RMB60 million).
- (3) Related information on the guarantor of the Company’s guaranteed borrowings as a related party at the end of period:

| Lender                           | Closing Balance | Opening Balance | Guarantor               |
|----------------------------------|-----------------|-----------------|-------------------------|
| Haier Russian Electric Co., Ltd. | 282,673,529.00  | 304,896,830.40  | Haier Group Corporation |
| Total                            | 282,673,529.00  | 304,896,830.40  |                         |

- (4) Haier Group Corporation provided joint liability guarantee for certain bills payable of the subsidiaries of the Company with the guaranteed amount of RMB1,805,486,348.06 at the end of the period.

### (IV) Pricing policy

#### 1. Related party sales

Some related parties purchase components through the independent procurement platform of the Company, purchase electrical appliances for sales from the Company, and receive after-sales services, R&D service, housing rental and other business provided by the company due to their business needs. In November 2020, according to the implementation of connected transactions in the early stage and the relevant listing requirements in Hong Kong, the Company and Haier Group Corporation revised and signed the Product and Materials Sales Framework Agreement, the Service Provision Framework Agreement and the Property Leasing Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included that both parties should agree on the price which is not less favourable than those provided by the Company to the Independent Third Parties on arm's length to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement commenced from the listing date to 31 December 2022, which can be renewed for another three years upon expire.

#### 2. Related parties Procurement

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements of part of raw materials. Moreover, the Company entrusted Haier Group Corporation and its subsidiaries to provide the Company with logistics and distribution, energy and power, basic research and testing, equipment leasing, house leasing and maintenance, greening and cleaning, gift procurement, design, consulting, various ticket booking and other services. In November 2020, according to the implementation of connected transactions in the early stage and the relevant listing requirements in Hong Kong, the Company and Haier Group Corporation revised and signed the Product and Materials Sales Framework Agreement, the Service Provision Framework Agreement and the Property Leasing Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included that both parties should agree on the price which is not less favourable than those provided by the Company to the Independent Third Parties on arm's length to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement commenced from the listing date to 31 December 2022, which can be renewed for another three years upon expire.

### 3. Financial aspect

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation, its subsidiaries and other companies. According to the Financial Service Agreement entered among the Company, Haier Group Corporation and other parties, the price of financial services is determined by the principle of not less favourable than market value fair. The Company is entitled to decide whether to keep cooperation relationship with them with the knowledge of the price prevailing in the market and in combination with its own interests. While performing the agreement, the Company could also require other financial service institutions to provide related financial services basing on actual situation. In order to meet the Company's demands such as the avoidance of foreign exchange fluctuation risk, the Company may choose Haier Group Finance Co., Ltd. to provide some foreign exchange derivative business after comparing with comparable companies. The Company will uphold the safe and sound, appropriate and reasonable principle, under which all foreign exchange capital business shall have a normal and reasonable business background to eliminate speculative operation. At the same time, the Company has specified the examination and permission rights, management positions and responsibilities at all levels for its foreign exchange capital business to eradicate the risks of operation by persons and improved its response speed to risks on the premise that the risks are effectively controlled. In June 2021, the Company and Haier Group Corporation signed the Financial Services Framework Agreement on the basis of the original execution contract, which agreed on the financial connected transactions. The pricing principle included the deposit interest rate not lower than the maximum interest rate of major banks listed and the loan interest rate not less favourable than the market price to ensure the fairness and reasonableness of connected transactions. The valid term of the agreement expires at 31 December 2023, which can be renewed for another three years upon expire.

### 4. Others

The Company signed the Intellectual Property Licensing Framework Agreement with Haier Group Corporation in November 2020. According to the agreement, Haier Group has agreed to grant or procure its subsidiaries and contact persons to grant the license to the Company at nil consideration to use all its intellectual property rights, including but not limited to trademarks, patents, copyrights and logos for the products, packaging, services and business introduction documents of the Company. The date of the Intellectual Property Licensing Framework Agreement shall be permanently effective from the H Share listing date. When such specific intellectual property rights expire and are not renewed by Haier Group, our right to use certain intellectual property rights under the Intellectual Property Licensing Framework Agreement will terminate.

### XIII. SHARE-BASED PAYMENTS

#### (1) Share Options

According to the “Resolution on Adjustment to the 2022 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.” and the “Resolution on the Grant of Share Option to the Incentive Target of Haier Smart Home Co., Ltd.” passed on the 1st meeting of the 11th session of the Board of Directors of the Company on 28 June 2022, it was agreed that on the date of the grant on 28 June 2022, 104,756,896 share options would be granted to 1,834 qualifying incentive targets at the exercise price of RMB23.86 per Share.

| Share Options                  | Number for the<br>current period | Number for the<br>previous period |
|--------------------------------|----------------------------------|-----------------------------------|
| At the beginning of the period | 50,525,214.00                    |                                   |
| Granted during the period      | 104,756,896.00                   | 50,525,214.00                     |
| Vested during the period       |                                  |                                   |
| Lapsed during the period       |                                  |                                   |
| At the end of the period       | 155,282,110.00                   | 50,525,214.00                     |

#### (2) Restricted Shares

| Number of restricted shares    | Number for the<br>current period | Number for the<br>previous period |
|--------------------------------|----------------------------------|-----------------------------------|
| At the beginning of the period | 4,438,027.00                     |                                   |
| Granted during the period      |                                  | 4,438,027.00                      |
| Vested during the period       |                                  |                                   |
| Lapsed during the period       |                                  |                                   |
| At the end of the period       | 4,438,027.00                     | 4,438,027.00                      |

#### (3) Method of determining the fair value of equity instrument on the date of grant:

The Company has adopted the B-S model to determine the fair value of the share options.

The B-S model is subject to six variables: current price of the target share (S), exercise price of the option (K), risk-free rate (r), valid term of the option (t), expected volatility of the share price ( $\sigma$ ), and the dividend rate of the target share (i).

Parameters selected for the calculation of the value of the option of the Company are as follows:

- ① share price (S): RMB27.01 per share (closing price on the date of grant on 28 June 2022).
- ② exercise price (K): RMB23.86 per share.

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- ③ risk-free rate (r): according to the maturity yield rate of the China Government Bonds from Bloomberg's system, the risk-free rate for one year was 1.997%; 2.358% for two years; 2.452% for three years; 2.561% for four years; and 2.67% for five years, where the risk-free rate for the fourth year was calculated as the arithmetic average of the risk-free rate of the third and fifth year.
- ④ lifetime of the option (t): 1 year, 2 years, 3 years and 4 years, respectively (from the date of grant to the deadline of the first exercisable date of each tranche).
- ⑤ historical volatility rate ( $\sigma$ ): 0.3677 (1 year); 0.4016 (2 years); 0.3783 (3 years); 0.3795 (4 years). The interval adopted for the calculation of historical volatility was the continuous closing price of the Company in the preceding four years. At the same time, the historical volatility for the preceding 1, 2, 3, and 4 years was calculated, respectively based on the differences in waiting period.
- ⑥ yield rate (i) 1.7031% based on the yield rate shown in Bloomberg's system on the valuation date (28 June 2022), dividing the dividend per share by the closing price on the date of grant. According to the calculation under the above pricing model, the theoretical aggregate value of the 10,475.6896 share options granted under this incentive plan of the Company amounted to RMB777,000,000.

- (4) Based on the latest available subsequent information, such as change in number of vesting employee, result condition of the Company and evaluation of personal performance appraisal of incentive targets, the Company makes the best estimation of the number of vesting equity instruments, based on which, the Company includes services received for the current period in relevant costs of expenses in accordance with the fair value of the equity instrument on the date of grant, and accordingly included in the capital reserve.

Expense recognized in respect of the share-based payment incentive plan for the period: RMB251,000,000 for the stock ownership plan; RMB73,000,000 for the share options; and HKD10,000,000 for the restricted shares.

On 30 June 2022, balance associated with the above share-based payment incentive plans provided in the capital reserve amounted to RMB594,000,000.

### XIV. CONTINGENCIES

Applicable  Not Applicable

As of 29 August 2022, the Company has no significant contingencies that need to be disclosed.

### XV. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Applicable  Not Applicable

As of 29 August 2022, the Company has no significant events subsequent to the balance sheet date that need to be disclosed.

## XVI. RISKS RELATED TO FINANCIAL INSTRUMENTS

✓ Applicable  Not Applicable

The book value of various financial instruments on the balance sheet date is as follows:

## Financial assets

| Items                             | Closing balance  |   | Total             |
|-----------------------------------|--|---|-------------------|
|                                   | Financial assets measured at fair value and changes of which included in current profit and loss | Financial assets measured at fair value and changes of which included in other comprehensive income |                   |
| Monetary funds                    |  | 50,316,121,259.28   | 50,316,121,259.28 |
| Financial assets held for trading | 2,560,172,076.58   |   | 2,560,172,076.58  |
| Derivative financial assets       |  | 163,084,726.42  | 163,084,726.42    |
| Bills receivable                  |  | 8,417,636,171.41  | 8,417,636,171.41  |
| Accounts receivable               |  | 17,920,101,868.72   | 17,920,101,868.72 |
| Other receivables                 |  | 2,156,760,190.99  | 2,156,760,190.99  |
| Other current assets              |  | 1,551,745,385.00  | 1,551,745,385.00  |
| Long-term receivables             |  | 306,402,281.56  | 306,402,281.56    |
| Other equity instruments          |  | 4,852,445,212.91  | 4,852,445,212.91  |
| Other non-current assets          | 46,832,494.61  |   | 46,832,494.61     |

## Financial assets (Continued)

| Items                             | Opening balance  |   | Total             |
|-----------------------------------|--|---|-------------------|
|                                   | Financial assets measured at fair value and changes of which included in current profit and loss | Financial assets measured at fair value and changes of which included in other comprehensive income |                   |
| Monetary funds                    |  | 45,971,035,763.51   | 45,971,035,763.51 |
| Financial assets held for trading | 2,786,075,529.09   |   | 2,786,075,529.09  |
| Derivative financial assets       |  | 79,819,974.01   | 79,819,974.01     |
| Bills receivable                  |  | 13,354,791,068.29   | 13,354,791,068.29 |
| Accounts receivable               |  | 14,642,659,450.22   | 14,642,659,450.22 |
| Other receivables                 |  | 1,956,721,621.66  | 1,956,721,621.66  |
| Other current assets              |  | 316,590,333.42  | 316,590,333.42    |
| Long-term receivables             |  | 308,998,755.30  | 308,998,755.30    |
| Other equity instruments          |  | 4,848,709,438.96  | 4,848,709,438.96  |
| Other non-current assets          | 46,832,494.61  |   | 46,832,494.61     |

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### Financial liabilities

| Items                                       | Closing balance                              |  | Total             |
|---|--|--|-------------------|
|   | Financial liabilities measured at fair value | Financial liabilities measured at amortized cost |                   |
| Short-term borrowings                       |  | 13,159,569,303.47                                | 13,159,569,303.47 |
| Financial liabilities held for trading      | 79,270,648.00                                |  | 79,270,648.00     |
| Derivative financial liabilities            | 77,066,966.55                                |  | 77,066,966.55     |
| Bills payable                               |  | 27,955,088,267.08                                | 27,955,088,267.08 |
| Accounts payable                            |  | 38,977,127,139.49                                | 38,977,127,139.49 |
| Other payables                              |  | 22,391,504,810.19                                | 22,391,504,810.19 |
| Non-current liabilities due within one year |  | 9,566,319,746.23                                 | 9,566,319,746.23  |
| Long-term borrowings                        |  | 2,119,243,998.96                                 | 2,119,243,998.96  |
| Long-term payables                          |  | 49,353,671.92                                    | 49,353,671.92     |

### Financial liabilities (Continued)

| Items                                       | Opening balance                              |  | Total             |
|---|--|--|-------------------|
|   | Financial liabilities measured at fair value | Financial liabilities measured at amortized cost |                   |
| Short-term borrowings                       |  | 11,226,212,134.39                                | 11,226,212,134.39 |
| Financial liabilities held for trading      | 6,294,014.40                                 |  | 6,294,014.40      |
| Derivative financial liabilities            | 80,212,433.24                                |  | 80,212,433.24     |
| Bills payable                               |  | 25,023,238,406.72                                | 25,023,238,406.72 |
| Accounts payable                            |  | 42,396,109,648.76                                | 42,396,109,648.76 |
| Other payables                              |  | 17,533,370,017.01                                | 17,533,370,017.01 |
| Non-current liabilities due within one year |  | 6,745,950,334.20                                 | 6,745,950,334.20  |
| Long-term borrowings                        |  | 3,038,573,824.53                                 | 3,038,573,824.53  |
| Bonds payable                               |  | 334,730,048.82                                   | 334,730,048.82    |
| Long-term payables                          |  | 99,602,707.76                                    | 99,602,707.76     |

Please refer to related items in Note VII for details on each of the financial instruments of the Company. Risks related to these financial instruments and the risk management policies taken by the Company to mitigate these risks are summarized below. The management of the Company manages and monitors these risk exposures to ensure the above risks are well under control.

### 1. Credit risk

The credit risk of the Company mainly arises from bank deposits, bills receivable, accounts receivable, interest receivable, other receivables and wealth management products.

(1) The Company's bank deposits and wealth management products are mainly deposited in Haier Finance Co., Ltd., state-owned banks and other large and medium-sized listed banks. The interest receivables are mainly the accrued interests from fixed deposits which are deposited in the above banks. The Group does not believe there is any significant credit risk due to defaults of its counterparties which would cause any significant loss. (2) Accounts receivable and bills receivable: The Company only trades with approved and reputable third parties. All customers who are traded by credit are subject to credit assessment according to the policies of the Company, and the payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivable on an ongoing basis and purchases credit insurance for receivables of large-amount credit customers in order to ensure the Company is free from material bad debts risks. (3) Other receivables of the Company mainly include export tax refund, borrowings and contingency provision. The Company strengthened its management and continuous monitoring in respect of these receivables and relevant economic business based on historical data, so as to ensure that the Company's significant risk of bad debts is controllable and will be further reduced.

### 2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in fulfilling obligations associated with financial liabilities. To control such risk, the Company utilizes various financing methods such as notes settlement and bank loans to strive for a balance between sustainable and flexible financing. It also has obtained bank credit facilities from several commercial banks to satisfy its needs for working capital and capital expenditures.

### 3. Exchange rate risk

The Company's businesses are based in mainland China, USA, Japan, Southeast Asia, South Asia, central and east Africa, Europe, and Australia, etc. and are settled in RMB, USD, and other currencies.

The Company's overseas assets and liabilities denominated in foreign currencies as well as transactions to be settled in foreign currencies expose the Company to fluctuations in exchange rates. The Company's finance department is responsible for monitoring the size of transactions in foreign currencies and assets and liabilities denominated in foreign currencies to minimize the risk of exposure to fluctuation in exchange rate; the Company resorts the way of signing forward foreign exchange contracts to avoid the risk of exchange fluctuation.

### 4. Interest rate risk

The Company's interest rate risk arises primarily from its long- and short-term bank loans and bonds payables which are interest-bearing debts. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Group determines the relative proportion of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

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### XVII. OTHER SIGNIFICANT EVENTS

The Company has no other significant events that need to be disclosed.

### XVIII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

#### 1. Accounts receivable

| Aging                        | Closing balance | Opening balance |
|------------------------------|-----------------|-----------------|
| Within 1 year                | 62,789,403.13   | 546,532,442.90  |
| 1-2 years                    | 532,093,996.86  |                 |
| 2-3 years                    |                 |                 |
| Over 3 years                 |                 |                 |
| Accounts receivable, balance | 594,883,399.99  | 546,532,442.90  |
| Allowance for bad debts      |                 |                 |
| Accounts receivable, net     | 594,883,399.99  | 546,532,442.90  |

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

| Items                   | Opening Balance | Increase for the current period  |                | Decrease for the current period |                              | Closing Balance |
|-------------------------|-----------------|----------------------------------|----------------|---------------------------------|------------------------------|-----------------|
|                         |                 | Provision for the current period | Other increase | Reversal                        | Write-off and other movement |                 |
| Allowance for bad debts |                 |                                  |                |                                 |                              |                 |

**2. Other receivables**√ Applicable  Not Applicable

Unit and Currency: RMB

| Items               | Closing balance          | Opening balance          |
|---------------------|--------------------------|--------------------------|
| Interest receivable | 85,694,396.74            | 51,632,471.99            |
| Dividend receivable | 4,015,840,000.00         | 3,615,840,000.00         |
| Other receivables   | 13,953,280,622.41        | 12,577,807,696.42        |
| <b>Total</b>        | <b>18,054,815,019.15</b> | <b>16,245,280,168.41</b> |

**(1) Interest receivable:**

| Items         | Closing balance      | Opening balance      |
|---------------|----------------------|----------------------|
| Within 1 year | 85,694,396.74        | 51,632,471.99        |
| Over 1 year   |                      |                      |
| <b>Total</b>  | <b>85,694,396.74</b> | <b>51,632,471.99</b> |

**(2) Dividend receivable**

| Aging            | Closing Balance         | Opening Balance         |
|------------------|-------------------------|-------------------------|
| Within 1 year    | 4,015,840,000.00        | 3,615,840,000.00        |
| More than 1 year |                         |                         |
| <b>Total</b>     | <b>4,015,840,000.00</b> | <b>3,615,840,000.00</b> |

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### (3) Other receivables:

① The disclosure of other receivables by aging is as follows:

| Aging                      | Closing balance   | Opening balance   |
|----------------------------|-------------------|-------------------|
| Within one year            | 12,789,835,911.72 | 12,040,141,153.64 |
| Over 1 year                | 1,163,452,674.94  | 537,791,379.00    |
| Other receivables, balance | 13,953,288,586.66 | 12,577,932,532.64 |
| Allowance for bad debts    | 7,964.25          | 124,836.22        |
| Other receivables, net     | 13,953,280,622.41 | 12,577,807,696.42 |

② Changes in allowance for bad debt of other receivables in the current period:

| Items                   | Opening balance | Increase for the current period  |                | Decrease for the current period |                              | Closing balance |
|-------------------------|-----------------|----------------------------------|----------------|---------------------------------|------------------------------|-----------------|
|                         |                 | Provision for the current period | Other increase | Reversal                        | Write-off and other movement |                 |
| Allowance for bad debts | 124,836.22      |                                  |                | 116,871.97                      |                              | 7,964.25        |

### 3. Long-term equity investment

✓ Applicable  Not Applicable

#### (1) Details of long-term equity investments:

| Items   | Closing balance   |                          | Opening balance   |                          |
|---|-------------------|--------------------------|-------------------|--------------------------|
|   | Book balance      | Provision for impairment | Book balance      | Provision for impairment |
| Long-term equity investments                            |                   |                          |                   |                          |
| Including: long-term equity investments in subsidiaries | 49,377,425,428.31 | 7,100,000.00             | 49,377,425,428.31 | 7,100,000.00             |
| Long-term equity investments in associates              | 3,464,422,755.92  | 109,300,000.00           | 3,252,734,849.46  | 109,300,000.00           |
| Total   | 52,841,848,184.23 | 116,400,000.00           | 52,630,160,277.77 | 116,400,000.00           |

## (2) Long-term equity investments in subsidiaries

| Name of investee   | Opening balance   | Increase/<br>Decrease for<br>the current<br>period | Closing balance   | Impairment<br>provisions at<br>the end of the<br>period<br>provisions |
|--|-------------------|--|-------------------|---|
| <b>I. Subsidiaries:</b>  |                   |  |                   |   |
| Chongqing Haier Electronics Sales Co., Ltd.                                | 9,500,000.00      |  | 9,500,000.00      |   |
| Haier Group (Dalian) Electrical Appliances<br>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<br>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 Household Appliance Technology and<br>Equipment Research Institute | 66,778,810.80     |  | 66,778,810.80     |   |
| Qingdao Meier Plastic Powder Co., Ltd.                                     | 24,327,257.77     |  | 24,327,257.77     |   |
| Chongqing Haier Precision Plastic Co., Ltd.                                | 47,811,283.24     |  | 47,811,283.24     |   |
| Qingdao Haier Electronic Plastic Co., Ltd.                                 | 69,200,000.00     |  | 69,200,000.00     |   |
| Dalian Haier Refrigerator Co., Ltd.  | 138,600,000.00    |  | 138,600,000.00    |   |
| Dalian Haier Air Conditioner Co., Ltd.                                     | 99,000,000.00     |  | 99,000,000.00     |   |
| 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.,<br>Ltd.                    | 238,758,240.85    |  | 238,758,240.85    |   |
| Qingdao Haier Air-Condition Electronic Co., Ltd.                           | 1,131,107,944.51  |  | 1,131,107,944.51  |   |
| Qingdao Haier Air Conditioner General Corp.,<br>Ltd.                       | 220,636,306.02    |  | 220,636,306.02    |   |
| Qingdao Haier Special Freezer Co., Ltd.                                    | 471,530,562.76    |  | 471,530,562.76    |   |
| Qingdao Haier Dishwasher Co., Ltd.   | 206,594,292.82    |  | 206,594,292.82    |   |
| Wuhan Haier Freezer Co., Ltd.  | 47,310,000.00     |  | 47,310,000.00     |   |
| Wuhan Haier Electronics Co., Ltd.  | 100,715,445.04    |  | 100,715,445.04    |   |
| Chongqing Haier Air Conditioner Co., Ltd.                                  | 100,000,000.00    |  | 100,000,000.00    |   |
| Hefei Haier Refrigerator Co., Ltd.   | 49,000,000.00     |  | 49,000,000.00     |   |
| Qingdao Haier Whole Set Home Appliances<br>Services Co., Ltd.              | 118,000,000.00    |  | 118,000,000.00    |   |
| Chongqing Haier Refrigeration Appliance Co.,<br>Ltd.                       | 91,750,000.00     |  | 91,750,000.00     |   |
| Shanghai Haier Zhongzhi Fang Chuang Ke Space<br>Management Co., Ltd.       | 2,000,000.00      |  | 2,000,000.00      |   |
| Qingdao Haier Special Refrigerating Appliance<br>Co., Ltd.                 | 100,000,000.00    |  | 100,000,000.00    |   |
| Haier Shareholdings (Hong Kong) Limited                                    | 26,022,782,526.24 |  | 26,022,782,526.24 |   |

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| Name of investee  | Opening balance          | Increase/<br>Decrease for<br>the current<br>period | Closing balance          | Impairment<br>provisions at<br>the end of the<br>period<br>provisions |
|---|--------------------------|--|--------------------------|---|
| Shenyang Haier Refrigerator Co., Ltd.                             | 100,000,000.00           |  | 100,000,000.00           |   |
| Foshan Haier Freezer Co., Ltd.                                    | 100,000,000.00           |  | 100,000,000.00           |   |
| Zhengzhou Haier Air Conditioner Co., Ltd.                         | 100,000,000.00           |  | 100,000,000.00           |   |
| Qingdao Haidayuan Procurement Service Co., Ltd.                   | 20,000,000.00            |  | 20,000,000.00            |   |
| Qingdao Haier Intelligent Technology Development Co., Ltd.        | 130,000,000.00           |  | 130,000,000.00           |   |
| Qingdao Haier Technology Investment Co., Ltd.                     | 367,505,635.00           |  | 367,505,635.00           |   |
| Qingdao Casarte Smart Living Appliances Co., Ltd.                 | 10,000,000.00            |  | 10,000,000.00            |   |
| Haier Overseas Electric Appliance Co., Ltd.                       | 500,000,000.00           |  | 500,000,000.00           |   |
| Haier (Shanghai) Electronics Co., Ltd.                            | 12,500,000.00            |  | 12,500,000.00            |   |
| Haier U+smart Intelligent Technology (Beijing) Co., Ltd.          | 143,000,000.00           |  | 143,000,000.00           |   |
| Haier Electronics Group Co., Ltd.                                 | 3,979,407,602.61         |  | 3,979,407,602.61         | 7,100,000.00  |
| Flourishing Reach Limited (SPVX)                                  | 12,751,300,336.02        |  | 12,751,300,336.02        |   |
| Qingdao Haidarui Procurement Service Co., Ltd.                    | 107,800,000.00           |  | 107,800,000.00           |   |
| Qingdao Haier Intelligent Household Appliances Co., Ltd.          | 326,400,000.00           |  | 326,400,000.00           |   |
| Qingdao Haidacheng Procurement Service Co., Ltd.                  | 100,000,000.00           |  | 100,000,000.00           |   |
| Qingdao Haier Quality Inspection Co. Ltd.                         | 18,657,135.49            |  | 18,657,135.49            |   |
| Qingdao Haier Home AI Industry Innovation Center Co. Ltd.         | 20,000,000.00            |  | 20,000,000.00            |   |
| Haier Smart Home Experience Cloud Ecological Technology Co., Ltd. | 100,000,000.00           |  | 100,000,000.00           |   |
| <b>Total</b>  | <b>49,377,425,428.31</b> |  | <b>49,377,425,428.31</b> | <b>7,100,000.00</b>   |

## (3) Long-term equity investments in associates

| Name of investee   | Opening balance  | Increase/decrease for the current period |  |                | Closing balance  | Impairment provisions at the end of the period |
|--|------------------|--|--|----------------|------------------|--|
|  |                  | Increase/decrease for the current period | Recognized investment income under equity method | Others         |                  |  |
| Wolong Electric (Jinan) Motor Co., Ltd.  | 145,209,273.31   |  | 12,492,538.14                                    |                | 157,701,811.45   |  |
| Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership) | 393,598,372.59   |  | -904,601.39                                      | -17,199,060.82 | 375,494,710.38   |  |
| Bank of Qingdao Co., Ltd.  | 1,051,480,863.27 | 139,485,507.20                           | 65,502,506.22                                    | -29,821,491.89 | 1,226,647,384.80 |  |
| Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.         | 682,901,976.73   |  | 52,979,520.61                                    |                | 735,881,497.34   |  |
| Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.                        | 409,053,808.05   |  | 10,936,464.63                                    | -17,900,226.81 | 402,090,045.87   | 21,000,000.00                                  |
| Qingdao Haier Multimedia Co., Ltd.   | 277,102,563.87   |  | -14,629,468.29                                   |                | 262,473,095.58   | 88,300,000.00                                  |
| Qingdao HBIS New Material Technology Co., Ltd.                                 | 293,387,991.64   |  | 10,746,218.86                                    |                | 304,134,210.50   |  |
| Total  | 3,252,734,849.46 | 139,485,507.20                           | 137,123,178.78                                   | -64,920,779.52 | 3,464,422,755.92 | 109,300,000.00                                 |

## 4. Operating revenue and operating cost

✓ Applicable  Not Applicable

Unit and Currency: RMB

| Items            | Amount for the current period |               | Amount for the previous period |                |
|------------------|-------------------------------|---------------|--------------------------------|----------------|
|                  | Revenue                       | Cost          | Revenue                        | Cost           |
| Primary business | 53,149,966.60                 | 46,742,634.57 | 100,011,103.11                 | 93,685,159.99  |
| Other business   | 40,173,916.73                 | 34,148,754.89 | 96,140,485.73                  | 76,847,254.77  |
| Total            | 93,323,883.33                 | 80,891,389.46 | 196,151,588.84                 | 170,532,414.76 |

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### 5. Investment income

| Items  | Amount for the<br>current period | Amount for the<br>previous period |
|--|----------------------------------|-----------------------------------|
| Investment income from long-term equity investment accounted for using equity method   | 137,123,178.78                   | 89,661,570.77                     |
| Investment income generated from disposal of long-term equity investment               |                                  |                                   |
| Investment income from long-term equity investments accounted for using cost method    | 400,000,000.00                   | 17,700,000.00                     |
| Income from wealth management products   | 11,113,358.17                    | 5,792,409.99                      |
| Investment income from investment in other equity instrument during the holding period |                                  |                                   |
| <b>Total</b>   | <b>548,236,536.95</b>            | <b>113,153,980.76</b>             |

## XIX. APPROVAL OF FINANCIAL REPORT

This financial report was approved for publication by the Directors of the Company on 29 August 2022.

## XX. OTHER SUPPLEMENTARY INFORMATION

### 1. Basic earnings per share and diluted earnings per share

| Items  | Amount for the current period                          |                                |                                  | Amount for the previous period                         |                                |                                  |
|--|--|--------------------------------|----------------------------------|--|--------------------------------|----------------------------------|
|  | Earnings per share                                     |                                |                                  | Earnings per share                                     |                                |                                  |
|  | (RMB)  |                                |                                  | (RMB)  |                                |                                  |
|  | Weighted<br>average<br>return rate<br>on net<br>assets | Basic<br>earnings<br>per share | Diluted<br>earnings<br>per share | Weighted<br>average<br>return rate<br>on net<br>assets | Basic<br>earnings<br>per share | Diluted<br>earnings<br>per share |
| Net profit attributable to ordinary shareholders of the Parent Company   | 9.24%  | 0.85                           | 0.85                             | 9.29%  | 0.74                           | 0.73                             |
| Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss | 8.71%  | 0.80                           | 0.80                             | 8.50%  | 0.68                           | 0.67                             |

## 2. Non-recurring profit or loss

| Items  | Amount for the current period | Amount for the previous period |
|--|-------------------------------|--------------------------------|
| Net profit attributable to ordinary shareholders of the Parent Company   | 7,949,084,472.70              | 6,858,902,854.55               |
| Less: non-recurring profit or loss   | 458,390,767.32                | 588,996,447.83                 |
| Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss | 7,490,693,705.38              | 6,269,906,406.72               |

## Statement of non-recurring profit or loss for the current period

| Non-recurring profit and loss items  | Amount for the current period |
|--|-------------------------------|
| Profit and loss on disposal of non-current assets  | 33,807,493.39                 |
| Government subsidies through the profit and loss, except for government subsidies that are closely related to the Company's normal business operations, comply with national policies and regulations, and continue to be enjoyed in a fixed amount or fixed quantity according to certain standards   | 434,830,465.43                |
| Gains on investments in subsidiaries, associates and joint ventures in which the investment cost was less than the fair value of identifiable net assets of the investees at the time of acquisition   |                               |
| Profit and loss from fair value changes of financial assets held for trading and financial liabilities held for trading, as well as investment gains arising from disposal of financial assets held for trading, financial liabilities held for trading and financial assets held for sale, except the effective hedging related to the normal operations of the Company | 59,249,736.54                 |
| Other non-operating income and expenses except the aforementioned items  | 34,282,312.26                 |
| Effect of minority equity interest (After Tax)   | -10,201,864.65                |
| Effect of income tax   | -98,050,857.35                |
| Effect of profit from business combination under common control  | 4,473,481.70                  |
| Total  | 458,390,767.32                |

Chairman of the Board: LI Huagang

Date of approval for publication by the Board: 29 August 2022

## Information of amendment

 Applicable  Not Applicable