

Company Code : 600690.SH, 690D.DE

Short Name : Haier Smart Home

# **Haier Smart Home Co., Ltd.**

## **2022 Annual 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') hereby assure that the content set out in the annual report is true, accurate and complete, and free from any false record, misleading representation or material omission, and are individually and collectively responsible for the content set out therein.**
- II. All Directors of the Company have attended the board meetings.**
- III. Hexin Certified Public Accountants Limited LLP has issued a standard and unqualified audit report for the Company.**
- 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 annual report is true, accurate and complete.**
- V. Proposal of profit distribution or proposal of capitalizing capital reserves for the reporting period resolved and adopted by the Board**

Proposal of profit distribution for the reporting period are examined and reviewed by the Board: to declare a cash dividend of RMB5.66 per 10 shares (tax inclusive) to all shareholders based on the total number of shares held on record date and after deducting the repurchased shares from the repurchase account upon the execution of distribution proposal, with proposed distribution amounting to RMB5,297,529,553.10 (tax inclusive). The proportion of cash distribution is 36.01% of the net profit attributable to shareholder of parent company of the Company for the year. If there is any change in the total share capital of the Company during the period from the date of this report to the record date of the equity distribution, the total distribution amount will be remained unchanged with corresponding adjustment to the proportion of distribution per share.

**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 the Company's substantial commitment to investors. Investors are advised to pay attention to investment risks.

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

No

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

No

## Important Notice

**IX. Are there more than half of the Directors who are unable to guarantee the truthfulness, accuracy and completeness of the annual 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.

**XI. Others**

☐ Applicable    ☒ Not Applicable

*Chairman: Li Huagang*  
**Haier Smart Home Co., Ltd**  
30 March 2023

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DOCUMENTS AVAILABLE FOR INSPECTION	(I)    Financial statements with signatures and seals of the legal representative, chief accountant and person in charge of accounting department.
	(II)   Original audit report with seals of accounting firm, signatures and seals of registered accountants.
	(III)   Originals of all documents and announcements of the Company which have been publicly disclosed on the newspaper designated by China Securities Regulatory Commission during the reporting period.

# Letter to shareholders

Haier Smart Home delivered another year of record performance in 2022. Our global sales revenue grew 7.2% to RMB243.514 billion, net profit increased by 12.5% to RMB14.711 billion and recurring net profit rose by 18% to RMB13.963 billion under China GAAP. Our products are gaining grounds in almost all markets around the world.

As one of the Fortune 500 companies, Haier Smart Home is committed to meeting the expectations of our stakeholders on ESG practices by lowering carbon emissions through the lifetime of our products, advocating diversity and inclusion, implementing responsible sourcing, creating value in the interest of the society, and promoting sustainable corporate governance. Haier Smart Home continued to be named “Most Admired Company” by Fortune in 2022, and our subsidiary GE Appliances was once again certified as Great Place to Work in the US.

In 2022, unprecedented inflationary pressure in the US and looming energy crisis in Europe caused retraction in demand for home appliances; while our supply chain, distribution network, logistic operation and fulfilment system in the Company’s biggest market were disrupted by public health emergency in the fourth quarter. What we have achieved in an extraordinary year like 2022 was truly remarkable, and it could only be made possible with winning spirit, shared goal and decisive actions from the entire organization in fulfilling our commitment to always prioritize consumer experience.

In taking on the role of Chairman of Haier Smart Home in June 2022, I have spent a great deal of time with our customers, employees, partners as well as Haier Group, amongst other shareholders. What has been reinforced is our stakeholders’ shared expectation for Haier Smart Home to become a long-standing leader with sustainability that transcends the ups and downs in the economy. This requires Haier Smart Home to continue outperforming the industry in the next three years, in order to attract and retain talents, while creating greater value for shareholders and employees. During this time, we must be more efficient and transparent not only in the way we interact with our users, in the product we make and in the service we provide, but also in the business operations and supply chain system; we ought to become the elephant that can dance by being agile and embrace the latest technological development. In the next three years, Haier Smart Home will strengthen the foundation of our sustainable development. As a responsible corporate citizen of global influence, we remain committed to reducing carbon emissions in product design, manufacturing and recycling; building a sustainable and ethical supply chain; creating a workplace for our people to fulfil their dreams and realize individual value; eliminating bureaucracy and avoiding disorientation in processes. Across the globe, we will enhance our commitment to local communities, and strengthen our ties with the places where we operate.

Looking ahead, the abrupt reversal in globalisation and increasing financial volatility remain source of uncertainty during Haier Smart Home’s global brand portfolio building. The way to success lies with placing users experience at the heart of our business while transforming ourselves by accelerating digitalisation and innovation.

The pandemic appears to be over, however lingering aftereffects such as lower labour participation rate and supply chain fragmentation will inevitably impact demand in home appliance and HVAC sectors, against this backdrop, quality growth is only made possible in countries with substantial domestic market, manufacturing scales and ample supply of engineering talents; and businesses that can achieve rapid profit growth are those with engaged workforce, production efficiency and consumer goodwill. Capitalising on our advantages in the world's largest home appliance market, efficient supply chain and engineering expertise in China, Haier Smart Home is in the best position to strengthen our global competitiveness as long as we drive innovation with technology, redefine experience with digitalization and manage the business with start-up sensibility.

The Internet of Things (IoT) and advancements in energy efficiency are two driving forces that will transform the industry. Harnessing these technologies is the focus of Haier Smart Home's future R&D. IoT technology gives home appliance businesses better consumer insights via interactive experience. After the initial configuration, home appliance businesses can accelerate product upgrades and improve algorithm to enhance user recognition based on feedback on product quality, functionality and scenario applications utilising sensors, user behaviour analysis and big data applications. In addition to the breakthrough in consumer robotics and smart lighting we made in 2022, future IoT development will focus on appliances for elderly, cleaning robots and whole house smart management systems.

In January 2023, the Company established a rotary compressor joint venture with Shanghai Highly, a leading manufacturer of residential compressors, to facilitate integrated R&D of our home air conditioning products. In addition, we consolidated leadership with air-sourced heat pump & solar water heater solutions designed to provide efficient alternative heating solutions for hotels, campuses and hospitals. Since 2006, we have been developing magnetic centrifugal chiller in Chinese market since 2006. Compared to MRV systems, this technology could increase COP/IPLV by 100% and we have been number one globally in magnetic chillers for four consecutive years. The Company has also developed air levitation centrifugal chiller and integrated energy management solutions, which will become solid foundation facilitating innovations in our global commercial HVAC business.

Aspired to be the global leader like refrigerator and washing machine businesses, our home and central air conditioner businesses ought to become the new pillar of future growth, while investments must continue in small appliance and kitchen appliance to grow R&D and supply chain competitiveness. We have established leadership in the more significant markets of China and the US, but our position and profitability demand further progress in other regions. The way forward is through relentless product innovation and brand building, during which process Haier Smart Home must remain committed to designing high quality and creative appliances that deliver user-centric experience. We must stay attuned to local markets and build a solid reputation with reliable and attentive services. This strategy also requires us to allocate our supply chain and distribution resource to cater for the characteristics of each product category, for instance, we do not necessarily have to make all of the small appliances in our own factories and digital applications online could be playing a more important role in marketing our small appliance.

## Letter to shareholders

The new generation of consumers is demanding personalised and customised scenarios that integrate appliances with home furnishings, thus unlocking significant business opportunities that inspired us to create scenario-based project of Three-Winged Bird, specializing in redefining in-store experience by creating immersive display of smart lighting, smart kitchen, smart air & temperature solution as well as water management, all of which could be mixed & matched to suit personal taste. More importantly, we would like this entire process to be efficient and transparent, and we are committed to being their trustworthy partner in creating the smart home experience right from the beginning.

It is rather lamentable that as companies grow bigger, they often lose touch with the latest trends and technological breakthroughs when the organization becomes too entwined with bureaucracy. In order to achieve long-standing prosperity, our next step is to make Haier a place that inspires young generation Z with dreams, to take pride in creating amazing value for our users, instead of burying their passion with frivolous details. Adopting a 'start-up' mindset is fundamental to the vitality of our organisation. We have initiated an internal debate trying to encourage practices that lead to operational excellence and eliminate those who don't. I would like our marketing department to look beyond sales figures, and spend more time with our customers and focus on their future prospects in Haier's ecosystem. I have tasked our product and scenario designers to better understand what end-users think of our products, and draw inspirations through user engagement. Decisions should be made based on critical consumer insights generated from sharing of market demand in a boundaryless organization. The next three years will see a determined drive to re-engineer the organisation, not only to improve operational efficiency, but to free up financial resources that will fuel investments in talents and technologies for the future.

I feel a great sense of responsibility during this turbulent time, a bold transformation is what will position Haier Smart Home better in value creation. Motivated by our winning spirit and guided by our goals, we look forward to embarking upon this exciting journey to a brighter future.

Once again, I would like to thank all our shareholders for your trust and support as we embrace a sustainable future together!

# Section I Definitions

## I. DEFINITIONS

Unless otherwise stated in the 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 Electrics, 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 Electrics 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 a 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 household appliances area, was established in 1994 and has been focusing on research of retail sales in China consumption market ever since.



## Section I Definitions

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.
GFK	GFK Group, the world's leading market research company. After a long period of development and accumulation, GFK Group's global market research business covers consumer durables research, consumer research, media research, healthcare market research and special studies.
IEC	The International Electrotechnical Commission, founded in 1906, 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 RenDanHeYi	The concept of 'Achieving win-win via RenDanHeYi' 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" 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.

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

## I. INFORMATION OF THE COMPANY

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

## II. CONTACT PERSON AND CONTACT INFORMATION

	Secretary to the Board	Representative of securities affairs	Company Secretary (D/H shares)	Others
Name	Liu Xiaomei	Liu Tao	Ng Chi Yin, Trevor	Global Customer Service Hotline
Address	Department of Securities of Haier Smart Home Co., Ltd., Haier Science and Technology Innovation Ecological Park, No.1 Haier Road, Qingdao City	Department of Securities of Haier Smart Home Co., Ltd., Haier Science and Technology Innovation Ecological Park, No.1 Haier Road, Qingdao City	Room 3513, 35th Floor, 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 GENERAL INFORMATION

Registered Address	Haier Industrial Park, Laoshan District, Qingdao City (now known as Haier Science and Technology Innovation Ecological Park, Laoshan District, Qingdao City)
Historical Changes to the Registered Address	Prior to the Company's listing in 1993, the registered address of the Company was No.165 Xiaobaigan Road, Sifang District, Qingdao City, Shandong Province, and has changed to the current address since 1994, during which the address name was adjusted in line with the change of name of the industrial park but the actual site remains unchanged.
Business address	Haier Science and Technology Innovation Ecological Park, Laoshan District, Qingdao City
Postal code of the business address	266101
Website	<a href="https://smart-home.haier.com/cn/">https://smart-home.haier.com/cn/</a>
Email	9999@haier.com

### IV. PLACE FOR INFORMATION DISCLOSURE AND DEPOSIT

Newspapers and websites for annual report disclosure	<i>Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily</i>
Stock Exchange Website for annual report disclosure as designated by the CSRC	<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 annual report	Department of Securities of Haier Smart Home Co., Ltd., Haier Science and Technology Innovation Ecological Park, No.1 Haier Road, Qingdao City

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

Summarized information of shares of the Company				
Type of Shares	Stock Exchange of Shares Listed	Stock Short Name	Stock Code	Stock Short Name Before Variation
A-shares	Shanghai Stock Exchange	Haier Smart Home	600690	Qingdao Haier
D-shares	Frankfurt Stock Exchange	Haier Smart Home	690D	Qingdao Haier
H-shares	Hong Kong Stock Exchange	Haier Smart Home	6690	/

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

### VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	Hexin Certified Public Accountants LLP
	Business Address	24th Floor, Century Building, No.39 Donghai Road West, Qingdao City
	Name of signing accountant	Zhao Bo, Li Xiang Zhi
Accounting firm engaged by the Company (overseas)	Name	HLB Hodgson Impey Cheng Limited
	Business address	31st Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong Special Administrative Region
	Name of signing accountant	Jack, Tian Sun Kit

Note:

Accounting firm engaged by the Company (domestic and overseas): Pursuant to the motion for the appointment of an auditor approved at the Company's 2021 Annual Shareholders' Meeting, the Company engaged Hexin Certified Public Accountants LLP and HLB Hodgson Impey Cheng Limited to issue the China Accounting Standards and International Accounting Standards auditing report respectively for the Company's 2022 annual report.

### VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS IN THE RECENT THREE YEARS

#### (I) Key accounting data

Unit and Currency: RMB

Key accounting data	2022	2021		Yoy change (%)	2020
		After adjustment	Before adjustment		
Operating revenue	243,513,563,670.73	227,105,817,641.69	227,556,143,618.17	7.22	209,723,430,081.03
Net profit attributable to shareholders of the listed company	14,710,923,491.99	13,078,840,517.10	13,067,038,271.85	12.48	8,883,129,055.16
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed company	13,962,931,853.78	11,831,272,558.29	11,831,272,558.29	18.02	6,457,813,335.37
Net cash flows from operating activities	20,153,505,783.35	23,235,380,690.95	23,129,640,417.72	-13.26	17,609,513,831.64

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

	At the end of 2022	At the end of 2021		Yoy change (%)	At the end of 2020
		After adjustment	Before adjustment		
Net assets attributable to shareholders of the listed company	93,422,647,664.43	79,985,092,528.06	79,810,927,325.55	16.80	66,837,525,701.87
Total assets	235,842,254,826.77	217,741,133,577.31	217,459,494,212.74	8.31	203,498,169,276.71

### (II) Key financial indicators

Key financial indicators	2022	2021		Yoy change (%)	2020
		After adjustment	Before adjustment		
Basic earnings per share(RMB/share)	1.58	1.41	1.41	12.06	1.34
Diluted earnings per share (RMB/share)	1.57	1.40	1.40	12.14	1.31
Basic earnings per share after deducting non-recurring profit or loss (RMB/share)	1.50	1.27	1.27	18.11	0.97
Weighted average return on net assets (%)	16.81	17.26	17.29	Decreased by 0.45 percentage point	17.68
Weighted average return on net assets after deducting non- recurring profit or loss (%)	15.95	15.65	15.65	Increased by 0.30 percentage point	12.85

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

☐ Applicable    ☒ Not applicable

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

**(I) Differences in net profit and net asset attributable to shareholders of listed company in financial report disclosed in accordance with International Accounting Standards and China 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 disclosed in accordance with International Accounting Standards and China Accounting Standards.

**(II) Differences in net profit and net asset attributable to shareholders of the listed company in financial statements disclosed in accordance with overseas accounting standards and China Accounting Standards**

☐ Applicable ☒ Not applicable

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

**(III) Explanation on the difference between the domestic and overseas accounting standards:**

☐ Applicable ☒ Not applicable

### IX. KEY FINANCIAL DATA OF 2022 BY QUARTER

Unit and Currency: RMB

	Q1 (January-March)	Q2 (April-June)	Q3 (July-September)	Q4 (October-December)
Operating revenue	60,250,997,851.46	61,606,524,610.76	62,891,243,547.88	58,764,797,660.63
Net profit attributable to shareholders of the listed Company	3,517,044,899.45	4,432,039,573.25	3,716,522,018.59	3,045,317,000.70
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed Company	3,190,978,313.06	4,299,715,392.32	3,730,558,477.25	2,741,679,671.15
Net cash flows from operating activities	1,154,796,354.40	4,809,451,302.82	5,240,826,180.55	8,948,431,945.58

Explanation on the difference between quarterly data and disclosed regular reporting data

☐ Applicable ☒ Not applicable

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

### X. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNT

Non-recurring profit and loss items	Amount in 2022	Amount in 2021
Profit and loss from disposal of non-current assets	209,436,774.95	95,443,538.78
Government subsidies included in current profit or loss, except for government subsidies that are closely related to the Company's normal business operations and gained constantly at a fixed amount or quantity according to certain standard based on state policies	766,426,467.17	717,084,575.78
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	12,934,615.51	10,786,626.61
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	-23,321,060.42	512,402,328.52
Other non-operating income and expenses except the aforementioned items	-29,750,173.25	60,282,401.05
reduction: Effect of income tax	167,413,005.22	135,105,480.15
Effect of minority equity interest (After Tax)	20,321,980.53	13,326,031.78
Total	747,991,638.21	1,247,567,958.81

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

☐ Applicable    ☒ Not applicable

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

### XI. ITEMS MEASURED BY FAIR VALUE

☒ Applicable    ☐ Not applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance	Affected amount	
			Changes in the current period	to profit of current period
Wealth management products	2,168,622,090.00	14,638,968.26	-2,153,983,121.74	92,094,300.47
Investment in other equity instruments	4,851,884,944.63	5,851,882,930.20	999,997,985.57	31,607,357.22
Investment in trading equity instruments	330,557,610.82	336,743,065.02	6,185,454.20	106,216,247.55
Investment funds	150,516,274.37	168,430,847.63	17,914,573.26	-37,211,579.82
Derivative financial instruments	176,525,574.88	61,674,330.75	-114,851,244.13	142,693,890.40
Total	7,678,106,494.70	6,433,370,141.86	-1,244,736,352.84	335,400,215.82

### XII. OTHERS

☐ Applicable    ☒ Not Applicable



# Section III Management Discussion and Analysis

## I. DISCUSSION AND ANALYSIS ON OPERATIONS

In 2022, the Company realized sales revenue of RMB243.514 billion, representing an increase of 7.2% from 2021. Revenue growth was driven by: (1) the strengths of high-end brands which enhanced user value, along with the promotion of Three-Winged Bird brand that boosted sales of scenario-based product sets and increased transaction value; (2) overseas market expansions leveraging globalised supply chain and R&D platforms as well as in-depth market network to launch leading products and improve price index; (3) the development of new product categories including tumble dryers, dishwashers, heat pumps and home cleaning robots.

In 2022, net profit attributable to the owners of the Company amounted to RMB14.711 billion, representing a growth of 12.5% from 2021; net profit attributable to owners of the Company after non-recurring items reached RMB13.963 billion, up 18.0% from 2021. (1) Gross profit margin remained flat to 2021 at 31.3%, domestic gross margin expansion was driven by product mix upgrade, development of globalised platforms, digitalization in procurement and R&D, as well as lower commodities prices in the second half of the year; the overseas market recorded minor gross margin contraction as the benefits of better product mix and price increases were offset by cost pressure related to rising commodities prices. (2) Selling expense ratio reduced by 0.3 percentage points to 15.9%, attributable to efficiency enhancement from digitalizing marketing, logistics and warehouses. (3) Administrative expense ratio reduced by 0.2 percentage points to 4.5%, achieved by digitally enhanced operational processes and organizational efficiency. (4) Financial expense ratio went down by 0.4 percentage points to -0.1%, the reduction was attributable to increase in interest income, improved exchange risk management, however this was partially offset by higher interest expense caused by interest rate increase overseas.

Net cash flow from operating activities in 2022 was RMB20.154 billion, operations remained solid with net cash flow to net profit ratio reached 1.37, attributable to improved working capital management in China.

### (I) Smart Home Business in China

In 2022, revenue of smart home business in China grew by 4.6% from 2021 reaching RMB126.379 billion, the growth was attributable to ① market share gains from outperforming the industry in refrigerators, washing machines, air conditioners, and water heaters; ② distribution network expansion to capture strong momentum from e-commerce and franchised stores; ③ increased sales of product sets with higher average ticket price from Three-Winged Bird scenario-based solutions; ④ enhanced user engagement and conversions through providing services and design solutions in first and second tier markets, and offering door-to-door services to rural households.

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

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

In 2022, refrigerator business achieved sales revenue of RMB43.199 billion, representing an increase of 3.5% year-on-year. According to CMM, the Company's retail share of refrigerators went up 2.5 percentage points to 43.9% offline; and increased 0.5 percentage points to 39.2% online.

## Section III Management Discussion and Analysis

The Company spearheaded industry development in food preservation, large-volume products and connectivity. The Company served a variety of user needs through brand portfolio of Casarte, Haier and Leader. (1) Leveraging breakthroughs in built-in design, structural configuration and heat dissipation technology, Casarte was able to introduce seamless built-in range and achieved 180% revenue growth from its built-in refrigerators during the reporting period. (2) Featuring cutting-edge freshness preservation and refrigeration technologies, more than one million units of Haier full-space freshness preservation refrigerator were sold, including Boguan (博观) series, could maintain humidity level at 90% in the refrigerator zone with zero temperature fluctuations in the freezer, allowing ingredients to stay fresh for 7 and 15 additional days in the chilled and frozen sections compared to ordinary refrigerators, over 50,000 units were sold in its first year on the market at an average price of over RMB15,000.

During the reporting period, freezer business achieved a revenue growth of 11% partly driven by the introduction of large-size upright freezers designed for home use. In May 2022, Haier's upright freezer was awarded the highest honour of recognition by Stiftung Warentest, Germany's leading consumer testing institution. Meanwhile, revenue of commercial freezers also grew by 19%.

### ***Export business***

The Company focused on brand premiumisation and product innovation featuring large multi-door refrigerators and freshness preservation technology to expand market share overseas. In Europe, Haier ranked first in large multi-door refrigerators with market share of over 40%. In Japan, the Company launched ultra-thin large-volume TZ freezer series, boosting market share of large refrigerators by 4.6 percentage points to 43%. In Vietnam, market share of high-end large refrigerators reached 40%.

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

In 2022, kitchen appliance segment recorded sales revenue of RMB3.763 billion, a year-on-year increase of 7.7% and Casarte's revenue contribution continued to increase. According to CMM, the Company's offline retail share of kitchen appliances rose 1.4 percentage points year-on-year to 8.4%, ranking top three in the industry for the first time.

The Company launched a series of innovative products that were well-received by the market. Casarte's constant air volume range hood was equipped with wind pressure sensor and automatic fan adjustment, to provide strong ventilation and efficient extraction, while reducing noise level by 5dB to 43dB. Casarte's ovens created self-cooking technology at 300°C, a pizza could be cooked within three minutes, and baking is automatically stopped once the food is ready. This product ranked first in market share among ovens priced above RMB11,000. Casarte's dishwashers featuring drawer-style compartments equipped with large-diameter spray arm that rinsed dishes at 360° to achieve thorough cleaning. During the reporting period, revenue of Casarte's dishwashers recorded double-digit revenue growth.

## Section III Management Discussion and Analysis

### **Export business**

Export revenue grew 25% in 2022. In addition, the Company continued making effort to increase in-house production and improve operational efficiency.

## **2. Household Laundry Management Solutions**

During the reporting period, the Company's washing machine business achieved sales revenue of RMB31.614 billion, a year-on-year increase of 3.1%. According to CMM, the Company's offline retail share of washing machines rose 1.8 percentage points to 46%, and retail share stayed flat at 40.4% online. Retail share of tumble dryers increased 6.4 percentage points to 39.3% offline and 6 percentage points to 31% online.

The Company has strengthened high-end washing machine market leadership through product innovation. (1) Casarte's Zhongzihemei (中子和美) washer & dryer combo integrated washing, drying and clothes caring with real-time data sharing during each process. It was designed to reduce creases, wear & tear, and consume less energy. (2) Haier brand is committed to developing innovative technologies that enhance energy and water efficiency. Its Essence Wash washing machine was equipped with a premix compartment and high-pressure spraying technology to achieve powerful stain removal and reduce wear & tear by pre-mixing detergent. More than 200,000 units have been sold within three months since its launch. The Company also captured new opportunities in tumble dryers with revenue growth of over 80% in 2022. Casarte Xiannuo (纤诺) dryer helped grow the Company's market share in units above RMB10,000 to 46.6%.

### **Export Business**

The Company focused on product upgrade and user interaction to enhance experience. Despite industry-wide weakness, IoL data indicates that the Company still managed to grow export revenue by 4%, by capturing energy efficiency market opportunities with swift upgrade of entire washing machine range to energy efficiency Class A in Europe; in Japan, heat pump and front-load washer combo contributed to the 50% revenue growth.

## **3. Air and Energy Solutions**

During the reporting period, the Company's air and energy solution business realized sales revenue of RMB33.947 billion, up 5.4% year-on-year.

### **(1) Home air conditioner business**

During the reporting period, home air conditioner business achieved significant market share increase by consolidating distribution network, boosting distributor and user reputation, increasing in-house components production, and accelerating supply chain integration. According to CMM, offline retail share rose 2.8 percentage points year-on-year to 19.5% in 2022, and retail share increased 0.8 percentage points year-on-year to 14.4% online. In addition, retail share in the high-end market (wall-mounted units priced above RMB4,000 and standing units priced above RMB10,000) grew 3.9 percentage points, reaching 24.2%.

## Section III Management Discussion and Analysis

The Company capitalised on the development of home central air-conditioners by improving design, installation and service standards, while enhancing distributors' service capabilities through trainings to garner consumer goodwill. According to China IoL, the Company's market share of home central air-conditioners increased 0.25 percentage points year-on-year to 14.7% in 2022.

The Company strived to provide users with healthier, more comfortable, energy-efficient and environmentally friendly air solutions by utilizing IoT technologies. For example, Casarte's Yunding (云鼎) deluxe air conditioners could wash and purify air through a 19-layer water curtain, effectively removing seven types of pollutants including formaldehyde and PM2.5. It is also equipped with Smart Home system that could identify users and surrounding environment in order to provide customized and personal temperature settings.

The Company created immersive experience to improve store traffic conversion by demonstrating technological strengths in cooling and heating efficiency, ultra-low noise, and health benefits. The Company also increased average contribution of individual models by streamlining SKUs and increasing the volume of each order.

The Company strengthened supply chain and optimized design & procurement costs by increasing in-house manufacturing of core components and enhancing management of tier two & three suppliers. In January 2023, the Company formed a compressor joint venture with Shanghai Highly, aiming to secure an integrated supply of compressors, enhance production stability, reduce costs, in order to improve overall profitability and enhance competitiveness through coordinated development of compressors and air-conditioning units.

### Export business

Export revenue rose by over 25% in 2022, ranking number one in the industry according to China IoL. The growth was driven by breakthroughs in new products such as dehumidifiers and strong performance in the US and Europe markets leveraging localized distribution network and product innovation.

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

During the reporting period, revenue from commercial air conditioners grew over 20%. According to China IoL, the Company's share increased 0.9 percentage points year-on-year to 11.1% in the domestic market and 0.7 percentage points to 14.2% in the export market as compared to 2021.

During the reporting period, the Company started expanding from commercial HVAC equipment to energy management and smart integrated solutions for buildings. By creating MetaBuilding control system that integrates air conditioners, elevators, lighting, water, electricity and security, the Company aims at offering green and smart building solutions that combine technology, experience and space.

## Section III Management Discussion and Analysis

Drawing on strengths in magnetic centrifugal chillers, the Company won contract of 37 underground lines in 17 cities in 2022, reinforcing number one position in domestic market. In addition, the Company developed air-suspending central air-conditioners and pioneered magnetic & air-centrifugal chillers solutions leveraging air-suspending centrifugal compressor technology to enhance energy efficiency and eliminate frictions in the switch on/off process.

During the reporting period, heat pump revenue grew by 26%. The Company launched  $-37^{\circ}\text{C}$  Low Ambient heat pumps with performance above and beyond the scope of China Energy Label grade 1 products by adopting leading R32 refrigerant system. The Company also launched Air to Water heat pump that could provide constant  $90^{\circ}\text{C}$  water under wide temperature, making it an efficient alternative to fossil-fuel boilers in many industrial settings. In 2022, the Company won Tangshan's Guye District (古冶区) Heating Renovation Project, the largest project of its kind in China.

### Export business

The Company also developed oil-free magnetic centrifugal chillers overseas, with export revenue up by over 40% in 2022. During the reporting period, the Company also won several contracts including Suvarnabhumi Airport in Thailand and the Ministry of Health in Malaysia.

## 4. Household Water Solutions

During the period, water heaters and purifiers revenue grew by 9.1% to RMB13.855 billion. According to CMM, the Company strengthened its leadership in 2022, with market share increase of 1.3 percentage points to 29.8% offline, and online retail share rose 2.4 percentage points to 34.0%.

Following the launch of Casarte's Crystal Tank Galaxy series, the Company expanded dual-tank line-up to capture demand for water heaters with small-size, tasteful appearance and large-capacity. Leveraging gas-electric hybrid technology, the Company was able to consolidate premium leadership in gas water heaters with revenue growth of 16% in 2022; and the Company remained number one in units priced above RMB8,000. During the period, the offline retail share of gas water heaters increased by 1.9 percentage points year-on-year to 22.2%. Air-sourced heat pump water heater accelerated R&D in high water temperature, disinfection, frequency conversion and energy saving. In 2022, its domestic revenue grew by 19% and overseas revenue rose by over 290%. Casarte's Tianhe (天合) NC7 air-sourced water heater could rapidly heat up at  $-15^{\circ}\text{C}$  and reduce electricity usage by over 76%.

The water purifier business strengthened competitiveness through product innovation and supply chain optimization. During the period, the Company expanded high-end market share with cutting edge technologies including zinc-strontium mineral spring. Since April 2021, Haier smart water purifier factory has not only been able to produce the entire under-sink range in house, but also its own filter, water circuit board and moulding modules, all of which contributed to increase cost competitiveness.

### 5. Sales Platform in China

Despite macro uncertainties during the reporting period, the Company remained committed to enhancing user experience, increasing user recognition and growing average user value via several initiatives to enhance efficiency of franchised network with digital transformation and service innovation; accelerate development in new retail channels and improve user interaction online; increase presence in home improvement channels, establish design, installation & service one-stop stores, as well as establishing partnerships with designers. According to CMM, the Company's overall retail market share went up 2 percentage points year-on-year to 27.2% in China in 2022.

Challenged by declining traffic and store closures in KA channels, the Company accelerated omni channel network expansion, and strengthened its franchised stores with digital tools to improve traffic acquisition and conversion. The Company stimulated replacement demand in the rural market by offering door-to-door appliance cleaning services, while driving the sales of product sets in the urban areas by building showrooms featuring tailored design solutions. Furthermore, the Company actively developed shopping mall channels through scenario-based solutions and integrated offline/online interactions, showcasing quality lifestyle and boosting replacement demand.

Increasing number of consumers started to buy appliances online. During the reporting period, the Company expanded product portfolio online, while strengthening the premium Casarte brand by introducing over 70 new units. The Company also made efforts to improve membership management by streamlining online and offline user database utilizing digital tools. In 2022, the Company topped the industry with 20% growth of its aggregated GMV online; user engagement efficiency increased 23%; total number of Haier brand membership surged 41% to over 45 million.

The Company made dedicated effort to capture the growth opportunities of live streaming platforms and short video marketing by creating quality content integrating brand stories to increase consumer recognition. In 2022, over 40,000 short videos were released, and daily average live streaming coverage exceeded 16 hours in flagship store online. Streaming related transaction value exceeded RMB10 billion in 2022, ranking first amongst major home appliance businesses online.

## Section III Management Discussion and Analysis

Growing number of consumers started to buy major appliances at the beginning of their renovation project, thus the Company enhanced traffic conversion and average ticket price by showcasing scenario-based solutions in Three-Winged Bird stores, providing professional design toolkit to distributors and promoting existing home renovation and kitchen renovation solutions. In 2022, over 900 new Three-Winged Bird stores were added, and retail sales of Three-Winged Bird stores went up by 257% year-on-year.

Amid the growing traffic towards home improvement channels, the Company established wide partnership with home furnishing industry and expanded distribution network in building material markets with retail sales increase of 51% and 401 new sales outlets added in 2022.

In 2022, business operations remained under constant pressure offline, the weakness in KA channels also had an impact on sales of mid and high-end products. During the reporting period, Casarte brand managed to grow against the headwind through product renovation, development of set product portfolio and distribution network enhancement. In 2022, revenue contribution from product sets went up by 2.4 percentage points, according to CMM, Casarte's core appliance market share went up by 1.4 percentage points from 2021 to 12.3%.

### **6. Accelerating digitalization to facilitate end-to-end innovation, enhance operational efficiency and user experience.**

During the reporting period, the Company implemented digital transformation in procurement, lean manufacturing, marketing, and R&D, achieved cost reduction and efficiency improvement through data integration, operational digitalization and transformation.

#### ***Improve procurement efficiency***

The Company established selective vendor database to reduce supplier complexity, increase commonly used parts and improve material quality. In 2022, the number of components was reduced by 17.5% and proportion of common parts increased by 12%, the Company also cut new supplier process time by 10% and shortened supplier inspection time by 10% to accelerate new product pipeline.

#### ***Improved efficiency of lean manufacturing***

The Company has successfully increased scheduling accuracy to 85%, increased factory UPH by 9.3%, and reduced inventory of semi-finished goods by 20% thanks to promoting manufacturing digitalization, integrated scheduling in assembly, pre-process, and sequential production. Loading efficiency of finished goods logistics also enhanced 30% by integrating logistics data.

In 2022, the Company reduced OTD lead time by reduced by 7% in China through advancing SKU classification system, as well as simplifying process during examination, scheduling, and shipment to reduce order fulfilment delays. Meanwhile, the Company also optimized inventory replenishment model in e-commerce channels and implemented VMI model, to reduce inventory turnover days in regional branches by 10%.

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

Revenue amounted to RMB125.424 billion in 2022, up 10.3% from 2021, driven by product innovation leveraging globalised platforms, several new products have been successfully launched globally including the large front-load washer; flexible and efficiency from globalised supply chain; worldwide deployment of production capacity to cater for local demand; continued growth in price index thanks to global premium brand building.

#### 1. North America

The North American Home Appliance market encountered a significant challenge in 2022. Fears of recession exacerbated the weakness of consumer spending, and the core appliance industry declined by around 6%, while costs faced severe inflationary pressures. However, the Company acted decisively in implementing its strategy during the reporting period and again delivered a solid performance, with sales revenue increasing by 9.0% (up 4.6% in local currency). The Company's resilience and sustainability are built on long-term investments in technology, product innovation, distribution network expansion, brand building, and supply chain management, ultimately continuing to meet its commitment to its users.

During the reporting period, the Company adhered to its high-end strategy and launched new differentiated premium products such as the first Profile Front Load and Top Load washing machine with built-in Alexa voice assistant, Café counter-depth multi-door refrigerator, industry-leading Striker smart cooktop with precise temperature control and ultra-fresh dishwasher with stainless steel tub to improve product mix and support double-digit growth of premium brands.

The Company continues to expand the growing space for new categories. During the reporting period, the product line-up of HVAC continued to improve, and the launch of ducted AC marked the Company's entry into the mainstream HVAC market in the United States; the water heater factory in South Carolina went into operation, becoming the core manufacturing base for premium water heater products; the small domestic appliance category expanded, and Opal ice maker ranked in the top in the premium countertop ice maker category at Amazon, etc.

The Company has always been committed to continuously improving user experience, building the end-to-end digital platform to improve the Company's efficiency internally and interact with users externally. The Company has remotely upgraded the Steakhouse Mode and Turkey Mode for tens of thousands of users successively; during the same time the Company opened a micro-factory in the Co-Creation Centre in Stamford, Connecticut. The Company once again won the annual "Smart Appliance Company of the Year" and "Cybersecurity Breakthrough Award" in the United States.

Facing the challenging of a downward market environment and raw material inflation etc., the Company continues to deepen RenDanHeYi to motivate employees. Employees set up five teams spontaneously to build a synergistic system of sales and operation in the areas of material cost takeout, operation efficiency, structure improvement, revenue, and cash flow respectively to achieve sustainable growth. With high recognition of the employees, the Company was again certified as the "Great Place to Work" in the US in 2022.



## Section III Management Discussion and Analysis

The Company continues to be a local corporate citizen. During the reporting period, the Company launched the Every Voice program, which aims to provide jobs for refugee groups who have left their homes; the first batch of Einride electric trucks have been put into service, effectively reducing carbon emissions during the Company's operation while improving supply chain efficiency; and Blue Wave public service program has expanded from the U.S. to a global scale and will contribute to public welfare around the world.

### 2. Europe

In 2022, the Company recorded revenue of RMB23.032 billion in Europe, an increase of 16.7% year-on-year. GFK statistics suggests the Company was the fastest growing appliances business with retail volume market share up by 1 percentage point to 7.4%, and retail revenue market share increase of 1.4 percentage points to 6.8%. The Company achieved growth against the headwind by strengthening high-end brand strategy, seizing market opportunities for energy-saving and built-in products, as well as accelerating supply chain localization. During the period, Haier brand's price index rose to 131; the Company capture market opportunity for energy-efficient products by launching Haier905CD refrigerator, ultra-thin lpro7plus washing machine, 939 washing machine and 979Plus12kg washing machine with an energy-efficiency rating of A-20%. Heat pump revenue grew by 200% and the Company launched air-source heat pump water heater which provides heating under -30°C to meet growing demand. In the meantime, the Company accelerated go-to market strategy by utilizing local facilities from dishwasher & kitchen appliance factories Turkey and refrigerator factory in Romania.

### 3. Australia and New Zealand

During the reporting period, the Company recorded revenue of RMB6.962 billion, down by 0.7% year-on-year (up by 5.9% in local currency) in Australia and New Zealand, market share exceeded 18% in main-stream channels (including TGG & NARTA) in Australia with strengthening leadership in New Zealand. The growth was attributable to continued product innovation driven by long term technological advancement. In 2022, the Company launched 60cm Contemporary and New Minimal series equipped with full steam to provide users with a healthier gourmet experience, and FPA's premium 7, 8 and 9 series contributed to almost 50% of total kitchen appliance revenue. FPA brand Rf605T refrigerator with precise temperature control and variable temperate zone was created to deliver superior preservation performance, it was an instant best-seller and soon became number one in market share of units' capacity between 600-650L. On the other hand, the Company also made greater efforts in customizing smart and comprehensive solutions in the offline channels, while establishing partners with designs leveraging FPA's premium product portfolio.

### 4. South Asia

During the period, revenue from South Asia market grew 16.1% year-on-year to RMB8.284 billion. Retail market share in India grew by 2 percentage points to 11% leveraging brand portfolio of Casarte, Haier and Candy to meet mid to high-end demand for large-capacity and health-oriented products, while catering to the third and fourth-tier market with energy-saving and entry level products. High-end market share grew by 3.5 percentage points to 14% leveraging continued product launches including Haier high-end T-door refrigerators and front-load washers with heating function. In Pakistan, the Company outperform the industry in all categories and remained number one with overall market share, an increase of 2 percentage points year-on-year to 36%. High end market share rose by 5 percentage points, driven by introducing Casarte products that cater for premium market demand of smart and stylish appliances; the Company also developed deep freezing and rapid cooling freezer to meet demand for large freezing capacity in third and fourth tier markets.

### 5. Southeast Asia

During the period, the Company realized revenue of RMB5.18 billion in Southeast Asia, up 9.3% year-on-year. The Company accelerated brand premiumization in response to growing demand for large capacity, health oriented and energy efficient products. In Thailand, high end refrigerators revenue grew 165%, air-conditioners ranked first in market share, and T-door refrigerators rose to number one online. In Vietnam, the Company became number one in washing machines supported by successful launch of 601 large front-load washer. In Malaysia, retail volume market share rose 1.3 percentage points year-on-year to 6.1%, and revenue contribution of mid and high-end products reached 38%. In Indonesia, mid and high-end market share continued to grow and dual brand strategies of Candy and AQUA have been established.

### 6. Japan

During the period, revenue from amounted to RMB3.569 billion in Japan, up 2.2% (up 16.5% in local currency) year-on-year. The Company's combined market share for freezers, refrigerators and washing machines reached 17.3%, amongst 15.3% in refrigerators and 43.3% in freezers, ranked the Company number one in the industry. Through differentiating product portfolio, high-end revenue contribution went up by 2 percentage points to 51%. The Company became the fastest growing refrigerators business with several launches including AQUA ultra-thin T-style and Delie series, as well as 468/406 T-door and ultra-narrow 3-door series under Haier brand. The Company also grasped the pandemic-driven market opportunity of health-conscious laundry with AQUA variable-frequency washing machine, high-end heat pump front-load washers, and Haier medium and large size variable-frequency washing machines. More than 50,000 units of heat pump front-load washer-dryer combo have been sold in the first year since its launch.

## II. INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD

### (I) Industry Overview for 2022

#### 1. The Chinese market

In 2022, home appliance industry was sluggish amid real estate downturn, weak consumer sentiment and rising commodity prices. Data from CMM showed that the retail sales of the China's home appliance (excluding 3C & digital products) retail revenue across all channels in China was RMB799.9 billion in 2022, down 6.4% year-on-year when compared to 2021, amongst which refrigerator retail sales was RMB96.4 billion, down 1.7% year-on-year; washing machine retail sales was RMB68.1 billion, down 7.3%; thanks to hot temperature in July and August, home air-conditioner retail sales grew by 1.6% year-on-year to RMB160.1 billion; retail sales of range hoods and stoves amounted to RMB54.0 billion, down 13.9% year-on-year. Impacted property weakness and saturating penetration, water heater retail sales went down by 14.5% to RMB52.0 billion. The rise of the middle class and the growing consumer sophistication drive the popularity of new categories such as tumble dryers, whose retail sales reached RMB9.3 billion in 2022, up 22.5% year-on-year.

On the other hand, consumption momentum was weakened by lower income expectation, and people started to make fewer impulsive purchases; consumer preference is becoming polarized with high end focusing on quality and wellbeing while entry level users appreciate value-for-money offerings. Nonetheless, high end market continued to expand, for example, consumers started to appreciate compartmentalized storage and healthy preservation technologies, while built-in refrigerators that blend in well with ambience at home has become one of the main directions of appliance upgrade. According to AVC, share of refrigerators priced above RMB10,000 went up 5.4 percentage points to 37.1% in the offline market in 2022.

In a well penetrated market, appliances business ought to make dedicated effort in developing consumer insights and unlocking new opportunities with constant product innovation, while increasing value of existing users with a variety of product sets that also echo the trend of appliances and home furnishing integration. Wall-mounted washing machine, micro washers and separated laundry washers have become popular with growing number of families choose to have more than one child. New-air ventilation system and kitchen-specialised air conditions are the latest revenue drivers. According to AVC, New-air ventilation AC revenue contribution went up by 2.2 percentage points to 8.4% in 2022, and washer-dryer combo contributed 40.4% of the revenue in the offline market in the first nine months of 2022, up 5.5 percentage points year-on-year.

#### **Export markets**

In 2022, China's home appliance industry was under significant pressure caused by inflation, over-consumption from previous years and high level of inventories. According to China Household Electrical Appliances Association, total annual export was USD97.25 billion in 2022, down 6.9%; with quarterly growth of 1.8%, -1.3%, -7% and -20.2% from Q1 to Q4. Refrigerators, air conditioners, freezers and washing machines export revenue grew by -23.1%, 4.2%, -9.6% and -6.3%, respectively, in 2022.

### 2. Overseas markets

The global economy recovered gradually in 2022. IMF estimated global GDP growth to be 3.4%. According to Euromonitor, global home appliances retail revenue (including major appliances and small appliances) was USD518.3 billion in 2022, increased by 0.5% for the year, of which, retail sales of core appliances dropped 0.3%, while small appliances grew 1.5% year-on-year.

#### **By market:**

- (1) The U.S.: Costs remained under inflationary pressure from raw materials, commodities, logistics and labour. Competition in the home appliance industry was intense, and interest rate increases have slowed down new home constructions and home sales. Consumer confidence and spending remained subdued. Core appliances shipment went down by 6.4% in 2022.
- (2) Europe: According to GFK, overall sales volume amounted to approximately 96.27 million units in Europe, down 8.9% year-on-year due to various factors including inflation. At the same time, the energy crisis spurred rapid growth of alternative energy product such as heat pumps. Consumers continue to favour large-volume, health-conscious and energy efficient products.
- (3) South Asia: ① In India, demand for large-volume, health-conscious and variable-frequency products grew steadily in the mid-range to high-end market, whereas demand for energy-saving entry level products in third- and fourth-tier markets were on the rise. Chain retailers expanded rapidly across the country, and e-commerce channel continued to increase in revenue contribution. ② Due to flood damages and inflation in Pakistan, people's purchasing power plummeted causing appliance market volume to decline by 10%. Import policy change led to structural shortages of raw materials. However, mid and high-end products continued to grow.
- (4) Southeast Asia: As markets fully reopened economic recovery continued, however industry performances varied in the region. According to GFK, appliance industry suffered a decline in Thailand while, Vietnamese market experienced a mild growth. Demand for mid to high end products with large-volume, health-conscious, protection and sterilization features continued to dominate.
- (5) Australia & New Zealand: ① In 2022, sales volume in Australia recorded a mild increase of 3%, with falling demand in the fourth quarter due to interest rate hikes and inflation. Average unit prices rose year-on-year driven by inflation and growth in high end products. ② According to customs' data, white goods market experienced a double-digit year-on-year volume decline in New Zealand in 2022.
- (6) Japan: White goods market was sluggish in Japan due to currency depreciation and pandemic resurgence, annual sales volume of refrigerators, freezers and washing machines dropped by 1.5% year-on-year. Demand grew for large-volume, small-sized, health-conscious, energy-saving, and smart products.

## Section III Management Discussion and Analysis

### (II) Industry Outlook for 2023

#### 1. The Chinese market

Domestic GDP is expected to accelerate in 2023 after re-opening, positive for income prospects and confidence. Market momentum could benefit from concrete housing demand unleashed by policy support in the property sector, appliances replacement & upgrade, and green & smart appliance initiatives.

CMM estimates appliance retail sales to grow 5% in 2023, with new opportunities from the home improvement channel unlocked by appliances and interior integration; and growing traffic from social media platforms such as TikTok and Xiaohongshu.

#### *Export markets*

Home appliance exports is expected to stay flat in 2023 as fundamental improvements remain less likely for global economy, particularly in Europe and the US. Sequential recovery could be expected in the second half as inflationary pressure, inventory build-up and high comps should start to ease. The pandemic and Russia-Ukraine conflict will continue to reshape global supply chains, with accelerated manufacturing localization that could affect China's export in the long run.

#### 2. The Global Market

According to IMF's World Economic Outlook, global economic recovery is slow amid tightening monetary policy and financial conditions worldwide. The global GDP is forecasted to grow at 2.9% in 2023.

Euromonitor forecasts global core appliance industry will exceed USD290 billion in 2023, up 2.5% year-on-year. Recovery of high-end market offline could accelerate innovation and promote appliance connectivity; demand remain strong for efficient products amid energy shortage; on the other hand, regional instabilities could put global appliance supply chain under pressure.

## III. INTRODUCTION OF THE COMPANY'S BUSINESS DURING THE REPORTING PERIOD

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

- Global leader of the major home appliance industry: According to data from Euromonitor — an authoritative market researcher, the Company ranked first in terms of sales volume in global major appliance market for 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 2022, Haier brand refrigerators and washing machines ranked first among global major home appliance brands in sales volume for 15 and 14 consecutive years respectively.

## Section III Management Discussion and Analysis

- Pioneer of global smart home solutions: Capitalizing on our full-range home appliances products, the Company is recognized by Euromonitor as one of the first in the industry to introduce smart home solutions. Three-Winged Bird focuses on customising smart home experience, by building up five core competencies including the Smart Home Brain, scenario-based solutions, experiential stores, the Three-Winged Bird interior design tool and the digital platform, we provide end-to-end and full life cycle services that “design a home, build a home and serve a home” for users.

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

### Smart Home Business in China

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

- Household Food Storage and Cooking Solutions (Internet of Food): Through selling in domestic market and exporting products such as refrigerators, freezers, kitchen appliances, as well as providing one-stop smart kitchen scenario solutions and ecosystem solutions including smart cooking and nutrition planning, the Company fully addresses users’ need for convenient, healthy and tasteful gourmet experiences.
- Household Laundry Solutions (Internet of Clothing): Haier’s washing machine focuses on applying original technologies to directly solve users’ pain points in home living scenarios, and create new experiences and value for users. With a product lineup of washing machines, tumble dryers, all-in-one laundry machines, garment care machines, and heated drying racks, the Company has evolved from selling individual products to providing scenario-based solutions, and offering end-to-end laundry care services. For example, the Zhongzihemei (中子和美) three-in-one washer combines washing, drying, and fabric care functions into a single unit, and the Essence Wash washing machine reduces washing time and improves cleaning effectiveness by producing a highly concentrated detergent solution that can quickly soak into clothes through detergent pre-mixing and high pressure spraying.
- Air Solutions (Internet of Air):

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

## Section III Management Discussion and Analysis

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

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

### Overseas Home Appliance and Smart Home Business

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

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

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

### Other Businesses

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

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

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

## IV. 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 2022. In overseas markets, the Company has adhered to its high-end brand creation strategy, building capacity to create leading sustainable growth, which has continuously improved its market share. Building on this foundation, the Company will further consolidate its leadership position in the industry by leveraging integrated synergies of its global unified platforms, through efficiency transformation driven by digitalization, and by leveraging its technological strength and innovative capabilities. As cornerstone for sustainable development, our 'Rendanheyi (人单合一)' Model also provided management guidance to the Company, and enabled us to replicate successful experiences. It is believed that the following advantages will help the Company to continue to strengthen its leading position:

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

Riding the trend of consumption upgrade in China, the Company has started to develop the high-end brand Casarte in the Chinese market more than 10 years ago. The creation of high-end brands required not only focus, experience and patience, but also continuous innovation of technological standards and differentiated service capabilities to fulfil user demand for high-quality



## Section III Management Discussion and Analysis

experiences. The Casarte brand combined the Company's global technological strengths, product development capabilities and manufacturing craftsmanship, as well as privilege marketing and differentiation services, which has won the trust of users in China's high-end market. According to data from CMM, the Casarte brand has assumed a definitive leading position in China's high-end major home appliance market in 2022, ranking first in the retail sales of refrigerator, washing machine and air conditioner categories in the high-end segment. Specifically, in terms of offline retail sales, shares of the Casarte brand of washing machines and refrigerators reached 77.2% and 38.5% respectively in the market with product price above RMB10,000 in China, while its share of air conditioners priced above RMB15,000 in the China's market reached 30.6%. Our overall average price for Casarte refrigerators, air conditioners and washing machines is two to three times the average price of the industry.

In the North American market, the Company owns high-end brands such as Monogram, Café, and GE Profile. We enhanced our high-end brand profile through launching leading products including high-end steam ovens, drawer-style microwave ovens and lift-up cooker hoods. Through the creation of luxurious, customizable and smart technology-enabled user experience, our high-end brands Monogram, Café and GE Profile have grown rapidly.

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

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

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

Secondly, in terms of our capabilities in scenario solutions, Three-Winged Bird continued to build insightful smart scenarios that boosted health, comfort, safety and energy efficiency based on its strategic focus on tailored smart home experience. We addressed user needs on intelligence through the design and implementation of nine thematic scenarios of kitchen, sleep, ambience, low carbon, air, water, cleaning, security, and perception.

In addition, Three-Winged Bird's interior design tool focused on "building a home", providing users with smart home appliances + smart home solutions. The VR function allowed users to virtually visualise the look, size and style of their smart appliances from different viewing angles. The Three-Winged Bird interior design tool has now facilitated more than 30,000 localised design solutions.

Finally, Three-Winged Bird's digital platform is integrated with the Three-Winged Bird APP and the Smart Home APP to offer full life cycle service for users, thereby enhancing the value added to active users and increasing conversion of scenario-based transactions.

### **(iii) Extensive and solid global presence with 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 2022, the Company established 10+N innovative ecosystems, 122 manufacturing centres, and 108 marketing centres around the world, and achieved a coverage of nearly 230,000 point of sales in overseas markets.

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

Through organic growth and acquisitions, the Company has formed seven brand clusters, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. To address the needs of users from different tiers in various markets around the world, the Company has adopted a differentiated multi-brand strategy in different regions that centred around users, so as to achieve an extensive and in-depth user coverage. For example, in the Chinese market: the 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.

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### (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.

### (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, the Company's R&D team in China joined hands with FPA's and CANDY's R&D teams to develop the H2O spray technology, which has been applied to freestanding and built-in dishwashers of Haier, Fisher&Paykel, CANDY and HOOVER, hence strengthening the Company's overall leadership in product performance.
- **Global collaborative product development:** The Company has established a global product development mechanism to coordinate global collaborative product development, which can enable regional collaboration and supplementation across product categories. For example, the R&D teams in South Asia and China embarked on a 10-month collaboration, breaking away from the traditional product development model by innovating on team organisation, quality control, product testing and cost control leveraging complementary local resources. The HRT-683 refrigerator jointly developed by this collaboration has become a local mainstream high-end product.

- **Global collaborative procurement:** The Company has established a global procurement guidance committee to coordinate global procurement activities. The committee has built a global digital sourcing platform that brought together partners across industries and regions to develop an autonomous and controlled global supply chain ecosystem. The committee also created a global database of preferred suppliers and materials to achieve cost reduction by aggregating common resources at the Group level. By unifying procurement rules and processes, the Company established a standardised operating system with differentiated procurement strategies to enhance procurement efficiency while lowering risks. We have also developed a Group-level digital procurement platform to enhance shared capabilities through connecting “materials, businesses, people and mechanisms” to the platform, thereby improving the resilience of our global supply chain.
- **Global collaborative supply chain:** The Company has built an end-to-end digital management system for the global supply chain that spanned from marketing to suppliers to production and logistics. Using intelligent algorithms, the system enabled real-time flexible deployment of global production capacity, and factories across the globe could share and develop smart manufacturing technologies to boost manufacturing competitiveness.
- **Global collaborative marketing and brand promotion:** the Company operates a multi-level brand portfolio on a global scale, which can 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. In early 2022, the Company established a science and technology committee to leverage our technological innovation system and strengthen our enterprises’ innovation capabilities, which have facilitated our high-end brands, scenario brands and ecosystem brands to achieve leadership positions.

- **Leadership in terms of original technologies:** In 2022, the Company has innovated a range of solutions that exceeded users’ expectations and made technology more integral to everyday life. For example, the seamless built-in refrigerator adopted the innovative bottom heat dissipation technology to realise a zero-gap integration with the cabinet. The use of the dual-axis variable hinges allowed the fridge door to be opened to 113° without hitting surrounding walls. By advancing the foam layer technology, the thickness of the whole fridge was reduced to 600mm which matched the international standard depth of cabinets, hence enabling the refrigerator to be flush with the cabinet.

## Section III Management Discussion and Analysis

- **Certification from state authorities:** As of the end of 2022, the Company received a total of 16 State Science and Technology Progress Award and 245 leading international achievements, more than any other company in the industry. Haier Smart Home was among the first batch of “Leading Digital Enterprises” selected by the Ministry of Industry and Information Technology. The HOPE Platform was selected by Innovation China as one of the “Top 10 Industry-Academia Collaboration Organisations” and part of the first batch of Innovation Bases. The Platform also earned the Golden Bridge Award from the China Technology Market Association, was named as the only five-star technology service organisation in the home appliance industry, and became the Model National Public Service Platforms for Small and Medium-Sized Enterprises.
- **Leadership in terms of patent quality:** As of the end of 2022, Haier Smart Home has accumulated more than 92,000 patents applications globally, including more than 59,000 invention patents. The number of overseas invention patents exceeded 16,000, covering more than 30 countries, making us the Chinese home appliance enterprise with the largest number of overseas patents. The Company also accumulated 11 state patent gold awards, ranking first in the domestic market. In the ‘Global Smart Home Invention Patent Ranking’ in 2022, Haier Smart Home once again topped the list with 5,691 published patent applications, ranking first in the world for the eighth consecutive times.
- **Leadership in terms of international standards:** As of the end of 2022, Haier Smart Home has cumulatively led and participated in the formulation of 92 international standards and 637 state/industrial standards. We are the only company in the industry to obtain comprehensive coverage of smart home standards from international organizations including the IEC, ISO, IEEE, OCF and Matter. We are also the only enterprise in the world to serve on both the IEC Council Board and the IEC Market Strategy Board, which have enabled the Company to stay actively involved in international standardization efforts and have a voice in the formulation of standards.
- **Leadership in terms of experience design:** In the Red Dot Design Awards 2022, Haier Smart Home broke its own record and earned 56 product design awards, once again topped the industry with the highest cumulative number of awards. Haier Smart Home also won 42 accolades from the German iF Design Awards, ranking first in the industry. The Company has cumulatively received more than 500 international design awards, as well as 5 China Excellent Industrial Design Awards, which is the only enterprise in China that have earned three consecutive gold awards.

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

‘Value of people comes first’ has always been a guiding principle for Haier’s development. From the autonomous operation team at the start of the venture to the current ‘Rendanheyi’ (人单合一) model, Haier encourages every employee to 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.

### V. MAJOR OPERATIONS DURING THE REPORTING PERIOD

Please refer to "I. DISCUSSION AND ANALYSIS ON OPERATIONS" and "III. INTRODUCTION OF THE COMPANY'S BUSINESS DURING THE REPORTING PERIOD" under this section.

#### (I) Analysis of principal business

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

Unit and Currency: RMB

Items	Current Period	Corresponding Period of Last Year	Change (%)
Operating revenue	243,513,563,670.73	227,105,817,641.69	7.22
Operating cost	167,223,167,396.20	155,949,547,009.40	7.23
Selling expenses	38,597,810,391.10	36,584,438,840.05	5.50
Administrative expenses	10,837,316,878.50	10,471,531,966.20	3.49
Financial expenses	-245,629,371.05	684,721,619.75	-135.87
R&D expenses	9,499,191,097.85	8,363,868,872.76	13.57
Net cash flow from operating activities	20,153,505,783.35	23,235,380,690.95	-13.26
Net cash flow from investing activities	-8,920,323,018.92	-8,062,743,538.43	N/A
Net cash flow from financing activities	-3,822,128,075.36	-15,660,138,902.78	N/A
Gain on fair value change	-122,442,933.65	119,277,623.85	-202.65
Gain from disposal of assets	206,742,815.79	110,983,720.04	86.28
Non-operating income	136,527,269.96	199,068,358.48	-31.42

Analysis on the reasons of signification changes in certain indicators:

- 1) Reasons for the changes in gain from fair value change: Gain from fair value change decreased by 202.65% over the corresponding period, which was mainly due to the decrease in fair value change of forward contracts;
- 2) Reasons for changes in gain on disposal of assets: Gain on disposal of assets increased by 86.28% over the corresponding period, which was mainly due to the increase in gain on disposal of assets in the current period;
- 3) Reason for changes in non-operating revenue: Non-operating revenue decreased by 31.42% over the corresponding period, which was mainly due to the decrease in revenue not related to ordinary operation in the current period.

## Section III Management Discussion and Analysis

Detailed explanation of significant changes in the operation types and the components of profit or sources of profit of the company during the period

☐ Applicable ☒ Not applicable

### 2. Analysis of Income and Cost

☐ Applicable ☒ Not applicable

#### (1). Principle Operating Activities by Sector, Product, Region and Sales Mode

Unit and Currency: RMB

Principal operating activities by product						
By product	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased/decreased yoy (%)
Air conditioner	40,059,458,698.75	28,599,397,831.67	28.61	6.74	5.73	Increase by 0.68 percentage points
Refrigerator	77,637,761,907.85	52,883,745,098.80	31.88	8.48	8.29	Increase by 0.12 percentage points
Kitchen appliances	38,740,706,547.12	26,213,735,106.82	32.34	9.92	10.44	Decrease by 0.31 percentage points
Water Appliances	13,786,852,209.99	7,443,373,512.28	46.01	10.55	10.10	Increase by 0.22 percentage points
Washing Machine	57,721,991,613.33	38,583,555,563.97	33.16	5.41	6.19	Decrease by 0.49 percentage points
Equipment parts and channel integrated services	14,484,542,254.19	13,065,622,141.68	9.80	-0.42	0.59	Decrease by 0.90 percentage points

Principal operating activities by region						
By region	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased/decreased yoy (%)
Domestic	116,330,655,265.51	74,630,330,387.89	35.85	4.43	1.76	Increase by 1.69 percentage points
Overseas	126,100,657,965.72	92,159,098,867.33	26.92	9.91	11.90	Decrease by 1.29 percentage points

## Section III Management Discussion and Analysis

Sale mode	Principal operating activities by sales mode					
	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased/decreased yoy (%)
Domestic — direct sale customers	11,085,779,646.45	6,024,135,893.08	45.66	2.18	-4.93	Increase by 4.06 percentage points
Domestic — distribution and others	105,244,875,619.06	68,606,194,494.81	34.81	4.67	2.39	Increase by 1.45 percentage points
Overseas — direct sale customers	4,695,394,135.44	4,181,889,393.40	10.94	18.98	15.80	Increase by 2.45 percentage points
Overseas — trading companies sales	121,405,263,830.28	87,977,209,473.93	27.53	9.59	11.72	Decrease by 1.38 percentage points

### (2) Table of production and sales analysis

√ Applicable    □ Not applicable

Main products	Units	Production volume	Sales Volume	Inventory	Production volume increased/decreased yoy (%)	Sales volume increased/decreased yoy (%)	Inventory increased/decreased yoy (%)
Home Appliance	10,000 units/sets	11,397	11,263	2,502	7.8	-1.1	1.6

### (3). Performance of major purchase contracts and major sales contracts

□ Applicable    √ Not Applicable

### (4). Table of cost analysis

Unit: RMB0'000

By sector	Cost component	By sector				
		Amount for the current period	Percentage of the amount for the current period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Percentage of change of the amount for the current period compared to the corresponding period of last year (%)
Home Appliance Industry	Primary operation costs	15,372,381	100.0	14,468,983	100.0	6.24
	Raw materials	13,135,824	85.5	12,400,431	85.7	5.93
	Labor	950,481	6.2	893,832	6.2	6.34
	Depreciation	254,004	1.7	238,331	1.6	6.58
	Energy	81,621	0.5	72,363	0.5	12.79
	Others	950,450	6.2	864,026	6.0	10.00



## Section III Management Discussion and Analysis

**(5). Change of consolidation scope due to changes on shareholdings of major subsidiaries during the reporting period**

☐ Applicable    ☒ Not applicable

**(6). Relevant information on significant changes or adjustments in the Company's business, products or services during the reporting period**

☐ Applicable    ☒ Not Applicable

**(7). Major distributors and major suppliers**

- A. Major distributors of the Company  
☒ Applicable    ☐ Not Applicable

Revenue from the top five distributors was RMB54,151.39 million, representing 22.2% of the total sales for the year; among the revenue from the top five distributors, the revenue from related parties was RMB0 million, representing 0% of the total sales for the year.

The proportion of sales to a single distributor exceeded 50% of the total during the reporting period, and new distributor or depending heavily on a few distributors were seen among the top five distributors.

☐ Applicable    ☒ Not Applicable

- B. Major suppliers of the Company  
☒ Applicable    ☐ Not Applicable

The purchase amount from the top five suppliers amounted to RMB41,880.79 million, representing 19.3% of the total purchase amount for the year; among the purchase amount from the top five suppliers, the purchase amount from related parties was RMB21,131.01 million, representing 9.8% of the total purchase amount for the year.

The proportion of purchase from a single supplier exceeded 50% of the total during the reporting period, and new supplier or depending heavily on a few suppliers were seen among the top five suppliers.

☐ Applicable    ☒ Not Applicable

**3. Expenses**

☒ Applicable    ☐ Not applicable

Financial costs decreased by 135.87% over the corresponding period, which was mainly due to the increase in interest income and exchange gain in the current period.

## Section III Management Discussion and Analysis

### 4. R&D expenditure

#### (1). Table of R&D expenditure

√ Applicable    ☐ Not applicable

Unit: RMB

Expensed R&D expenditure for the current period	9,499,191,098
Capitalized R&D expenditure for the current period	741,064,144
Total R&D expenditure	10,240,255,242
Total R&D expenditure as a percentage in operating revenue (%)	4.21
Proportion of capitalization of R&D expenditure (%)	7.24

#### (2). Table of R&D Personnel

√ Applicable    ☐ Not applicable

Number of R&D personnel	24,647
Percentage of R&D personnel took up in the total employees (%)	22

#### Educational structure of R&D personnel

Categories of educational structure	Number of personnel
Doctor's degree	121
Master's degree	4,103
Bachelor's degree	12,764
College Diploma	5,207
High School diploma or below	2,452

#### Age structure of R&D personnel

Categories of age structure	Number of personnel
Under 30 years old (not including 30)	9,010
30-40 years old (including 30 and not including 40)	10,506
40-50 years old (including 40 and not including 50)	3,765
50-60 years old (including 50 and not including 60)	1,150
60 years old and above	216

## Section III Management Discussion and Analysis

### **(3). Explanation**

☒ Applicable    ☒ Not Applicable

Haier Smart Home always focuses on user experience. Under the guidance of adhering to the strategy of original technology, it has continuously increased its innovation investment, established a global leading R&D system, and has seen a continuous emergence of innovative achievements. Original technologies have supported the overall industry-leading positions of the Company's high-end brands, scenario brands and ecosystem brands. In terms of products, in 2022, the Company created a series of excellent solutions that were beyond users' expectations with lifestyle embodied in technology, such as flat-back refrigerator, essence washing machine, mechanic window air conditioner and constant airflow range hood, etc. In the next step, we will continue to increase investment in basic research and subversive technology research. In terms of intelligence promotion: focusing on all-scenario solutions such as Smart Home APP and whole house intelligence, we have constructed smart living scenarios based on user demand. We are continuously increasing our investment in the research and development of IoT, cloud computing, artificial intelligence and related advanced technologies to advance the development of home appliances towards intelligence and scenario-based development. In terms of green and dual-carbon: we will undertake the national dual-carbon strategy and actively implement the ESG concept. In 2022, the construction of the first domestic recycling interconnected factory was completed and put into operation, integrating low carbon and energy saving into the whole life cycle of products, driving the green development of the whole industry chain and leading the high-quality development of the industry.

### **(4). Reason for significant change in the composition of R&D personnel and its impact on the future development of the Company**

☐ Applicable    ☒ Not applicable

### **5. Cash flow**

☒ Applicable    ☐ Not applicable

Net cash outflows from financing activities decreased by 75.59% over the corresponding period, which was mainly due to the new policy borrowing raised in China, the new working capital borrowing raised overseas and additional issuance of proceeds during the current period.

### **(II) Explanation for major changes in profit 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

Name of Item	Amount at the End of Current Period	Percentage of Amount at the End of Current Period to Total Assets (%)	Amount at the End of Previous Period	Percentage of Amount at the End of Previous Period to Total Assets (%)	Change in the Amount at the end of Current Period to the End of Previous Period (%)	Description
Trading financial assets	519,812,880.91	0.22	2,786,075,529.09	1.28	-81.34	Mainly due to the expiration of short-term wealth management products measured at fair value
Derivative financial assets	183,185,160.51	0.08	79,819,974.01	0.04	129.50	Mainly due to the fluctuation in value of foreign currency forward contracts
Debt investments	1,034,222,222.22	0.44			100.00	Mainly due to the new long-term deposits
Right-of-use assets	3,795,225,353.89	1.61	2,734,678,906.53	1.26	38.78	Mainly due to the increase in lease
Development expenses	154,480,515.67	0.07	227,892,229.13	0.10	-32.21	Mainly due to the transfer of R&D expenses
Trading financial liabilities			6,294,014.40	0.00	-100.00	Mainly due to the expiration of foreign currency forward contracts
Derivative financial liabilities	104,594,040.66	0.04	80,212,433.24	0.04	30.40	Mainly due to the fluctuation in value of foreign currency forward contracts
Non-current Liabilities due within one year	6,294,750,667.08	2.67	9,624,339,170.46	4.42	-34.60	Mainly due to the repayment of long-term borrowings due within one year
Long-term borrowings	13,590,866,873.43	5.76	3,038,573,824.53	1.40	347.28	Mainly due to the replacement of long-term borrowings due within one year and new policy borrowing
Bonds payable			334,730,048.82	0.15	-100.00	Mainly due to the conversion of the convertible bonds during the period
Lease liabilities	2,824,477,670.61	1.20	1,960,894,981.47	0.90	44.04	Mainly due to the increase in lease
Long-term payables	44,240,087.94	0.02	99,602,707.76	0.05	-55.58	Mainly due to the repayment of long-term payables
Other non-current liabilities	107,332,101.07	0.05	49,461,683.90	0.02	117.00	Mainly due to the increase in forward payments for purchase of assets
Treasury stock	3,857,807,196.38	1.64	2,424,038,819.70	1.11	59.15	Mainly due to the share repurchase

## Section III Management Discussion and Analysis

Name of Item	Amount at the End of Current Period	Percentage of Amount at the End of Current Period to Total Assets (%)	Amount at the End of Previous Period	Percentage of Amount at the End of Previous Period to Total Assets (%)	Change in the Amount at the end of Current Period to the End of Previous Period (%)	Description
Other equity instruments			118,017,507.59	0.05	-100.00	Mainly due to the decrease in the conversion equity component of the convertible bonds
Other comprehensive income	1,990,683,498.45	0.84	-1,176,851,699.92	-0.54	269.15	Mainly due to the translation of foreign currency financial statements

### 2. Overseas Assets

☒ Applicable ☐ Not Applicable

#### (1) Scope of assets

Among the assets, overseas assets amounted to 10,856,027 (unit and currency: RMB0,000), representing 46% of the total assets.

#### (2) Explanation of high percentage of overseas assets

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Name of overseas asset	Reason for Formation	Operating mode	Operating Revenue during the reporting period	Net Profit of 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	125,423,825,543.85	6,249,105,890.26

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 industry operating information

☐ Applicable ☒ Not Applicable

**(V) Analysis of investment**

Overall analysis on external equity investment

☒ Applicable    ☐ Not applicable

In the purpose of promoting the business development of the Company and enhancing the Company's corporate governance, subsidiaries of the Company have made a series of investment layouts. In order to promote the development of the Company's home robot business, upon the consideration and approval at the 28th meeting of the 10th session of the Board of Directors of the Company on 28 April 2022, Qingdao Haier Smart Life Appliance Co., Ltd. (青岛海尔智慧生活电器有限公司), a wholly-owned subsidiary of the Company, acquired 100% equity in Qingdao TAB Robotics Co., Ltd. (青岛塔波尔机器人技术有限责任公司) (now known as "Haier Robot Technology (Qingdao) Co., Ltd. (海尔机器人科技(青岛)有限公司)) at a transaction consideration of RMB125 million. As at the end of the Reporting Period, the transaction was completed. In order to reduce routine connected transactions and enhance governance, upon the consideration and approval at the 2nd meeting of the 11th session of the Board of Directors of the Company on 29 August 2022, Qingdao Haier Special Refrigerator Co., Ltd., a wholly-owned subsidiary of the Company, acquired 100% equity in Qingdao Haier Special Plastic R&D Co., Ltd. (青岛海尔特种塑料研制开发有限公司) at a transaction consideration of RMB152 million. As at the end of the Reporting Period, the transaction was completed.

**1. Significant equity investment**

☒ Applicable    ☐ Not applicable

Unit and Currency: RMB00'000'000

Name of investee	Main Business	Is subject a main investment business or not	Investment	Investment amount	Shareholding	Consolidated or not	Statement items (if applicable)	Capital source	Partners (if applicable)	Investment Term (if any)	Progress Update as at		Impact of profit or loss during the Period	Lawsuit related or not	Disclosure date (if any)	Disclosure Indexes (if any)
											Balance	Expected gains (if any)				
Qingdao TAB Robotics Co., Ltd. (青岛塔波尔机器人技术有限责任公司)	Smart home robot business	No	Acquisition	1.25	100%	Yes	/	Self-owned funds	/	/	Transaction completed	/	/	No	29 April 2022	L2022-027
Qingdao Haier Special Plastic R&D Co., Ltd. (青岛海尔特种塑料研制开发有限公司)	Refrigerator door body business	No	Acquisition	1.52	100%	Yes	/	Self-owned funds	/	/	Transaction completed	/	/	No	30 August 2022	L2022-065
Total	/	/	/	2.77	/	/	/	/	/	/	/	/	/	/	/	/

**2. Significant non-equity investment**

☐ Applicable    ☒ Not Applicable

## Section III Management Discussion and Analysis

### 3. Items measured at fair value

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Asset Type	Opening Balance	Profits or Losses of Changes in Fair Value during the Period	Cumulative Changes in Fair Value Included in Equity	Provision for Impairment of during the Period	Purchases during the Period	Sold/Redeemed Amount during the Period	Other Changes	Closing Balance
Wealth management products	2,168,622,090.00	60,591,951.03			5,360,147,787.60	7,574,722,860.37		14,638,968.26
Investments in other equity instruments	4,851,884,944.63		-150,669,101.68		1,032,370,425.42		118,296,661.83	5,851,882,930.20
Investments in trading equity instrument	330,557,610.82	104,729,258.75			99,999,996.80	245,376,295.96	46,832,494.61	336,743,065.02
Investment funds	150,516,274.37	-37,211,579.82			42,532,603.96		12,593,549.12	168,430,847.63
Derivative financial instruments	176,525,574.88	-67,337,319.58	2,817,487.53				-50,331,412.08	61,674,330.75
Total	7,678,106,494.70	60,772,310.38	-147,851,614.15		6,535,050,813.78	7,820,099,156.33	127,391,293.48	6,433,370,141.86

Note: As of 31 December 2022, the aggregate balance of foreign exchange derivative transaction amounted to approximately US\$ 1.953 billion.

### Investment in securities

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Type of securities	Securities code	Securities abbreviation	Initial investment cost	Sources of funding	Carrying amount at the beginning of the Period	Profit and loss arising from changes in fair value during the Period	Accumulated fair value changes included in equity	Purchases during the Period	Disposals during the Period	Investment profit or loss during the period	Carrying amount at the end of the Period	Accounting items
Stock	601328	Bank of Communications	1,803,769.50	Self-funding	6,279,981.72		177,082.76				6,457,074.48	Investments in other equity instruments
Stock	600827	Bailian Group	154,770.00	Self-funding	525,042.04		-47,669.48				477,382.56	Investments in other equity instruments
Stock	300183	Neusoft Carrier	18,713,562.84	Self-funding	14,250,135.78		-4,830,819.48				9,419,316.30	Investments in other equity instruments
Stock	000859	Beijing Shougang	99,999,996.80	Self-funding	224,266,143.39	-55,678,783.06		99,999,996.80	245,206,369.12	46,693,359.19	70,074,347.20	Trading financial assets
Stock	688455	KENGIC	29,450,000.00	Self-funding	46,832,494.61	110,349,395.39					157,181,890.00	Trading financial assets
Total	/	/	150,122,099.14	/	292,153,797.54	54,670,612.33	-4,701,386.20	99,999,996.80	245,206,369.12	46,693,359.19	243,610,010.54	/

## Section III Management Discussion and Analysis

### Private equity investment

√ Applicable    ☐ Not Applicable

By the end of the reporting period, the Company has historically invested in private equity funds as follows: the Company invested 63.13% share in Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership); Qingdao RRS Huitong Investment Management Co., Ltd. (青岛日日顺汇通投资管理有限公司), a subsidiary of the Company, invested 49% share in Guangzhou Heying Investment Partnership (Limited Partnership); Qingdao RRS Chuangzhi Investment Management Co., Ltd. (青岛日日顺创智投资管理有限公司), a subsidiary of the Company, invested 30% share in Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership), a private equity fund, and 50% equity of Qingdao Ririshun Huizhi Investment Co., Ltd., a managing partner of funds; Qingdao Haier Technology Investment Co., Ltd. (青岛海尔科技投资有限公司), a subsidiary of the Company, invested in private equity funds: 1% share in Beijing-Tianjin-Hebei Industrial Coordinated Development Investment Fund (Limited Partnership) (京津冀产业协同发展投资基金(有限合伙)), 14.85% share in Shenzhen TopoScend Capital Phase I Fund (Limited Partnership) (深圳市投控东海一期基金(有限合伙)), 24% share in Qingdao Haimu Smart Home Investment Partnership (Limited Partnership), and invested in fund management companies: 5.01% equity of CMG-SDIC Capital Co., Ltd. (国投招商投资管理有限公司), 15% equity of Shenzhen TopoScend Capital Co., Ltd. (深圳市投控东海投资有限公司), 49% equity of Qingdao Haimu Investment Management Co., Ltd.

### Derivative investment

√ Applicable    ☐ Not Applicable

RMB0'000

Operator name of derivatives investment	Type of derivatives investment	Initial investment amount of derivatives investment	Starting date	Ending date	Opening investment amount	Amount		Provision for impairment (if any)	Closing investment amount	Proportion of closing investment amount over net assets at end of reporting period	Actual profit or loss for the reporting period
						purchased during the reporting period	Amount sold during the reporting period				
Bank	Forward foreign exchange contract	1,247,880	2022/1/1	2022/12/31	1,247,880				1,360,076		20,134
Bank	Interest rate/exchange rate swap	209,737	2022/1/1	2022/12/31	209,737				0		-822



## Section III Management Discussion and Analysis

### **Funding sources of derivatives**

#### **investments**

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

#### **Own funds of the Company**

Changes in market prices or fair value of products,

1. The profit or loss of the foreign exchange forward contracts amounted to RMB201.34 million during the reporting period;
2. The profit and loss arising from the interest rate/exchange rate swap was RMB-8.22 million during the reporting period.

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

#### **4. Detailed progression of material asset regroup and integration during the reporting period**

☐ Applicable ☒ Not applicable

### **(VI) 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, upon consideration and approval at the 28th meeting of the 10th session of the Board of Directors of the Company on 28 April 2022, Haier Shareholdings (Hong Kong) Limited, a wholly-owned subsidiary of the Company, transferred 25% equity interest in Qingdao Haier Mold Co., Ltd. at a transaction consideration of RMB277 million. As at the end of the reporting period, the transaction was completed.

### **(VII) Analysis on major subsidiaries and Investees**

☒ Applicable ☐ Not applicable

For details, please refer to the relevant contents of “(2) Explanation of high percentage of overseas assets” under “(III) Analysis of assets and liabilities” in this section.

### **(VIII) Structured entities controlled by the Company**

☐ Applicable ☒ Not applicable

### VI. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

#### (I) Setup and trend of the industry

☒ Applicable   ☐ Not applicable

For details, please refer to the relevant contents of “II. INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD” under “Section III Management Discussion and Analysis” in this report.

#### (II) Development strategy of the Company

☒ Applicable   ☐ Not applicable

It is the Company's development strategy to become a user-oriented digital enterprise in the IoT era and achieve leadership as the world's first IoT-based smart home ecosystem brand.

Through product & solution upgrades and scenario innovation of competitive refrigerator, washing machine and water heater businesses, the Company continues to enhance user value and achieve market growth and business expansion. By accelerating end-to-end transformation of the home air conditioner and kitchen appliance businesses, the Company enhance business competitiveness, achieve rapid revenue growth, and improve profitability. The Company will forge new paths for growth by capitalising on the replacement demand for energy-efficient products and focusing on smart buildings. By accelerating growth in new product categories such as tumble dryers and dishwashers, and actively expanding into new business areas such as lifestyle appliances and cleaning appliances, the Company establishes a second growth curve. The Company develops a competitive edge for today's world by strengthening the Three-Winged Bird scenario brand, enhancing competitiveness in high-end suite products, design & installation & service capabilities in home improvement channels, and store digitalisation.

#### (III) Business plan

☒ Applicable   ☐ Not applicable

In 2023, the Company will press ahead with the three-level brand upgrade strategy of ‘high-end brand → scenario brand → ecosystem brand’, improving operational efficiency through end-to-end digital transformation, and implementing profit-oriented institutional changes to improve operational quality.

## Section III Management Discussion and Analysis

**In the domestic market:** ① By focusing on user experience, transforming retail touch points with digital platforms that integrate the five networks of distribution channel, marketing, service, logistics and recycling, the Company will integrate online and offline touch points, digitalise all processes of user engagement, transaction, and delivery, and reach users more precisely. Through reconstructing “objectives, models, mechanisms and organisations”, the Company will build an efficient system to manage resources and improve cost efficiency. ② The Three-Winged Bird scenario brand, backed by its strong footholds of the Smart Home Brain, scenario-based solutions, along with digitalised design tools, store operation and platforms, will create customised design solutions for users while enhancing store efficiency and user value for the business.

**In the overseas markets:** By pursuing high-end transformation, leveraging innovative spirit, and proactively creating opportunities even amid difficult industry conditions, the Company aims to become the number one company in the global market. The Company will ① adhere to high-end brand strategy by launching differentiated new products to meet user needs; ② prioritise localisation and develop regional markets to become self-sustainable; ③ capitalise on industry trends and cultivate room for growth by accelerating innovation of new products such as built-in units and heat pumps; and ④ strengthen global competitiveness through leveraging synergies across global platforms in branding, R&D, procurement, supply chain, and human resources.

### (IV) Potential risks of the Company

√ Applicable    ☐ Not applicable

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

- 3. Risk of fluctuations in raw material prices.** The Company's products and core components use metal raw materials such as steel, aluminium, and copper, as well as commodities such as plastics and foam. If the prices of raw materials continue to surge, it will put certain pressure on the Company's production and operations. In addition, the Company relies on third party manufacturers and suppliers for key raw materials, components, and manufacturing equipment, as well as OEM suppliers, and any disruption in supply or significant price increases by these suppliers will have a negative impact on the Company's business. As a leader in the industry, the Company will take measures including volume & price adjustment mechanism as well as hedging to reduce the risk of raw material fluctuations on its operations.
- 4. Operational risks in overseas business.** The Company has steadily developed its global business and has established production bases, R&D centres, and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year by year. Overseas markets are subject to political and economic situations (including events such as military conflicts and wars), legal systems and regulatory regimes of those countries and regions. Significant changes in these factors will pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impacts, including collaborating with suppliers and distributors, improving production efficiency to offset the impact on the overall cost of sales, potentially expanding the Company's supply resources to other countries, and adopting safety measures to protect its people and assets.
- 5. Risk of exchange rate fluctuations.** As the Company expands its global footprint, the import and export of the Company's products involve the exchange of foreign currencies such as the U.S. dollar, the Euro, and the Japanese yen. If the exchange rates of the relevant currencies fluctuate, it will have a certain impact on the Company's financial position and increase its financial costs. In addition, the Company's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of their primary economic environment in which the entity operates and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.
- 6. Risk of policy changes.** The home appliance industry is closely related to the consumer market and the real estate market. Changes in macroeconomic policies, consumption investment policies, real estate policies and relevant laws and regulations will affect product demand from distributors, which in turn will affect product sales of the Company. The Company will closely monitor changes in the relevant policies, laws, and regulations, and make forecasts of market changes, in order to ensure further development of the Company.
- 7. Credit risk.** There is possibility that the Company will be unable to collect all trade receivables from its distributors, or distributors are not able to settle the Company's trade receivables in a timely manner, in which the Company's business, financial status, and operation performance may be affected. In relation to this risk, the Company will maintain flexibility by offering credit period of 30 to 90 days to certain distributors based on their credit history and transaction amount.

## Section III Management Discussion and Analysis

8. **Inventory risk.** Excess inventory might occur as the Company cannot always accurately predict trends and events and maintain appropriate inventory levels; thus, the Company may be forced to offer discounts or promotions to manage the slow-moving inventory. On the other hand, a shortage of inventory may lead to loss of sales opportunities for the Company. However, the Company will manage its inventory and adjust according to market situation and will conduct regular impairment assessment of its inventory.
9. **Risk of changes in retail channels.** The retail channel landscape in China is experiencing a major shift. National retail chains, which previously dominated first- and second-tier markets, are shrinking in size. As these chains accounted for a significant share of mid-range to high-end product sales, their decline will impact high-end sales for a certain period.

### (V) Others

☐ Applicable    ☒ Not applicable

## VII. EXPLANATION OF CIRCUMSTANCES AND REASONS FOR NON-DISCLOSURE BY THE COMPANY IN CONSIDERATION OF INAPPLICABLE REGULATIONS, STATE SECRETS AND COMMERCIAL SECRETES

☐ Applicable    ☒ Not applicable

# Section IV Corporate Governance

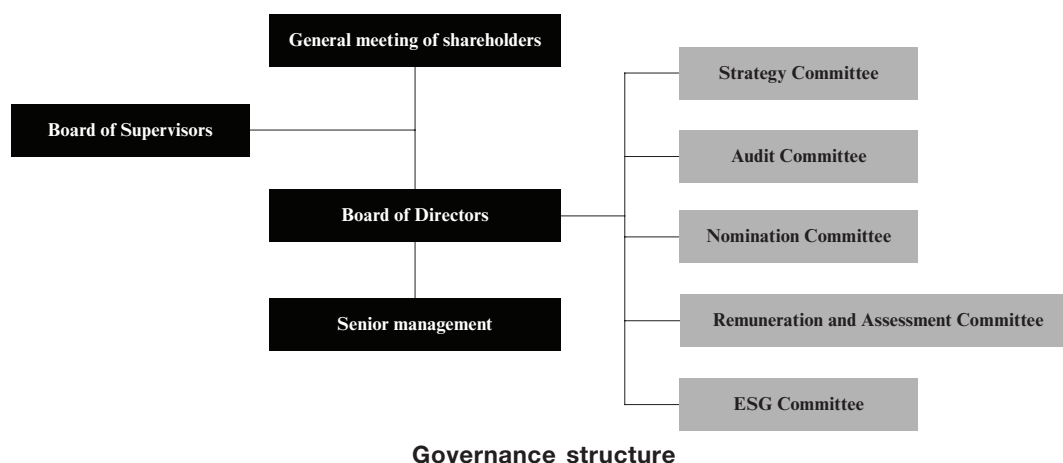
## I. EXPLANATION OF CORPORATE GOVERNANCE

√ Applicable    □ Not applicable

During the reporting period, the Company has strictly complied with the requirements of the relevant laws and regulations, including the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Code of Corporate Governance of Listed Companies and the listing rules of its listed jurisdictions. While maintaining high quality development in terms of performance, the Company has been continuously improving its governance structure, regulating its operation, enhancing the transparency and quality of its information disclosure, treating various investors fairly, focusing on shareholder return, implementing its equity incentive mechanism and upgrading the level of its corporate governance.

### 1. Improving the governance structure

The Company has set up a standardized and orderly corporate governance structure composed of the general meeting of shareholders, the Board of Directors and its special committees (including the Strategy Committee, Audit Committee, Nomination Committee, Remuneration and Assessment Committee and ESG Committee (i.e. Environmental, Social and Governance Committee)), the Board of Supervisors, and the senior management. We have established a governance mechanism with clear lines of authority and responsibility, mutual coordination and checks and balances, which has guaranteed efficient and compliant corporate governance.



During the reporting period, the Company has convened a total of four general meeting of shareholders, six Board meetings, six meetings of the Board of Supervisors, two meetings of the Strategy Committee, six meetings of the Audit Committee, two meetings of the Remuneration and Assessment Committee, two meetings of the Nomination Committee and two meetings of the ESG Committee. All meetings and voting procedures complied with relevant provisions specified in laws and regulations, the Articles of Association and rules of negotiation, and all voting results were legal and valid. These laid a solid foundation for the Company's standardized operation.

### 2. General meetings

The Company has strictly complied with the provisions of the Articles of Association and the Rules of Procedure for the General Meetings in convening and holding general meetings. General meetings are witnessed by lawyers on site and legal opinions are issued on their legality. The Company has established and improved effective channels of communication between shareholders and the Board of Directors to ensure the shareholders' right to information, participation and voting in respect of any significant issues of the Company. During the reporting period, the Company has held a total of four general meetings.

### 3. Board of Directors

The Board of Directors is mainly responsible for deciding the Company's operational and investment plans, formulating the Company's annual financial budget and final account plans, formulating the Company's profit distribution plan and loss recovery plans, formulating the Company's plans for the increase or reduction of registered capital, issuance of bonds or other securities and listing, as well as the powers as stipulated in other laws and regulations and the Articles of Association. During the reporting period, the Board of Directors has held 6 meetings. The Board of Directors operated in accordance with rules and were able to perform their duties under Articles of Association and relevant laws and regulations and practically implement relevant decisions at the general meetings. The decision-making procedure and particulars of the resolutions of the Board of Directors were in compliance with Articles of Association and relevant requirements under laws and regulations, and the resolutions made were legal and valid.

#### (1) Board Diversity

The Company is fully aware that board diversity will help to improve the efficiency in decision-making of the Board of Directors, reduce management risks, and make better decisions for the sustainable and healthy development of the Company. In determining the composition of the Board of Directors, the Company took full account of the diversity of the members of the Board, including but not limited to gender, age, culture, education background, industry experience, professional skills, knowledge, term of service and other relevant factors. The Nomination Committee is responsible for reviewing the effectiveness and implementation of the Board Diversity Policy and conducting regular annual diversity assessments.

During the reporting period, the Company completed the change of session of the Board of Directors. The new Board of Directors consists of 9 directors, including two executive directors, three non-executive directors and four independent directors. 2 directors are female, accounting for 22.2% of the Board of Directors, representing an increase of 13.2% as compared with the previous Board of Directors (9%); 4 of whom are independent directors, accounting for 44.4% of the Board of Directors, representing an increase of 8.1% as compared with the previous Board of Directors (36.3%). The new members of the Board have extensive knowledge and experience in industry experience, Internet of Things, corporate governance, global market experience, financial management and risk management, which will help the Board to make the best decisions and promote the sustainable and healthy development of the Company.

### **(2) Board Independence**

The independent directors of the Company are all senior professionals with expertise in accounting, finance and business management. During the reporting period, the independent directors of the Company performed specific duties in accordance with the Articles of Association and the listing rules of its listed jurisdictions, including participating in the meetings of each of the Company's special committees, providing advice to the Company on its operation and management; and providing independent opinion on connected transactions, profit distribution plans and other significant transactions of the Company. By performing their duties as mentioned above, the independent directors help protect the interests of the Company and the shareholders as a whole, and promote the development of the Company. The chairman of each of the Company's special committees (except the Strategy Committee and ESG Committee) are all independent directors. The number of independent directors present at the meetings of the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee accounted for at least one-half of the quorum of such meeting (inclusive).

### **4. Board of Supervisors**

During the reporting period, the Board of Supervisors operated in accordance with rules and were able to perform their duties under Articles of Association and relevant laws and regulations. The number and composition of the members of the Board of Supervisors complied with requirements under laws and regulations. During the reporting period, the Supervisors of the Company performed their duties earnestly and supervised finance matters of the Company and performance of duty by the Company's director and senior management in accordance with requirements under Articles of Association and Rules of Procedure for the Board of Supervisors.

### **5. ESG Governance Structure**

Good ESG governance is important in ensuring the stability of a company's operations, responding to unexpected crises and seizing development opportunities. The Company has formed an ESG governance structure comprising governance, management and execution covering its overseas business units. The ESG Committee has been established by the Board of Directors of the Company to conduct comprehensive supervision over the ESG related matters of the Company and perform relevant ESG governance duties on behalf of the Board of Directors. The ESG Executive Office and Working Group have been set up under the ESG Committee to take charge of specific ESG work of the Company.

The Company's overseas subsidiaries, GEA, FPA, CANDY and the subsidiary in India, have also established sustainable development management structures to promote the relevant ESG work in accordance with their applicable laws and regulations. For details, please refer to relevant information in 2022 Environmental, Social and Governance Report of Haier Smart Home Co., Ltd. published on the same date of this report.



## Section IV Corporate Governance

### 6. Information disclosure

Haier Smart Home has strictly complied with the regulatory requirements on information disclosure in China and overseas and fulfilled its information disclosure obligations. During the reporting period, on the basis of high-quality mandatory information disclosure, the Company increased voluntary disclosure on matters of key concern to domestic and overseas investors and the capital market, such as corporate strategy, corporate governance, green operations and supply chain management, so as to continuously enhance the quality and transparency of disclosure.

### 7. Treating various investors fairly and focusing on shareholder return

During the reporting period, the Company strengthened communication and exchange with investors in an active, open, innovative and professional manner so as to enhance investors' understanding and recognition of the Company and safeguard the legal rights of investors. In accordance with guideline of the Management System for Investor Relation, the Company integrated business and financial resources by the office of the board of Directors and realized positive and all-around access to investors in a multi-layer and diversified format through introduction reference, annual investor conference, result announcement conference, and online forum. Meanwhile, the Company replied investors on a timely basis by ways of interview, e-mail, phone, fax and the website (<http://sns.sseinfo.com>) and enhanced interaction with investors, so as to respect and protect the interests of investors, with the aim of achieving harmonious and mutual success with the Company, staff and investors.

The Company has always applied a stable and sustainable profit distribution policy. During the reporting period, the Company strictly followed the requirements set out in the Articles of Association and in the Shareholder Return Plan for the Next Three Years of the Company in implementing the profit distribution policy. As at 31 December 2022, the Company had achieved cumulative cash dividends of RMB24,389 million. During the reporting period, the Company repurchased a total of 59,055,239 shares in the A-share market, with a payment of RMB1,491 million; in the H-share market, a total of 14,970,200 shares were repurchased, with a payment of HK\$364 million.

### 8. Sustainable performance evaluation and incentive mechanisms

The Company has been adhering to the management model of "RenDanHeYi", and taking the "maximization of the value of people" as the core. In line with the global landscape of the capital market, the Company has established a short-term plus mid to long-term incentive system which aligns the interests of employees and all shareholders. During the reporting period, the Company has continued its incentive plan for 2021 and continued to introduce domestic and overseas incentive plans with various appraisal cycle, multi-level and all-round benefits, including A-Share Core Employee Stock Ownership Plan, H-Share Core Employee Stock Ownership Plan, H-Share Overseas Trust Incentive Plan, and A-Share Option Incentive Scheme.

Whether there is a significant difference between the corporate governance and requirements in respect of corporate governance of listed companies of laws, administrative regulations and the CSRC; if so, the reasons should be explained

☐ Applicable    ☒ Applicable

## II. SPECIFIED MEASURES ADOPTED BY THE CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS TO MAINTAIN INDEPENDENCE WITH RESPECT TO ASSETS, PERSONNEL, FINANCE, ORGANIZATION, BUSINESS, AND THE SOLUTIONS ADOPTED, WORKING PROGRESS AND SUBSEQUENT WORKING PLANS IN CASE OF THE COMPANY'S INDEPENDENCE BEING AFFECTED

☐ Applicable    ☒ Applicable

Controlling shareholders, ultimate controllers and other parties controlled by them engaged in business that are same as or similar to the company, peer competition and impact of significant changes in peer competition on the company, solutions adopted, working progress and subsequent solution plans

☐ Applicable    ☒ Applicable

## III. BRIEF INTRODUCTION TO THE GENERAL MEETINGS OF SHAREHOLDERS

Meetings	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, reappointment of auditor, external guarantees, daily connected transactions, general mandate to additional issue/repurchase, equity incentive, election of new session of the Board/ Supervisory Committee, amendments to the Company's rules and regulation, etc.
2022 First A Shares Class Meeting				Considered and approved the resolutions for equity incentive, general mandate to repurchase
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

## Section IV Corporate Governance

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 four meetings were convened by the Board of the Company, and Chairman Mr. Liang Haishan presided over these meetings. The Company had 11 Directors, of whom 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 meetings. The secretary of 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.

## IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

√ Applicable    □ Not Applicable

Unit: share

Name	Title (note)	Gender	Age	Appointment date	Expiration date of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Increase/decrease in shares for the year	Reason for increase/decrease	Total remuneration received from the Company during the reporting period (RMB'000) (before tax)	Whether receive remuneration from the Company's related party
Liang Haishan (retired)	Chairman	Male	57	2019/6/18	2022/6/28	16,411,209	16,749,309	338,100	Employee shareholding scheme vested	77.03	YES
Li Huagang	Chairman, Chief Executive Officer	Male	54	2019/6/18	2025/6/27	764,145	814,245	50,100	Employee shareholding scheme vested	246.21	NO
Shao Xinzhi	Vice president	Female	53	2022/6/28	2025/6/27						YES
Gong Wei	Director, Chief Financial Officer, vice president	Male	50	2019/6/18	2025/6/27	1,911,970	1,943,498	31,528	Employee shareholding scheme vested	142.61	NO
Yu Hon To	Director	Male	75	2021/3/5	2025/6/27					30.58	NO
Li Kam Fun	Director	Female	71	2021/3/5	2025/6/27					30.58	NO
Chien Da-chun	Independent director	Male	70	2019/6/18	2025/6/27					30.58	NO
Wong Hak Kun	Independent director	Male	67	2020/5/19	2025/6/27					30.58	NO
Li Shipeng	Independent director	Male	56	2021/3/5	2025/6/27					30.58	NO
Wu Qi	Independent director	Male	56	2021/6/25	2025/6/27					30.58	NO
Wu Changqi (retired)	Director	Male	68	2019/6/18	2022/6/28					17.25	NO
Lin Sui (retired)	Director	Male	67	2019/6/18	2022/6/28					17.25	NO
Liu Dalin	Chairman of the Supervisory Committee	Male	43	2021/6/25	2025/6/27		11,470	11,470	Employee shareholding scheme vested		YES
Ma Yingjie	Supervisor	Female	54	2021/6/25	2025/6/27	3,904	7,045	3,141	Employee shareholding scheme vested	32.65	NO
Yu Miao	Employee supervisor	Male	41	2019/6/18	2025/6/27		2,479	2,479	Employee shareholding scheme vested	36.34	NO
Xie Juzhi	Vice president	Male	57	2021/3/5	2025/6/27		33,695	33,695	Employee shareholding scheme vested and shares acquired from secondary market	181.05	NO
Li Pan	Vice president	Male	47	2021/2/7	2025/6/27	533,218	567,225	34,007	Employee shareholding scheme vested	141.63	NO
Zhao Yanfeng	Vice president	Male	46	2021/2/7	2025/6/27	53,500	81,229	27,729	Employee shareholding scheme vested	152.84	NO
Li Yang	Vice president	Male	47	2021/2/7	2025/6/27		23,020	23,020	Employee shareholding scheme vested	145.44	NO
Song Yujun	Vice president	Male	48	2021/2/7	2025/6/27	100,000	130,345	30,345	Employee shareholding scheme vested	136.72	NO
Guan Jiangyong	Vice president	Male	45	2021/2/7	2025/6/27	64,218	95,609	31,391	Employee shareholding scheme vested	139.31	NO
Wu Yong	Vice president	Male	45	2021/2/7	2025/6/27	146,743	176,208	29,465	Employee shareholding scheme vested	130.35	NO

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Name	Title (note)	Gender	Age	Appointment date	Expiration date of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Increase/decrease in shares for the year	Reason for increase/decrease	Total remuneration received from the Company during the reporting period (RMB'000) (before tax)	Whether receive remuneration from the Company's related party
Huang Xiaowu	Vice president	Male	46	2021/2/7	2025/6/27		26,234	26,234	Employee shareholding scheme vested	98.00	NO
Liu Xiaomei	Secretary to the board of directors	Female	38	2022/6/28	2025/6/27	800	5,106	4,306	Employee shareholding scheme vested	46.83	NO
Ming Guozhen (retired)	Secretary to the board of directors	Female	59	2019/6/18	2022/6/28	1,395,489	1,440,474	44,985	Employee shareholding scheme vested	25.57	NO
Wang Li (retired)	Vice president	Female	58	2021/2/7	2022/4/27	575,100	632,557	57,457	Employee shareholding scheme vested	3.81	NO
Total	/	/	/	/	/	21,960,296	22,739,748	779,452	/	1,954.38	/

Note: (1) "Shareholdings at the beginning of the year" as stated in the above table represent the later of "the beginning of the year" of the appointment or "appointment date" of such directors, supervisors and senior management; (2) all the aforesaid shares are A-shares.

Name	Major working experience
Liang Haishan (retired)	Male, born in 1966, is a senior engineer. He served as head of the quality department of Qingdao Haier Refrigerator Co., Ltd., general manager of Qingdao Haier Air Conditioner Gen Corp., Ltd, vice president of Haier Group, senior vice president of Haier Group, rotating president of Haier Group, vice chairman, Chairman and president of Haier Smart Home Co., Ltd. He is currently the vice chairman of the board of directors of Haier Group and president of Haier Group; he was awarded the National May 1st Labor Medal, Outstanding Leadership Award of the National Light Industry Enterprise Information (全国轻工业企业信息化优秀领导奖), Top 10 Leaders in China Strategic Emerging Industries; Prize of Technology Advancement for China Household Appliances, First Prize Award of Science and Technology Progress of China National Light Industry Council, China Patent Gold Prize, Labor Model of Shandong Province, Taishan Industry Leading Talent of Shandong Province.

Name	Major working experience
Li Huagang	<p>Male, born in 1969. He graduated from Huazhong University of Science and Technology in 1991 with a Bachelor's degree of Economics, and from China Europe International Business School in 2014 with a degree of Executive Master of Business Administration (EMBA). He is currently chairman and president of Haier Smart Home Co., Ltd. Mr. LI Huagang joined Haier in 1991 and served as the sales head of the Marketing and Promotion Division of Haier (海尔商流本部销售事业部长) and the general manager of China operations of Haier Smart Home. From August 2017 to March 2019, he served as the chief executive officer of Haier Electronics. Since March 2019, Mr. LI has been appointed as an executive director of Haier Electronics. He has been an executive director and president of the Company since 2019. Mr. LI Huagang has extensive experience in the fields of corporate management, marketing, brand operation, and global business operation. Mr. LI Huagang was successively awarded 2015 China Home Appliance Marketing Leader, Award of Outstanding Contribution in 40-Years Development of China's Home Appliance Industry 2018, 2019 Person of the Year of China's Top Ten Brands and 2021 Taishan Industry Leading Talent.</p>
Shao Xinzhi	<p>Female, born in 1970. She graduated from the University of International Business and Economics with a degree of Executive Master of Business Administration. She is currently the vice president and Chief Financial Officer of Haier Group, as well as the vice chairman of Haier Smart Home. Ms. SHAO adheres to the goal of innovation and value-enhancement, empowering the high-quality development of the industry, and comprehensively builds the group's financial ecosystem through financial strategy formulation, financial system construction and operation, asset management, capital operation and other financial full value chain management. In 2000, Ms. SHAO served as the chief accountant of Haier Air Conditioning Division and the general manager of the strategy center of Haier Group's financial management department. In 2007, Ms. SHAO established the first financial sharing center in the home appliance industry, pioneering the "cloud + end" financial management innovation model with Chinese characteristics to provide enterprises with comprehensive financial best solutions, becoming one of the industry benchmarks and winning the first prize of the National Enterprise Management Modernization Innovation Achievement. In 2019, Ms. SHAO was appointed as the vice president of Haier Group and the operator of the Big Sharing Empowerment Platform. In 2020, Ms. SHAO was appointed as vice president and Chief Financial Officer of Haier Group. Ms. SHAO has been honored as "National Advanced Accounting Worker", "Qingdao Top Talent", "ACCA Outstanding Achievement Award" and "IMA Outstanding Contribution Leader in Management Accounting" over the years.</p>

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Name	Major working experience
Gong Wei	Male, born in 1973. He graduated from the University of International Business and Economics in December 2011, and obtained a degree of Executive Master of Business Administration. He also holds membership in the CIMA Chartered Institute of Management Accountants. Mr. Gong Wei served as the financial manager of Haier Smart Home Co., Ltd, the senior finance manager and senior financial analyst of Haier Group, the Chief Financial Officer of Haier Washing Machine Division, the Chief Financial Officer of Haier Air Conditioning Division, the Chief Financial Officer of Haier White Goods Group, with extensive experience in financial management. Mr. Gong Wei was granted honorary titles such as Young Post Expert in Qingdao City (青岛市青年岗位能手), Outstanding Accounting Workers in Shandong Province (山东省优秀会计工作者) and National Outstanding Accounting Workers (全国优秀会计工作者), and received several awards, including 2011 Top Ten CFO in China by “New Money” Magazine (《新理财杂志》), 2020 International Finance Leaders of the Year in China. He is currently a director, the Chief Financial Officer and vice president of Haier Smart Home Co., Ltd.
Yu Hon To	Male, born in 1948. He holds a Bachelor of Social Science degree from Chinese University of Hong Kong. He is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate Member of Hong Kong Institute of Certified Public Accountants. Mr. Yu is a chartered accountant with over 40 years’ experience in the fields of auditing, corporate finance (including advisory on IPO, mergers & acquisitions and financial restructuring), financial investigation and corporate governance. Mr. Yu was formerly a partner of Coopers & Lybrand (now merged as PricewaterhouseCoopers) in Hong Kong with extensive experience in the corporate finance advisory assignments in Greater China for Hong Kong corporations, private equity groups and multinationals. Mr. Yu also served as an independent non-executive director and the chairman of the audit committee of Haier Electronics, over the past three years. Mr. Yu had served various public offices including being a member of the Listing Committee of the Hong Kong Stock Exchange from 1992 to 1995, a member of the Investment Committee and the Audit Committee of Employees Retraining Board (established under the Employees Retraining Ordinance of Hong Kong) from 1999 to 2020, and a member of the Board of Review (established under Inland Revenue Ordinance of Hong Kong) from 2006 to 2012. He is currently a director of 11th session of the Board of Directors of Haier Smart Home Co., Ltd.

Name	Major working experience
Li Kam Fun	<p>Female, born in 1952. She graduated from University of Hong Kong with Bachelor of Arts and Master of Business Administration degrees. She was conferred with the degree of Doctor of Business Administration, honoris causa, from the Open University of Hong Kong in 2014. Ms. Li Kam Fun currently serves as an independent non-executive director of Nestle S.A, a publicly listed company on the SIX Swiss Exchange. Ms. Li Kam Fun served as an independent non-executive director of Haier Electronics, over the past three years. Prior to joining Our Hong Kong Foundation, Ms. Li Kam Fun had a distinguished career that spanned 34 years with Amway Corporation. When she retired in 2011, she held the concurrent positions of Executive Vice President of Amway Corporation and Executive Chairman of Amway China Co. Ltd. responsible for Amway Greater China &amp; Southeast Asia Region. During the last three years, Ms. Li Kam Fun had also been an independent non-executive director of Amcor Limited (a company listed on the Australian Securities Exchange) from 2014 to 2019, an independent non-executive director of Trinity Limited (a company listed on the Main Board of the Hong Kong Stock Exchange) from 2011 to 2020, and the president of Our Hong Kong Foundation from 2015–2022. Ms. Li Kam Fun's leadership was well recognised in the business community. She was twice named the "World's 100 Most Powerful Women" by Forbes Magazine in 2008 and 2009. CNBC awarded Ms. Li Kam Fun with the "China Talent Management Award" in its 2007 China Business Leaders Awards. Ms. Li Kam Fun currently holds several positions in public service including member of the Election Committee of Hong Kong (2021–2025), deputy secretary of Hong Kong Coalition, director of the Chinese Association of Hong Kong &amp; Macao Studies, honorary special representative, conference consultant and honorary president of All-China Women's Federation 、 honorary president of the Hong Kong Federation of Women, permanent honorary director of The Chinese General Chamber of Commerce 、 court member of the Open University of Hong Kong and member of the advisory panel of the Xiqu Centre of the West Kowloon Cultural District Authority. She is currently a director of the 10th Board of Directors of Haier Smart Home Co., Ltd.</p>
Chien Da-chun	<p>Male, born in 1953. He served as Chief Executive Officer of IBM ASEAN/ South Asia, Chairman and Chief Executive of IBM Greater China region. He graduated from the Department of Mathematics of Tamkang University of Taiwan, and studied advanced management courses in the Institute of Business Administration of Harvard University, as well as the global senior manager courses of International Business Machines Corporation (IBM). He is currently an independent director of the 11th Board of Directors of Haier Smart Home Co., Ltd, a director of ENN Group and professor of Management Practice at the School of Business of Renmin University of China/Academic Director of EE Centre.</p>



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Name	Major working experience
Wong Hak Kun	Male, born in 1956. He received a Bachelor's of Social Science degree from University of Hong Kong. He has over 36 years of experience in auditing, assurance and management in Deloitte China. He has been a partner of Deloitte China since 1992 and served as a member of the board of directors of Deloitte China from 2000 to 2008. Prior to his retirement in May 2017, he was Deloitte China's National Managing Partner of Audit & Assurance. Mr. Wong is an associate of the Hong Kong Institute of Certified Public Accountants (HKICPA), an associate of the Association of Chartered Certified Accountants (ACCA), an associate of the Chartered Institute of Management Accountants (CIMA), an associate of The Chartered Governance Institute (previously known as "The Institute of Chartered Secretaries and Administrators"). He currently serves as an independent non-executive director of Yue Yuen Industrial Holdings (Limited), Lung Kee (Bermuda) Holdings Limited, Guangzhou Automobile Group Co., Ltd., Hangzhou SF Intra-City Industrial Co., Ltd. and Haier Smart Home Co., Ltd.
Li Shipeng	Male, born in 1967. He holds a bachelor's and Master's degree from University of Science and Technology of China, and a PhD degree from Lehigh University, USA. Mr. Li has extensive experience in Internet of Things technology and artificial intelligence. Mr. Li is currently the director of Applied Intelligence Research Center of Suzhou Industrial Technology Research Institute. Prior to that, he served as the Chief Researcher and Deputy Dean of Microsoft Research Asia, Chief Technology Officer of Cogobuy Group, Vice President of iFlytek Group, Executive President and Chief Scientist of Shenzhen Institute of Artificial Intelligence and Robotics. Mr. Li is a member of the International Eurasian Academy of Sciences and a fellow of the International Institute of Electrical and Electronics Engineers (IEEE fellow). He was listed as one of the world's top 1,000 computer scientists by Guide2Research and ranked top 20 in Mainland China in 2020. Mr. Li is a renowned expert in Internet, computer vision, cloud computing, Internet of Things and artificial intelligence. He is currently an independent director of the 11th Board of Directors of Haier Smart Home Co., Ltd.

Name	Major working experience
Wu Qi	Male, born in 1967. He has 25 years of (New PCEBG) experience in world-class management and consulting companies. He is currently an independent director of the 11th session of the Board of Haier Smart Home Co., Ltd. He served as the vice president (Global) and vice chairman (Greater China) of Accenture, and the chairman of Shun Zhe Technology Development Co., Ltd. He was a member and the president (Greater China) of Roland Berger's Global Management Committee, a member of Roland Berger's Global Supervisory Board, a senior consultant for Foxconn's D sub-business group strategy and intelligent manufacturing and a consultant of Xnode, a famous accelerator for startups. He was awarded 2015 Outstanding Talent in Jing'an District, Shanghai. Mr. Wu's experience in consulting industry involves transportation/logistics, high-tech manufacturing, tourism, finance, consumer goods, real estate, government departments and other industries. His has extensive experience in development strategy, organizational change, sales and brand strategy, corporate innovation, digital transformation and intelligent manufacturing, post-merger integration, regional industrial and economic development and upgrading. He is a well-known expert in China in Industry 4.0, transportation and regional planning and development. He served as a consultant for Hangzhou Bay Development Planning, a member of the Intelligent Manufacturing Expert Committee of Municipal Government, deputy head of the 13th Five-Year Planning Expert Committee of Zhengzhou City, Henan Province, vice chairman of China Cold Chain Alliance.
Wu Changqi (retired)	Male, born in 1955. He is currently a professor of strategic management and doctoral supervisor of Guanghua School of Management, Peking University. He graduated from Shandong University with a Bachelor's degree of Economics in 1982, and Katholieke Universiteit Leuven in Belgium with a Master's degree of Business Administration and a Doctoral degree in applied economics in 1990. He served as an assistant professor and associate professor in the Department of Economics of School of Business and Management of Hong Kong University of Science and Technology, a professor and head of the Department of Strategic Management of Guanghua School of Management of Peking University, a deputy dean of the Guanghua School of Management of Peking University, a director of the EMBA degree programme center and a director of Haier Smart Home. He is currently the executive vice president of the Academy of Development Strategy for National High-tech Industry Zones, Peking University and the dean of the School of Management of Shandong University.

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Name	Major working experience
Lin Sui (retired)	<p>Male, born in 1956. He was a partner of Deloitte Touche Tohmatsu China (retired on 31 May 2019). He has been engaged in international tax consultancy in USA and China for nearly 30 years. He participated in transactions, mergers and acquisitions, initial public offerings, financing projects, supply chain taxation optimization, internal tax risk control and other aspects of professional tax consultancy of many PRC international enterprises, and has abundant experience in restructuring, acquisition, equity arrangement, tax accounting and business transformation. In recent years, he has been mainly engaged in the consulting of digital transformation of corporate financial and tax management. In 1989, he pursued his studies in USA and obtained a Master's degree in Business Administration and a Master's degree of Science in Taxation. He joined Deloitte Touche Tohmatsu USA in 1993 and was transferred to Deloitte Touche Tohmatsu China in 2002. Mr. Lin Sui is a Certified Public Accountant in USA. Prior to his return to China, he was employed by Ministry of Science and Technology of China as a member of the overseas scholars' advisory committee of the National High-tech Development Torch Program and an expert on the United Nations development projects in China. He served as a director of Haier Smart Home. At present, he has been invited as an external lecturer of China Europe International Business School and Shanghai National Institute of Accounting, a part-time master degree tutor of Fudan University and Shanghai University of Finance and Economics, Deputy Director of the Advisory Committee of China Tax Institute of Large Business (TILB) and a council member of the Shanghai branch of China Association for Fiscal and Tax Law.</p>

Name	Major working experience
Liu Dalin	Male, born in 1980, Chinese nationality with no right of permanent residency abroad. He graduated from the School of Mechanical Engineering of Jinan University and holds a Master's degree in Business Administration from Renmin University of China. He is a senior engineer. From August 2005 to September 2010, he served as a designer of water heater department of Heater Head Office at Haier Group, an assistant R&D engineer, a R&D engineer and a R&D model manager of the heater R&D center of the Heater Head Office of Haier Group successively. From September 2010 to October 2015, he was the deputy secretary of the Youth League Committee of Haier Group. From October 2015 to July 2020, he was the deputy secretary of the Disciplinary Committee of Haier Group. From July 2020 to March 2021, he was the executive deputy secretary of the Disciplinary Committee of Haier Group and the president of the Supervisory Committee of Gooday Supply Chain Technologies Co., Ltd. From March 2021 to June 2022, he served as the president of the Supervisory Committee, the secretary of Society and Community department and executive deputy secretary of the Disciplinary Committee of Haier Group. From June 2022 to date, he serves as a member of the Party Committee, chairman of the Supervisory Committee and head of the organization department of Haier Group. Mr. Liu has been the president of the Supervisory Committee of Haier Smart Home Co., Ltd. since June 2021.
Ma Yingjie	Female, born in 1969. She once served as the secretary of the Youth League Committee of Haier Smart Home Co., Ltd., the secretary of the labour union of Haier Smart Home Co., Ltd., the contact person of the customer service department of Qingdao Haier Dishwasher Co., Ltd. Currently, she is the head of Society and Community department and the supervisor of the 11th session of the Supervisory Committee of Haier Smart Home Co., Ltd.
Yu Miao	Male, born in 1982, Chinese nationality. Mr. Yu holds a master's degree. He serves as the legal manager of Haier Smart Home Co., Ltd. since April 2012, and serves as the employee supervisor of Haier Smart Home Co., Ltd. since January 2019.

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Name	Major working experience
Xie Juzhi	<p>Male. He graduated from Shandong University of Finance and Economics in July 1989 with a Bachelor's degree, and joined Haier in the same year. Mr. Xie has experience in whole-process product management, product-wide services and product-wide marketing. Mr. Xie has held senior positions in Electrothermal Division of Haier Group and East China Marketing and Promotion Division of the Haier Group. Since August 2002, he has been the general manager of Haier Customer Service Company (海尔顾客服务公司). Since July 2012, he has been the Vice President of Haier Group in charge of the Group's integration of community sales services in first and second-tier cities, and developing the online and offline sales of new household products. Since December 2015, he has been managing the newly developed business segments of Haier Group, including water purification, logistics, Haier home and Gooday services. He is also in charge of the water heater business since 2019 and has been appointed as Chief Executive Officer and executive director of Haier Electronics since 27 March 2019. Since April 2021, he is responsible for supervising the smart living appliances segment. Mr. Xie was awarded honorary titles including the Gold Award of Outstanding Contribution Award of China's Home Appliance Services Industry (中国家电服务行业突出贡献奖金奖) and Outstanding Entrepreneur of Shandong Province (山东省优秀企业家). He is currently responsible for supervising the intelligent industrial platform and is the vice president of Haier Smart Home.</p>
Li Pan	<p>Male, born in 1976, is a senior engineer. He graduated from Wuhan University in 1997 and obtained the double degree in economics and international business administration. He obtained a Master's degree from China Europe International Business School in 2017. He joined Haier in 1997 and currently serves as the general manager of the overseas platform of Haier Smart Home. Mr. Li has held various positions in Haier Group, including the assistant director of Asia-Pacific Division, the manager of the Haier ASEAN Center, the manager of the Overseas Brands Marketing Center, the manager of the Overseas Strategic Center and the director on the operation of overseas markets. He has held important positions of the overseas platform of Haier Group since 2004 with extensive frontline management experience in product planning, brand marketing, market exploration and corporate operation. He is currently the vice president of Haier Smart Home Co., Ltd.</p>

Name	Major working experience
Zhao Yanfeng	Male, born in 1977. He graduated from Tianjin Institute of Light Industry and obtained a Bachelor's degree in Mechanical and Electronic Engineering in 2001. He graduated from Renmin University of China and obtained an Executive Master degree in Business Administration in 2019. He is currently the vice president and general manager of the refrigeration business of Haier Smart Home Co., Ltd. Mr. Zhao joined Haier in 2001 and served as the general manager of Haier Group's regional branch, general manager of the domestic market of refrigeration business and general manager of the refrigeration business in China. He possesses whole-process management experience in product planning, research and development, manufacturing and marketing.
Li Yang	Male, born in 1976, is a senior engineer. He currently serves as the general manager of washing machine and the internet of clothing platform and vice president of Haier Smart Home Co., Ltd. Mr. Li Yang graduated from Qingdao University of Science & Technology in 1998 and obtained a Bachelor's degree in Fine Chemical Engineering. He joined Haier in August. Mr. Li was the head of quality department of Haier Smart Home and the manufacturing director and he has held important positions of the internet of clothing platform since 2008 with extensive experience in the quality and systemic management of washing machines, production and manufacturing. He obtained a degree of Executive Master of Business Administration (EMBA) from Xi'an Jiaotong University in 2022. The ecological platform of the internet of clothing incubated under his leadership was awarded the first prize for "Innovation Results in Modern Management of National Light Industry Enterprises" (全国轻工业企业管理现代化创新成果) in 2019. He received the "Most Promising Entrepreneur in Qingdao in 2018" and the "Advanced Individual in Management Innovation of National Light Industry Enterprises". He is currently the vice president of Haier Smart House Co., Ltd.
Song Yujun	Male, born in 1975. He graduated from Shandong University of Technology with a bachelor's degree in equipment engineering and management in 1998, and received a degree of Executive Master of Business Administration from Tsinghua University in 2015. He joined Haier in 1998 and served as general manager of the Operation Department of Haier Overseas Promotion Headquarters, director and general manager of Haier Pakistan Company, executive director of Haier India Company, director of Haier Overseas businesses in South Asia and Southeast Asia region, and vice president of Haier Home Appliance Industry Group. Since 1998, he has held various important positions in Haier overseas companies and has rich experience in product, manufacturing, R&D and marketing. He was awarded the Labor Model of Qingdao City, the Outstanding Talent in Professional Technology in Qingdao City, Qingdao High-level Service Talent and other honorary titles. He is currently the general manager of Haier Air Industry Group and vice president of Haier Smart Home Co., Ltd.

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Name	Major working experience
Guan Jiangyong	Male, born in 1978. He graduated from Northeast Electric Power University in 2001 and obtained a Bachelor's degree in Management Information System. Mr. Guan joined Haier in 2001 and currently serves as the general manager of water heater and the internet of water platform. Mr. Guan has been responsible for product management, production and manufacturing, product marketing and industrial pipeline management and served as a regional general manager, the market director of the water heater business and the general manager of the internet of water platform and the water heater business. He possesses whole-process management experience in product manufacturing, marketing, corporate planning management and industrial platforms. He is currently the vice president of Haier Smart Home Co., Ltd.
Wu Yong	Male, born in 1978. He graduated from Tianjin College of Commerce in 2001 and obtained a Bachelor's degree in Heat Supply, Ventilation and Air-conditioning Engineering. He obtained the double degree of EMBA from the School of Economics and Management of Tsinghua University and the INSEAD in 2015. Mr. WU Yong joined Haier Group in 2001 and currently serves as the general manager of the kitchen appliances and the internet of food platform of Haier Smart Home. Mr. WU has served as the general manager of the PRC Region on manufacturing and production of refrigerators, overseas marketing and the air-conditioning business since joining the Group and possesses whole-process management experience in high-end manufacturing, marketing and industrial platforms.
Huang Xiaowu	Male, born in 1977. He graduated from the College of Photoelectric Engineering, Chongqing University with a Bachelor's degree in engineering in 1998 and graduated from the Faculty of Business and Economics of the University of Hong Kong with a master's degree in business administration in 2004. Mr. Huang has many years of extensive working experience in commercial banking, strategic investment, industrial fund, corporate finance and capital market operation and management, and has participated in and led important strategic investment and financing projects involving numerous fields such as marketing channels, logistics, home appliances and technology industry. Mr. Huang was appointed as the vice president of the Company in 2021, responsible for, amongst others, investor relations, capital market, equity financing and strategic investment, and served as the Director of the ESG Executive Office of Haier. Prior to that, Mr. Huang worked as the deputy general manager of Haier Electronics Group Co., Ltd., a company listed on the Stock Exchange, which is controlled by the Company. Before joining Haier Group, Mr. Huang worked at the Ningbo branch and Shanghai branch of the Industrial and Commercial Bank of China, Investment Banking Division of Guosen Securities and Anglo Chinese Investment Banking Group (英高投资银行集团).

Name	Major working experience
Liu Xiaomei	Female, born in 1985. She graduated from the Law School of Minzu University of China with a double bachelor's degree in law and literature in 2009, and graduated from the Department of International Law of the China Foreign Affairs University with a master's degree in international law in 2011, and is qualified to practice law in China. Ms. Liu joined the Company in June 2015 and has been in charge of legal and compliance matters of corporate governance, capital market, M&A and corporate finance at Haier Electronics Group Co., Ltd. and Haier Smart Home. Prior to joining the Company, Ms. Liu worked for Jingtian & Gongcheng in Beijing. Ms. Liu has accumulated extensive work experience in corporate governance, capital market, industrial fund, and investment and financing.
Ming Guozhen (retired)	Female, born in 1964. She graduated from Southwestern University of Finance and Economics with a Master's degree in Economics in 1986. She is a senior economist, and she was the lecturer of investment department of China Institute of Finance, deputy head of the Teaching and Research section of Investment Economy Department, a member of treasury department of Everbright International Investment Consultancy Company, deputy director and director of general manager office, general manager of business management department and general manager of personnel department, assistant to the general manager, executive vice president of Everbright International Investment Consultancy Company; she was the office director of analysts professional committee of the Securities Association of China, vice director of Qualification Management Department of the Securities Association of China, vice director of Practice Standards Committee (执业标准委员会) of the Securities Association of China. She joined Haier in August 2007 and served as the business director and merger & acquisition director of Haier Asset Operation Division from August 2007 to May 2008. She has been a vice general manager since May 2008 and the board secretary since April 2009 of Haier Smart Home. She has played a leading role and participated in the introduction of strategic investors, M&A of GEA/FPA and internal integration, issue of convertible bonds/exchangeable bonds, issue of D-Share/H-Share. She was awarded as a member of "Board Secretary Hall of Fame (金牌董秘名人堂)" at the 12th session of New Finance Election in June 2016. She served as the secretary to the Board of Haier Smart Home.



## Section IV Corporate Governance

Name	Major working experience
Wang Li (retired)	Female, born in 1965. She graduated from Qingdao University of Science & Technology in 1986 and obtained a Bachelor's degree in Heat Supply, Ventilation and Air-conditioning Engineering. She obtained a Master's degree in Business Administration from Renmin University of China in June 2013. Ms. Wang Li joined Qingdao Air-conditioner Company in 1988. She has held various positions since 1988, including general manager of Haier's central air-conditioner business, general manager of Haier's residential facilities business and general manager of Haier's air business. Ms. Wang Li has management experience in products and marketing. Ms. Wang Li has served various industrial positions, including a member of China Refrigeration and Air-Conditioning Industry Association. Ms. Wang Li receives grants from the State Council and was awarded the Outstanding Entrepreneur in Light Industry in Shandong Province, the Labor Model of Qingdao City, the Outstanding Talent in Professional Technology in Qingdao City and other honorary titles. She served as the vice president of Haier Smart Home Co., Ltd.

### Other information

☐ Applicable    ☒ Not Applicable

## (II) Appointment of current and departing of Directors, Supervisors and Senior Management during the reporting period

### 1. Appointment in shareholder units

☒ Applicable    ☐ Not Applicable

Name	Name of shareholder unit	Position	Start date of appointment	End date of appointment
Liang Haishan	Haier Group	Vice chairman of the Board, vice president		
Liang Haishan	Haier COSMO Co., Ltd.	Director, general manager		
Shao Xinzhi	Haier Group	Vice president and Chief Financial Officer of Haier Group	2020	
Shao Xinzhi	Qingdao Haier Venture & Investment Information Co., Ltd.	Supervisor		
Liu Dalin	Haier Group Corporation	Member of the Party Committee, president of the Supervisory Committee, head of the organization department	June 2022	
Explanation of appointment in shareholder units	Nil			

## 2. Appointment in other units

√ Applicable    □ Not applicable

Name	Name of other unit	Position	Start date of appointment	End date of appointment
Liang Haishan	Haier Group Finance Co., Ltd.	Director		
Li Huagang	Qingdao Haier multimedia Co Ltd.	Chairman		
Gong Wei	Haier Group Finance Co., Ltd.	Director		
Gong Wei	Qingdao Haier multimedia Co., Ltd.	Director		
Shao Xinzhi	Haier Group Finance Co., Ltd.	Chairman		
Shao Xinzhi	Qingdao Junyi Holding Group Co., Ltd.	Supervisor		
Shao Xinzhi	Wanlian Holding Co., Ltd.	Supervisor		
Yu Hon To	Keck Seng Investments (Hong Kong) Limited	Independent non-executive director	April 2013	
Yu Hon To	MS Group Holdings Limited	Independent non-executive director	May 2018	
Yu Hon To	China Resources Gas Group Limited	Independent non-executive director	December 2012	
Yu Hon To	One Media Group Limited	Independent non-executive director	June 2005	
Yu Hon To	China Renewable Energy Investment Limited	Independent non-executive director	April 2008	January 2022
Yu Hon To	Playmates Toys Limited	Independent non-executive director	May 2021	
Li Kam Fun	Nestle S.A	Independent non-executive director		
Wong Hak Kun	Yue Yuen Industrial (Holdings) Limited	Independent director	June 2018	
Wong Hak Kun	Lung Kee (Bermuda) Holdings Limited	Independent director	June 2018	
Wong Hak Kun	Guangzhou Automobile Group Co., Ltd.	Independent director	May 2020	
Wong Hak Kun	Hangzhou SF Intra-City Industrial Co., Ltd.	Independent director	December 2021	
Li Shipeng	Applied Artificial Intelligence Research Center Of the Suzhou Industrial Technology Research Institute	Director		
Li Shipeng	The Chinese University of Hong Kong (Shenzhen)	Visiting Professor		
Wu Changqi	Wanhua Chemical Group Co Ltd	Independent director	April 2022	
Wu Changqi	Peking University	Professor		
Wu Changqi	Shandong University	Dean of School of Management	October 2019	
Wu Changqi	Tianneng Battery Group Co., Ltd.	Independent director	February 2019	
Wu Changqi	Shenwan Hongyuan Group Co., Ltd.	Independent director	May 2021	
Lin Sui	Focus Hotmelt Company Ltd.	Independent director	August 2020	July 2023
Liu Dalin	Gooday Supply Chain Technologies Co., Ltd.	Chairman of the Supervisory Committee	March 2021	
Xie Juzhi	Gooday Supply Chain Technologies Co., Ltd.	Director		

## Section IV Corporate Governance

Name	Name of other unit	Position	Start date of appointment	End date of appointment
Xie Juzhi	Qingdao Eoroom Technology Co., Ltd.	Director		
Explanation of appointment in other units	Nil			

### (III) Compensation of Directors, Supervisors and Senior Management

☒ Applicable    ☐ Not applicable

Decision-making process of compensation of Directors, Supervisors and Senior Management

The Remuneration and Assessment Committee of the Company shall formulate the remuneration standards, adjust principles, and assess and implement the principles of the remuneration of directors, supervisors and senior management personnel and submit to the Board of Directors for consideration and approval.

Determining basis of matrix compensation of Directors, Supervisors and Senior Management

The cash remuneration of executives in 2022 consists of monthly remuneration, bonuses and sharing, and is linked to orders triggered by the upgrade of the Company's Internet of Things from "high-end brands" to "scenario brands" to "ecological brands". Focusing on the rapid improvement of profitability and through digital transformation, the Company maintained its competitiveness as a leader in the whole process, and achieved the commitment targets and sharing of high added-value. Through the innovation of the mechanism, the Company encouraged its executives to achieve higher market goals, thus achieving a win-win situation for users, employees, enterprises and stakeholders. At the same time, the Company continues to promote the implementation of the employee stock ownership and other long-term incentive plans; multiple incentive tools will be effectively utilised to mobilise competent management, frontline managers and business and technical backbones on a wider scale, further aligning the interests of shareholders, the Company and incentive recipients, and bringing more efficient and sustainable returns to shareholders. After the approval by the general meeting, the allowance for directors is RMB320,000/year before tax. The travelling expenses of directors attending Board meetings and general meetings and the expenses required for performing their duties and according to the Articles of Association will be reimbursed.

## Section IV Corporate Governance

Actual compensation paid to Directors, Supervisors and Senior Management      Paid as prescribed.

Total of actual compensation paid to all Directors, Supervisors and Senior Management at the end of the reporting period      RMB19,543,800

### (IV) Changes in of Directors, supervisors and senior management of the Company

☒ Applicable      ☐ Not Applicable

Name	Position	Method of Change	Reason for Change
Li Huagang	Chairman, president	Election	Election of the new session of the Board and Senior Management
Liang Haishan	Chairman	Retirement	Election of the new session of the Board
Shao Xinzhi	Vice chairman	Election	Election of the new session of the Board
Xie Juzhi	Vice chairman	Retirement	Election of the new session of the Board
Gong Wei	Director, Chief Financial Officer, vice president	Election	Election of the new session of the Board and Senior Management
Wu Changqi	Director	Retirement	Election of the new session of the Board
Lin Sui	Director	Retirement	Election of the new session of the Board
Xie Juzhi	Vice president	Appointment	Election of the new session of the Senior Management
Song Yujun	Vice president	Appointment	Election of the new session of the Senior Management
Zhao Yanfeng	Vice president	Appointment	Election of the new session of the Senior Management
Wang Li	Vice president	Retirement	Election of the new session of the Senior Management
Liu Xiaomei	Secretary to the board of directors	Appointment	Election of the new session of the Senior Management
Ming Guozhen	Secretary to the board of directors	Retirement	Election of the new session of the Senior Management

### (V) Explanation of penalties imposed by securities regulators in the past three years

☐ Applicable      ☒ Not Applicable

### (VI) Others

☐ Applicable      ☒ Not Applicable

### V. RELEVANT INFORMATION ON THE BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Meeting	Date	Resolutions approved
The 26th meeting of the Tenth session of the Board of Directors	6 January 2022	Considered and approved the Resolution on the Placing of New H Shares Under the General Mandate of Haier Smart Home Co., Ltd.
The 27th meeting of the Tenth session of the Board of Directors	30 March 2022	Considered and approved Report on the 2021 Annual Financial Statements of Haier Smart Home Co., Ltd., 2021 Annual Report and Annual Report Summary of Haier Smart Home Co., Ltd., 2021 Annual Work Report of the Board of Directors of Haier Smart Home Co., Ltd., 2021 Annual Internal Control Evaluation Report of Haier Smart Home Co., Ltd., 2021 Annual Internal Control Audit Report of Haier Smart Home Co., Ltd., 2021 Annual Profit Distribution Plan of Haier Smart Home Co., Ltd., the Proposal on Re-appointment of PRC GAAP Auditor of Haier Smart Home Co., Ltd., the Proposal on Re-appointment of IFRS Auditor of Haier Smart Home Co., Ltd., the Risk Assessment Report on Haier Finance Co., Ltd. in 2021 of Haier Smart Home Co., Ltd., the Resolution on the Anticipated Provision of Guarantees for its Subsidiaries in 2022 of Haier Smart Home Co., Ltd., the Resolution on the Conduct of Foreign Exchange Fund Derivatives Business of Haier Smart Home Co., Ltd., the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds in 2021 of Haier Smart Home Co., Ltd., the Resolution on Adjusting the Allowance of Directors of Haier Smart Home Co., Ltd., the 2021 Environment, Social and Governance Report of Haier Smart Home Co., Ltd., the Resolution on the Proposed Registration and Issue of Debt Financing Instruments of Haier Smart Home Co., Ltd., the Resolution on Proposing the General Meeting to Grant General Mandate to the Board of Directors on Additional Issuance of A-shares of Haier Smart Home Co., Ltd., the Resolution on Proposing the General Meeting to Grant General Mandate to the Board of Directors on Additional Issuance of H-shares of Haier Smart Home Co., Ltd., the Resolution on Proposing the General Meeting to Grant General Mandate to the Board of Directors on Additional Issuance of D-shares of Haier Smart Home Co., Ltd., the Resolution in Relation to the Repurchase Plan of a Portion of Public A Shares of Haier Smart Home Co., Ltd., the Resolution on Proposing the General Meeting to Grant the General Mandate to the Board of Directors to Repurchase not more than 10% of the Total Number of H-shares of the Company in Issue of Haier Smart Home Co., Ltd., the Resolution on Proposing the General Meeting to Grant the General Mandate to the Board of Directors to Repurchase not more than 10% of the Total Number of D-shares of the Company in Issue of Haier Smart Home Co., Ltd., the Resolution on Amending the Articles of Association of Haier Smart Home Co., Ltd., the Resolution on Amending the Rules of Procedure for the General Meetings of Haier Smart Home Co., Ltd., the Resolution on Amending the Rules of Procedure for the Board of Directors of Haier Smart Home Co., Ltd., the Resolution on Amending the Management System of Investment of Haier Smart Home Co., Ltd., the Resolution on Amending the Management Practices for Fundraising of Haier Smart Home Co., Ltd., the Resolution on Amending the Fair Decision-Making System for Related-party Transactions of Haier Smart Home Co., Ltd., the Resolution on Amending the System of Independent Directors of Haier Smart Home Co., Ltd., the Resolution on Amending the Management System of External Guarantees of Haier Smart Home Co., Ltd., the Resolution on Amending the Management System of Foreign Exchange Derivative Transaction Business of Haier Smart Home Co., Ltd., the Resolution on Amending the Management System of Entrusted Wealth Management of Haier Smart Home Co., Ltd., the Resolution on Amending Systems Including the Registration System of Insider and the Management System of Investor Relations of Haier Smart Home Co., Ltd., the Resolution on Convening the 2021 Annual General Meeting and the First A-shares/D-shares/H-shares Class Meetings of 2022 of Haier Smart Home Co., Ltd.

## Section IV Corporate Governance

Meeting	Date	Resolutions approved
The 28th meeting of the Tenth session of the Board of Directors	28 April 2022	Considered and approved the 2022 First Quarterly Report of Haier Smart Home Co., Ltd., the Resolution 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, the Resolution 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, the Resolution of Haier Smart Home Co., Ltd. on the Renewal of the Product and Materials Purchase Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation, the Resolution of Haier Smart Home Co., Ltd. on the Renewal of the Service Purchase Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation, the Resolution of Haier Smart Home Co., Ltd. on the Renewal of the Product and Materials Sales Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation, the Resolution of Haier Smart Home Co., Ltd. on the Renewal of the Service Provision Framework Agreement between Haier Smart Home Co., Ltd., the Resolution of Haier Smart Home Co., Ltd. on Investing in Large Refrigerator Project with an Annual Capacity of 2 Million Units, the 2022 A Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd (draft) and its Summary, the 2022 H Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd (draft) and its Summary, the 2022 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd. (draft) and its Summary, the Management Practices for the Assessment of the 2022 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd., the Resolution of Haier Smart Home Co., Ltd. on Proposal to the General Meeting to Authorize the Board of Directors and its Authorized Persons to Take Full Control of the Matters Relating to the Company's 2022 A Share Option Incentive Scheme, the Resolution of Haier Smart Home Co., Ltd. on the Appointment of Vice President, the Resolution of Haier Smart Home Co., Ltd. on the Appointment of Vice President, the Resolution of Haier Smart Home Co., Ltd. on the Re-election of the Board of Directors and the Election of Independent Directors, the Resolution of Haier Smart Home Co., Ltd. on the Re-election of the Board of Directors and the Election of Non-independent Directors
The 1st meeting of the Eleventh session of the Board of Directors	28 June 2022	Considered and approved the Resolution of Haier Smart Home Co., Ltd. on the Election of Chairman of the Company, the Resolution of Haier Smart Home Co., Ltd. on the Election of Vice-chairman of the Company, the Resolution of Haier Smart Home Co., Ltd. on the Election of Members of the Strategy Committee of the Board of Directors, the Resolution of Haier Smart Home Co., Ltd. on the Election of Members of the Nomination Committee of the Board of Directors, the Resolution of Haier Smart Home Co., Ltd. on the Election of Members of the Audit Committee of the Board of Directors, the Resolution of Haier Smart Home Co., Ltd. on the Election of Members of the Remuneration and Appraisal Committee of the Board of Directors, the Resolution of Haier Smart Home Co., Ltd. on the Election of Members of the ESG Committee of the Board of Directors, the Resolution of Haier Smart Home Co., Ltd. on the Appointment of President of the Company, the Resolution of Haier Smart Home Co., Ltd. on the Appointment of Vice-president of the Company, the Resolution of Haier Smart Home Co., Ltd. on the Appointment of Chief Financial Officer of the Company, the Resolution of Haier Smart Home Co., Ltd. on the Appointment of Secretary to the Board of Directors of the Company, the Resolution of Haier Smart Home Co., Ltd. on the Appointment of Representative of Securities Affairs of the Company, the Resolution of Haier Smart Home Co., Ltd. on Adjusting the 2022 A Share Option Incentive Scheme, the Resolution of Haier Smart Home Co., Ltd. on the Grant of Share Options to Incentive Scheme Participants, the Resolution of Haier Smart Home Co., Ltd. on Adjusting the Composition of the Administration Committee of the H Share Restricted Share Unite Scheme (2021-2025)

## Section IV Corporate Governance

Meeting	Date	Resolutions approved
The 2nd meeting of the Eleventh session of the Board of Directors	29 August 2022	Considered and approved the 2022 Interim Report of Haier Smart Home Co., Ltd. and its Summary, the Risk Assessment Report on Haier Finance Co., Ltd. in the First Half of 2022 of Haier Smart Home Co., Ltd., the Special Report on the Deposit and Actual Use of Raised Funds in the First Half of 2022 of Haier Smart Home Co., Ltd., the Resolution of Haier Smart Home Co., Ltd. on the Acquisition of 100% Equity Interest in Qingdao Haier Special Plastic Development Co., Ltd. by a Subsidiary.
The 3rd meeting of the Eleventh session of the Board of Directors of Haier Smart Home Co., Ltd.	28 October 2022	Considered and approved the 2022 Third Quarterly Report of Haier Smart Home Co., Ltd.

## VI. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name of director	Whether an Independent director or not	Attendance of Board meetings					Attendances at general meetings	
		Required attendances of Board meetings	Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Absence from two consecutive meetings in person or not	Number of attendance of general meetings
Liang Haishan	NO	3	3	1	0	0	NO	4
Li Huagang	NO	6	6	1	0	0	NO	4
XieJuzhi	NO	3	3	1	0	0	NO	0
Shao Xinzhi	NO	3	3	0	0	0	NO	0
Gong Wei	NO	3	3	0	0	0	NO	0
Wu Changqi	NO	3	3	3	0	0	NO	4
Lin Sui	NO	3	3	3	0	0	NO	4
Chien Da-chun	YES	6	6	6	0	0	NO	4
Wong Hak Kun	YES	6	6	6	0	0	NO	4
Li Shipeng	YES	6	6	6	0	0	NO	4
Wu Qi	YES	6	6	6	0	0	NO	0
Yu Hon To	NO	6	6	6	0	0	NO	4
Li Kam Fun	NO	6	6	6	0	0	NO	4

Explanation for absence from two consecutive Board meetings in person

☐ Applicable ☒ Not applicable

Number of Board meetings held in the year	6
Of which: Number of on-site meetings	0
Number of meetings held by telecommunication	1
Number of meetings held both on site and by telecommunication	5

### (II) Directors' objection to the relevant matters of the Company

☐ Applicable ☒ Not applicable

### (III) Others

☐ Applicable ☒ Not applicable

## VII. THE SPECIAL COMMITTEES OF THE BOARD

√ Applicable    □ Not Applicable

### (1). Personnel of The Special Committees of the Board

Categories of The Special Committees	Name of Personnel
Audit Committee	Wong Hak Kun, Yu Hon To, Chien Da-chun, Wu Qi, Shao Xinzhi
Nomination Committee	Wu Qi, Li Shipeng, Li Huagang
Remuneration and Appraisal Committee	Chien Da-chun, Li Shipeng, Li Huagang
Strategy Committee	Li Huagang, Li Shipeng, Wu Qi, Gong Wei
ESG ("Environment, Society and Governance") Committee	Li Kam Fun, Chien Da-chun, Gong Wei

### (2). The Company convened 6 Audit Committee meetings during the reporting period

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
23 March 2022	Considered and Approved the 2021 Annual Financial Report of Haier Smart Home Co., Ltd., the 2021 Annual Audit Report of Internal Control of Haier Smart Home Co., Ltd.	No Objections	Nil
28 March 2022	Considered and approved the 2021 Annual Financial Accounts Report of Haier Smart Home Co., Ltd., the 2021 Annual Report on the Self-Assessment on Internal Control of Haier Smart Home Co., Ltd., the 2021 Annual Audit Report of Internal Control of Haier Smart Home Co., Ltd., the Resolution of Haier Smart Home Co., Ltd. on the Re-assignment of China Accounting Standards Auditor, the Resolution of Haier Smart Home Co., Ltd on the Re-assignment International Accounting Standards Auditor, the Resolution of Haier Smart Home Co., Ltd. on the Expected Provision of Guarantee for Subsidiaries in 2022, the Resolution of Haier Smart Home Co., Ltd. on Conducting Foreign Exchange Funds Derivatives Business, 2021 Annual Profit Distribution Plan of Haier Smart Home Co., Ltd., the Resolution of Haier Smart Home Co., Ltd. on the Special Report on the Deposit and Actual Use of Funds Raised in 2021, 2021 Annual Report on Performance of Duties of the Audit Committee of the Board of Haier Smart Home Co., Ltd.	No objections	Nil



## Section IV Corporate Governance

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
27 April 2022	Considered and approved the 2022 First Quarterly Financial Report of Haier Smart Home Co., Ltd., the Resolution of Haier Smart Home Co., Ltd. on the Acquisition of 100% Equity in Qingdao TAB Robot Technology Co., Ltd. by its Subsidiary and Connected Transaction, the Resolution of Haier Smart Home Co., Ltd. on the Transfer of 25% Equity in Qingdao Haier Mold Co., Ltd. by its Subsidiary and Connected Transaction, the Resolution of Haier Smart Home Co., Ltd. on Renewing the Product and Material Purchase Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation, the Resolution of Haier Smart Home Co., Ltd. on Renewing the Services Purchase Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation, the Resolution of Haier Smart Home Co., Ltd. on Renewing the Product and Material Sales Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation, the Resolution of Haier Smart Home Co., Ltd. on Renewing the Services Provision Framework Agreement between Haier Smart Home Co., Ltd. and Haier Group Corporation.	No Objections	Nil
25 August 2022	Considered and approved the 2022 Interim Financial Report of Haier Smart Home Co., Ltd., the 2022 Interim Risk Assessment Report on Haier Group Finance Co., Ltd. by Haier Smart Home Co., Ltd., the Special Report on the Deposit and Actual Use of Funds Raised in the First Half of 2022 by Haier Smart Home Co., Ltd., the Resolution of Haier Smart Home Co., Ltd. on the Acquisition of 100% Equity in Qingdao Haier Special Plastics Research and Development Co., Ltd. by its Subsidiary and Connected Transaction.	No Objections	Nil
27 October 2022	Considered and approved the 2022 third quarterly Financial Report of Haier Smart Home Co., Ltd.	No Objections	Nil
8 December 2022	Considered and approved the 2022 Annual Report on Audit work Plan of Haier Smart Home Co., Ltd.	No Objections	Nil

**(3). The Company convened 2 Nomination Committee meetings during the reporting period**

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
30 March 2022	Considered and approved the Report of Haier Smart Home Co., Ltd. on the Performance of Duty of Current Directors, Supervisors and Senior Management, the 2021 Annual Report on the Performance of Duty of the Nomination Committee of the Board of Haier Smart Home Co., Ltd.	No Objections	Nil
27 April 2022	Considered and approved the Resolution on the Proposed Candidates of Independent Directors for the Eleventh Session of the Board of Haier Smart Home Co., Ltd., the Resolution on the Proposed Candidates of Non-independent Directors for the Eleventh Session of the Board of Haier Smart Home Co., Ltd., the Resolution on the Proposed Candidates of Vice President of Haier Smart Home Co., Ltd.	No Objections	Nil

**(4). The Company convened 2 Remuneration and Appraisal Committee meetings during the reporting period**

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
30 March 2022	Considered and approved the 2021 Annual Report of Haier Smart Home Co., Ltd. on Incentives for Senior Management of the Company and Implementation of Remuneration Assessment for Directors and Senior Management, the 2022 Annual Report of Haier Smart Home Co., Ltd. on Remuneration and Assessment Scheme of Directors and Senior Management, the Resolution of Haier Smart Home Co., Ltd. on the Adjustment of Director Allowance, the 2021 Annual Report of Haier Smart Home Co., Ltd. on Performance of Duties of the Remuneration and Appraisal Committee of the Board	No Objections	Nil
27 April 2022	Considered and approved the 2022 Stock Ownership Plan of A Share Core Employee of Haier Smart Home Co., Ltd. (Draft) and Summary, the 2022 Stock Ownership Plan of H Share Core Employee of Haier Smart Home Co., Ltd.(Draft) and Summary, the 2022 A Share Option Incentive Scheme of Haier Smart Home Co., Ltd. (Draft) and Summary, the 2022 Management Practices for the Assessment of A Share Option Incentive Scheme of Haier Smart Home Co., Ltd.	No Objections	Nil

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### (5). The Company convened 2 Strategy Committee meetings during the reporting period

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
30 March 2022	Considered and approved the 2021 Annual Report on the Performance of Duties of the Strategy Committee of the Board of Haier Smart Home Co., Ltd.,	No Objections	Nil
28 April 2022	Considered and approved the Resolution of Haier Smart Home Co., Ltd. on the Acquisition of 100% Equity in Qingdao TAB Robot Technology Co., Ltd. by its Subsidiary and Connected Transaction, the Resolution of Haier Smart Home Co., Ltd. on the Transfer of 25% Equity in Qingdao Haier Mold Co., Ltd. by its Subsidiary and Connected Transaction, the Resolution of Haier Smart Home Co., Ltd. on the Investment of a New Refrigerator Project with an Annual Production Capacity of 2 Million Units.	No Objections	Nil

### (6). The Company convened 2 meetings of the ESG Committee during the reporting period

Date of Meeting	Contents of Meeting	Major Opinions and Suggestions	Other Notes on Performance of Duty
28 March 2022	Considered and approved the 2021 Corporate Environmental, Social and Governance Report of Haier Smart Home Co., Ltd.	No Objections	Nil
25 August 2022	Considered and approved the Report on the Progress of ESG Works in the First Half of 2022 and Related Plans in the Second Half of the year.	No Objections	Nil

### (7). Details of Disagreements

☐ Applicable ☒ Not applicable

## VIII. SUPERVISORY COMMITTEE' EXPLANATION ON RISKS ABOUT THE COMPANY

☐ Applicable ☒ Not applicable

Supervisory Committee had no objections to the supervising items during the reporting period.

## IX. INFORMATION ON STAFF OF THE PARENT COMPANY AND PRINCIPAL SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

### (I) Staff Information

Number of staff of the parent company	55
Number of staff of Principal subsidiaries	109,531
Total number of staff	109,586
Number of employees whose retirement expenses are borne by the parent company and the principal subsidiaries	0

#### Breakdown by Function

Function	Number
Production	61,967
Sales	18,844
Technical	24,647
Financial	1,741
Administrative	2,387
Total	109,586

#### Breakdown by Education Background

Education	Number (person)
Bachelor and above	36,332
College Diploma	28,534
Secondary vocational training diploma and below	44,720
Total	109,586

### (II) Remuneration policies

☒ Applicable ☐ Not applicable

Under the guidance of the "RenDanHeYi" management model, the Company adheres to the remuneration philosophy of uniting user pay, value creation and value sharing, and provides employees with a short, medium and long-term remuneration incentive system that combines labour income, super-profit sharing and capital gain, as well as all-rounded welfare policies and employee caring schemes. The Company encourages its employees to work with an entrepreneurial mindset, aligning employee value with company value and shareholder value, continuously improving user experience and achieving a win-win development for both the Company and its employees.

The Company has established a rich and multi-dimensional incentive mechanism and continues to implement the "A+H" global incentive system covering both domestic and overseas employees to attract, motivate and stabilise the Company's core talent.

## Section IV Corporate Governance

### (III) Personnel Training

☒ Applicable   ☐ Not applicable

The Company puts high priority on talent cultivation and has set up a hierarchical system for talent training accordingly. By providing employees with rich learning resources through diversified methods such as course training, special training and temporary exchange, the Company promotes talent growth in multiple dimensions for employees with different needs, thus assisting them in improving their professionalism, expertise and leadership skills. In 2022, the Company organized a number of trainings with courses covering corporate culture, office management, professional skills and other contents, and adopted live broadcast, community forums and other learning methods.

For details, please refer to relevant information in 2022 Environmental, Social and Governance Report of Haier Smart Home Co., Ltd. published on the same date of this announcement.

### (IV) Labor Outsourcing

☐ Applicable   ☒ Not applicable

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

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

☒ Applicable   ☐ Not applicable

The Company's 2021 profit distribution plan was passed on its 2021 Annual General Meeting held on 28 June 2022: based on the Company's total existing shares (deducting the repurchased shares) of 9,364,586,585 (including 6,224,810,911 A shares, 271,013,973 D shares and 2,868,761,701 H shares), it was proposed that the Company would distribute cash dividends of RMB4.61357 (tax inclusive) per 10 shares to all shareholders, with a total amount before tax of RMB4,320,413,011.54 (tax inclusive). The plan was implemented and completed in August 2022. Details were set out in the Announcement on Implementation of Rights and Interests Distribution of A-shares for 2021 of Haier Smart Home Co., Ltd. (No: L2022-062) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 17 August 2022 and relevant announcements in respect of dividend distribution of D shares and H shares published on the Company's website, Hong Kong Stock Exchange and other publication platforms.

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

The dividend distribution plan of 2022 of the Company: based on the total number of shares after deducting the repurchased shares on equity interest record date for future profit distribution, it is proposed that the Company will distribute cash dividend of RMB5.66 per 10 shares (tax inclusive) with cash dividend of RMB5,297,529,553.10. The retained undistributed profit would be for the Company's principal business in order to maintain sustainable and stable development and to create value for investors. The proportion of this distribution is 36.01% of the net profit attributable to owners' parent company in 2022 (In 2022, the Company spent RMB1.491 billion and HK\$364 million on the purchase of A shares and H shares; if this is included in cash dividends, the ratio of cash dividends to net profit attributable to owners' parent company for the year would be more than 48%). 100% dividend is paid in cash. If there is any change in the total share capital of the Company during the period from the date of this report to the record date of the equity distribution, the total distribution amount will be remained unchanged with corresponding adjustment to the proportion of distribution per share.

### (II) Notes to the cash dividend policies

☒ Applicable    ☐ Not Applicable

Whether in compliance with regulations of the Articles of Association and Requirements of the resolutions of the general meeting	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether the standard and ratio of dividends were clear	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether relevant procedures and mechanisms for decision-making were complete	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether independent directors performed their duties and responsibilities	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether minority shareholders were given the opportunity to fully express their views and demands, and whether their legitimate interests were adequately protected	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

## Section IV Corporate Governance

**(III) The Company made profits and the profits for distribution to the owners' Parent Company was positive during the reporting period, but no cash profit distribution plan was proposed; the Company should disclose the reasons in detail and the purpose of undistributed profits**

☐ Applicable    ☒ Not Applicable

**(IV) Profit distribution and conversion of capital reserve into share capital for the reporting period**

☒ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Number of shares to be distributed for every ten shares (share)	0
Amount to be distributed for every ten shares (RMB) (tax inclusive)	5.66
Number of shares to be converted into share capital for every ten shares (share)	0
Amount of cash dividend (tax inclusive)	5,297,529,553.10
Net profit attributable to ordinary shareholders of listed company in the consolidated financial statement during the year of distribution	14,710,923,491.99
Percentage of the net profit attributable to the ordinary shareholders of the listed companies in the consolidated financial statement (%)	36.01
Repurchase of shares by cash included in the amount of cash dividend	1,816,280,590.58
Total dividend amount (tax inclusive)	7,113,810,143.68
Percentage of total dividend amount to the net profit attributable to the ordinary shareholders of the listed companies in the consolidated financial statement (%)	48.36

Note: The above figures involving conversion in Hong Kong dollars to RMB are translated at the exchange rate as at 30 December 2022.

## XI. THE COMPANY'S SHARE OPTION INCENTIVE SCHEME, EMPLOYEE SHAREHOLDING PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND ITS INFLUENCE

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

√ Applicable    ☐ Not Applicable

Summary of matters	Query index
Completion of registration of grant of reserved options under the 2021 A Share Option Incentive Scheme: 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.	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 and relevant contents.
Introduction of 2022 A Share Option Incentive and completion of grant and registration: The 2022 A Share Option Incentive Scheme was considered and approved at the General Meeting and Class Meeting convened on 28 June 2022. On the same date, as considered and approved at the Board Meeting, 104,756,896 options were granted to the incentive recipients. The Company completed the registration of the aforementioned grant of shares on 13 July 2022.	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 and the Announcement of Haier Smart Home Co., Ltd. on the Completion of Registration of the Grant of the 2022 A Share Option Incentive Scheme disclosed by the Company on 15 July 2022.



## Section IV Corporate Governance

Summary of matters	Query index
<p>Introduction of New Phase of A Share and H Share Core Employee Stock Ownership Plan and Completion of Position Opening : In order to further improve the corporate governance mechanism, create value for shareholders and promote the full 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 completed the position opening and other related works for the 2022 A Share and H Share Core 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) disclosed by the Company on 29 April 2022, the Announcement of Haier Smart Home Co., Ltd. on the Completion of Non-trading Transfer of Shares under the 2022 A Share Core Employee Stock Ownership Plan disclosed by the Company on 22 July 2022, the Announcement of Haier Smart Home Co., Ltd. on the Completion of Share Purchase under the 2022 H Share Core Employee Stock Ownership Plan disclosed by the Company on 26 July 2022 and relevant contents.</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

**(III) Share option granted to directors 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 year	Number of new stock options granted during the reporting period	Exercisable shares during the reporting period	Shares subject to stock option exercised during the reporting period	Stock options exercise price (RMB)	Number of stock options held at the end of the reporting period	Market value at the end of the reporting period (RMB)
Li Huagang	Chairman, President	91.39	0	0	0		91.39	
Gong Wei	Director, Chief Financial Officer, Vice President	45.70	0	0	0		45.70	
XieJuzhi	Vice President	91.39	0	0	0		91.39	
Li Pan	Vice President	45.70	0	0	0		45.70	
Song Yujun	Vice President	31.21	0	0	0		31.21	
Zhao Yanfeng	Vice President	46.82	0	0	0		46.82	
Huang Xiaowu	Vice President	45.70	0	0	0		45.70	
Wu Yong	Vice President	22.85	0	0	0		22.85	
Li Yang	Vice President	45.70	0	0	0		45.70	
Guan Jiangyong	Vice President	22.85	0	0	0		22.85	
Liu Xiaomei	Secretary to the board of directors	0	11.65	0	0		11.65	
Total	/	489.31	11.65	0	0		500.96	/

**(IV) Establishment and implementation of appraisal and incentive mechanism for senior management during the reporting period**√ Applicable    ☐ Not Applicable

The cash remuneration of executives in 2022 consists of monthly remuneration, bonuses and sharing, and is linked to orders triggered by the upgrade of the Company's Internet of Things from "high-end brands" to "scenario brands" to "ecological brands". Focusing on the rapid improvement of profitability and through digital transformation, the Company maintained its competitiveness as a leader in the whole process, and sharing of high added-value. Through the innovation of the mechanism, the Company encouraged its executives to achieve higher market goals, thus achieving a win-win situation for users, employees, enterprises and stakeholders. At the same time, the Company continues to promote the implementation of the employee stock ownership and other long-term incentive plans; multiple incentive tools will be effectively utilised to mobilise competent management, frontline managers and business and technical backbones on a wider scale, further aligning the interests of shareholders, the Company and incentive recipients, and bringing more efficient and sustainable returns to shareholders.

### **XII. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD**

☒ Applicable   ☐ Not applicable

In accordance with the "Rules for the Preparation and Reporting of Information Disclosure by Listed Issuers of Securities No. 21— General Provisions on the Annual Internal Control Assessment Report" jointly issued by the China Securities Regulatory Commission and the Ministry of Finance, the "Guidelines for Self-regulation of Listed Companies on the Shanghai Stock Exchange No. 1 — Regulation of Operations", the "Guidelines for Self-Regulation of Listed Companies on the Shanghai Stock Exchange No. 2 — Business Handling" and other relevant guidelines and requirements, the Company has conducted a self-assessment of its internal control work. Based on the identification of significant deficiencies in the Company's internal control of financial reporting, no significant deficiencies in the Company's internal control of financial reporting were identified as at the basis date of the internal control assessment report, and the Company had maintained effective internal control of financial reporting in all material respects in accordance with the requirements of the internal control regulatory system and relevant regulations. Based on the identification of significant deficiencies in the Company's internal control of non-financial reporting, no significant deficiencies in the Company's internal control of non-financial reporting were identified as at the basis date of the internal control assessment report. No events have occurred between the basis date of the internal control assessment report and the date of issuance of the internal control assessment report that would affect the effectiveness of the internal control assessment.

For details, please refer to the 2022 Internal Control Assessment Report of Haier Smart Home Co., Ltd. disclosed on the same day of this report.

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

☐ Applicable   ☒ Not applicable

### **XIII. CONTROL OVER MANAGEMENT OF SUBSIDIARIES DURING THE REPORTING PERIOD**

☒ Applicable   ☐ Not applicable

The listed company established an internal control and management system covering all subsidiaries within the scope of consolidated statement, which included four major areas of strategy, finance, operation and compliance with a total of 22 primary business processes and control metrics. In particular,

1. Unified control environment, such as strategy and culture, risk management system, internal control manual, Rendanheyi remuneration system, unified accounting and information system in the financial sharing center, etc.

2. The company has clear selection methods and terms of reference in respect of appointment of directors, supervisors and important senior management to their controlling subsidiaries. Meanwhile, relevant departments of the parent company stipulate the criteria and scope of authorization for major decision and important events, formulate the approval procedure for major decision and important events beyond the scope of authorization. The management of subsidiaries at different levels shall exercise their authority and take responsibility within the scope of authorization.
3. Management of major events of subsidiaries: The relevant authority of the parent company of the listed company stipulates the criteria and scope of authorization for major decision and important events, formulate the approval procedure for major decision and important events beyond the scope of authorization. If the Company and its subsidiaries provide external guarantees, the total amount of which shall propose for consideration at the general meetings after approval by the Board. Subject to the authorization by the general meetings, the Board decides the Company's external investment, acquisition and disposal of assets, external guarantees, entrusted wealth management, related-party transactions and other events.
4. Management of budget: The finance and budget center formulates the budget preparation policy and guidance for the following year at the end of each year, and distributes them to each subsidiary together with the budget template, requiring the preparation of a comprehensive budget in accordance with the unified budget preparation policy and guidance, which contains details of the preparation principles, explanation of filling the template, submission process and examination. Each subsidiary has prepared a comprehensive budget in accordance with the unified budget preparation policy and guidance. Annual budgeting of the following year is commenced in the third quarter every year by making profit and loss budgets for each industry and subsidiaries based on market forecasts to ensure accurate estimation in advance. The execution and adjustment of budgets are regularly monitored and evaluated.

For non-fixed assets investment projects, the person in charge of fund of each subsidiary will summarize the actual investment situation and report it to the manager of the investment, financing and fund management department of Haier Smart Home. The manager of the investment, financing and fund management department will monitor the execution of the budget of investment and financing by comparing the report with the corresponding budget of the investment plan.

5. Operation analysis and performance evaluation: The Company regularly convenes global and industry-specific performance and operations meetings to discuss the operations and performance and carries out performance evaluation.

## Section IV Corporate Governance

6. Information transmission: The Company widely collects macroeconomic and industry development information, market information, regulatory compliance and other external information through various channels, and analyzes and organizes the collected information into research reports every month, which are submitted to different levels of management after review. The management of the parent company holds regular meetings with industries and segments to convey the management requirements of the parent company and to be aware of the operation status of subsidiaries in a timely manner. At the same time, the Company has formulated the information security and internal report confidentiality system, which specifies the confidentiality content, confidentiality measures, confidentiality level and transmission scope to prevent the disclosure of commercial secrets.
7. Test and audit of internal control: During the reporting period, the parent company conducts internal test and audit of subsidiaries, more than 91% and 90% of revenue and assets of which belong to the parent Company, respectively, to identify problems in a timely manner and facilitate the closed-loop rectification of problems.

During the reporting period, there were no new significant subsidiaries.

### **XIV.RELEVANT EXPLANATIONS ON THE AUDIT REPORT OF INTERNAL CONTROL**

☒ Applicable    ☐ Not applicable

The Company's auditor Hexin Certified Public Accountants LLP has audited the efficiency of internal control relating to the financial report of the Company, and has issued its standard unqualified audit report for the Company's internal control (He Xin Shen Zi (2023) No. 000367).

For the details of Audit Report of Internal Control of Haier Smart Home Co., Ltd., please refer to relevant announcements published on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on the same day of this report.

Whether to disclose the audit report on internal control: Yes

Type of opinion on the audit report on internal control: Standard unqualified opinion

### **XV. RECTIFICATION OF THE SELF-ASSESSMENT PROBLEMS UNDER THE GOVERNANCE SPECIAL ACTION OF THE LISTED COMPANY**

Not Applicable

### **XVI.OTHERS**

☐ Applicable    ☒ Not Applicable

# Section V Environmental and Social Responsibilities

## I. ENVIRONMENTAL INFORMATION

Established environmental protection related mechanism or not	Yes
Environmental protection funds invested during the Reporting Period (Unit: RMB10,000)	54,128

Note: During the reporting period, environmental protection funds were invested in aspects of R&D of environmental protection technology, clean production, environmental protection equipment purchase and renovation, pollution control, ecological protection, environmental management expenditure, etc.

### (II) 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 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"), Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited ("Jiaozhou Air-conditioning"), Qingdao Haier Special Refrigerator Co., Ltd. ("Qingdao Special Refrigerator"), Qingdao Economy and Technology Development Zone Haier Water Heater Co., Ltd. ("Development Zone Water Heater"), Qingdao Haier Refrigerator Co., Ltd. ("Qingdao Refrigerator"), Qingdao Haier Special Freezer Co., Ltd. ("Qingdao Special Freezer Factory I"), Qingdao Haier Special Freezer Co., Ltd. ("Qingdao Special Freezer Factory II"), Qingdao Haier Special Plastic Research and Development Co., Ltd. ("Huangdao Special Plastic") 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) 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 the Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources and detect 17 types of pollutants (including specific pollutants), namely, total cadmium, total chromium, total mercury, total lead, total arsenic, hexavalent chromium, COD (Chemical oxygen demand), 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

## 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	61.2mg/L	8.085 tons	60 tons	No
2	Ammonia nitrogen	6.96mg/L	0.971 tons	6 tons	No

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

### (2) 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, value of 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 37822-2019), Development Zone Energy should apply for a pollutant discharge permit and detect pollutants. Main types of atmospheric pollutants: particle matter, non-methane total hydrocarbons

- ② Way of discharge: continuous discharge
- ③ Number and distribution of discharge outlets: 1 for sewage, at the north entrance of the refrigerator Park; 22 for exhaust gas, at the refrigerator block A(10), B factories(10) and Phase III Factory(2).

## Section V Environmental and Social Responsibilities

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

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

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

### (3) Wuhan Water Heater

- ① Main Pollutant :  
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	3.196 tons	9.075 tons	No
2	Ammonia nitrogen	0.336 mg/L	0.391 tons	0.9075 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 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
- 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 tons	No

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

### (5) *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

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

No.	Name of hazardous waste	Total amount of transfer (tons)	Total amount of managed plan (tons)	Whether it is excessive discharge
1	Packaging bags	0.08	0.5	No
2	Waste oil	24.88	40	No
3	Slag powder	15.48	30	No
4	Forklift battery	17.92	22	No
5	Sludge	18.06	18.1	No
6	Paint buckets	1	4	No
7	Computer board	14.76	15	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

### (6) Qingdao Special Refrigerator

- ① Main Pollutants :

Exhaust gas. According to legislative requirements, Qingdao Special Refrigerator should apply for a pollutant discharge permit and detect the primary type of pollutant in the atmosphere, namely non-methane hydrocarbon, with the maximum concentration of discharge not exceeding 60mg/m<sup>3</sup>; particulate matter, with the maximum concentration of discharge not exceeding 150mg/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 emission
- ③ Number and distribution of discharge outlets: four in total, one for absorption exhaust port at the northeast corner of the plant roof, and two for welding exhaust ports and one for foam exhaust port at the west side of the plant roof.
- 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 and particulate matter

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	Non-methane hydrocarbon	1.23 mg/m <sup>3</sup>	/	No total amount of discharge control	No

## Section V Environmental and Social Responsibilities

- ⑤ Pollutant discharge standards implemented: Volatile Organic Compounds Discharge Standards Part 7: Other Industries DB37/2801.7-2019, Integrated air pollutants discharge standard GB16297-1996.

### (7) *Development Zone Water Heater*

- ① Main pollutants:

Exhaust gas. According to the requirements of laws and regulations, Development Zone Water Heater should apply for a pollutant discharge permit and detect the primary types of pollutant in the atmosphere, namely, non-methane hydrocarbons, with the maximum concentration of discharge not exceeding 50mg/m<sup>3</sup>; particulate matter, with the maximum concentration of discharge not exceeding 150mg/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.

Wastewater: There is no wastewater treatment plant in the business department and thus wastewater is transported by pipeline to the wastewater treatment plant of energy companies for discharge after treatment.

- ② Way of discharge: Continuous discharge
- ③ Number and distribution of discharge outlets: twelve in total, two for exhaust ports for powder coating line at the southeast and northeast side of the plant respectively, nine for welding exhaust ports at the plant roof and one for foam exhaust port at the east side of the plant roof.
- ④ Concentration and total amount of discharge and approved total amount of discharge: No control regarding the amount of discharge of organic exhaust gas and particulate matter

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	non-methane hydrocarbons	1.29mg/m <sup>3</sup>	/	No control regarding the total amount of discharge of non-methane hydrocarbons	no

- ⑤ Pollutant discharge standards implemented: Volatile Organic Compounds Discharge Standard Part 5:Surface coating industry DB37/2801.5-2019, Integrated emission standard of air pollutants GB16297-1996.

## Section V Environmental and Social Responsibilities

### (8) Qingdao Refrigerator

- ① Main pollutants:  
Exhaust gas. According to requirements of laws and regulations, Qingdao Refrigerator should apply for a pollutant discharge permit and detect the primary type of pollutant in the atmosphere, namely non-methane hydrocarbon with the maximum concentration of discharge not exceeding 60mg/m<sup>3</sup> and particulate matter with the maximum concentration of discharge not exceeding 150mg/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 for absorption exhaust port, one for welding exhaust port on the west side of the plant roof, and two foam exhaust ports with one on the west side and one on the east side of the plant roof.
- 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 and particulate matter

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	non-methane hydrocarbon	1.2mg/m <sup>3</sup>	/	No control regarding the total amount of discharge	No

- ⑤ Pollutant discharge standards implemented: Volatile Organic Compounds Discharge Standards Part 7: Other Industries (DB37/2801.7-2019), Comprehensive Emission Standards of Air Pollutants (GB16297-1996).

### (9) Qingdao Special Freezer factory I

- ① Main pollutants:  
Exhaust gas. According to requirements of laws and regulations, it should apply for a pollutant discharge permit and detect the primary type of pollutant in the atmosphere, namely non-methane hydrocarbon with the maximum concentration of discharge not exceeding 50mg/m<sup>3</sup> and particulate matter with the maximum concentration of discharge not exceeding 150mg/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.

Wastewater. There is no sewage station in the business department, and the production wastewater is piped to the sewage station of the energy company for treatment and discharge.

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- ② Way of discharge: Continuous discharge
- ③ Number and distribution of discharge outlets: Six in total, one for exhaust port for powder coating on the north of the plant, one for welding exhaust port on the east of the plant, and four for foam exhaust ports on the east side of the plant roof.
- 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 and particulates

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	non-methane hydrocarbon	1.53mg/m <sup>3</sup>	/	No control regarding the total amount of discharge	No

- ⑤ Pollutant discharge standards implemented: Volatile Organic Compounds Discharge Standards Part 5: Surface Coating Industry (DB37/2801.5-2019), Comprehensive Emission Standards of Air Pollutants (GB16297-1996).

### (10) Qingdao Special Freezer Factory II

- ① Main pollutants:  
Exhaust gas. According to the requirements of laws and regulations, Qingdao Special Freezer Factory II should apply for a pollutant discharge permit and detect the primary types of pollutant in the atmosphere, namely, non-methane hydrocarbons, with the maximum concentration of discharge not exceeding 50mg/m<sup>3</sup>; particulate matter, with the maximum concentration of discharge not exceeding 150mg/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.  
  
Wastewater: There is no wastewater treatment plant in the business department and thus wastewater is transported by pipeline to the wastewater treatment plant of energy companies for discharge after treatment.
- ② Way of discharge: continuous discharge
- ③ Number and distribution of discharge outlets: five in total, one for exhaust port for powder coating line at the north side of the plant, one for absorption exhaust port at the east side of the plant roof and three for foam exhaust ports at the east 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 amount of discharge of organic exhaust gas and particulate matter

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	Non-methane hydrocarbons	1.44mg/m <sup>3</sup>	/	No control regarding the total amount of discharge of non-methane hydrocarbons	no

- ⑤ Pollutant discharge standards implemented: Volatile Organic Compounds Discharge Standard Part 5:Surface coating industry DB37/2801.5-2019, Integrated emission standard of air pollutants GB16297-1996.

### (11) Huangdao Special Plastic

- ① Main pollutants:  
Exhaust gas. According to the requirements of laws and regulations, Huangdao Special Plastic should apply for a pollutant discharge permit and detect the primary type of pollutant in the atmosphere, namely non-methane hydrocarbons, 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: three in total, one for absorption exhaust port at the northwest corner of the plant roof and two for foam exhaust ports at the south side of the plant roof.
- ④ Concentration and total amount of discharge and approved total amount of discharge

No.	Name of pollutant	Concentration of discharge	Total amount of discharge	Approved total amount of discharge	Whether it is excessive discharge
1	Non-methane hydrocarbons	1.17mg/m <sup>3</sup>	/	No control regarding the total amount of discharge of non-methane hydrocarbons	no

## Section V Environmental and Social Responsibilities

- ⑤ Pollutant discharge standards implemented: Volatile Organic Compounds Discharge Standard Part 7: Other industries DB37/2801.7-2019, Integrated emission standard of air pollutants GB16297-1996.

### (12) *Tianjin Washing Machine*

- ① Main Pollutant :  
Wastewater. According to requirements of laws and regulations, 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.

Exhaust gas: According to requirements of laws and regulations, a pollutant discharge permit should be applied and enforced, and 4 types of pollutants should be tested, namely, particulate matter, sulphur dioxide, nitrogen oxides and VOCs.

- ② Way of discharge: indirect discharge for wastewater, continuous discharge for exhaust gas
- ③ Number and distribution of discharge outlets: one for wastewater, the wastewater treatment plant, pipeline discharge; eleven for exhaust gas, two in the plastic injection department, six in the powder coating department and three in the boiler room.
- 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  
According to the discharge permit, the concentration and total amount of pollutant discharge subject to approval for the total amount are as follows:

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

Jiaonan Washing Machine, Jiaozhou Air-conditioning, Wuhan Freezer, Wuhan Water Heater, Tianjin Washing Machine have one, one, one, two and one wastewater treatment plants with a designed treatment capacity of 600 tonnes/day, 300 tonnes/day, 550 tonnes/day, 300 tonnes/day, 260 tonnes/day and 300 tonnes/day, respectively. The construction, maintenance and daily operation of all wastewater treatment facilities are conducted in accordance with the requirements of national and local environmental laws and regulations. Information on all wastewater discharge is subject to 24-hour online monitoring and such monitored information is transmitted to environmental authorities in a real-time manner. All equipment is operating normally. 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 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 ISO14001 system in 2021.



## Section V Environmental and Social Responsibilities

**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 divisions 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.

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

☒ Applicable ☐ Not Applicable

In order to better protect our homeland, the Company has been committed to implementing national “dual carbon” strategy by integrating low-carbon, recycling, energy conservation and emission reduction into daily operation and actively exploring a model for achieving carbon reduction throughout the product lifecycle. We continuously promoted green technologies upgrading in the industry by capitalizing on our industrial leading role in green technologies, and worked together to move towards a greener, win-win and sustainable future.

## Section V Environmental and Social Responsibilities

For details, please refer to relevant information in 2022 Environmental, Social and Governance Report of Haier Smart Home Co., LTD. published on the same date of this report.

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

Whether carbon reduction measures were implemented Yes

Reduction of carbon dioxide equivalent emission (unit: tonnes) 14,017

Types of carbon reduction measures (such as using clean energy for power generation, using carbon reduction techniques in the production process, developing and producing new products which help reduce carbon emission, etc.)

The Company's carbon reduction measures mainly include:

#### (1) Identifying the carbon emission of products:

The Company has conducted carbon review of its factories to understand the current status of its carbon emission and the carbon footprint of some of its products, and will take targeted carbon reduction actions based on the results of the carbon review.

#### (2) Practising green concept throughout the lifecycle:

The Company actively cooperates with parties along the upstream and downstream industrial chain, from raw material manufacturers to logistics enterprises, from consumers to recycling and dismantling factories, in order to explore carbon reduction throughout the product lifecycle centering around "R&D, raw materials, production, packaging and transportation, and product recycling" Carbon reduction.

#### (3) Climate-related financial information disclosure :

The Company actively identifies, evaluates and manages the impact of climate change risks and opportunities on its operations, and formulates risk management and strategic planning to prepare for strict compliance with the TCFD disclosure framework for climate-related financial information.

For details of the above-mentioned measures, please refer to relevant information in 2022 Environmental, Social and Governance Report of Haier Smart Home Co., LTD. published on the same date of this report.

Note: The scope of the aforementioned CO2 equivalent emission reduction statistics is the scope 1 and scope 2 data for the Company's domestic operations.

Specifications

☐ Applicable ☒ Not Applicable

### II. PERFORMANCE OF SOCIAL RESPONSIBILITIES

#### 1. Whether the social responsibility report, sustainable development report or ESG report is disclosed individually

√ Applicable ☐ Not Applicable

Haier Smart Home has actively participated in health education, rural construction, voluntary service, and other community public charity while striving to create social value and practising social responsibility in order to make its contribution to promoting the construction of a fairer and better society wholeheartedly and sincerely.

##### 1. Caring about education and health

The Company pays attention to the growth and education of young people by participating in the establishment of the Haier Education Foundation, the Hope Project and the "Light Catcher Project" to support public welfare activities in respect of the health and education of young people and children around the world.

##### 2. Supporting rural construction

The Company is actively involved in the revitalisation of villages by providing paired-up assistance with villages in the areas of industry, employment, education and health, and using its skills and knowledge to help build beautiful villages and improve their standard of living.

##### 3. Helping rescue and relief enthusiastically

The Company has extensively participated in disaster assistance around the world, took the lead in rescue operations and donated disaster relief materials.

##### 4. Volunteering to serve the society

All members of the Company at home and abroad insist on participating in social governance through voluntary services, creating public value with their professional ability in their spare time, and giving back to the society with love.

For details, please refer to the 2022 Environment, Social and Governance Report of Haier Smart Home Co., Ltd. disclosed on the date of this report.

#### 2. Details of social responsibility works

√ Applicable ☐ Not Applicable

External donation, public welfare projects	Quantity/Content
Total Contribution (RMB10,000)	797
Among which: Funds (RMB10,000)	797

Specifications

√ Applicable ☐ Not Applicable

## Section V Environmental and Social Responsibilities

For details, please refer to the 2022 Environment, Social and Governance Report of Haier Smart Home Co., Ltd. disclosed on the date of this periodic report.

### III. PARTICULARS ON THE EFFORTS TO CONSOLIDATE AND EXPAND ITS ACHIEVEMENTS IN POVERTY ALLEVIATION AND RURAL AREA INVIGORATION

☒ Applicable ☐ Not Applicable

Poverty alleviation and rural revitalization projects	Quantity/Content
Total Contribution (RMB10,000)	1,117
Among which: Funds (RMB10,000)	1,117
Forms of assistance (such as poverty alleviation through industry development, poverty alleviation through employment, poverty alleviation through education, etc.)	Assistance is mainly provided in the form of poverty alleviation through education and poverty alleviation in health

Specifications

☒ Applicable ☐ Not Applicable

In accordance with the national targeted poverty alleviation plan and documents 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 (hereafter, the “Haier Group”) have constructed over 300 hope primary schools and hope secondary schools, covering 26 provinces, municipalities and autonomous regions in the PRC. It also offers continuous resource assistance to such schools every year to effectively boost the base education capacity in poverty regions and improve education quality. At the same time, during the earthquake in Ganzi, Sichuan, the Company set up an earthquake relief service commando to go to the front line to provide the affected people with three free services for home appliances, i.e. free inspection, free repair and free relocation, and opened an exclusive call channel for user services in the disaster area; on the other hand, the Company donated RMB3 million, taking up social responsibilities voluntarily and supporting the reconstruction of disaster areas. The Company maintains its support to rural development in respect of poverty alleviation in agricultural development and poverty alleviation in farmers’ health to promote beautiful rural development. During the Reporting Period, it offered, among other assistance, funds to Pangxi Village, Yuxi Town and Yuya Village, Zunyi City.

In 2022, the Company’s capital expenditure in targeted poverty alleviation amounted to approximately RMB11.17 million, primarily attributable to education poverty alleviation, poverty alleviation in health and construction of disaster areas, etc., to proactively respond to the government’s call for social responsibility fulfillment.

# Section VI Significant Events

## I. FULFILLMENT STATUS OF UNDERTAKINGS

### (I) The undertakings made by the ultimate controller, 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 right defects in land property etc.	Haier Group Corporation	During the period from September 2006 to May 2007, the Company issued shares to Haier Group Corporation ("Haier Group") to purchase the controlling equity in its four subsidiaries, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Holding 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 three companies, 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 Holding Co., Ltd. (武汉海尔电器股份有限公司) (the "Covenantees"), Haier Group made an undertaking (the "2006 Undertaking"). According to the content of 2006 Undertaking and current condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the unavailability of such land and property.	27 September 2006, long-term	Yes	Yes
	Address peer competition	Haier Smart Home Co., Ltd.	Prior to the Transaction (hereinafter "the Transaction" refers to the transaction in relation to the privatization of Haier Electronics by Haier Smart Home), Haier Electric was a controlling subsidiary of the Company and did not have peer competition with the Company; after the completion of the Transaction, Haier Electric became a wholly-owned or controlling subsidiary of the Company and no new peer 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 controller of the Company.	31 July 2020, long-term	Yes	Yes

## Section VI Significant Events

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 Events

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 peer competition	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 peer 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 peer 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 peer competition with Haier Smart Home.</p>	29 July 2020, long-term	Yes	Yes

## Section VI Significant Events

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	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.	29 July 2020, long-term	Yes	Yes



## Section VI Significant Events

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 Events

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 right defects in land property and etc.	Haier Group Corporate	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 Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.	24 December 2013, long-term	Yes	Yes

## Section VI Significant Events

Background of undertakings	Type of undertakings	Covenanter	Contents of undertakings	Date and term of undertakings	Any deadline for performance	Whether performed in a timely and strict way
Undertakings 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 Announcement of Haier Smart Home Co., Ltd. on the Changes of Some Commitments on Asset Injection (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

**(II) The Company's explanation on whether the earnings forecast on assets or projects was met and its reasons in the situation that earnings in the Company's assets or projects have a forecast, and the period of which includes the reporting period.**

☐ Reached ☐ Not Reached ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

## 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. EXPLANATION OF THE BOARD OF THE COMPANY ON THE 'NON-STANDARD AUDIT REPORT' ISSUED BY THE ACCOUNTING FIRM

☐ Applicable ☒ Not Applicable

## V. EXPLANATION OF THE COMPANY'S ANALYSIS ON REASONS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS

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

☐ Applicable    ☒ Not Applicable

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

☐ Applicable    ☒ Not Applicable

### (III) Communication with former accounting firm

☐ Applicable    ☒ Not Applicable

### (IV) Other explanations

☐ Applicable    ☒ Not Applicable

## VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit and Currency: RMB million

	Current appointment
Name of domestic accounting firm	Hexin Certified Public Accountants LLP
Remuneration of domestic accounting firm	6.55
Audit period of domestic accounting firm	10 years
Names of certified public accountants of domestic accounting firm	Zhao Bo, Li Xiang Zhi
Number of consecutive years of audit services of certified public accountants in domestic accounting firms	10
Name of overseas accounting firm	HLB Hodgson Impey Cheng Limited
Remuneration of overseas accounting firm	3.89
Audit period of overseas accounting firm	3 years

## Section VI Significant Events

	Name	Remuneration
Accounting firm for Internal control audit	Hexin Certified Public Accountants LLP	2.23

Explanation of appointment and dismissal of accounting firm

☐ Applicable    ☒ Not Applicable

Explanation of change of accounting firm during the auditing period

☐ Applicable    ☒ Not Applicable

## VII. POSSIBILITY OF DELISTING

### (I) Reasons of warning for delisting risks

☐ Applicable    ☒ Not Applicable

### (II) Response measures to be taken by the Company

☐ Applicable    ☒ Not Applicable

### (III) Circumstances and reasons for termination of listing

☐ Applicable    ☒ Not Applicable

## VIII. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

☐ Applicable    ☒ Not Applicable

## IX. MATERIAL LITIGATION AND ARBITRATION MATTERS

☐ Material litigation and arbitration matters during the year

☒ No material litigation and arbitration matters during the year

### **X. 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

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

☐ Applicable ☒ Not applicable

### **XII. SIGNIFICANT RELATED-PARTY TRANSACTIONS**

#### **(I) Related-party transactions from 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 year 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 Events

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

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

☒ Applicable ☐ Not Applicable

Summary of matters	Query index
The acquisition of 100% equity interest in Qingdao TAB Robot Technology Co., LTD* (青岛塔波尔机器人技术有限责任公司) and connected transaction: 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.* (青岛海尔智慧生活电器有限公司), a wholly-owned subsidiary of the Company, acquired 100% equity interest in Qingdao TAB Robot Technology Co., LTD* (青岛塔波尔机器人技术有限责任公司) held by Qingdao Haier Interconnect Technology Co. Ltd.* (青岛海尔互联科技有限公司) for a consideration of RMB125 million in cash.	For details, please refer to the "Announcement in relation to the Acquisition of 100% Equity Interest in Qingdao TAB Robot Technology Co., LTD* (青岛塔波尔机器人技术有限责任公司) by a Subsidiary of Haier Smart Home Co., Ltd.* (海尔智家股份有限公司) and Connected Transaction" as disclosed by the Company on 29 April 2022

Summary of matters	Query index
<p>Transfer of 25% equity interest in Qingdao Haier Mold Co., Ltd.* (青岛海尔模具有限公司) and connected transaction: in order to focus on our principal business of smart home, optimize resource allocation and acquire investment income, Haier Shareholdings (Hong Kong) Limited, a wholly-owned subsidiary of the Company transferred to Qingdao Haier Mold Smart Cloud Technology Co., Ltd.* (青岛海模智云科技有限公司) 25% equity interest in Qingdao Haier Mold Co., Ltd.* (青岛海尔模具有限公司) for a consideration of RMB277 million in cash.</p>	<p>For details, please refer to the "Announcement in relation to the Transfer of 25% Equity Interest in Qingdao Haier Mold Co., Ltd.* (青岛海尔模具有限公司) by a Subsidiary of Haier Smart Home Co., Ltd.* (海尔智家股份有限公司) and Connected Transaction" as disclosed by the Company on 29 April 2022</p>
<p>Acquisition of 100% equity interest in Qingdao Haier Special Plastic R&amp;D Co., Ltd. ("Qingdao Special Plastic") by a subsidiary and connected transaction: Qingdao Haier Special Refrigerator Co., Ltd. ("Haier Special Refrigerator"), a wholly-own subsidiary of the Company, intends to acquire 30.23% equity interest in Qingdao Haier Special Plastic R&amp;D Co., Ltd. held by Haier Group Corporation for RMB45,953,500, 65.58% equity interest in Qingdao Special Plastic held by Haier COSMO Co. Ltd. for RMB99,683,700 and 4.19% equity interest in Qingdao Special Plastic held by Qingdao Haier Tooling Development Co., Ltd. for RMB6,362,800. After the completion of the transaction, the subject company became a wholly-owned subsidiary of Haier Special Refrigerator.</p>	<p>For details, please refer to the "Announcement in relation to the Acquisition of 100% Equity Interest in Qingdao Haier Special Plastic R&amp;D Co., Ltd.* (青岛海尔特种塑料研制开发有限公司) by a Subsidiary of Haier Smart Home Co., Ltd.* (海尔智家股份有限公司) and Connected Transaction" as disclosed by the Company on 30 August 2022</p>



## Section VI Significant Events

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 that haven't been disclosed in temporary announcements**

☐ Applicable    ☒ Not applicable

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

☒ Applicable    ☐ Not applicable

## Section VI Significant Events

### 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 3.50%	28,870,880,571.84	451,072,007,538.64	448,518,469,390.35	31,424,418,720.13
Total	/	/	/	28,870,880,571.84	451,072,007,538.64	448,518,469,390.35	31,424,418,720.13

### 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 loan amount for the period	Total repayment amount for the period	
Haier Finance Co., Ltd.	Subsidiary of Haier Group	7 billion		336,507,659.12	60,000,000.00	336,507,659.12	60,000,000.00
Total	/	/	/	336,507,659.12	60,000,000.00	336,507,659.12	60,000,000.00

### 3. Credit business or other finance businesses

☒ Applicable ☐ Not applicable

Unit and Currency: RMB

Related party	Relationship	Type of business	Total amount	Actual amount of occurrence
Haier Finance Co., Ltd.	Subsidiary of Haier Group	Foreign exchange derivatives products	5.5 billion	412,724,607.88
Haier Finance Co., Ltd.	Subsidiary of Haier Group	Service charge	80 million	29,446,933.09

## Section VI Significant Events

### 4. Other explanations

☐ Applicable ☒ Not Applicable

### (VI) Others

☐ Applicable ☒ Not Applicable

## XIII.SIGNIFICANT CONTRACTS AND THEIR EXECUTION

### (I) Trusteeship, contracting and leasing

#### 1. Trusteeship

☐ Applicable ☒ Not applicable

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

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

#### 2. Contracting

☐ Applicable ☒ Not applicable

#### 3. Leasing

☐ Applicable ☒ Not applicable

## (II) Guarantee

√ Applicable    ☐ Not applicable

Unit and Currency: RMB0'000

External guarantees provided by the Company (excluding guarantees for subsidiaries)															
Guarantor	Relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Date of occurrence of the guarantee (date of agreement)	Commencement date of guarantee	Expiration date of guarantee	Type of guarantee	Collateral (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether there is a counter-guarantee	Whether Related-party guarantee or not	Relationship	
Total amount of guarantee occurred during the reporting period (excluding guarantees for subsidiaries)															
Total balance of guarantee at the end of the reporting period (A) (excluding guarantees for subsidiaries)															
Guarantees provided by the Company for subsidiaries															
Total amount of guarantees for subsidiaries occurred during the reporting period														1,868,555	
Total balance of guarantees for subsidiaries at the end of the reporting period (B)														1,284,382	
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)															
Total amount of guarantee (A + B)														1,284,382	
Ratio of total amount of guarantees to net assets of the Company (%)														13.7	
Including:															
Amount of guarantees for shareholders, ultimate controllers and their related parties(C)														0	
Amount of debt guarantees provided directly or indirectly for the secured party with asset-liability ratio exceeding 70% (D)														687,732	
The amount of total amount of guarantee in excess of 50% of net assets (E)														0	
Total amount of the above three guarantees (C + D + E)														687,732	
Explanation of possibly bearing related discharge duty for premature guarantees															Nil
Explanation of guarantee status															Nil

## Section VI Significant Events

### (III) Entrusted others to manage cash assets

#### 1. Entrusted wealth management

##### (1) Overall of entrusted wealth management

√ Applicable ☐ Not applicable

Unit and Currency: RMB

Type	Sources of funds	Amount	Premature balance	Past due uncollected amount
Wealth management in banks	Self-owned funds	14,286,710,000	1,464,000,000	0
Wealth management in banks	Fundraising through CB	475,000,000	175,000,000	0
Others	Self-owned funds (Asset management account for employee stock ownership)	14,638,968	14,638,968	0

Others

√ Applicable ☐ Not applicable

By the end of the reporting period, the balance of the Company's entrusted wealth management amounted to RMB1,654 million, including three parts:①Temporarily-idle funds wealth management by certain subsidiaries of the Company: Under the premise of ensuring sufficient capital required by the principal operating activities and daily operations, some subsidiaries of the Company purchased some short-term principal-guaranteed 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 RMB1,464 million; ②Temporarily-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 RMB175 million; ③Idle funds in the asset management account of the Employee Stock Ownership Scheme: the asset management institution purchased cash products such as money funds according to the liquidity of the products with some idle funds in the asset management account of the Employee Stock Ownership Scheme of the Company. The balance of cash assets amounted to RMB15 million.

**(2) Individual entrusted wealth management**

☒ Applicable ☐ Not applicable

Unit and Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Commencement date of entrusted wealth management	Expiration date of entrusted wealth management	Sources of funds	Investment	Determination of return	Annualized yield	Expected return (if any)	Actual gains or losses	Collection	Whether approved by due process	Any future plan for entrusted wealth management	Amount of provision for impairment (if any)
Qingdao branch of Shanghai Pudong Development Bank	Linked structured deposit	600,000,000	2022/11/21	2023/2/21	Self-owned funds						Not expired	YES	YES	
Qingdao branch of Shanghai Pudong Development Bank	Linked structured deposit	200,000,000	2022/10/8	2023/1/9	Self-owned funds						Not expired	YES	YES	
Qingdao branch of Bank of Communications	Linked structured deposit	314,000,000	2022/10/17	2023/1/17	Self-owned funds						Not expired	YES	YES	
Haier Road sub-branch of Construction Bank	Linked structured deposit	75,000,000	2022/6/10	2023/1/3	Fundraising through CB						Not expired	YES	YES	
Haier Road sub-branch of Construction Bank	Linked structured deposit	100,000,000	2022/7/6	2023/1/3	Fundraising through CB						Not expired	YES	YES	
Asset management account of Industrial Bank CO., LTD.	Short-term wealth management	14,638,968			Self-owned funds						Not expired	YES	YES	
Qingdao Sub-branch of Bank of China	Linked structured deposit	176,000,000	2022/10/26	2023/1/12	Self-owned funds						Not expired	YES	YES	
Qingdao Sub-branch of Bank of China	Linked structured deposit	174,000,000	2022/10/25	2023/1/11	Self-owned funds						Not expired	YES	YES	

Others

☐ Applicable ☒ Not applicable

**(3) Provisions for impairment of entrusted wealth management**

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Others

☐ Applicable ☒ Not Applicable

**(2) Individual entrusted loans**

☐ Applicable ☒ Not applicable

Others

☐ Applicable ☒ Not Applicable

## Section VI Significant Events

**(3) Provisions for impairment of entrusted loans**

☐ Applicable    ☒ Not Applicable

**3. Others**

☐ Applicable    ☒ Not Applicable

**(IV) Other Major Contracts**

☐ Applicable    ☒ Not Applicable

**XIV.EXPLANATION OF OTHER SIGNIFICANT MATTERS THAT HAVE A  
SIGNIFICANT IMPACT ON THE VALUE JUDGMENTS AND INVESTMENT  
DECISIONS OF INVESTORS**

☐ Applicable    ☒ Not Applicable

# Section VII Changes in Shares and Information about Shareholders

## I. CHANGES IN SHARE CAPITAL

### (I) Table of Changes in shares

#### 1. Table of Changes in shares

Unit: share

	Prior to the change		Increase and decrease of the change (+,-)					After the change	
	Number	Percentage (%)	New shares issued	Bonus shares	Shares converted from reserve	Others	Subtotal	Number	Percentage (%)
I. Shares with selling restrictions									
1. Shares held by the state									
2. Shares held by the state-owned legal entities									
3. Shares held by other domestic investors									
Including:									
shares held by Domestic non-state-owned legal entities									
Shares held by domestic individuals									
4. Shares held by foreign investors									
Including:									
shares held by foreign legal entities									
Shares held by foreign individuals									
II. Tradable shares without selling restrictions	9,398,704,530	100.00	41,413,600			6,480,363	47,893,963	9,446,598,493	100.00
1. RMB ordinary shares	6,308,552,654	67.12						6,308,552,654	66.78
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	3,090,151,876	32.88	41,413,600			6,480,363	47,893,963	3,138,045,839	33.22
4. Others									
III. Total shares	9,398,704,530	100.00	41,413,600			6,480,363	47,893,963	9,446,598,493	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 issued no more than 2,856,526,138 overseas listed foreign shares (including additional shares issued by 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 Group Co., Ltd. (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 became valid and in effect immediately after the listing amounting to HK\$7,993,000,000. During the reporting period, HK\$394,000,000 of the convertible bonds were converted into a total of 21,450,563 H shares of the Company.
- (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.

- (3) Cancellation of H share repurchase: On 28 June 2022, the 2021 Annual General Meeting, the First Class Meeting of 2022 for A shares, the First Class Meeting of 2022 for A D shares and the First Class Meeting of 2022 for H shares of the Company considered and approved the Resolution on Proposing the General Meeting to Grant the General Mandate to the Board of Directors to Repurchase not more than 10% of the Total Number of H shares of the Company in Issue of Haier Smart Home Co., Ltd., in which the Company intends to repurchase H shares and cancel them within the agreed period. During the reporting period, the Company repurchased a total of 14,970,200 H shares and all such shares have been cancelled.

Based on the above, during the reporting period, the share capital of the Company was changed from 9,398,704,530 shares at the beginning of the reporting period to 9,446,598,493 shares.

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

☒ Applicable ☐ Not Applicable

In 2022, the Company achieved net profit attributable to shareholders of the Parent Company of RMB14,710,923,491.99, equity attributable to owners of the Parent Company of RMB93,422,647,664.43, in terms of total share capital of 9,398,704,530 shares at the beginning of the period, profit per share was RMB1.57 and net asset was RMB9.94 per share accordingly; in terms of total share capital of 9,446,598,493 shares at the end of the period, profit per share was RMB1.56 and net asset was RMB9.89 per share accordingly.

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

☐ Applicable ☒ Not Applicable

## (II) Changes in shares with selling restriction

☐ Applicable ☒ Not Applicable

## II. ISSUANCE AND LISTING OF SECURITIES

### (I) Issuance of securities as of the reporting period

☒ Applicable ☐ Not Applicable

Unit: share Currency: HKD

Type of shares and its derivative securities	Date of issue	Issuing price (or interests rate)	Number of issuance	Date of listing	Number of shares under listing approval	Date of termination
Convertible corporation bonds, convertible bonds with warrants						
Corporate bonds convertible into H-shares	23 December 2020	/	7,993,000,000	23 December 2020	7,993,000,000	21 November 2022

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

☒ Applicable ☐ Not Applicable

On 27 October 2020, China Securities Regulatory Commission (CSRC) issued the Reply on Approval of the Foreign Public Issuance of Convertible Bonds by Qingdao Haier Co., Ltd.” (Zheng Jian Xu Ke [2020] No. 2768, hereinafter referred to as “CSRC Reply”), which approved: (1) Haier Smart Home shall issue not more than 2,856,526,138 overseas listed foreign capital shares (including not more than HK\$8 billion or the equivalent in foreign currencies of shares issued for the holders of convertible corporate bonds upon the exercise of conversion rights), with a par value of RMB1 each and all of which are ordinary shares. Upon the completion of this issue, Haier Smart Home can be listed on the Main Board of The Stock Exchange of Hong Kong Limited; (2) the overseas wholly-owned subsidiary guaranteed by Haier Smart Home can issue corporate bonds of not exceeding HK\$8 billion or equivalent in foreign currencies that can be converted into overseas listed foreign capital shares of the issuer. Pursuant to which and with the approval of the relevant parties, the Company and Harvest International Company, a wholly-owned subsidiary of the Company, issued 2,448,279,814 H-shares and convertible bonds respectively on Hong Kong Stock Exchange on 23 December 2020 (the ex-changeable bonds of HK\$8 billion issued in November 2017 were converted into convertible bonds, and the convertible bonds in effect amounted to HK\$7,993 million, which can be converted into H-shares of the Company). For details, please refer to the prospectus and other relevant documents disclosed in Hong Kong market during the reporting period of the Company and the Report on the Implementation of Material Asset Purchase and Related Party Transactions and other relevant documents disclosed on 26 December 2020.

## Section VII Changes in Shares and Information about Shareholders

For the above-mentioned H-share convertible bonds, 105.11% of the remaining par value of the bonds were repaid in a one-off repayment of principal and interest upon maturity. During the listing and transaction period, the H-share convertible bonds can be converted into H-shares of the Company. Upon the maturity in November 2022, the Company repaid the principal and interest on the outstanding H-share convertible bonds of HK\$5 million. The H-share convertible bonds were fully repaid and delisted.

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

☒ Applicable   ☐ Not Applicable

For the total number of ordinary shares of the Company and changes in shareholder structure, please refer to the relevant explanations in 'I. Changes in share capital' and 'III. Information on shareholder and ultimate controllers' in this section. For the impact of the aforesaid changes on 'Paid-in capital (or share capital)' in the Company's balance sheet and other items, please refer to the relevant content in 'Section X Financial Report' of this report.

### (III) Information on existing shares specifically issued for staff

☐ Applicable   ☒ Not Applicable

## III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLERS

### (I) Total number of shareholders

Total number of ordinary shareholders up to the end of the reporting period	137,372
Total number of ordinary shareholders as at the end of the last month prior to the disclosure day of the annual report	130,537

## Section VII Changes in Shares and Information about Shareholders

### (II) Table of top ten shareholders, top ten common shareholders (or the shareholders not subject to selling restrictions) by the end of the reporting period

Unit: share

#### Shareholdings of top ten shareholders

Name of shareholder (full name)	Increase/ decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Status of shares pledged, marked or frozen		Nature of shareholder
					Status	Number	
HKSCC NOMINEES LIMITED (Note)		2,239,834,552	23.71		Unknown		Unknown
Haier COSMO Co., Ltd. (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.		706,522,861	7.48		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))		120,622,416	1.28		None		Domestic non-state- owned legal entity
ALIBABA INVESTMENT LIMITED		83,823,993	0.89		Unknown		Foreign legal entity
China Merchant Bank Co., Ltd. — Yifangda Consumer Industry Equity Securities Investment Fund		71,347,982	0.76		None		Unknown

## Section VII Changes in Shares and Information about Shareholders

### Shareholdings of top ten shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares without selling restrictions	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	2,239,834,552	Overseas listed foreign shares	2,239,834,552
Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)	1,258,684,824	RMB ordinary	1,258,684,824
Haier Group Corporation	1,072,610,764	RMB ordinary	1,072,610,764
Hong Kong Securities Clearing Co., Ltd.	706,522,861	RMB ordinary	706,522,861
HCH (HK) INVESTMENT MANAGEMENT CO., LIMITED	538,560,000	Overseas listed foreign shares	538,560,000
China Securities Finance Corporation Limited	182,592,654	RMB ordinary	182,592,654
Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司)	172,252,560	RMB ordinary	172,252,560
Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) (青岛海创智管理咨询企业(有限合伙))	120,622,416	RMB ordinary	120,622,416
ALIBABA INVESTMENT LIMITED	83,823,993	Overseas listed foreign shares	83,823,993
China Merchant Bank Co., Ltd. — Yifangda Consumer Industry Equity Securities Investment Fund	71,347,982	RMB ordinary	71,347,982
Explanation on repurchase account of top ten shareholders	The Company's repurchase account held a total of 86,292,743 shares		

## Section VII Changes in Shares and Information about Shareholders

Name of shareholder	Number of tradable shares without selling restrictions	Class and number of shares	
		Class	Number
Explanation on delegated voting rights, entrusted voting rights, abstained voting rights of the aforesaid 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 holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Each of 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)) is a party acting in concert with Haier Group Corporation;	
	(2)	The Company is not aware of the existence of any connections of other shareholders.	
Explanation of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable		

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

☐ Applicable ☒ Not Applicable

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

## 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

## IV. CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

### (I) Status of controlling shareholder

#### 1 Legal person

☒ Applicable ☐ Not Applicable

Name	Haier COSMO Co., Ltd. (海尔卡奥斯股份有限公司)
Person in charge of the Company or legal representative	Zhou Yunjie (周云杰)
Establishment date	1988-06-30
Principal business	Information technology integration and Internet of Things technology services; industrial automation technology research and development, technical consulting; research and development and manufacturing of electrical appliances, electronic products, mechanical products, communication equipment and related accessories, industrial automation control equipment, computer hardware and software and auxiliary equipment; import and export business (operated within the scope approved by MOFCOM); wholesale and retail: domestic commerce (except for merchandises prohibited by the state); investment in medical industry; investment advisory services; enterprise management consulting. (For projects subject to approval, business activities can only be carried out after the approval by relevant departments)
Shareholding of other controlling and participating domestic and overseas listed companies in the reporting period	Indirect controlling/participating Company: 'Qingdao Haier Biomedical Co., Ltd.' (青岛海尔生物医疗股份有限公司) (stock name: 'Haier Biomedical', stock code: 688139), Yingkang Life Technology Co., Ltd. (盈康生命科技股份有限公司)(stock name: 'Yingkang Life', stock code: 300143), 'Qingdao Bank Co., Ltd.' (青岛银行股份有限公司) (stock name: 'Bank of Qingdao', stock code: 002948 and 3866.HK), 'China International Capital Corporation Limited' (stock name: 'CICC', stock code: 601995 and 3908.HK), etc.
Other explanation	Nil



## Section VII Changes in Shares and Information about Shareholders

**2 Natural person**

☐ Applicable ☒ Not Applicable

**3 Explanation on the absence of controlling shareholders of the Company**

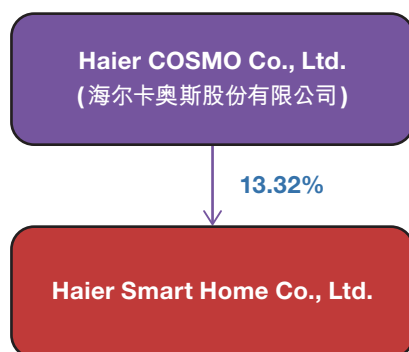
☐ Applicable ☒ Not Applicable

**4 Explanation on the change in controlling shareholders during the reporting period**

☐ Applicable ☒ Not Applicable

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

☒ Applicable ☐ Not Applicable



## Section VII Changes in Shares and Information about Shareholders

### (II) Status of the ultimate controller

#### 1 Legal person

☒ Applicable ☐ Not Applicable

Name	Haier Group Corporation
Person in charge of the Company or legal representative	Zhou Yunjie (周云杰)
Establishment date	1980-03-24
Principal business	Technology development, technology consultation, technology transfer and technology services (including industrial Internet, etc.); data processing; digital technology, intelligent technology, software technology; research and development, sales and after-sales service of robots and automation equipment products; logistics information service; research and development and sales of software technology for smart home products and solutions systems; manufacturing of household appliances, electronic products, communication equipment, electronic computers and accessories, general machinery, kitchen utensils, industrial robots; wholesale and retail of domestic commerce (except for the national dangerous prohibition franchise exclusive control merchandises); import and export business (see the foreign trade enterprise finalized certification for details); economic and technological consultation; research and development and transfer of technological achievements; rental of owned properties. (For projects subject to approval, business activities can only be carried out after the approval by relevant departments)
Shareholding of other controlling and participating domestic and overseas listed companies in the reporting period	Indirect controlling/participating Company: 'Qingdao Haier Biomedical Co., Ltd.' (青岛海尔生物医疗股份有限公司) (stock name: 'Haier Biomedical', stock code: 688139), Yingkang Life Technology Co., Ltd. (盈康生命科技股份有限公司) (stock name: 'Yingkang Life', stock code: 300143), 'Qingdao Bank Co., Ltd.' (青岛银行股份有限公司) (stock name: 'Bank of Qingdao', stock code: 002948 and 3866.HK), China International Capital Corporation Limited' (stock name: 'CICC', stock code: 601995 and 3908.HK), 'Qingdao Thunderobot Technology Co., Ltd.' (stock name: 'THUNDEROBOT', stock code: 872190) etc.
Other explanation	Nil

## Section VII Changes in Shares and Information about Shareholders

### 2 Natural person

☐ Applicable ☒ Not Applicable

### 3 Explanation on the absence of ultimate controller of the Company

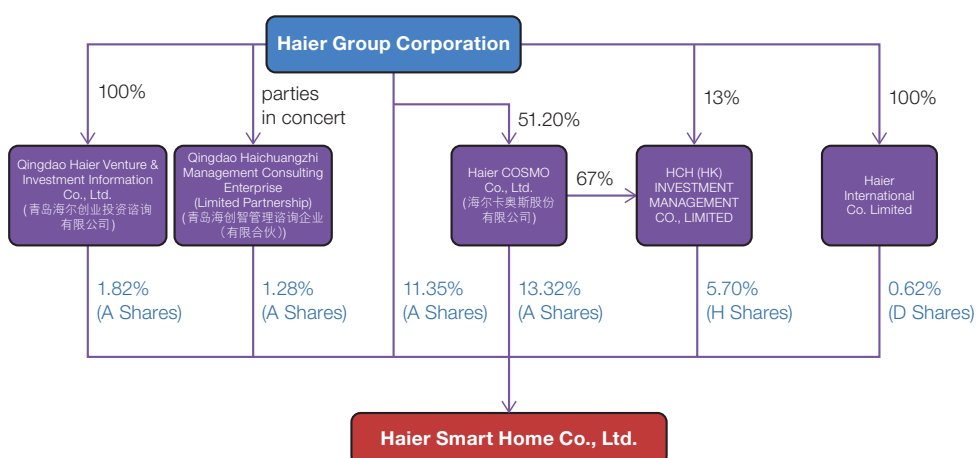
☐ Applicable ☒ Not Applicable

### 4 Explanation on the change in control over the Company during the reporting period

☐ Applicable ☒ Not Applicable

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

☒ Applicable ☐ Not Applicable



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

☐ Applicable ☒ Not Applicable

### (III) Introduction of controlling shareholders and ultimate controllers

☒ Applicable ☐ Not Applicable

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

## V. THE PROPORTION OF THE ACCUMULATED NUMBER OF SHARES PLEDGED BY THE CONTROLLING SHAREHOLDERS OR THE LARGEST SHAREHOLDER OF THE COMPANY, TOGETHER WITH THE PARTIES ACTING IN CONCERT WITH THEM, TO THE NUMBER OF SHARES OF THE COMPANY HELD BY THEM AMOUNTS TO MORE THAN 80%

☐ Applicable ☒ Not Applicable

## Section VII Changes in Shares and Information about Shareholders

### VI. OTHER CORPORATE SHAREHOLDERS WITH A SHAREHOLDING PERCENTAGE OVER 10%

☐ Applicable ☒ Not Applicable

### VII. EXPLANATION OF RESTRICTIONS ON SHAREHOLDING REDUCTION

☐ Applicable ☒ Not Applicable

### VIII. SPECIFIC IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Name of share repurchase plan	Haier Smart Home Co., Ltd.'s public share proposal in relation to the partial repurchase of A Shares
Date of disclosure of the share repurchase plan	31 March 2022
Number of shares proposed to repurchased and its percentage to the total share capital (%)	42,857,143 shares to 85,714,286 shares, 0.45 to 0.91
Proposed amount of repurchase	RMB1.5 –3 billion
Proposed period of repurchase	31 March 2022–30 March 2023
Purpose of repurchase	Used for employee share ownership plans
Amount repurchased (share)	59,055,239
Repurchased amount as a percentage to the underlying shares covered by the equity incentive scheme (%) (if any)	Not applicable
Progress of the Company's reduction of its holdings of repurchased shares by way of centralised bidding	Not applicable

Note: During the reporting period, the Company also implemented the H-share repurchase scheme. For details, please refer to "2. Statement on the changes in shares" under "Section VII Changes in Shares and Information about Shareholders" of this report and the Announcement on the Changes in Shares of Overseas Listed Foreign Shares (H Shares) of Haier Smart Home Co., Ltd. (《海尔智家股份有限公司关于境外上市外资股 (H股) 股份变动情况的公告》) (No.: Lin 2022-082) disclosed by the Company on 31 December 2022.

## Section VIII Relevant Information of Preferred Shares

☐ Applicable    ☒ Not Applicable

# Section IX Relevant Information of Bonds

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

☐ Applicable    ☒ Not Applicable

## II. CONVERTIBLE CORPORATE BOND

☒ Applicable    ☐ Not Applicable

### (I) Convertible bond issue

☒ Applicable    ☐ Not Applicable

On 27 October 2020, the CSRC issued “reply to the approval for the issue 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) (hereafter, the “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 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 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 were issued by the Company and Harvest International Company, a wholly-owned subsidiary of the Company in the Hong Kong Stock Exchange on 23 December 2020, respectively (exchangeable bonds of HK\$8 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). 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 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》) disclosed by the Company on 26 December 2020 for details.

For the above-mentioned H-share related convertible bonds, 105.11% of the remaining par value of the bonds were repaid in a one-off repayment of principal and interest upon maturity, and H-share convertible bonds can be converted into H-shares during the listing and trading period. By the maturity of H-share convertible bonds in November 2022, a cumulative amount of HKD 7,988,000,000 H-share convertible bonds were converted into H-share of the Company, and cumulative number of H-shares formed as a result of the conversion was 424,661,452 shares; at maturity of the bonds in November, the Company has repaid the principal and interest of the unconcerted H-share convertible bonds amounted to HKD 5,000,000, and the H-share convertible bonds have been fully repaid and delisted.

### (II) Convertible bond holders and guarantors for the reporting period

☐ Applicable    ☒ Not Applicable

## Section IX Relevant Information of Bonds

As of the end of the reporting period, the H-share convertible bonds have been fully repaid.

### (III) Conversion of convertible bonds for the reporting period

√ Applicable ☐ Not Applicable

Unit and Currency: HKD

Number of convertible corporate bond	Before the conversion	Increase/decrease for the conversion			After the conversion
		Conversion	Redemption	Resale	
H Share Convertible Bonds	399,000,000	394,000,000	5,000,000		0

### Cumulative conversion of convertible bond for the reporting period

√ Applicable ☐ Not Applicable

Name of convertible corporate bond H Share Convertible Bonds	H Share Convertible Bonds
Amount of conversion for the Reporting Period (\$)	394,000,000
Number of conversion for the Reporting Period (Share)	21,450,563
Cumulative number of conversion (Share)	424,661,452
Percentage of cumulative number of conversion to total issued Shares of the Company prior to the conversion (%)	4.50
Outstanding amount (\$)	0
Percentage of outstanding amount to total amount of convertible bonds issued (%)	0

### (IV) Historical adjustment of conversion price

√ Applicable ☐ Not Applicable

Unit and Currency: HKD

Name of convertible corporate bond		H Share Convertible Bonds		
Date of adjustment to conversion price	conversion price (adjusted)	Date of disclosure	Media for disclosure	Explanation on adjustment to conversion price
23 August 2022	18.20	2 September 2022	Hong Kong Stock Exchange, etc.	The implementation of the Company's 2021 equity distribution plan
Latest conversion price as of the end of the reporting period		18.20		

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

☒ Applicable   ☐ Not Applicable

As at the end of the reporting period, liabilities of the Company amounted to RMB141,128.7121 million, in which current liabilities amounted to RMB118,632.4233 million and non-current liabilities amounted to RMB22,496.2888 million.

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 interests of convertible corporate bonds and repayment of the bonds in the coming year.

### **(VI) Other information on convertible bonds**

☒ Applicable   ☐ Not Applicable

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 31 December 2022, RMB2,823.91 million of the funds raised from A-share convertible bonds have been utilized, with a balance of RMB235.9447 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 Audit Report of Haier Smart Home Co., Ltd. on the Deposit and Actual Utilization of Funds Raised in 2022, which was disclosed on the same date as this report.



# Section X Financial Report

## I. AUDIT REPORT

☒ Applicable   ☐ Not Applicable

### **Audit Report**

**He Xin Shen Zi. (2023) No.000369**

**To all shareholders of Haier Smart Home Co., Ltd.:**

## I. AUDIT OPINION

We have audited the financial statements of Haier Smart Home Co., Ltd. (hereinafter referred to as the 'Haier Smart Home Co.'), which comprise the Consolidated and the Company's Balance Sheet as at 31 December 2022, the Consolidated and the Company's Income Statement, the Consolidated and the Company's Cash Flow Statement, the Consolidated and the Company's Statement of Changes in Shareholders' Equity for the year 2022, and notes related to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Consolidated and the Company's financial position of the Haier Smart Home Co as at 31 December 2022, and the Consolidated and the Company's financial performance and cash flow for the year 2022 in accordance with the requirements of Accounting Standards for Business Enterprises.

## II. BASIS OF OUR AUDIT OPINION

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

### III. KEY AUDIT MATTERS

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

Key Audit Matters	Audit Response
<b>(I) Provision for impairment of goodwill and intangible assets with indefinite useful lives</b>	
<p>Relevant disclosures are included in Note V. 28 Other significant accounting policies and accounting estimates and Note V.19 Impairment of long-term assets to the financial statements.</p>	<p>We mainly implemented the following audit procedures on the provisions for the impairment of goodwill and intangible assets with indefinite useful life:</p>
<p>As of 31 December 2022, the book value of goodwill was RMB23.644 billion, and the book value of intangible assets with indefinite useful lives was RMB2.583 billion, without any provision for asset impairment. Whether the provision for impairment of long-term assets was sufficient had great influence to the financial statements.</p>	<p>(1) Compared the actual operating results of the related assets group with previous year's forecasted figures, to assess the reliability of the management forecast on cash flow;</p>
<p>Significant management judgments are involved in calculation of asset group's recoverable amount, such as revenue growth rate, gross margin, discount rate, etc.</p>	<p>(2) Compared the input of cash flow forecast with historical data, approved budget and business plan;</p>
<p>Provision for impairment of goodwill and intangible assets with indefinite useful lives is considered as the key audit matter due to the significant amount and management judgement involved in calculation.</p>	<p>(3) Tested the calculation accuracy of the discounted cash flow model;</p>
	<p>(4) Assessed the appropriateness of parameters in the cash flow conversion model, such as the discount rate and the perpetual growth rate. The assessment is based our understanding of the Company's businesses and the industry.</p>

Key Audit Matters	Audit Response
<p><b>(II) Provision for impairment of inventory</b></p> <p>Relevant disclosures are included in Note VII.8 Inventory to the financial statements.</p> <p>The Company's inventories are measured at the lower of cost and net realizable value. As of 31 December 2022, the inventory balance was RMB43.154 billion, and the provision for impairment of inventory was RMB1.611 billion and the book value was RMB41.543 billion. Whether the provision for the impairment of inventories was sufficient and accurate had great influence to the financial statements.</p> <p>The Company determines the net realizable value of inventory based on the estimated selling price minus the estimated selling expenses and related taxes.</p> <p>Management estimates the selling price based on the status of inventory. The estimation process involves significant management judgments such as inventory status, repair rate, discount rate, etc.</p>	<p>Provision for inventories is considered as the key audit matter due to the significant amount and management judgement involved in calculation.</p> <p>We mainly implemented the following audit procedures on the provision for impairment of inventories:</p> <ol style="list-style-type: none"> <li>(1) Obtained the calculation table for provision for impairment of inventory of the Company, and reviewed the conditions and aging of the products models stated in the table to see whether they are consistent with the information obtained through physical inventory on a sample basis;</li> <li>(2) Compared the major parameters estimated by management with historical data, and assessed the appropriateness;</li> <li>(3) Assessed the selling price estimated by the management, and checked the inventory against the actual selling price after the balance sheet date on a sample basis;</li> <li>(4) Assessed selling expenses and related tax estimated by management and compared with actual amounts incurred.</li> </ol>

Key Audit Matters	Audit Response
<b>(III) Product warranty</b>	
Relevant disclosures are included in Note VII. 33 Non-current liabilities due within one year and Note VII. 40 Estimated liabilities to the financial statements.	We mainly implemented the following audit procedures on the estimated liabilities:
Estimated liabilities of the Company are mainly accrued due to current obligations arising from product warranty. As of 31 December 2022, the balance of the estimated liabilities and non-current liabilities due within one year related to product warranty was RMB3.502 billion, and whether the provision for warranty was sufficient and accurate had great influence to the financial statements.	(1) Obtained the calculation table on provisions of the management;
Estimated liabilities for product warranty of the Company were measured in accordance with the best estimate of the cost to fulfill the relevant current obligations.	(2) Compared the main parameters estimated by management with historical data;
Calculation of the product warranty involves management's significant judgments based on historical experience, such as: replacement rate, repair rate, and loss due to disassemble product.	(3) Tested the accuracy of the calculation on estimated liabilities;
Estimated liabilities are considered as the key audit matters due to the significant amount and management judgement involved in calculation.	(4) Compared and analyzed the calculation results of the estimated liabilities and the Company's actual operation;

#### IV. OTHER INFORMATION

The management of Haier Smart Home Co (hereinafter referred to as the "Management") is responsible for other information. Other information includes the information covered in the 2022 annual report of Haier Smart Home Co, but does not include the financial statements and our audit reports.

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

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

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

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

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

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

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

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

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

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

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (III) Evaluate the appropriateness of accounting policies used by the Management and the reasonableness of accounting estimates and related disclosures made by the Management.

- (IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the ability of Haier Smart Home Co to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the auditing standards to draw attention in our audit report to the related disclosures in the financial statements or; if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause Haier Smart Home Co to cease to continue as a going concern.
- (V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Haier Smart Home Co to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and remain solely responsible for our audit opinion.

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

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

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

Hexin Certified Public Accountants LLP  
Certified Public Accountant: Zhaobo (Engagement Partner)  
Certified Public Accountant: Li Xiang Zhi  
Jinan, China  
30 March 2023

## II. FINANCIAL STATEMENTS

### Consolidated Balance Sheet

31 December 2022

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	31 December 2022	31 December 2021
<b>Current assets:</b>			
Monetary funds	VII.1	54,138,815,682.51	46,097,333,903.45
Provision of settlement fund			
Funds lent			
Financial assets held for trading	VII.2	519,812,880.91	2,786,075,529.09
Derivative financial assets	VII.3	183,185,160.51	79,819,974.01
Bills receivable	VII.4	9,580,191,838.15	13,354,791,068.29
Accounts receivable	VII.5	15,913,691,537.11	14,625,260,856.04
Financing receivables			
Prepayments	VII.6	1,120,756,199.86	863,748,085.06
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VII.7	2,380,929,623.19	1,957,886,257.19
Including: Interest receivables		513,320,376.79	295,017,551.76
Dividends receivables			
Financial assets purchased under resale agreements			
Inventories	VII.8	41,542,713,111.82	39,913,949,898.86
Contract assets	VII.9	309,930,359.25	304,434,294.70
Assets held for sale			
Non-current assets due in one year			
Other current assets	VII.10	4,692,515,577.23	3,928,788,608.23
Total current assets		130,382,541,970.54	123,912,088,474.92
<b>Non-current assets:</b>			
Loans and advances granted			
Debt investments	VII.11	1,034,222,222.22	
Other debt investments			
Long-term receivables		305,070,001.45	308,998,755.30
Long-term equity investments	VII.12	24,527,800,290.84	23,200,884,340.57
Investments in other equity instruments	VII.13	5,851,882,930.20	4,851,884,944.63
Other non-current financial assets			
Investment properties	VII.14	25,678,492.57	24,964,888.48
Fixed assets	VII.15	27,158,348,424.28	22,308,014,224.98
Construction in progress	VII.16	4,094,684,500.49	4,183,263,398.79

Items	Notes	31 December 2022	31 December 2021
Biological assets for production			
Oil and gas assets			
Right-of-use assets	VII.17	3,795,225,353.89	2,734,678,906.53
Intangible assets	VII.18	10,505,881,377.21	9,550,384,743.90
Development cost	VII.19	154,480,515.67	227,892,229.13
Goodwill	VII.20	23,643,595,643.87	21,827,103,060.76
Long-term prepaid expenses	VII.21	759,883,174.20	589,143,077.89
Deferred income tax assets	VII.22	1,722,223,037.71	1,857,448,518.29
Other non-current assets	VII.23	1,880,736,891.63	2,164,384,013.14
Total non-current assets		105,459,712,856.23	93,829,045,102.39
Total assets		235,842,254,826.77	217,741,133,577.31
<b>Current liabilities:</b>			
Short-term borrowings	VII.24	9,643,374,732.46	11,226,212,134.39
Borrowings from central bank			
Funds borrowed			
Financial liabilities held for trading	VII.25		6,294,014.40
Derivative financial liabilities	VII.26	104,594,040.66	80,212,433.24
Bills payable	VII.27	25,090,945,421.28	25,023,238,406.72
Accounts payables	VII.28	41,883,694,299.24	42,363,218,840.33
Receipts in advance			
Contract liabilities	VII.29	9,329,554,748.34	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.30	4,050,464,754.37	4,119,425,287.60
Taxes payable	VII.31	2,872,846,827.17	2,607,822,656.37
Other payables	VII.32	17,511,771,662.70	17,570,339,925.76
Including: Interest payables			
Dividends payables		1,246,573.35	10,639,313.22
Fees and commissions payable			
Reinsurance Accounts payables			
Liabilities held for sale			
Non-current liabilities due within one year	VII.33	6,294,750,667.08	9,624,339,170.46
Other current liabilities	VII.34	1,850,426,115.79	2,238,767,551.40
Total current liabilities		118,632,423,269.09	124,886,962,014.27
<b>Non-current liabilities:</b>			
Deposits for insurance contracts			
Long-term borrowings	VII.35	13,590,866,873.43	3,038,573,824.53
Bonds payable	VII.36		334,730,048.82
Including: Preference shares			



## Section X Financial Report

Items	Notes	31 December 2022	31 December 2021
Perpetual bonds			
Lease liabilities	VII.37	2,824,477,670.61	1,960,894,981.47
Long-term payables	VII.38	44,240,087.94	99,602,707.76
Long-term payables for staff's remuneration	VII.39	1,010,547,202.34	1,173,151,761.64
Estimated liabilities	VII.40	1,611,029,220.17	1,948,565,477.11
Deferred income	VII.41	948,935,134.05	852,794,567.20
Deferred income tax liabilities	VII.22	2,358,860,559.19	2,121,803,173.83
Other non-current liabilities		107,332,101.07	49,461,683.90
Total non-current liabilities		22,496,288,848.80	11,579,578,226.26
Total liabilities		141,128,712,117.89	136,466,540,240.53
<b>Owners' equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)	VII.42	9,446,598,493.00	9,398,704,530.00
Other equity instruments	VII.43		118,017,507.59
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII.44	23,852,037,324.76	22,665,374,739.46
Less: treasury stock		3,857,807,196.38	2,424,038,819.70
Other comprehensive income	VII.45	1,990,683,498.45	-1,176,851,699.92
Special reserve			
Surplus reserve	VII.46	4,014,190,623.24	3,438,615,909.84
General risk provisions			
Undistributed profits	VII.47	57,976,944,921.36	47,965,270,360.79
Total equity attributable to owners (or shareholders) of the Parent Company		93,422,647,664.43	79,985,092,528.06
Minority shareholders' interests		1,290,895,044.45	1,289,500,808.72
Total owners' equity (or shareholders' equity)		94,713,542,708.88	81,274,593,336.78
Total liabilities and owners' equity (or shareholders' equity)		235,842,254,826.77	217,741,133,577.31

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**

31 December 2022

Prepared by: Haier Smart Home Co., Ltd.

Unit and Currency: RMB

Items	Notes	31 December 2022	31 December 2021
<b>Current Assets:</b>			
Monetary funds		5,747,356,591.19	4,043,535,735.48
Financial assets held for trading			
Derivative financial assets			
Bills receivable			
Accounts receivable	XVIII.1	913,643,071.06	546,532,442.90
Financing receivables			
Prepayments		3,116,793.21	275,052,864.92
Other receivables	XVIII.2	14,387,031,657.57	16,245,280,168.41
Including: Interest receivables		29,783,516.95	51,632,471.99
Dividends receivables		1,015,840,000.00	3,615,840,000.00
Inventories		9,245,507.97	1,139,135.32
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		1,642,423,149.85	337,476,209.01
Total current assets		22,702,816,770.85	21,449,016,556.04
<b>Non-current assets:</b>			
Debt investments		1,034,222,222.22	
Other debt investments			
Long-term receivables			
Long-term equity investments	XVIII.3	52,744,139,527.87	52,513,760,277.77
Investments in other equity instruments		1,618,513,056.48	1,615,450,032.92
Other non-current financial assets			
Investment properties			
Fixed assets		167,043,774.16	179,789,817.34
Construction in progress		2,667,680.62	17,569,516.17
Biological assets for production			
Oil and gas assets			
Right-of-use assets		357,996.03	1,217,186.49
Intangible assets		48,239,513.12	55,171,485.39
Development cost			
Goodwill			
Long-term prepaid expenses		3,910,065.39	3,781,398.54
Deferred income tax assets			159,338,211.77
Other non-current assets		1,302,773,743.02	803,323,404.28

## Section X Financial Report

Items	Notes	31 December 2022	31 December 2021
Total non-current assets		56,921,867,578.91	55,349,401,330.67
Total assets		79,624,684,349.76	76,798,417,886.71
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable			
Accounts payables		521,733,555.60	183,690,889.86
Receipts in advance			
Contract liabilities		13,084,442.85	12,605,139.93
Payables for staff's remuneration		9,696,654.18	12,323,670.21
Taxes payable		7,479,878.13	1,747,023.87
Other payables		32,659,845,830.05	34,484,355,762.60
Including: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			877,995.65
Other current liabilities		5,876,886.89	5,420,156.55
Total current liabilities		33,217,717,247.70	34,701,020,638.67
<b>Non-current liabilities:</b>			
Long-term borrowings		2,195,000,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payable			
Long-term payables for staff's remuneration			
Estimated liabilities			
Deferred income		12,355,000.00	19,270,000.00
Deferred income tax liabilities		420,805,600.57	448,965,654.25
Other non-current liabilities			
Total non-current liabilities		2,628,160,600.57	468,235,654.25
Total liabilities		35,845,877,848.27	35,169,256,292.92
<b>Owners' equity (or Shareholders' equity):</b>			
Paid-in capital (or share capital)		9,446,598,493.00	9,398,704,530.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		27,300,899,019.76	25,802,279,483.13
Less: treasury stock		2,308,138,558.42	1,495,170,675.08
Other comprehensive income		602,091,349.74	621,302,944.83

Items	Notes	31 December 2022	31 December 2021
Special reserve			
Surplus reserve		3,409,044,397.79	2,833,469,684.39
Undistributed profits		5,328,311,799.62	4,468,575,626.52
Total owners' equity (or shareholders' equity)		43,778,806,501.49	41,629,161,593.79
Total liabilities and owners' equity (or shareholders' equity)		79,624,684,349.76	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-December 2022

Unit and Currency: RMB

Items	Notes	2022	2021
I. Total operating revenue		243,513,563,670.73	227,105,817,641.69
Including: Operating revenue	VII.48	243,513,563,670.73	227,105,817,641.69
Interest income			
Insurance premiums earned			
Fee and commission income			
II. Total cost of operations		226,725,145,620.43	212,862,720,627.22
Including: Operating cost	VII.48	167,223,167,396.20	155,949,547,009.40
Interest expenses			
Fee and commission expenses			
Insurance withdrawal payment			
Net payment from indemnity			
Net provisions withdrew for insurance contract liability			
Insurance policy dividend paid			
Reinsurance cost			
Taxes and surcharges	VII.49	813,289,227.83	808,612,319.06
Selling expenses	VII.50	38,597,810,391.10	36,584,438,840.05
Administrative expenses	VII.51	10,837,316,878.50	10,471,531,966.20
R&D expenses	VII.52	9,499,191,097.85	8,363,868,872.76
Financial expenses	VII.53	-245,629,371.05	684,721,619.75
Including: Interest expenses		984,142,709.25	712,462,772.83
Interest income		855,178,860.53	566,432,900.38
Add: Other income	VII.54	1,069,763,608.56	958,514,200.94
Investment income (losses are represented by '-')	VII.55	1,832,656,952.60	2,404,876,121.61
Including: investment income of associates and joint ventures		1,582,178,829.86	1,887,911,034.17
Income generated from the derecognition of financial assets measured at amortized cost			
Exchange gain (losses are represented by '-')			
Gains on net exposure hedges (losses are represented by '-')			
Income from change in fair value (losses are represented by '-')	VII.56	-122,442,933.65	119,277,623.85
Loss on credit impairment (losses are represented by '-')	VII.57	-431,377,480.82	-520,299,915.42

Items	Notes	2022	2021
Loss on assets impairment (losses are represented by '-')	VII.58	-1,499,859,761.26	-1,418,753,618.82
Gain from disposal of assets (losses are represented by '-')	VII.59	206,742,815.79	110,983,720.04
III. Operating profit (losses are represented by '-')		17,843,901,251.52	15,897,695,146.67
Add: non-operating income	VII.60	136,527,269.96	199,068,358.48
Less: non-operating expenses	VII.61	190,706,969.79	159,250,278.25
IV. Total profit (total losses are represented by '-')		17,789,721,551.69	15,937,513,226.90
Less: income tax expense	VII.62	3,057,539,933.16	2,705,253,855.89
V. Net profit (net losses are represented by '-')		14,732,181,618.53	13,232,259,371.01
(1) Classification by continuous operation			
1. Net profit from continuous operation (net losses are represented by '-')		14,732,181,618.53	13,232,259,371.01
2. Net profit from discontinued operation (net losses are represented by '-')			
(2) Classification by ownership of the equity			
1. Net profit attributable to shareholders of the Parent Company (net losses are represented by '-')		14,710,923,491.99	13,078,840,517.10
2. Profit or loss attributable to minority shareholders (net losses are represented by '-')		21,258,126.54	153,418,853.91
VI. Other comprehensive income, net of tax	VII.63	3,164,841,092.31	-148,110,004.96
(I) Other comprehensive income attributable to owners of the Parent Company, net of tax		3,167,199,045.79	-132,249,780.03
1. Other comprehensive income that cannot be reclassified into the profit or loss		-103,425,450.86	1,201,363,091.13
(1) Changes arising from re-measurement of defined benefit plans		33,063,471.15	36,214,421.81
(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		-136,488,922.01	1,165,148,669.32

## Section X Financial Report

Items	Notes	2022	2021
(4) Changes in fair value of credit risks of the enterprise			
2. Other comprehensive income to be reclassified into the profit or loss		3,270,624,496.65	-1,333,612,871.16
(1) Other comprehensive income that can be transferred into profit or loss under equity method		99,921,599.99	-50,414,905.68
(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		2,308,423.98	102,858,281.74
(6) Exchange differences on translation of financial statements denominated in foreign currencies		3,168,394,472.68	-1,386,056,247.22
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax		-2,357,953.48	-15,860,224.93
VII. Total comprehensive income		17,897,022,710.84	13,084,149,366.05
(I) Total comprehensive income attributable to the owners of Parent Company		17,878,122,537.78	12,946,590,737.07
(II) Total comprehensive income attributable to the minority shareholders		18,900,173.06	137,558,628.98
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XVIII.1	1.58	1.41
(II) Diluted earnings per share (RMB/share)	XVIII.1	1.57	1.40

For business combination under common control occurring in the current period, the net profit of the acquiree before the combination was RMB12,934,615.51, and the net profit of the acquiree for the previous period was RMB10,786,626.61.

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-December 2022

Unit and Currency: RMB

Items	Notes	2022	2021
I. Operating income	XVIII.4	424,661,926.32	353,798,248.52
Less: operating cost	XVIII.4	370,625,212.62	315,357,106.14
Taxes and surcharges		3,356,878.04	1,315,011.31
Selling expenses		2,255,208.68	8,325,070.07
Administration expenses		844,381,395.30	126,563,950.19
R&D expenses		19,067,424.89	29,294,763.78
Financial expenses		-137,417,983.20	-41,920,112.37
Including: interest expenses		33,870,759.40	7,328,997.57
Interest income		158,040,013.89	56,558,735.54
Add: other income		32,862,065.58	45,491,181.80
Investment income (losses are represented by '-')	XVIII.5	6,431,738,015.98	3,918,401,070.56
Including: investment income of associates and joint ventures		71,408,243.76	275,575,730.42
Derecognition income on financial assets measured at amortized cost			
Gains on net exposure hedges (losses are represented by '-')			
Income from change in fair value (losses are represented by '-')			
Loss on credit impairment (losses are represented by '-')		-3,315,122.80	187,273.03
Loss on assets impairment (losses are represented by '-')			
Gain from disposal of assets (losses are represented by '-')		102,421,078.92	40,509,776.77
II. Operating profit (losses are represented by '-')		5,886,099,827.67	3,919,451,761.56
Add: non-operating income		209,515.11	855,197.78
Less: non-operating expenses		149,806.55	53,850.65
III. Total profit (total losses are represented by '-')		5,886,159,536.23	3,920,253,108.69
Less: income tax expenses		130,412,402.20	-12,560,593.69
IV. Net profit (net losses are represented by '-')		5,755,747,134.03	3,932,813,702.38



## Section X Financial Report

Items	Notes	2022	2021
(I) Net profit from continuous operations (net losses are represented by '-')		5,755,747,134.03	3,932,813,702.38
(II) Net profit from discontinued operations (net losses are represented by '-')			
V. Other comprehensive income, net of tax		-19,211,595.09	631,333,648.98
(I) Other comprehensive income that cannot be reclassified into the profit or loss		2,297,267.67	608,336,353.75
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		2,297,267.67	608,336,353.75
4. Changes in fair value of credit risks of the enterprise			
(II) Other comprehensive income to be reclassified into the profit or loss		-21,508,862.76	22,997,295.23
1. Other comprehensive income that can be transferred into profit or loss under equity method		-21,508,862.76	22,997,295.23
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		5,736,535,538.94	4,564,147,351.36
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-December 2022

Unit and Currency: RMB

Items	Notes	2022	2021
<b>I. Cash flow from operating activities:</b>			
Cash received from the sale of goods and rendering services		258,086,116,120.44	259,848,073,159.87
Net increase in distributor 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 cash borrowed			
Net increase in cash received from repurchase operation			
Net cash received from customer deposits for trading in securities			
Refunds of taxes		2,043,785,545.29	1,759,484,379.01
Cash received from other related operating activities	VII.64	1,669,717,133.90	1,883,522,634.01
Sub-total of cash inflows from operating activities		261,799,618,799.63	263,491,080,172.89
Cash paid on purchase of goods and services		179,333,522,197.23	180,953,963,164.86
Net increase in loans and advances of distributors			
Net increase in deposits in the PBOC and inter bank			
Cash paid for compensation payments under original insurance contact			
Net increase in cash lent			
Cash paid for interest, bank charges and commissions			
Cash paid for insurance policy dividend			

## Section X Financial Report

Items	Notes	2022	2021
Cash paid to and on behalf of employees		27,235,422,735.36	24,400,078,515.22
Cash paid for all types of taxes		10,823,009,974.50	10,090,612,020.78
Cash paid to other operation related activities	VII.65	24,254,158,109.19	24,811,045,781.08
Sub-total of cash outflows from operating activities		241,646,113,016.28	240,255,699,481.94
Net cash flow from operating activities	VII.69	20,153,505,783.35	23,235,380,690.95
<b>II.Cash flow from investing activities:</b>			
Cash received from recovery of investments		12,147,228,999.62	6,687,038,126.49
Cash received from return on investments		686,445,555.44	703,938,754.46
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		228,856,132.92	289,831,105.17
Net cash received from disposal of subsidiaries and other operating entities		18,224,929.86	
Other cash received from investment activities			
Sub-total of cash inflows from investing activities		13,080,755,617.84	7,680,807,986.12
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		8,204,474,537.11	7,372,428,832.38
Cash paid for investments		13,538,137,214.16	8,151,830,046.62
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities		40,026,037.55	—
Other cash paid on investment activities	VII.66	218,440,847.94	219,292,645.55
Sub-total of cash outflows from investing activities		22,001,078,636.76	15,743,551,524.55
Net cash flow from investing activities		-8,920,323,018.92	-8,062,743,538.43
<b>III.Cash flow from financing activities:</b>			
Cash received from capital contributions		987,339,004.94	41,513,900.00
Including: cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		18,358,512,304.41	12,051,534,836.66
Other cash received from financing activities	VII.67	1,000,000.00	1,091,077.43
Sub-total of cash inflows from financing activities		19,346,851,309.35	12,094,139,814.09
Cash paid on repayment of loans		14,686,219,899.99	19,550,437,489.34
Cash paid on distribution of dividends, profits or repayment of interest expenses		5,134,957,030.48	4,036,372,354.42

Items	Notes	2022	2021
Including: dividend and profit paid to minority shareholders by subsidiaries			
Other cash paid to financing activities	VII.68	3,347,802,454.24	4,167,468,873.11
Sub-total of cash outflows from financing activities		23,168,979,384.71	27,754,278,716.87
Net cash flow from financing activities		-3,822,128,075.36	-15,660,138,902.78
<b>IV.Effect of fluctuations in exchange rates on cash and cash equivalents</b>		760,094,284.39	-105,423,623.70
<b>V.Net increase in cash and cash equivalents</b>		8,171,148,973.46	-592,925,373.96
Add: balance of cash and cash equivalents at the beginning of the period	VII.70	45,197,664,411.15	45,790,589,785.11
<b>VI.Balance of cash and cash equivalents at the end of the period</b>	VII.70	53,368,813,384.61	45,197,664,411.15

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-December 2022

Unit and Currency: RMB

Items	Notes	2022	2021
<b>I. Cash flow from operating activities:</b>			
Cash received from the sale of goods and rendering of services		72,931,789.11	5,372,947,747.51
Refunds of taxes		19,008,796.07	21,335,747.71
Other cash received from operating activities		373,367,957.93	68,763,057.13
Sub-total of cash inflows from operating activities		465,308,543.11	5,463,046,552.35
Cash paid on purchase of goods and services		147,652.63	129,965,401.55
Cash paid to and on behalf of employees		30,719,560.38	111,120,434.68
Cash paid for all types of taxes		9,583,573.15	45,674,576.87
Other cash paid to operation activities		35,896,845.76	63,480,813.55
Sub-total of cash outflows from operating activities		76,347,631.92	350,241,226.65
Net cash flow from operating activities		388,960,911.19	5,112,805,325.70
<b>II. Cash flow from investing activities:</b>			
Cash received from recovery of investments		4,072,370,000.00	660,600,000.00
Cash received from return on investments		9,114,011,850.11	251,846,511.15
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		35,206,354.85	40,244,472.35
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from investment activities		792,521,903.31	
Sub-total of cash inflows from investing activities		14,014,110,108.27	952,690,983.50
Cash paid on purchase of fixed assets, intangible assets and other long-term assets		29,560,476.49	39,508,054.66
Cash paid for investments		6,790,729,807.20	710,121,200.00
Net cash paid on acquisition of subsidiaries and other operating entities			

Items	Notes	2022	2021
Other cash paid on investment activities		2,862,532,098.24	155,218,996.43
Sub-total of cash outflows from investing activities		9,682,822,381.93	904,848,251.09
Net cash flow from investing activities		4,331,287,726.34	47,842,732.41
<b>III.Cash flow from financing activities:</b>			
Cash received from capital injections		940,041,004.94	
Cash received from borrowings		2,200,000,000.00	
Other cash received from financing activities			2,877,023,451.15
Sub-total of cash inflows from financing activities		3,140,041,004.94	2,877,023,451.15
Cash paid on repayment of borrowings		5,000,000,000.00	5,520,000,000.00
Cash paid on distribution of dividends, profits or repayment of interest expenses		4,344,971,295.80	3,463,452,916.42
Other cash paid on financing activities		1,826,254,269.50	3,296,944,621.19
Sub-total of cash outflows from financing activities		6,176,225,565.30	12,280,397,537.61
Net cash flow from financing activities		-3,036,184,560.36	-9,403,374,086.46
<b>IV.Effect of fluctuations in exchange rates on cash and cash equivalents</b>		19,756,778.54	-288,145.81
<b>V.Net increase in cash and cash equivalents</b>		1,703,820,855.71	-4,243,014,174.16
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>		5,747,356,591.19	4,043,535,735.48

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-December 2022

Unit and Currency: RMB

Items	2022													
	Equity attributable to owners of the Parent Company										Minority shareholders' interests			
	Other equity instruments					Equity attributable to owners of the Parent Company								
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Sub-total	Others	Total owners' equity
I. Closing balance for the previous year	9,338,704,530.00			118,017,507.59	22,549,345,593.94	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					116,029,170.32						58,136,031.99	174,165,202.51	17,466,708.55	191,631,911.06
Others														
II. Opening balance for the current year	9,338,704,530.00			118,017,507.59	22,665,374,739.46	2,424,038,819.70	-1,176,851,699.92		3,438,615,909.84		47,965,270,360.79	79,985,092,528.06	1,289,500,808.72	81,274,533,336.78
III. Increase/decrease for the current period (decrease is represented by "-")	47,893,963.00			-118,017,507.59	1,186,692,385.30	1,433,768,376.68	3,167,535,198.37		575,574,713.40		10,011,674,560.57	13,437,555,136.37	1,394,235.73	13,438,949,372.10
(I) Total comprehensive income							3,167,535,198.37				14,710,923,941.99	17,878,122,837.78	18,900,173.06	17,897,022,710.84
(II) Capital injection and reduction by owners	47,893,963.00			-118,017,507.59	1,353,547,865.69	1,433,768,376.68						-150,344,055.58	1,810,903.91	-148,533,151.67
1. Ordinary shares issued by owners	41,413,600.00				838,627,404.94							940,041,004.94	1,810,903.91	941,851,908.85
2. Capital contribution by holders of other equity instruments	21,450,563.00			-118,017,507.59	457,992,768.76							361,395,824.17		361,395,824.17
3. Share-based payment included in owners' equity					683,835,462.71							683,835,462.71		683,835,462.71
4. Others	-14,970,200.00				-686,817,170.72	1,433,768,376.68						-2,145,616,347.40		-2,145,616,347.40
(III) Profit distribution												-4,236,634,791.21		-4,236,634,791.21
1. Withdrawal of surplus reserves														
2. Withdrawal of general risk provision														
3. Distribution to owners (or shareholders)														
4. Others														
(IV) Internal transfer of owner's equity														
1. Transfer of capital reserves into capital (or share capital)														
2. Transfer of surplus reserves into capital (or share capital)														
3. Surplus reserves used for remedying loss														
4. Changes in defined benefit plans carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
(V) Special reserve														
1. Withdrawal for the period														
2. Utilization for the period														
(VI) Others														
IV. Closing balance for the period	9,446,598,493.00				-166,865,280.39	3,857,807,196.38	1,990,693,498.45		4,014,190,623.24		172,960,573.19	6,411,445.38		6,411,445.38
					23,852,037,224.76						57,976,944,921.36	93,422,647,664.43	1,290,865,044.45	94,713,542,708.88

Equity attributable to owners of the Parent Company															
2021															
Other equity instruments															
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others	Sub-total	Minority shareholders' interests	Total owners' equity
I. Closing balance for the previous year	9,027,946,441.00		2,364,136,333.79	15,007,475,607.40	28,896,550.65	-1,046,216,729.06		3,045,334,539.60	66,837,526,701.67	1,294,584,557.09	68,132,110,256.96				
Add: changes in accounting policies															
Error correction for prior period															
Business combination under common control					116,029,170.32						65,044,545.95		181,073,716.47	14,076,161.30	195,150,477.77
Others															
II. Opening balance for the current year	9,027,946,441.00		2,364,136,333.79	15,123,524,777.32	28,896,550.65	-1,046,216,729.06		3,045,334,539.60	67,019,539,418.34	1,308,661,316.39	68,327,260,736.73				
III. Increase/decrease for the current period															
(I) Increase/decrease for the current period (decrease is represented by "-")															
(II) Total comprehensive income	370,639,089.00		-2,246,177,826.20	7,541,889,961.54	2,395,142,299.05	-130,634,970.86		393,281,370.24	12,966,499,109.72	-19,160,539.67	12,947,332,600.05				
(III) Capital injection and reduction by owners									12,946,630,737.07	137,556,628.98	13,084,140,366.05				
(IV) Profit distribution	370,639,089.00		-2,246,177,826.20	7,542,034,703.88	2,395,142,299.05				3,271,572,697.63	-93,710,059.35	3,177,862,638.28				
1. Ordinary shares invested by owners									-136,417,222.36	-200,127,281.71					
2. Capital contribution by holders of other equity instruments	403,210,880.00		-2,246,177,826.20	8,211,218,327.05					6,368,251,389.85		6,368,251,389.85				
3. Share-based payment included in owner's equity															
4. Others					261,635,166.10				261,635,166.10		261,635,166.10				
(V) Dividend distribution	-32,352,800.00			-794,401,566.91	2,395,142,299.05				-3,221,896,635.96		-3,221,896,635.96				
1. Withdrawal of surplus reserves									-3,410,744,270.39		-3,410,744,270.39				
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)			-2,246,177,826.20	8,211,218,327.05											
4. Others															
(VI) 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									393,281,370.24		-3,804,025,840.63				
4. Changes in defined benefit plans carried forward to related earnings									393,281,370.24		-393,281,370.24				
5. Other comprehensive income carried forward to related earnings															
(VII) Special reserve															
1. Withdrawal for the period															
2. Utilization for the period															
(VIII) Others															
W. Ending balance for the period	9,399,704,530.00		118,017,507.59	22,665,374,739.46	2,424,038,819.70	-1,176,851,699.92	1,614,809.17	3,438,615,909.84	158,073,945.41	243,172.85	159,317,118.26				
X. Ending balance for the period									79,995,092,528.06	1,289,500,808.12	81,774,593,336.78				

Legal representative of the Company: Li Huagang      Person in charge of accounting function: Gong Wei      Person in charge of accounting department: YingKe



# Statement of Changes in Owners' Equity of the Parent Company

January-December 2021

Unit and Currency: RMB

Items	Paid-in capital (or share capital)	Other equity instruments			2022					Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve		
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		2,833,468,684.39	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		2,833,468,684.39	4,468,575,626.52	41,629,161,593.79
III. Increase/decrease for the current period (decrease is represented by "-")	47,893,963.00				1,498,619,536.63	812,967,883.34	-19,211,595.09		575,574,713.40	859,736,173.10	2,149,644,907.70
(I) Total comprehensive income							-19,211,595.09			5,755,747,134.03	5,736,535,538.94
(II) Capital injection and reduction by owners	47,893,963.00				1,559,004,664.94	812,967,883.34					793,930,744.60
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	21,450,563.00				339,945,261.17						361,395,824.17
3. Share-based payment included in owners' equity					639,163,385.88						639,163,385.88
4. Others	-14,970,200.00				-318,731,387.05	812,967,883.34					-1,146,669,470.39
(III) Profit distribution									575,574,713.40	-4,896,010,960.93	-4,320,436,247.53
1. Withdrawal of surplus reserves									575,574,713.40	-575,574,713.40	
2. Distribution to owners (or shareholders)										-4,320,436,247.53	-4,320,436,247.53
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					-60,385,128.31						-60,385,128.31
IV. Closing balance for the period	9,446,598,493.00				27,300,899,019.76	2,308,138,558.42	602,091,349.74		3,409,044,397.79	5,328,311,799.53	43,778,806,501.49

## Section X Financial Report

Items	2021										Total owners' equity
	Paid-in capital (or share capital)	Preference shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
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 '-')	370,658,089.00				5,393,927,102.18	1,495,170,675.08	631,333,648.98		393,281,370.24	118,613,662.29	5,412,843,197.61
(I) Total comprehensive income							631,333,648.98			3,932,813,702.38	4,564,147,351.36
(II) Capital injection and reduction by owners	370,658,089.00				5,393,927,102.18	1,495,170,675.08					4,269,614,516.10
1. Ordinary shares invested by owners					-17,642,864.51						-17,642,864.51
2. Capital contribution by holders of other equity instruments	403,210,889.00				5,965,040,500.85						6,368,251,389.85
3. Share-based payment included in owners' equity					245,199,533.31						245,199,533.31
4. Others	-32,352,800.00				-798,670,067.47	1,495,170,675.08					-2,326,193,542.55
(III) Profit distribution									393,281,370.24	-3,814,200,040.09	-3,420,918,669.85
1. Withdrawal of surplus reserves									393,281,370.24	-393,281,370.24	
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	9,398,704,530.00				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

Legal representative of the Company: Person in charge of accounting function: Person in charge of accounting department: YingKe

Li Huagang Gong Wei

### III. GENERAL INFORMATION OF THE COMPANY

#### 1. Overview of the Company

☒ Applicable ☐ Not Applicable

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

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

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

The ultimate controlling parent company of the Company is Haier Group Corporation.

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

#### 2. Scope of consolidated 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 Enterprises — Basic Standards published by the Ministry of Finance, specific accounting standards, and guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (hereinafter collectively referred to as the 'Accounting Standards for Enterprises') which issued subsequently, and in combination with the disclosure provisions of the Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No. 15: General Provisions for Financial Report (Revised in 2014) of CSRC as well as the following significant accounting policies and accounting estimation.

### 2. 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

Specific 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 Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Enterprises, which accurately and completely reflected information relating to the financial position as of 31 December 2022, results of operations in 2022 and cash flows of the Company.

### 2. Accounting period

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

### 3. Operating period

☒ Applicable ☐ Not Applicable

The Company takes the period from the acquisition of assets for processing to the ultimate realization of cash or cash equivalents as a normal operating cycle. The Company takes 12 months as an operating period, which is also the classification basis for the liquidity of its assets and liabilities.

### 4. Recording currency

Renminbi is the recording currency of the Company

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

☒ Applicable ☐ Not Applicable

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

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

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

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

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

**(2) Business combinations involving entities 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 at the combination date is the acquirer; other parties involving in the business combination are the transferors. The combination date is the date on which the acquirer effectively obtains control of the transferors.

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

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

### 6. Preparation method of consolidated accounting statements

√ Applicable    ☐ Not Applicable

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

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

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

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

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

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

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

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

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



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

#### ① *General treatment*

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

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

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

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

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

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

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

**(6) Purchase of minority interests in subsidiaries**

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

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

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

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

√ Applicable    ☐ Not Applicable

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

#### (1) Joint operations

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

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

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

#### (2) Joint ventures

Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement. Investment in joint venture is accounted for using the equity method according to the accounting policies referred to under '22. Long-term equity investment' of Note V.

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

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

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

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

√ Applicable    ☐ Not Applicable

**(1) Foreign currency transactions**

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

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

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

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

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

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

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

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

### 10. Financial instruments

☒ Applicable   ☐ Not Applicable

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

#### (1) Classification, recognition and measurement of financial assets

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

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

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

① Financial assets measured at amortized cost

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

② Financial assets measured at fair value through other comprehensive income

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

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

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

### **2) *Equity instrument investments of the Company:***

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

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

### **(2) *Classification, recognition and measurement of financial liabilities***

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

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

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

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

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

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

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

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

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



### **(4) Recognition and measurement on transfer of financial assets**

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

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

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

### **(5) Derecognition of financial liabilities**

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

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

### (6) Offsetting financial assets and financial liabilities

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

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

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

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

### (8) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

## 11. Inventory

√ Applicable    ☐ Not Applicable

### (1) Classification of inventory

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

### (2) Pricing of dispatch of inventory

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

### (3) Impairment provision for inventory

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

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

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

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

### (4) Inventory system

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

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

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

## 12. Long-term equity investments

☒ Applicable   ☐ Not Applicable

Long-term equity investments hereunder refer long-term equity investments in which the Company exercises control, joint control or significant influence over the investee.

### (1) Determination of initial investment cost

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

### (2) Subsequent measurement and recognition of profit or loss

#### ① Cost method

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

② **Equity method**

The equity method is used by the Company to account for long-term equity investments in associates and joint ventures. Under the equity method, the initial investment cost is not adjusted for any excess of the initial investment cost over the share of the net fair value of the investee's identifiable assets. When the initial investment cost is less than the share of the fair value of the investment's identifiable net assets, the difference is recognised in current profit or loss and the cost of long-term equity investment is adjusted accordingly.

Under the equity method, share of net profit or losses and other comprehensive income of the investee are recognised by the Company as investment income and other comprehensive income, respectively, and the carrying amount of the long-term equity investment is adjusted accordingly. Share of profit or cash dividend declared by the investee is charged against the carrying value of the long-term equity investment; changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution are adjusted against the carrying value of long-term equity investment and included in capital reserve. Share of net profit or loss of the investee is recognised by the Company on the basis of the fair value of the identifiable assets of the investee when the investment is acquired and adjusted against the net profit of the investee. If the accounting policy and accounting period of the investee are inconsistent with those of the Company, the financial statements of the investee is adjusted to align with the accounting policy and accounting period of the Company, and investment income and other comprehensive income is recognised accordingly.

Net losses of the investee is recognised by the Company by deducting the carrying value of the long-term equity investment together with long-term equity that in substance forms part of the net investment in the investee until it reaches zero. Moreover, if the Company has incurred obligations to assume additional losses of the investee, estimated liabilities are recognised according to the obligation expected to be assumed and charged to current investment loss. If the investee records net profit in future periods, the Company shall recognise its share of gains after applying such share of gains to make up for the unrecognised share of loss.

**(3) Change of accounting method for long-term equity investment**

- ① Change from fair value measurement to the equity method: If an equity investment in the investee not previously affording control, joint control or significant influence and accounted for in accordance with the standard for recognition and measurement of financial instruments becomes capable of affording joint control or significant influence over the investee as a result of increased shareholding following additional investment, the accounting method should be changed to the equity method, and the fair value of the original equity investment determined according to the standard for recognition and measurement of financial instruments plus the fair value of consideration paid for the acquisition of the new investment shall be changed the initial investment cost under the equity method.

- ② Change from fair value measurement or equity method to cost method: if an equity investment previously held in the investee not previously affording control, joint control or significant influence and accounted for in accordance with the standard for recognition and measurement of financial instruments, or a long-term equity investment previously held in associates or joint ventures becomes capable of affording control over the investee, it is accounted for long-term equity investment formed through business combination.
- ③ Change from equity method to fair value measurement: if a long-term equity investment previously held in the investee affording joint control or significant influence ceases to afford joint control or significant influence as a result of decrease in shareholding percentage following partial disposal, the remaining equity investment is recognised in accordance with the standard for recognition and measurement of financial instruments, and the difference between the fair value at the date of loss of joint control or significant influence and the carrying value is included in current profit or loss.
- ④ Change from cost method to equity method or fair value measurement: when preparing separate financial statements, if the Company loses control over an investee due to disposal of some equity-based investment and other reasons, the Company accounts for the remaining equity affording joint control or significant influence over an investee as a result of disposal based on the equity method, and the remaining equity will be adjusted as if it is accounted for using the equity method from the date of acquisition; for the remaining equity not affording joint control or significant influence over an investee as a result of disposal, it is accounted for in accordance with relevant requirements of Accounting Standards for Business Enterprises No. 22— Recognition and measurement of financial assets, and the differences between the fair value and book value on the date when control is lost are included in profit or loss. When preparing consolidated financial statements, it shall be accounted for in accordance with relevant requirements of Accounting Standards for Business Enterprises No.33— Consolidated financial statements.

#### **(4) Bases for determining joint control or significant influence over an investee**

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

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

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

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

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

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

### **(5) Methods for impairment test and impairment provision**

At the balance sheet date, the Company inspects whether there are indications of possible impairment of a long-term equity investment. If there are indications of impairment, an impairment test should be performed to ascertain its recoverable amount, and an impairment provision equivalent to the margin by which the recoverable amount is lower than the carrying value should be made. Once recognised, impairment loss will not be reversed in subsequent accounting periods. The recoverable amount is determined as the higher of net fair value of the long-term equity investment on disposal and present value of estimated future cash flow.



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

Upon the Company's disposal of long-term equity investments, the difference between the carrying value and consideration actually acquired is included in current profit or loss. Upon disposal of long-term equity investment, the portion previously included in other comprehensive income is accounted for according to the relevant percentage on the same basis adopted in the direct disposal of the relevant assets or liabilities by the investee.

## **13. Investment properties**

### **(1) Types and measurement models of investment properties**

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

The Company's investment properties is initially measured at cost and subsequently on a cost basis.

### **(2) Adoption of cost model as accounting policy**

Among the Company's investment properties, leased buildings are subject to depreciation on a straight-line basis in accordance with accounting policies identical with accounting policies for fixed assets. Leased land-use rights and land-use rights held for disposal after appreciation land-use rights in investment properties are amortised using the straight-line method in accordance with accounting policies identical with fixed asset accounting policies for intangible assets.

At the balance sheet date, the Company inspects whether there are indications of possible impairment of an investment property. If there are indications of impairment, an impairment test should be performed to ascertain its recoverable amount, and an impairment provision equivalent to the margin by which the recoverable amount is lower than the carrying value should be made. Once recognised, impairment loss will not be reversed in subsequent accounting periods.

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

**14. Fixed assets**

√ Applicable   ☐ Not Applicable

**(1) Recognition criteria**

Fixed assets of the Company refer to tangible assets held for the production of commodities, provision of labour services, lease or operational management with a useful life of more than one accounting year. Fixed assets are recognised if all of the following conditions are met:

- ① Economic benefits relating to such fixed assets are likely to flow into the Company;
- ② The cost of the fixed assets can be reliably measured.

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

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

**(2) Depreciation method**

√ Applicable   ☐ Not Applicable

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

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

Type	Depreciation method	Depreciation life (years)	Residual ratio
Buildings	Life average method	8-40	0-5%
Machinery equipment	Life average method	4-20	0-5%
Transportation equipment	Life average method	5-10	0-5%
Office and other equipment	Life average method	3-10	0-5%

**(3) Methods for impairment test and impairment provision for fixed assets**

At the balance sheet date, the Company inspects whether there are indications of possible impairment of fixed assets. If there are indications of impairment, an impairment test should be performed to ascertain its recoverable amount, and an impairment provision equivalent to the margin by which the recoverable amount is lower than the carrying value should be made. Once recognised, impairment loss will not be reversed in subsequent accounting periods.

**(4) Disposal of fixed assets**

Fixed assets are derecognised upon disposal, or when no economic benefits are expected from use or disposal. The difference between gains on disposal, transfer, retirement or damage of fixed assets, net of their book value and related taxes, are included in profit and loss.

### 15. Construction in progress

☒ Applicable   ☐ Not Applicable

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

The cost of the Company's construction in progress is recognised at actual construction expenses, including all necessary construction expenses incurred during the construction, and borrowing costs capitalized before the work reaches the expected conditions for use and other related costs.

### (2) Criteria for and timing of the transfer of construction in progress to fixed assets

The Company's construction in progress is transferred to fixed assets when the work is completed and reaches the expected conditions for use. The criteria for judgement of expected conditions for use should meet one of the following:

- ① The physical construction (including installation) of fixed assets has been completed in full or substantially completed in full;
- ② Trial production or operation has commenced and the result indicates that the asset can operate normally or can manufacture compliant products in a consistent manner, or the trial operation indicates that it can operate or conduct business normally;
- ③ The amount of fixed asset expenditure of the construction is minimal or almost certain not be further incurred;
- ④ Fixed assets acquired have reached design or contractual requirements, or are essentially consistent with design and contractual requirements.

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

At the balance sheet date, the Company inspects whether there are indications of possible impairment of construction in progress. If there are indications of impairment, an impairment test should be performed to ascertain its recoverable amount, and an impairment provision equivalent to the margin by which the recoverable amount is lower than the carrying value should be made. Once recognised, impairment loss will not be reversed in subsequent accounting periods.

The recoverable amount is determined as the higher of net fair value of the asset less disposal cost and the present value of estimated future cash flow.

## 16. Borrowing costs

☒ Applicable   ☐ Not Applicable

### (1) Principle for recognition of capitalisation of borrowing cost

Borrowing costs incurred by the Company that can be directly attributed to the acquisition or production of assets qualified for capitalisation are capitalised and included in relevant asset costs; other borrowing costs are recognised as cost at the amount incurred at the time of incurrence and charged to current profit or loss. Assets qualified for capitalisation refer to fixed assets, investment properties and inventory that require a considerably long period of acquisition or production activities to reach the expected conditions for use or sale.

### (2) Computation of capitalised amounts

Capitalisation period: from the point of time at which the capitalisation of borrowing costs begins to the point of time at which capitalisation ceases. The period of suspension of capitalisation of borrowing costs is not included.

Period of suspension of capitalisation: In case of abnormal disruption during the acquisition or production process for a consecutive period of more than 3 months, the capitalisation period for borrowing costs should be suspended.

Computation of capitalised amount: ① For specific borrowings, the amount is determined as interest expense incurred for the period in respect of the specific borrowing less interest income received through the deposit of unutilised borrowed funds or investment gains received through provisional investments; ② For general borrowings utilised, the amount is determined as the weighted average amount of the portion of cumulative asset expenses in excess of the asset expense of specific borrowings multiplied by the capitalisation rate for the general borrowings utilised, where the capitalisation rate is the weighted average interest rate of general borrowings; ③ where there is a discount or premium in the borrowings, the amortisation of such discount or premium for each accounting period is determined according to the effective interest rate and the interest amount for each period is adjusted accordingly.

### 17. Right-of-use assets

☒ Applicable   ☐ Not Applicable

Right-of-use assets are the rights of the Company as lessee to use leased assets during the lease period. At the inception date of the lease, the Company as lessee recognises right-of-use assets and lease liabilities in respect of the lease, other than short-term leases and leases of low-value assets which are subject to simplified treatment.

The Company's right-of-use assets are initially measured at cost, which includes:

- (1) The amount of lease liability under initial measurement;
- (2) The lease payment made on or before the inception date of the lease term, less the relevant amount of lease incentive received if such incentive is available;
- (3) The initial direct cost of the Company as lessee;
- (4) Estimated cost to be incurred for the demolishing and removal of leased assets, restoration of venues where the leased assets are located or restoration of the leased assets to the conditions agreed under the lease terms.

The Company charges depreciation in respect of right-of-use assets using the average service life method. Where the acquisition of ownership of the leased asset at the end of the lease period can be reasonably ascertained by the Company, depreciation is charged over the remaining useful life of the leased assets. If the acquisition of ownership of the leased asset at the end of the lease period cannot be reasonably ascertained, depreciation is charged during the lease term or the remaining useful life of the leased assets, whichever is shorter.

The Company shall determine whether impairment of right-of-use assets has occurred and account for impairment loss which has been identified in accordance with the provisions of “Accounting Standards for Business Enterprises No. 8 — Asset Impairment”.

When the Company remeasures lease liabilities in accordance with the accounting standard, the carrying value of the right-of-use assets is adjusted accordingly. If the carrying value of the right-of-use assets is reduced to zero but the lease liabilities still require further adjustment, the remaining amount is charged to current profit or loss.

Where lease modification results in a reduced scope of lease or shortened lease term, the carrying value of the right-of-use assets is reduced accordingly, and the relevant gain or loss resulting from the partial or full termination of the lease is included in current profit or loss. For other lease modifications resulting in the remeasurement of lease liabilities, the carrying value of the right-of-use assets is adjusted accordingly.

### 18. Intangible assets

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

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

#### (1) Measurement of intangible assets

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

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

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

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

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

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

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

At the balance sheet date, the Company reviews intangible assets to check whether there is any sign of impairment. If yes, the recoverable amount is recognized through an impairment test and provision for impairment is made based on the difference between the carrying value and the recoverable amount.

Impairment loss will not be reversed in subsequent accounting periods once provision is made for it. The recoverable amount of intangible assets should be based on the higher of the net fair value of the assets less the disposal expense and the present value of estimated future cash flow of the assets.

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

As for an internal research and development project, expenditure incurred in the research stage is recognized in the profit or loss as incurred. Expenses incurred in the development stage are capitalized only if all of the following conditions are met: ①the technical feasibility of completing the intangible assets so that they will be available for use or for sale; ②the 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: the Company refers to the research stage as 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 Company regards 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 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 arising from a business combination and an intangible asset with an indefinite useful life is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

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

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

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

**20. Long-term prepaid expense**

☒ Applicable   ☐ Not Applicable

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

**21. Staff's remuneration**

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

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

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

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

### 22. Lease liabilities

☒ Applicable   ☐ Not Applicable

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

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

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

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

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

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

## 23. Estimated liability

☒ Applicable ☐ Not Applicable

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

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

### (2) Measurement of estimated liability

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

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

## 24. Share-based payments

☒ Applicable ☐ Not Applicable

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

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

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

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

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

### 25. Revenue

☒ Applicable   ☐ Not Applicable

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

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

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

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

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

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

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

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.

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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 tax assets/deferred tax liabilities

☒ Applicable   ☐ Not Applicable

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

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

**28. Other significant accounting policies and accounting estimates**

√ Applicable    ☐ Not Applicable

**(1) Asset securitisation**

The Company has securitised certain receivables to entrust the assets to specific-purpose entities which would issue such securities to investors. As asset service provider, the Company is responsible for the provision of maintenance and daily management of the assets, formulation of annual asset disposal plans, formulation and implementation of asset disposal plan, signing of relevant asset disposal agreements and preparation asset service reports on a regular basis.

In applying the accounting policy for the securitisation of financial assets, the Company has considered the extent to which the risk and reward of the assets have been transferred to other entities, and the extent to which the Company exercises control over the entity:

- ① When the Company has transferred substantially all risk and reward relating to the ownership of a financial asset, such financial asset is derecognised;
- ② When the Company retains substantially all risk and reward relating to the ownership of a financial asset, the Company continues to recognise such financial asset;
- ③ If the Company neither transfers nor retains substantially all risk and reward relating to the ownership of a financial asset, the Company considers whether it has control over the financial asset. If the Company does not retain control, the financial asset is derecognised, and the rights and obligations arising from or retained the transfer are recognised as assets and liabilities, respectively. If the Company retains control, the financial asset is recognised according to the extent of continued involvement in the financial assets.

**(2) Hedge accounting**

Hedge refers, in respect of the risk exposure arising from the company's management of specific risks such as foreign exchange risks, interest rate risks, price risks and credit risks, to risk management activity of designating financial instruments as hedging instruments such that the change in the fair value or cash flow of the hedging instruments can be expected to set off the change in the fair value or cash flow of the hedged item.

The hedged item refers to an item designated for hedge against the risk of change in fair value or cash flow that can be reliably measured.

Hedging instruments are financial instruments designated for hedge, the change in fair value or cash flow of which is expected to set off the change in the fair value or cash flow of the hedged item.

The Company assesses whether the hedge relationship fulfills the requirement for hedge effectiveness at the inception date of the hedge and continuously in subsequent periods. The effectiveness of hedge refers to the extent to which the change in the fair value or cash flow of the hedging instruments can offset the change in the fair value or cash flow of the hedged item caused by the risk against which the hedge is made. The change in the fair value or cash flow of a hedging instrument in excess or shortfall of the change in the fair value or cash flow of the hedging instruments can offset the change in the fair value or cash flow of the hedged item represents the ineffective portion of the hedge.

### **(3) Significant accounting estimates**

In the course of applying accounting policies, the Company is required to make judgements, estimations and assumptions on the carrying values of statement items that cannot be accurately measured owing to uncertainties to which operating activities are subject. Such judgements, estimations and assumptions are made based on the past experience of the management and taking into consideration of other relevant factors. Such judgements, estimations and assumptions affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities as at the balance sheet date. However, the actual outcome resulting from the uncertainty of such estimates could be different from the current estimates of the management, thereby resulting in significant adjustments to the carrying value of the future assets or liabilities affected. The Company regularly reviews such judgements, estimations and assumptions on a going concern basis. If the change in accounting estimates affects only the current period in which the change occurs, the affected amount is recognized for the period in which the change occurs; if both the current period and future periods are affected, the affected amount is recognised for the current period and the future periods.

At the balance sheet date, important aspects in which the Company is required to make judgements, estimations and assumptions on the amount of items on the financial statements are as follows:

#### **① *Estimated liabilities***

The Company estimates and makes provision for product warranty and estimated contract loss according to contract terms, existing knowledge and historical experience. When such contingencies have given rise to a present obligation, and the performance of such present obligation is likely to result in the outflow of economic benefit from the Company, the Company recognises estimated liabilities for the contingencies based on the best estimates of expenses required for the performance of relevant present obligations. The recognition and measurement of estimated liabilities is dependent to a large extent on management judgement. In the course of judgement, the Company is required to assess factors such as risks, uncertainties and the time value of currency relating to such contingencies. In particular, the Company recognises estimated liabilities in respect of after-sales undertaking to customers for return and replacement, maintenance and installation of goods sold. The recognition of estimated liabilities has taken into account the maintenance experience and data of the Company for recent years, although past experience in maintenance may not reflect maintenance in the future. Any increase or decrease in this provision might affect the profit or loss of future years.

### ② **Provision for ECL**

The Company measures ECL through default risk exposure and the ECL rate, which is determined based on the default probability rate and default loss rate. In determining the ECL rate, the Company uses data such as internal historic credit loss experience and adjusts the historic data taking into consideration current conditions and prospective information. When considering prospective information, indicators adopted by the Company include the risk of economic downside, expected growth in unemployment rate, and changes in external market conditions, technical conditions and customer conditions. The Company monitors and reviews the assumptions relating to ECL computation on a regular basis. There was no significant change to aforesaid estimation technique and key assumptions during the year.

### ③ **Impairment provisions for inventory**

The Company makes impairment provisions for inventory of which cost is higher than net realisable value and obsolete and slow-moving inventory based on the lower of cost and net realisable value according to its inventory accounting policy. The impairment of inventory to its net realisable value is based on assessment of the sellability of inventory and its net realisable value. The authentication of inventory impairment requires the management to obtain conclusive evidence and make judgment and estimates taking into consideration factors such as the purpose of inventory and post-balance sheet date events. Any difference between the actual outcome and the previous estimate will affect the carrying value of inventory and the charge or reversal of impairment provisions for inventory during the period in which the estimates are modified.

### ④ **Fair value of financial instruments**

For financial instruments without an active trading market, the Company determines its fair value using valuation techniques. Such valuation techniques include discounted cash flow model analysis and others. During the assessment, the Company is required to make estimates on future cashflow, credit risk, market volatility rate and relevance and select an appropriate discount rate. Such relevant assumptions are subject to uncertainty, and any change will affect the fair value of financial instruments.

### ⑤ **Impairment of other equity instrument investments**

The Company's determination of impairment for other equity instrument investments is largely dependent on the management's judgment and assumptions to determine whether impairment should be recognised. In the course of making judgments and assumptions, the Company is required to assess the extent and duration of the fair value of the investment being lower than cost, as well as the financial conditions and short-term business prospects of the investee, including industry conditions, technological revolution, credit rating, default rate and counterparty risks.

### ⑥ ***Impairment provision for long-term assets***

At the balance sheet date, the Company assesses whether there are indications of possible impairment of non-current assets other than financial assets. In addition to the annual impairment test, intangible assets with indefinite useful life are also tested for impairment when there are indications of the same. Impairment tests on non-current assets other than financial assets are conducted when there are indications that its carrying value may not be recoverable. An impairment has occurred when the carrying value of an asset or asset group is higher than the recoverable amount (the higher of net fair value less disposal cost and the present value of estimated future cash flow). The net fair value less disposal cost is determined with reference to the agreed selling price of similar assets in a fair transaction or observable market prices less incremental costs attributable directly to the disposal of such asset. In estimating the present value of future cashflow, significant judgement is required to be made in respect of the production volume and selling price of the asset or (asset group), relevant operating cost and discount rate for the computation of present value. The Company takes into consideration all available relevant information when making estimates on the recoverable amount, including forecasts on production volume, selling price and relevant operating costs based on reasonable and justifiable assumptions. The Company conducts goodwill impairment tests at least annually. This requires estimates on the present value of future cashflow of asset group or portfolio of asset groups to which goodwill has been allocated. When making estimates on the present value of future cashflow, the Company is required to make estimates on cashflow generated from future asset group or portfolio of asset groups, and at the same time select an appropriate discount rate to determine the present value of future cashflow.

### ⑦ ***Depreciation and amortisation***

Depreciation and amortisation of investment properties, fixed assets and intangible assets is charged on a straight-line basis over their useful life after taking their residual values into account. The Company reviews the useful life on a regular basis to determine the amount of depreciation and amortisation charge to be allocated to each reporting period. The useful life is determined based on past experience relating to similar assets taking into consideration expected technological upgrades. If there are significant changes in previous estimates, the depreciation and amortisation charge for future periods will be adjusted.

### ⑧ ***Deferred income tax assets***

The Company recognises deferred income tax assets in respect of all unutilised tax losses, to the extent that it is probable that sufficient taxable profit will be available to offset the loss. This requires the exercise of significant judgement by the Company's management to estimate the timing and amount of future taxable profit, taking into account its tax planning strategy, to determine the amount of deferred income tax assets to be recognised.

⑨ **Income tax**

In the Company's usual operating activities, the final tax treatment and computation of certain transactions are subject to uncertainty. Whether certain items can be presented on a pretax basis is subject to approval of the competent taxation authority. If the final confirmed outcome of such taxation matters is different from the amount of the initial estimates, such difference will affect the current income tax and deferred income tax for the period of final confirmation.

⑩ **Provision for sales rebate**

The Company and its subsidiaries adopt a sales rebate policy for sales agent customers. Based on relevant provisions of the sales agreements, vetting of specific transactions, market conditions, channel inventory level and past experience with reference to the status of completion of agreed appraisal indicators by sales agent customers, the Company and its subsidiaries makes estimates on and provision for sales rebate on a regular basis. The provision of sales rebate involves judgment and estimation by the management. In the event of any material change in previous estimates, the aforesaid difference will affect the sales rebate for the period for which the estimates are changed.

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

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 and preferential tax rate:

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 Holding 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 High Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Technology Development Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Freezer Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Central Air Conditioning Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise

Company	Tax rate	Preferential tax
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Zero Micro Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Electronic Plastic Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Wei Xi Intelligent Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air Conditioning Electronics Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Lingli Technology Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
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
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Guangdong Heilong Intelligent Technology Co. Ltd	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Dalian Haier Refrigerator Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Co., Ltd.	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise
Tianjin Haier Cleaning Electrical Appliances Co., Ltd. (天津海尔洗涤电器有限公司)	15.00%	entitled to the preferential taxation policies as a hi-tech enterprise



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

Company	Tax rate	Preferential tax
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 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 balances represent the amount as at 31 December 2022 and opening balances represent the amount as at 31 December 2021; amount for the period represents the amount from 1 January to 31 December 2022 and amount for the previous period represents the amount from 1 January to 31 December 2021.

### 1. Monetary funds

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	5,312,391.11	3,085,964.28
Cash in bank	52,955,417,379.16	45,010,311,638.51
Other cash balances	1,178,085,912.24	1,083,936,300.66
Total	54,138,815,682.51	46,097,333,903.45
Include: —total amount of overseas deposits	11,963,648,575.80	8,966,246,518.74

Other monetary funds mainly included investment fund, deposit on third party payment platforms, guarantees and other restricted fund, etc.

## 2. Financial assets held for trading

Items	Closing balance	Opening balance
Short-term wealth management products	14,638,968.26	2,168,622,090.00
Investments in other equity instruments	336,743,065.02	330,557,610.82
Investment funds	168,430,847.63	150,516,274.37
Forward foreign exchange contracts		136,379,553.90
Total	519,812,880.91	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	178,992,877.32	72,822,190.59
Forward commodity contracts	4,192,283.19	6,997,783.42
Total	183,185,160.51	79,819,974.01

## 4. Bills receivable

### (1) Bills receivable presented by types

Items	Closing balance	Opening balance
Bank acceptance notes	9,346,227,149.92	13,053,809,505.49
Commercially acceptance notes	237,902,374.08	368,076,810.80
Balance of bills receivable	9,584,129,524.00	13,421,886,316.29
Allowance for bad debts	3,937,685.85	67,095,248.00
Bills receivable, net	9,580,191,838.15	13,354,791,068.29

Provision for bad debts on a collective basis

□ Applicable    √ Not Applicable

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

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance	
		Provision for the current period	Other movement	Write-off/other movement	
			Reversal		
Allowance for bad debts	67,095,248.00		1,901,562.15	61,256,000.00	3,937,685.85
Total	67,095,248.00		1,901,562.15	61,256,000.00	3,937,685.85

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

The bills receivable pledged by the Company at the end of the period was RMB8,716,194,311.64 (amount at the beginning of the period RMB12,526,757,275.50).

## 5. Accounts receivable

### ① Accounts receivable are disclosed by aging as follow:

Aging	Closing balance	Opening balance
Within one year	15,983,198,223.16	14,776,616,491.33
1-2 years	744,571,231.78	376,187,052.43
2-3 years	249,911,820.64	78,861,353.76
Over 3 years	129,303,240.96	135,768,657.33
Balance of accounts receivable	17,106,984,516.54	15,367,433,554.85
Allowance for bad debts	1,193,292,979.43	742,172,698.81
Accounts receivable, net	15,913,691,537.11	14,625,260,856.04

### ② By method of provision of allowance for bad debts

Categories	Closing balance			Carrying value
	Book balance	Allowance for bad debts	Percentage of provision (%)	
Account receivables subject to provision for bad debts on a separate basis	669,106,556.78	658,051,988.70	98.35	11,054,568.08
Account receivables subject to provision for bad debts on a collective basis	16,437,877,959.76	535,240,990.73	3.26	15,902,636,969.03
Total	17,106,984,516.54	1,193,292,979.43	6.98	15,913,691,537.11

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(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	14,986,026,571.68	421,868,766.68	2.82	14,564,157,805.00
Total	15,367,433,554.85	742,172,698.81	4.83	14,625,260,856.04

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

Aging	Closing balance		Percentage of provision (%)
	Book balance	Allowance for bad debts	
Within 1 year	15,670,232,732.83	340,620,524.48	2.17
1-2 years	444,886,453.80	33,709,717.14	7.58
2-3 years	204,386,489.30	78,004,660.46	38.17
Over 3 years	118,372,283.83	82,906,088.65	70.04
Total	16,437,877,959.76	535,240,990.73	3.26

(continued)

Aging	Opening balance		Percentage of provision (%)
	Book balance	Allowance for bad debts	
Within 1 year	14,549,378,136.84	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	14,986,026,571.68	421,868,766.68	2.82

- 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	511,476,608.99	61,256,000.00	90,784,265.89	30,828,062.48	1,193,292,979.43

- ⑤ The aggregate amount of the top 5 account receivables as at the end of the period was RMB3,981,240,561.25, accounting for 23.27% of the book balance of account receivables (amount at the beginning of the period: RMB3,856,035,612.12, accounting for 25.09% of the book balance of account receivables).

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

The amount of accounts receivable actually written off in the current period is RMB35,724,496.02 (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**

The amount of accounts receivable that the company terminated at the end of the period due to the transfer of financial assets was RMB7,752,646,133.49 (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 RMB1,944,980,392.98 (amount at the beginning of the period: RMB1,913,582,226.30).

## 6. Prepayments

(1) **Prepayments are presented by aging:**

Aging	Closing balance	Opening balance
Within one year	1,097,684,518.38	823,420,072.64
1-2 years	9,392,472.99	22,367,994.84
2-3 years	7,826,299.09	9,728,842.63
Over 3 years	5,852,909.40	8,231,174.95
Total	1,120,756,199.86	863,748,085.06

- (2) The total amount of the top 5 in the prepayments at the end of the period is RMB285,279,364.51, which accounts for 25.45% of the prepayment balance (amount at the beginning of the period: RMB174,076,576.41, accounting for 20.15%).

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### 7. Other receivables

√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	513,320,376.79	295,017,551.76
Other receivables	1,867,609,246.40	1,662,868,705.43
Total	2,380,929,623.19	1,957,886,257.19

#### (1) Interest receivable

√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Aging	Closing balance	Opening balance
Within one year	365,716,532.95	231,649,800.22
1-2 years	117,786,419.18	47,983,727.86
2-3 years	19,790,000.00	15,384,023.68
Over 3 years	10,027,424.66	
Total	513,320,376.79	295,017,551.76

#### (2) Other receivables

Aging	Closing balance	Opening balance
Within one year	1,395,900,684.43	1,275,398,749.49
1-2 years	216,523,682.62	109,677,138.52
2-3 years	23,617,332.57	355,219,038.13
Over 3 years	387,087,496.32	113,213,998.61
Balance of other receivables	2,023,129,195.94	1,853,508,924.75
Allowance for bad debts	155,519,949.54	190,640,219.32
Other receivables, net	1,867,609,246.40	1,662,868,705.43

- ① The total amount of the top 5 other receivables at the end of the period is RMB913,820,290.12, accounting for 45.17% of the book balance of other receivables (amount at the beginning of the period: RMB588,207,363.50, accounting for 31.73% of the book balance of other receivables).

② *Provision of allowance for bad debts*

Allowance for bad debts	Stage 1 Expected credit losses for the coming 12 months	Stage 2 Lifetime expected credit losses (not credit-impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Opening balance	112,022,673.37		78,617,545.95	190,640,219.32
Provision for the current period	17,263,203.57			17,263,203.57
Reversal for the current period	4,676,503.70			4,676,503.70
Write-off and others for the current period	-9,007,063.30		56,714,032.95	47,706,969.65
Closing balance	133,616,436.54		21,903,513.00	155,519,949.54

③ *Changes in allowance for bad debt provision of other receivables in the current period*

Items	Opening balance	Increase for the current period Provision for the current period	Other movement	Decrease for the current period Reversal	Write-off/other movement	Closing balance
Allowance for bad debts	190,640,219.32	17,263,203.57		4,676,503.70	47,706,969.65	155,519,949.54

④ *Other receivables written off during the period*

The amount of other receivables actually written off in the current period is RMB56,385,567.52 (amount for the corresponding period: RMB4,293,611.04) and no significant other receivables are written off for bad debts.

- ⑤ Other receivables mainly include deposits, quality guarantees, employee loans, tax refunds, and advance payments, etc.

## 8. Inventories

(1) *Category of inventories*

Items	Closing Balance		Opening Balance	
	Book value balance	Impairment Provision	Book value balance	Impairment Provision
Raw materials	6,220,344,034.47	171,673,251.23	5,173,523,964.42	117,428,681.85
Work in progress	74,028,876.21		115,676,026.77	
Finished goods	36,858,876,539.39	1,438,863,087.02	35,990,645,130.23	1,248,466,540.71
Total	43,153,249,450.07	1,610,536,338.25	41,279,845,121.42	1,365,895,222.56



## (2) Impairment provision of inventories

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	
Raw materials	117,428,681.85	96,267,946.53			42,023,377.15	171,673,251.23
Work in progress						
Finished goods	1,248,466,540.71	1,124,401,331.26		75,747,450.78	858,257,334.17	1,438,863,087.02
Total	1,365,895,222.56	1,220,669,277.79		75,747,450.78	900,280,711.32	1,610,536,338.25

## 9. Contractual assets

### (1) Details

Items	Closing Balance		Opening Balance	
	Book value balance	Impairment Provision	Book value balance	Impairment Provision
Relating to construction service contract	379,905,624.96	69,975,265.71	304,434,294.70	
Total	379,905,624.96	69,975,265.71	304,434,294.70	

### (2) Impairment provision

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	
Relating to construction service contract		69,975,265.71				69,975,265.71
Total		69,975,265.71				69,975,265.71

## 10. Other current assets

## (1) Details

Items	Closing Balance		Opening Balance	
	Book value balance	Impairment Provision	Book value balance	Impairment Provision
Bank deposit for wealth management products	1,642,421,944.45		316,590,333.42	
Deductible taxes	2,710,135,299.65		3,275,762,776.66	
Returns cost receivables	563,233,565.88	280,818,239.06	585,140,752.69	328,552,987.70
Others	57,543,006.31		79,847,733.16	
Total	4,973,333,816.29	280,818,239.06	4,257,341,595.93	328,552,987.70

## (2) Impairment Provision

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	
Returns cost receivables	328,552,987.70	280,818,239.06			328,552,987.70	280,818,239.06
Total	328,552,987.70	280,818,239.06			328,552,987.70	280,818,239.06

## 11. Debt investments

Items	Closing balance		Opening balance	
	principal	Interest	Principal	Interest
Time deposit — 3 years	1,000,000,000.00	34,222,222.22		
Total	1,000,000,000.00	34,222,222.22		

## Section X Financial Report

### 12. Long-term equity investments

√ Applicable    □ Not Applicable

Investees	Opening balance	Increase/decrease for the current 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		665,707,466.58	4,170,482.08		-218,400,000.00
Bank of Qingdao Co., Ltd.	2,654,248,436.12	352,102,643.20	210,748,314.67	-54,294,726.05	-152,429,907.54	-76,288,906.40
Wolong Electric (Jinan) Motor Co., Ltd.	151,837,378.99		22,860,428.75			
Qingdao Hegang New Material Technology Co., Ltd.	312,493,256.21		9,482,737.24			-7,173,662.00
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	393,598,372.59		-57,153,662.41			-17,199,060.82
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	682,901,976.73		113,559,283.53			-81,000,000.00
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	409,053,808.05		22,213,959.56			-17,900,226.81
Qingdao Haier Multimedia Co., Ltd.	277,102,563.88		-123,552,329.38			
Qingdao Haier Moulds Co., Ltd.	269,158,534.54		3,419,373.38			
Hefei Feier Smart Technology Co., Ltd.	265,106.27		-265,106.27			
Anhui Kunhe Smart Technology Co., Ltd.	1,877,574.14		120,208.47			
Zhejiang Futeng Fluid Technology Co., Ltd.	82,098,847.75		-4,291,438.91			
Beijing Mr. Hi Network Technology Company Limited	7,507,759.75					
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82					
Beijing ASU Tech Co., Ltd.	15,529,700.01		-17,876,874.22		15,176,607.99	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	6,914,487.73					
Qingdao Haimu Investment Management Co., Ltd.	2,465,299.70		56,466.72			
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	59,424,662.44		-518,749.56			
Hainengwanjia (Shanghai) Technology Development Co., Ltd. (海能万嘉(上海)科技发展有限公司)		772,938.88				
Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd.		52,835,228.01	-7,863,687.63		44,793.82	
Guangzhou Heying Investment Partnership (Limited Partnership)	285,793,577.87					

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Investees	Opening balance	Increase/decrease for the current period				
		Investment increase	Investment profit recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits
Qingdao Home Wow Cloud Network Technology Co., Ltd.	2,600,050.50		-52,833.50			
Bingji (Shanghai) Corporate Management Co., Ltd.	972,200,487.88		42,224,805.16			
Youjin (Shanghai) Corporate Management Co., Ltd.	1,766,819,068.86		76,772,373.02			
RRS (Shanghai) Investment Co., Ltd.	3,211,580,125.21		139,586,132.77			
Haier Best Water Technology Co., Ltd.	79,785,557.39	67,661,160.00	922,921.01			
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 Xinchenghui Technology Co., Ltd.	9,964,773.52		-1,366,770.63			
Meiling Candy Washing Machine Co., Ltd.	22,752,232.07		1,389,264.77	-124,866.83		
EuropaltersItaliaS.r.l.	9,361,965.48	6,398,539.80				
OryginLLC		13,918,442.26				
Konan Electronic Co., Ltd.	69,273,712.61		2,472,773.58	-3,739,243.20		-237,150.00
HNR Company (Private) Limited	114,055,318.97		-31,378,609.43	-8,309,799.99		
HPZ LIMITED	71,269,048.97		17,668,356.54	-186,357.53		
HaierRayaElectricS.A.E	10,568,507.40		-689,346.51			
CONTROLADORAMABES. A.deC.V.	4,131,983,673.10		501,663,292.98	161,545,695.15	-10,972,791.00	-98,292,483.70
MiddleEast Air conditioning Company,Limited	10,318,898.13		-2,359,212.96	860,416.38		
Total	23,327,293,929.87	615,486,932.76	1,583,499,537.32	99,921,600.01	-148,181,296.73	-516,491,489.73

## Section X Financial Report

(Continued)

Investees	Increase/decrease for the current period		Closing balance	Impairment Provision Closing Balance
	Other movement	The disposal of the investment		
Associate :				
Haier Group Finance Co., Ltd.			7,560,187,324.04	
Bank of Qingdao Co., Ltd.			2,934,085,854.00	
Wolong Electric (Jinan) Motor Co., Ltd.			174,697,807.74	
Qingdao Hegang New Material Technology Co., Ltd.			314,802,331.45	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)			319,245,649.36	
Mitsubishi Heavy Industries Haier (Qingdao) Air- conditioners Co., Ltd.			715,461,260.26	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			413,367,540.80	-21,000,000.00
Qingdao Haier Multimedia Co., Ltd			153,550,234.50	-88,300,000.00
Qingdao Haier Moulds Co., Ltd.		-272,577,907.92		
Hefei Feier Smart Technology Co., Ltd.				
Anhui Kunhe Smart Technology Co., Ltd.			1,997,782.61	
Zhejiang Futeng Fluid Technology Co., Ltd.			77,807,408.84	
Beijing Mr. Hi Network Technology Company Limited			7,507,759.75	-7,507,759.75
Beijing Xiaobei Technology Co., Ltd.		-2,687,341.82		
Beijing ASU Tech Co., Ltd.			12,829,433.78	
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.			6,914,487.73	-6,914,487.73
Qingdao Haimu Investment Management Co., Ltd.			2,521,766.42	
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)			58,905,912.88	

Investees	Increase/decrease for the current period		Closing balance	Impairment Provision Closing Balance
	Other movement	The disposal of the investment		
Hainengwanjia (Shanghai) Technology Development Co., Ltd. (海能万嘉 (上海)科技发展有限公司)			772,938.88	
Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd.			45,016,334.20	
Guangzhou Heying Investment Partnership (Limited Partnership)			285,793,577.87	
Qingdao Home Wow Cloud Network Technology Co., Ltd.			2,547,217.00	
Bingji (Shanghai) Corporate Management Co., Ltd.			1,014,425,293.04	
Youjin (Shanghai) Corporate Management Co., Ltd.			1,843,591,441.88	
RRS (Shanghai) Investment Co., Ltd.			3,351,166,257.98	
Haier Best Water Technology Co., Ltd.			148,369,638.40	
Huizhixiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)			238,806,947.64	
Qingdao Ririshun Huizhi Investment Co., Ltd.			4,083,482.78	
Qingdao Xinshenghui Technology Co., Ltd.			8,598,002.89	
Meiling Candy Washing Machine Co., Ltd.		-24,016,630.01		
EuropaltersItaliaS.r.l.			15,760,505.28	
OryginLLC			13,918,442.26	
Konan Electronic Co., Ltd.			67,770,092.99	
HNR Company (Private) Limited			74,366,909.55	
HPZ LIMITED			88,751,047.98	
HaierRayaElectricS.A.E CONTROLADORAMABES. A.deC.V.		-9,879,160.89	4,685,927,386.53	
MiddleEast Air conditioning Company,Limited			8,820,101.55	-845,634.54
Total	—	-309,161,040.64	24,652,368,172.86	-124,567,882.02

### 13. Investments in other equity instruments

#### (1) Details of investments in other equity instruments

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
SINOPEC Fuel Oil Sales Corporation Limited	1,234,500,000.00	1,290,487,901.40
COSMO IOT Ecosystem Technology Co., Ltd.	2,817,408,000.00	2,812,000,000.00
Other	1,799,974,930.20	749,397,043.23
Total	5,851,882,930.20	4,851,884,944.63

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

Items	Amount for the current period
SINOPEC Fuel Oil Sales Corporation Limited	21,597,813.60
Other	10,009,543.62
Total	31,607,357.22

### 14. Investment properties

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

Items	Houses and buildings	Land use rights	Total
I. Original book value			
1. Opening balance	34,022,711.50	2,128,550.51	36,151,262.01
2. Increase for the period			
(1) External acquisition			
(2) Inventories/fixed assets/construction in progress transferred in			
(3) Increase in business combinations			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			
(3) Other transferring out			
4. Change in foreign exchange rate and others	2,629,072.85		2,629,072.85
5. Closing balance	36,651,784.35	2,128,550.51	38,780,334.86

Items	Houses and buildings	Land use rights	Total
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	1,331,401.97	40,236.22	1,371,638.19
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			
(3) Other transferring out			
4. Change in foreign exchange rate and others	543,830.57		543,830.57
5. Closing balance	12,430,985.69	670,856.60	13,101,842.29
III. Provision for impairment			
1. Opening balance			
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			
(3) Other transferring out			
4. Change in foreign exchange rate and others			
5. Closing balance			
IV. Book value			
1. Closing book value	24,220,798.66	1,457,693.91	25,678,492.57
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 RMB1,371,638.19 (amount for the corresponding period: RMB1,337,191.36).

(3) The recoverable amount of the investment real estate of the Company at the end of the period is not less than its book value, so no provision for impairment is made.



# 15. Fixed assets

## Presented by item

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Fixed assets	27,158,348,424.28	22,303,470,855.46
Disposals of fixed assets		4,543,369.52
Total	27,158,348,424.28	22,308,014,224.98

## 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	26,574,628,944.96	179,083,687.93
2. Increase for the period			
(1) Acquisition	101,657,525.97	1,188,385,651.07	2,167,409.42
(2) Construction in progress transferred in	2,891,101,753.55	2,743,020,391.66	21,453,507.31
(3) Increase in business combinations	590,522.62	710,633.26	
3. Decrease for the period			
(1) Disposal or write-off	46,129,650.12	628,913,476.22	9,351,808.74
(2) Disposal of subsidiaries			754,649.79
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	336,041,830.45	1,446,702,112.84	545,067.44
5. Closing balance	14,637,131,005.80	31,324,534,257.57	193,143,213.57
II. Accumulated depreciation			
1. Opening balance	3,922,452,407.13	13,228,502,231.17	107,950,259.30
2. Increase for the period			
(1) Provision	543,265,392.34	2,588,160,230.25	19,634,196.19
(2) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or write-off	23,016,988.16	487,050,458.86	8,638,193.13
(2) Disposal of subsidiaries			645,746.91
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	95,722,496.92	705,541,332.74	770,125.42
5. Closing balance	4,538,423,308.23	16,035,153,335.30	119,070,640.87

Items	Houses and buildings	Production equipment	Transportation equipment
III. Provision for impairment			
1. Opening balance	29,499,438.21	21,647,562.09	173,485.13
2. Increase for the period			
(1) Provision	109,381.58	2,384,431.73	
(2) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or write-off		5,463,734.01	58,084.82
(2) Disposal of subsidiaries			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	-1,022,795.89	-2,365,489.53	-5,371.31
5. Closing balance	28,586,023.90	16,202,770.28	110,029.00
IV. Book value			
1. Closing book value	10,070,121,673.67	15,273,178,151.99	73,962,543.70
2. Opening book value	7,401,917,177.99	13,324,479,151.70	70,959,943.50

Fixed assets (continued)

Items	Office furniture	Other	Total
I. Original book value:			
1. Opening balance	1,031,464,831.77	2,464,395,005.90	41,603,441,493.89
2. Increase for the period			
(1) Acquisition	94,436,679.81	51,377,212.28	1,438,024,478.55
(2) Construction in progress transferred in	229,928,105.43	358,718,424.14	6,244,222,182.09
(3) Increase in business combinations		1,148,899.85	2,450,055.73
3. Decrease for the period			
(1) Disposal or write-off	51,864,855.66	117,788,696.08	854,048,486.82
(2) Disposal of subsidiary	434,468.68	37,980.00	1,227,098.47
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	21,106,516.36	158,930,592.75	1,963,326,119.84
5. Closing balance	1,324,636,809.03	2,916,743,458.84	50,396,188,744.81
II. Accumulated depreciation			
1. Opening Balance	565,874,594.66	1,418,493,692.20	19,243,273,184.46
2. Increase for the period			
(1) Provision	243,101,288.42	268,425,659.27	3,662,586,766.47
(2) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or write-off	32,221,331.47	51,780,228.89	602,707,200.51
(2) Disposal of subsidiary	414,487.19	36,090.25	1,096,324.35

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Items	Office furniture	Other	Total
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	12,524,084.75	73,571,430.33	888,129,470.16
5. Closing Balance	788,864,149.17	1,708,674,462.66	23,190,185,896.23
III. Provision for impairment			
1. Opening balance	258,528.08	5,118,440.46	56,697,453.97
2. Increase for the period			
(1) Provision		697,457.73	3,191,271.04
(2) Increase in business combinations			
3. Decrease for the period			
(1) Disposal or write-off	6,270.95	2,936,006.73	8,464,096.51
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	-8,869.75	-367,677.72	-3,770,204.20
5. Closing balance	243,387.38	2,512,213.74	47,654,424.30
IV. Book value			
1. Closing book value	535,529,272.48	1,205,556,782.44	27,158,348,424.28
2. Opening book value	465,331,709.03	1,040,782,873.24	22,303,470,855.46

(2) In the current period, the balance of the construction in progress transferred to the original value of the fixed assets in a total of RMB6,244,222,182.09 (amount for the corresponding period: RMB4,269,007,467.86).

(3) As at 31 December 2022, the net book value of the buildings for which the Company has not yet obtained certificates of title was RMB2.037 billion (opening amount of RMB274 million), of which RMB1.884 billion was put into use at the end of 2022 and the relevant certificates of title were being processed. The Company can legally and effectively occupy and operate the above-mentioned buildings for which no certificates of title have been obtained.

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

### (5) Disposals of fixed assets

Items	Closing Balance	Opening Balance	Reason for transferring to disposal
Relocation of Qingdao Industrial Park		4,543,369.52	Demolition
Total		4,543,369.52	

## 16. Construction in progress

## Presented by item

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Items	Closing Balance	Opening Balance
Construction in progress	4,094,684,500.49	4,183,263,398.79
Construction materials		
Total	4,094,684,500.49	4,183,263,398.79

## Construction in progress

## (1) Balance of construction in progress

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Projects	Book balance	Closing Balance Impairment Provision	Book Value	Book balance	Opening Balance Impairment provision	Book Value
Europe Candy Project	467,370,049.46		467,370,049.46	153,117,404.68		153,117,404.68
Eastern European Project	392,579,594.60		392,579,594.60	183,534,295.62		183,534,295.62
America GEA Project	338,096,215.95		338,096,215.95	722,008,600.99		722,008,600.99
Shanghai Washing Appliances Project	315,004,188.48		315,004,188.48	4,756,839.22		4,756,839.22
Qingdao Air Conditioning Electronics Project	313,855,913.14		313,855,913.14	57,933,662.48		57,933,662.48
Zhengzhou New Energy Project	197,524,472.64		197,524,472.64	125,734,579.67		125,734,579.67
New Zealand FPA Project	176,619,361.43		176,619,361.43	111,516,266.46		111,516,266.46
Hefei Drum Washing Machine Project	98,411,863.30		98,411,863.30	54,949,612.93		54,949,612.93
Foshan Freezer Project	97,616,741.69		97,616,741.69	199,726,996.70		199,726,996.70
Qingdao Jiaozhou Washing Appliances Project	93,825,106.07		93,825,106.07	167,168.14		167,168.14
Qingdao Water Ecology Technology Project	92,905,882.13		92,905,882.13			
Hailiyuan Recycling Technology Project	75,470,633.24		75,470,633.24	58,589,285.46		58,589,285.46
Qingdao Smart Appliances Project	67,092,916.99		67,092,916.99	39,116,050.61		39,116,050.61
Special Refrigerator Project	66,136,656.59		66,136,656.59	220,203,225.72		220,203,225.72
Haier Dishwasher Project	64,842,812.91		64,842,812.91	91,964,708.57		91,964,708.57
Wuhan Haier freezer Project	64,045,346.34		64,045,346.34	103,052,450.36		103,052,450.36
Chongqing Water Heater Project	61,350,349.63		61,350,349.63	17,708,337.38		17,708,337.38
Chongqing Washing Appliances Project	59,889,999.86		59,889,999.86			
Tianjin Washing Appliance Project	59,146,925.20		59,146,925.20	59,409,379.45		59,409,379.45

## Section X Financial Report

Projects	Closing Balance			Opening Balance		
	Book balance	Impairment Provision	Book Value	Book balance	Impairment provision	Book Value
Qingdao Development Zone Water Heater Project	59,124,223.22		59,124,223.22	28,850,846.94		28,850,846.94
Hefei Refrigerator Project	57,694,281.98		57,694,281.98	208,080,465.14		208,080,465.14
Others	877,291,584.56	1,210,618.92	876,080,965.64	1,744,048,203.99	1,204,981.72	1,742,843,222.27
Total	4,095,895,119.41	1,210,618.92	4,094,684,500.49	4,184,468,380.51	1,204,981.72	4,183,263,398.79

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

Project name	Opening balance	Increase for the current period	Transfer to fixed assets	Other decrease	Change in foreign exchange rate	Closing balance	Source of fund
					and others		
Europe Candy Project	153,117,404.68	558,282,924.59	308,622,314.33		64,592,034.52	467,370,049.46	Self-funding
Eastern European Project	183,534,295.62	579,942,619.46	374,945,381.00		4,048,060.52	392,579,594.60	Self-funding
America GEA Project	722,008,600.99	561,061,906.71	996,350,326.02		51,376,034.27	338,096,215.95	Self-funding
Shanghai Washing Appliances Project	4,756,839.22	744,624,823.61	434,377,474.35			315,004,188.48	Self-funding
Qingdao Air Conditioning Electronics Project	57,933,662.48	344,820,217.35	88,897,966.69			313,855,913.14	Self-funding
Zhengzhou New Energy Project	125,734,579.67	189,899,480.45	118,109,587.48			197,524,472.64	Self-funding
New Zealand FPA Project	111,516,266.46	213,046,224.99	153,925,175.85		5,982,045.83	176,619,361.43	Self-funding
Hefei Drum Washing Machine Project	54,949,612.93	83,357,570.79	39,895,320.42			98,411,863.30	Self-funding
Foshan Freezer Project	199,726,996.70	39,362,551.12	141,472,806.13			97,616,741.69	Self-funding
Qingdao Jiaozhou Washing Appliances Project	167,168.14	169,026,880.93	75,368,943.00			93,825,106.07	Self-funding
Qingdao Water Ecology Technology Project		92,905,882.13				92,905,882.13	Self-funding
Hailiyuan Recycling Technology Project	58,589,285.46	174,296,964.23	157,415,616.45			75,470,633.24	Self-funding
Qingdao Smart Appliances Project	39,116,050.61	47,146,371.58	19,169,505.20			67,092,916.99	Self-funding
Special Refrigerator Project	220,203,225.72	20,007,471.04	174,074,040.17			66,136,656.59	Self-funding
Haier Dishwasher Project	91,964,708.57	80,495,751.96	107,617,647.62			64,842,812.91	Self-funding
Wuhan Haier freezer Project	103,052,450.36	30,197,051.77	69,204,155.79			64,045,346.34	Self-funding
Chongqing Water Heater Project	17,708,337.38	63,724,952.10	20,082,939.85			61,350,349.63	Self-funding
Chongqing Washing Appliances Project		80,594,688.42	20,704,688.56			59,889,999.86	Self-funding
Tianjin Washing Appliance Project	59,409,379.45	31,743,637.58	32,006,091.83			59,146,925.20	Self-funding
Qingdao Development Zone Water Heater Project	28,850,846.94	74,138,742.78	43,865,366.50			59,124,223.22	Self-funding
Hefei Refrigerator Project	208,080,465.14	45,961,497.56	196,347,680.72			57,694,281.98	Self-funding
Others	1,744,048,203.99	1,801,838,916.53	2,671,879,554.13		3,284,018.17	877,291,584.56	Self-funding/fund raising
Total	4,184,468,380.51	6,026,477,127.68	6,244,332,582.09		129,282,193.31	4,095,895,119.41	

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

Project name	Opening balance	Increase for the current period	Transfer to fixed assets	Other decrease	Change in foreign exchange rate and others	Closing balance
Lejia IOT Project	837,735.85					837,735.85
Others	367,245.87	107,523.90	110,400.00		8,513.30	372,883.07
Total	1,204,981.72	107,523.90	110,400.00		8,513.30	1,210,618.92

**17. 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	1,643,558,415.83	7,023,796.16	44,625,189.74
3. Decrease for the current period			
(1) Disposal	721,830,499.56	4,821,027.13	39,758,835.98
(2) Disposal of subsidiary	686,878.07		
4. Change in foreign exchange rate and others	187,362,591.58	-7,970,760.99	3,339,682.93
5. Closing balance	4,673,699,908.83	37,374,188.44	213,211,277.75
II. Accumulated depreciation			
1. Opening balance	1,186,766,506.57	18,538,537.80	104,827,622.22
2. Increase for the current period			
(1) Provision	723,469,841.56	7,352,846.54	63,260,043.73
3. Decrease for the current period			
(1) Disposal	678,927,696.64	4,821,027.13	37,747,434.96
(2) Disposal of subsidiary	410,841.82		
4. Change in foreign exchange rate and others	53,185,390.50	-2,098,028.65	-4,840,901.53
5. Closing balance	1,284,083,200.17	18,972,328.56	125,499,329.46
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others			
5. Closing balance			
IV. Book Value			
1. Closing book balance	3,389,616,708.66	18,401,859.88	87,711,948.29
2. Opening book balance	2,378,529,772.48	24,603,642.60	100,177,618.84

## Section X Financial Report

### Right-of-use assets (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	9,351,245.42	148,918,518.62	1,853,477,165.77
3. Decrease for the current period			
(1) Disposal	2,174,726.79	210,488,135.97	979,073,225.43
(2) Disposal of subsidiary			686,878.07
4. Change in foreign exchange rate and others	-10,926,649.16	33,871,179.06	205,676,043.42
5. Closing balance	53,135,501.06	364,530,322.79	5,341,951,198.87
II. Accumulated depreciation			
1. Opening balance	17,981,428.91	199,765,091.15	1,527,879,186.65
2. Increase for the current period			
(1) Provision	10,217,962.96	91,808,692.08	896,109,386.87
3. Decrease for the current period			
(1) Disposal	2,174,726.79	210,488,135.97	934,159,021.49
(2) Disposal of subsidiary			410,841.82
4. Change in foreign exchange rate and others	-3,173,259.18	14,233,933.63	57,307,134.77
5. Closing balance	22,851,405.90	95,319,580.89	1,546,725,844.98
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
4. Change in foreign exchange rate and others			
5. Closing balance			
IV. Book Value			
1. Closing book balance	30,284,095.16	269,210,741.90	3,795,225,353.89
2. Opening book balance	38,904,202.68	192,463,669.93	2,734,678,906.53

## 18. Intangible assets

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	36,954,158.55	350,861,991.46
(2) Internal research and development	124,845,373.37		
(3) Increase in business combination			
3. Decrease for the current period			
(1) Disposal	21,150,987.85	20,244,270.89	
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	88,335,587.32	382,545,587.95	469,714.81
5. Closing balance	2,045,745,341.24	4,641,652,220.77	1,617,778,038.37
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	200,049,471.79	146,606,413.97	31,360,014.54
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal	21,150,987.80	17,118,801.38	
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	52,518,817.42	60,519,964.34	-66,681.10
5. Closing balance	1,177,726,697.55	1,012,993,222.17	246,593,605.24
III. Impairment provision			
1. Opening balance			
2. Increase for the current period			
(1) Provision			
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal			
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others			
5. Closing balance			
IV. Book Value			
1. Closing book balance	868,018,643.69	3,628,658,998.60	1,371,184,433.13
2. Opening book balance	906,368,236.43	3,419,411,099.92	1,051,146,060.30



## Section X Financial Report

### Intangible assets (continued)

Items	Trademark rights	Application management software and 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 for the current period			
(1) Purchase		261,891,814.26	650,745,700.10
(2) Internal research and development		703,363,975.05	828,209,348.42
(3) Increase in business combination		10,091,872.50	10,091,872.50
3. Decrease for the current period			
(1) Disposal	39,931.49	62,882,800.64	104,317,990.87
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others	107,299,533.43	236,804,464.65	815,454,888.16
5. Closing balance	2,582,976,744.57	5,344,358,234.62	16,232,510,579.57
II. Accumulated amortization			
1. Opening balance		2,441,416,170.95	4,426,011,484.13
2. Increase for the current period			
(1) Provision		696,925,839.98	1,074,941,740.28
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal		26,462,001.31	64,731,790.49
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others		153,850,762.12	266,822,862.78
5. Closing balance		3,265,730,771.74	5,703,044,296.70
III. Impairment provision			
1. Opening balance		55,930,533.23	55,930,533.23
2. Increase for the current period			
(1) Provision			
(2) Increase in business combination			
3. Decrease for the current period			
(1) Disposal		32,345,627.57	32,345,627.57
(2) Disposal of subsidiary			
(3) Transfer to hold for sale			
4. Change in foreign exchange rate and others			
5. Closing balance		23,584,905.66	23,584,905.66
IV. Book Value			
1. Closing book balance	2,582,976,744.57	2,055,042,557.22	10,505,881,377.21
2. Opening book balance	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 the 20.47% of the original value at the end of the period (accounting for 17.06% at the beginning of the period).

## 19. Development cost

Items	Opening balance	Increase for the current period	Decrease for the current period			Change in foreign exchange rate and others	Closing balance
			Recognized as intangible asset	Included in current profit and loss	Disposal of subsidiary		
91ABD. ERP IT							
Program	41,946,252.47	91,741,744.72	128,722,339.21			2,573,460.44	7,539,118.42
IOT Project	110,027,251.84	75,735,477.82	185,762,729.66				
Others	75,918,724.82	739,267,880.70	513,724,279.55	165,680,958.99		11,160,030.27	146,941,397.25
Total	227,892,229.13	906,745,103.24	828,209,348.42	165,680,958.99		13,733,490.71	154,480,515.67

## 20. Goodwill

Items	Opening balance	Increase for the current period	Decrease for the current period	Change in foreign exchange rate and others	Closing balance
GEA	18,938,463,729.43			1,743,253,534.79	20,681,717,264.22
Candy	1,877,121,985.56			52,831,999.59	1,929,953,985.15
Others	1,011,517,345.77	13,817,128.58		6,589,920.15	1,031,924,394.50
Total	21,827,103,060.76	13,817,128.58		1,802,675,454.53	23,643,595,643.87

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

The recoverable amount of the asset group (including goodwill) is calculated with discounted estimated future cash flow method based on a management-approved 5–15 years budget. Future cash flows beyond the budget period are estimated using the estimated perpetual annual growth rate. The perpetual annual growth rate (mainly 2%) adopted by the management is consistent with industry forecast data and does not exceed the long-term average growth rate of each product. The management determines the compound income growth rate (mainly 2.29%–6.68%) and the EBITDA profit margin (mainly 4.29%–12.43%) based on historical experience and market development forecasts, and adopts the pre-tax interest rate that can reflect the specific risks of the relevant asset group as the discount rate (mainly 10.2%–16.25%). The management analyzes the recoverable amount of each asset group based on these assumptions and believes that there is no need to make provision for goodwill.

## 21. Long-term amortized expenses

Items	Opening balance	Increase for the current period	Amortization for the current period	Other decrease	Change in foreign exchange rate and others	Closing balance
Renovation	341,401,034.69	451,003,919.97	334,678,428.86		79,964.56	457,806,490.36
Improvement on leased property	154,175,600.78	17,739,906.50	28,204,841.03		2,747,442.97	146,458,109.22
Others	93,566,442.42	111,560,990.57	48,454,979.49		-1,053,878.88	155,618,574.62
Total	589,143,077.89	580,304,817.04	411,338,249.38		1,773,528.65	759,883,174.20

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

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

Items	Closing balance	Opening balance
Provision for assets impairment	484,686,533.08	354,806,051.43
Liabilities	1,524,046,160.33	1,405,119,092.59
Internal unrealized earnings eliminated due to combination	848,773,608.23	619,291,715.60
Uncovered losses	217,344,490.61	817,306,157.01
R&D expenses	615,110,766.72	56,914,918.90
Others	347,135,709.18	393,477,903.16
Total	4,037,097,268.15	3,646,915,838.69

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

Items	Closing balance	Opening balance
Asset amortisation	3,006,598,088.30	2,318,829,386.48
Remeasurement of fair value of the reaming equity on the day when the control right was lost	878,623,804.46	878,623,804.46
Changes in fair value of investments in other equity instruments	293,662,487.81	292,476,080.49
Others	494,850,409.06	421,341,222.80
Total	4,673,734,789.63	3,911,270,494.23

- (3) The deferred income tax assets and the deferred income tax liabilities eliminated at the end of the period was RMB2,314,874,230.44 (amount at the beginning of the period RMB1,789,467,320.40).

Other explanation:

☐ Applicable ☒ Not Applicable

**23. Other non-current assets**

Items	Closing balance	Opening balance
Prepayments for equipment and land	1,671,590,606.02	1,859,693,694.07
Others	209,146,285.61	304,690,319.07
Total	1,880,736,891.63	2,164,384,013.14

**24. Short-term borrowings**

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Item	Closing balance	Opening balance
Borrowings — secured by pledge	70,878,338.07	255,103,925.36
Borrowings — secured by guarantee	84,506,733.93	304,896,830.40
Borrowings — secured by credit	9,479,489,787.33	10,661,927,352.96
Interest payable for short-term borrowings	8,499,873.13	4,284,025.67
Total	9,643,374,732.46	11,226,212,134.39

**25. Financial liabilities held for trading**

Items	Closing balance	Opening balance
Forward foreign exchange contracts		6,294,014.40
Total		6,294,014.40

**26. Derivative financial liabilities**

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange contracts	92,580,419.48	60,527,532.76
Forward commodity contracts	12,013,621.18	
Interest rate swap agreement		19,684,900.48
Total	104,594,040.66	80,212,433.24

### 27. Bills payable

√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Commercial acceptance notes	2,212,721,304.36	3,022,602,833.31
Bank acceptance notes	22,878,224,116.92	22,000,635,573.41
Total	25,090,945,421.28	25,023,238,406.72

### 28. Accounts payables

√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Accounts payables	41,883,694,299.24	42,363,218,840.33
Total	41,883,694,299.24	42,363,218,840.33

The book balance at the end of the period was mainly the unpaid expenditures on material and labour.

### 29. Contractual liabilities

√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Contractual liabilities	9,329,554,748.34	10,027,091,593.60
Total	9,329,554,748.34	10,027,091,593.60

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

**30. Payables for staff remuneration**√ Applicable    ☐ Not Applicable**(1) Payables for staff remuneration**

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Short-term remuneration	3,988,907,110.68	25,946,782,966.68	26,119,959,546.22	3,815,730,531.14
II. Post-employment benefits defined contribution plan	19,100,855.17	1,370,126,936.35	1,323,781,624.17	65,446,167.35
III. Termination benefits	9,818,188.41	67,018,092.95	41,669,406.96	35,166,874.40
IV. Other benefits due within one year	101,599,133.34	58,929,753.80	26,407,705.66	134,121,181.48
Total	4,119,425,287.60	27,442,857,749.78	27,511,818,283.01	4,050,464,754.37

**(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, allowances and benefit	2,848,692,628.83	19,241,002,573.90	19,430,129,697.82	2,659,565,504.91
II. Employee welfare	321,996,794.22	972,603,845.99	961,551,256.01	333,049,384.20
III. Social benefit	171,645,833.66	1,746,401,940.66	1,693,687,072.96	224,360,701.36
IV. Housing fund	11,137,621.51	507,873,900.28	513,974,914.65	5,036,607.14
V. Labor union fee and education fund	3,790,540.75	121,507,187.96	116,272,286.45	9,025,442.26
VI. Short-term compensated leave	268,213,164.85	491,622,903.29	499,213,550.01	260,622,518.13
VII. Others	363,430,526.86	2,865,770,614.60	2,905,130,768.32	324,070,373.14
Total	3,988,907,110.68	25,946,782,966.68	26,119,959,546.22	3,815,730,531.14

## Section X Financial Report

### (3) Defined contribution plan

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
1. Basic pension insurance	18,396,477.11	1,280,918,422.91	1,235,152,520.94	64,162,379.08
2. Unemployment insurance	132,417.35	35,062,369.94	34,847,957.35	346,829.94
3. Enterprise annuity payment	571,960.71	54,146,143.50	53,781,145.88	936,958.33
Total	19,100,855.17	1,370,126,936.35	1,323,781,624.17	65,446,167.35

### (4) Termination benefits

Items	Closing balance	Opening balance
Termination compensation	35,166,874.40	9,818,188.41
Total	35,166,874.40	9,818,188.41

## 31. Taxes payable

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Value-added tax	860,587,585.73	961,934,808.61
Corporate income tax	1,702,692,154.06	1,308,563,619.70
Individual income tax	100,168,757.87	94,885,149.39
City maintenance and construction tax	28,202,062.65	40,423,487.04
Education surcharge	14,512,234.06	16,193,890.94
The electrical and electronic products waste treatment fund	97,068,373.00	95,522,090.50
Other taxes	69,615,659.80	90,299,610.19
Total	2,872,846,827.17	2,607,822,656.37

**32. Other payables**√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Dividends payable	1,246,573.35	10,639,313.22
Other payables	17,510,525,089.35	17,559,700,612.54
Total	17,511,771,662.70	17,570,339,925.76

**(1) Dividends payable**

Name of unit	Closing balance	Opening balance
Other public shareholders	1,246,573.35	10,639,313.22
Total	1,246,573.35	10,639,313.22

**(2) Other payables**

Items	Closing balance	Opening balance
Other payables	17,510,525,089.35	17,559,700,612.54
Total	17,510,525,089.35	17,559,700,612.54

The closing balance mainly included the incurred but unpaid costs.

**33. 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	2,854,446,929.32	6,745,950,334.20
Lease liabilities due within one year	903,249,632.59	687,991,183.42
Anticipated liabilities due within one year	2,537,054,105.17	2,190,397,652.84
Total	6,294,750,667.08	9,624,339,170.46



## 34. Other current liabilities

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Payable refund	624,887,787.38	655,801,519.33
Tax amount to be transferred to output tax	1,198,555,405.78	1,568,670,492.94
Others	26,982,922.63	14,295,539.13
Total	1,850,426,115.79	2,238,767,551.40

## 35. Long-term borrowings

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Borrowings — unsecured by credit	13,567,316,873.43	3,038,573,824.53
Borrowings — secured by guarantee	23,550,000.00	
Total	13,590,866,873.43	3,038,573,824.53

The interest rates of the Company's long-term borrowings: 1.19%–5.31%.

## 36. 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 considered and approved the scheme to convert the exchangeable bonds into convertible bonds. The underlying shares of the original exchangeable bonds were changed from the shares of Haier Electronic to newly issued H-shares of Haier Smart Home (referred to as EB to CB Scheme). On 23 December 2020, H-shares of Haier Smart Home were listed and traded, and the EB-to-CB Scheme took effect. The outstanding principle amount of the original exchangeable bonds was HK\$7.993 billion. The maturity date, coupon rate and yield rate of the bond remain unchanged. The liability component and equity component of convertible bonds at the initial recognition:

Items	Convertible corporate bonds on 23 December 2020
Initial recognition:	9,105,660,619.93
Including :	
Equities of the convertible bond	2,364,195,333.79
Liabilities of the convertible bond	6,741,465,286.14

Changes in the liability portion of corporate bonds in the current period:

Items	Opening balance	Increase for the current period	Accrued bond interest for the current period	Less: bond	Redemption in the current period	Shares converted in the current period	Exchange rate impact	Closing balance
				interest paid for the current period				
Convertible corporate bonds (CBI)	334,730,048.82		5,847,637.75		4,848,724.30	361,395,824.17	25,666,861.90	
Total	334,730,048.82		5,847,637.75		4,848,724.30	361,395,824.17	25,666,861.90	

### 37. Lease liabilities

Items	Closing balance	Opening balance
Lease liabilities	3,727,727,303.21	2,648,886,164.89
Less: lease liabilities due within one year	903,249,632.60	687,991,183.42
Total	2,824,477,670.61	1,960,894,981.47

### 38. Long-term payables

Items	Closing balance	Opening balance
Investment from CDB development fund	36,500,000.00	36,500,000.00
Others	7,740,087.94	63,102,707.76
Less: long-term payables due within one year		
Total	44,240,087.94	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 of the end of the period, the subsidiaries of the Company made buyback in amount of RMB36.5 million.

## 39. Long-term employee benefits payable

√ Applicable    ☐ Not Applicable

### (1) Long-term employee benefits payable

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
I. Post-employment benefits: net liability of defined benefit plan	417,072,669.76	517,077,143.43
II. Termination benefits	386,522,704.17	453,425,129.57
III. Provision for work-related injury compensation	206,951,828.41	202,649,488.64
Total	1,010,547,202.34	1,173,151,761.64

### (2) Defined benefits 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 assumptions used to defined benefit plans

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	8,755,696.92
1. Current service cost	7,455,244.10
2. Past service cost	
3. Settlement gains (loss indicated in '—')	
4. Interest cost	1,300,452.82
III. Defined benefit cost recognized in other comprehensive income	-2,115,953.62
1. Actuarial loss (gain indicated in '—')	-2,115,953.62
IV. Other changes	-32,490,184.11
1. The consideration paid at the time of settlement	
2. Benefit paid	-16,945,470.21
3. Exchange differences	-15,544,713.90
V. Closing balance	253,301,981.31

## Fair value of plan assets

Items	Amount
I. Opening balance	337,081,685.24
II. Defined benefit cost recognized in current profit and loss	6,137,579.93
1. Interest income	6,137,579.93
III. Defined benefit cost recognized in other comprehensive income	-23,745,622.09
1. Return on plan assets (except those included in net interests)	-23,745,622.09
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-25,728,500.35
1. Employer contributions	2,351,112.64
2. Benefit paid	-9,140,773.62
3. Exchange differences	-18,938,839.37
V. Closing balance	293,745,142.73

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

## Section X Financial Report

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	2,618,116.99
III. Defined benefit cost recognized in other comprehensive income	21,629,668.47
IV. Other changes	-6,761,683.76
V. Closing balance	-40,443,161.42

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 post-employment defined benefit plan of health care benefits to eligible employees.

Actuarial assumptions used in defined benefit plans

Items	Rate
Discount rate	5.59%

Present value of defined benefit obligations

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	11,160,460.51
1. Current service cost	7,310,935.93
2. Past service cost	
3. Settlement gains (loss indicated in '—')	
4. Interest cost	3,849,524.58
IV. Defined benefit cost recognized in other comprehensive incomes	-29,716,130.82
1. Actuarial loss (gain indicated in '—')	-29,716,130.82
V. Other changes	13,353,406.38
1. The consideration paid at the time of settlement	
2. Benefit paid	-7,637,603.12
3. Plan amendments	9,659,287.75
4. Exchange differences	11,331,721.75
VI. Closing balance	123,777,420.24

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	11,160,460.51
IV. Defined benefit cost recognized in other comprehensive incomes	-29,716,130.82
V. Other changes	13,353,406.38
VI. Closing balance	123,777,420.24

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

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

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

Actuarial assumptions used in defined benefit plans

Items	Rate
Discount rate	5.51%

## Section X Financial Report

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	5,965,648.96
1. Current service cost	
2. Past service cost	
3. Settlement gains (loss indicated in '—')	
4. Interest cost	5,965,648.96
IV. Defined benefit cost recognized in other comprehensive incomes	-24,365,460.38
1. Actuarial loss (gain indicated in '—')	-24,365,460.38
V. Other changes	-8,098,449.97
1. The consideration paid at the time of settlement	
2. Benefit paid	-26,970,932.93
3. Exchange differences	18,872,482.96
VI. Closing balance	195,104,194.13

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	5,965,648.96
IV. Defined benefit cost recognized in other comprehensive incomes	-24,365,460.38
V. Other changes	-8,098,449.97
VI. Closing balance	195,104,194.13

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 defined benefit plan of pension for the eligible employees.

Actuarial assumptions used in defined benefit plans

Items	Rate
Discount rate	5.51%

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	4,081,765.48
1. Current service cost	
2. Past service cost	
3. Settlement gains (loss indicated in '—')	
4. Interest cost	4,081,765.48
IV. Defined benefit cost recognized in other comprehensive incomes	-23,095,869.18
1. Actuarial loss (gain indicated in '—')	-23,095,869.18
V. Other changes	-20,629,461.15
1. The consideration paid at the time of settlement	
2. Benefit paid	-34,139,499.45
3. Exchange differences	13,510,038.30
VI. Closing balance	126,866,875.02



## 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. Interest income	
III. Defined benefit cost recognized in other comprehensive incomes	-10,974,063.63
1. Return on plan assets (except those included in net interests)	-10,974,063.63
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-23,006,241.35
1. Employer contributions	2,502,057.77
2. Benefits paid out	-35,597,949.95
3. Exchange differences	10,089,650.83
V. Closing balance	92,039,772.87

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	4,081,765.48
IV. Defined benefit cost recognized in other comprehensive income	-12,121,805.55
V. Other changes	2,376,780.20
VI. Closing balance	34,827,102.15

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

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

Items	Amount
I. Opening balance	202,649,488.64
II. Business combination not under common control	
III. Compensation recognized in current profit and loss	96,295,893.87
IV. Actual compensation paid	-64,397,610.92
V. Other changes	-27,595,943.18
VI. Closing balance	206,951,828.41

Classification of the balance of defined benefit plan

Items	Closing balance	Opening balance
Short-term Benefit	36,444,790.69	32,502,729.33
Long-term Benefit	417,072,669.76	517,077,143.43
Total	453,517,460.45	549,579,872.76

**40. Estimated liabilities**

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance
Active litigation	29,259,869.48	18,469,174.18
Others	252,996,489.56	262,077,808.56
Projection of warranty expenses and installation fees	1,666,309,118.07	1,330,482,237.43
Total	1,948,565,477.11	1,611,029,220.17

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

#### 41. 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	262,630,986.65	166,490,419.80	948,935,134.05
Total	852,794,567.20	262,630,986.65	166,490,419.80	948,935,134.05

#### 42. Share capital

Share category	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	62,864,163	14,970,200	9,446,598,493
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	62,864,163	14,970,200	3,138,045,839
4. Others				
III. Total shares	9,398,704,530	62,864,163	14,970,200	9,446,598,493

**43. Other equity instruments**

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Equity portion of convertible bond	118,017,507.59		118,017,507.59	
Total	118,017,507.59		118,017,507.59	

**44. Capital reserve**

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Share premium (share capital premium)	21,590,525,556.91	1,445,824,970.89	786,112,567.91	22,250,237,959.89
Others capital reserve	1,074,849,182.55	912,283,606.31	385,333,423.99	1,601,799,364.87
Total	22,665,374,739.46	2,358,108,577.20	1,171,445,991.90	23,852,037,324.76

The main reasons for the change in capital premium: The non-public issue of H shares for the current period resulted in the increase in capital premium of RMB898,627,404.94; the conversion of CB for the current period resulted in the increase in capital premium of RMB457,962,768.76; the cancellation of treasury stock for the current period resulted in the decrease in capital premium of RMB315,351,869.05; a business combination under the same control occurred for the current period resulted in the decrease in capital premium of RMB304,818,769.28.

The main reasons for the change in other capital reserves: the amortized share-based payment for the current period included in other capital reserves of RMB912,283,606.31; the exercise of stock ownership plan for the current period resulted in the decrease in other capital reserves of RMB218,448,143.60.

#### 45. Other comprehensive income

Items	Amounts for the current period						Others	Closing balance
	Opening balance	Amount before current income tax	Deduction of Impact on income tax	Attributable to the parent company after tax	Attributable to minority shareholders after tax			
a	-341,470,688.45	99,921,599.99	—	99,921,599.99	-0.00			-241,549,088.46
b	1,618,386.47	816,720.90	9,010,066.04	2,308,423.98	7,518,362.96			3,926,810.45
c	-1,916,614,455.79	3,158,845,054.75		3,168,394,472.68	-9,549,417.93			1,251,780,016.89
d	1,005,776,349.60	-150,689,650.82	13,862,982.16	-136,488,922.01	-337,746.65	336,152.58		869,623,580.17
e	73,838,708.25	38,812,373.94	-5,738,054.65	33,063,471.15	10,848.14			106,902,179.40
Total	-1,176,851,699.92	3,147,706,098.76	17,134,993.55	3,167,199,045.79	-2,357,953.48	336,152.58		1,990,683,498.45

Notes:

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

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

Item b represents cash flow hedge reserves (the effective part of the cash flow hedge profit and loss).

Item c represents exchange differences on translation of financial statements denominated in foreign currencies.

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

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

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

#### 46. 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	575,574,713.40		3,966,533,821.65
Discretionary surplus reserve	26,042,290.48			26,042,290.48
Reserve fund	11,322,880.64			11,322,880.64
Enterprise expansion fund	10,291,630.47			10,291,630.47
Total	3,438,615,909.84	575,574,713.40		4,014,190,623.24

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

**47. Undistributed profits**

√ Applicable    □ Not Applicable

Items	Amounts
Undistributed profits at the end of previous year	47,907,134,328.80
Change in accounting policy	
Combination under common control	58,136,031.99
Undistributed profits at the beginning of the year	47,965,270,360.79
Add: net profit attributable to owners of the parent company	14,710,923,491.99
Other transfer in	172,960,573.19
Adjustment due to implementation of enterprise accounting standard	
Profit available for appropriation for the year	62,849,154,425.97
Less: appropriation of statutory surplus reserve	575,574,713.40
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	4,296,634,791.21
Undistributed profits at the end of period	57,976,944,921.36

**48. Operating income and operating cost****(1) Operating income**

Items	Amount for the current period	Amount for the previous period
Primary business	242,431,313,231.23	226,120,377,524.14
Other Business	1,082,250,439.50	985,440,117.55
Total	243,513,563,670.73	227,105,817,641.69

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

Categories	Amount for the current period		Amount for the previous period	
	Primary business income	Primary business cost	Primary business income	Primary business cost
Air conditioner	40,059,458,698.75	28,599,397,831.67	37,531,431,456.40	27,048,946,901.15
Refrigerator	77,637,761,907.85	52,883,745,098.80	71,569,789,213.81	48,835,867,469.21
Kitchen appliance	38,740,706,547.12	26,213,735,106.82	35,244,040,315.09	23,735,209,066.45
Water appliance	13,786,852,209.99	7,443,373,512.28	12,470,593,776.21	6,760,377,744.75
Washing machine	57,721,991,613.33	38,583,555,563.97	54,758,839,273.57	36,334,162,716.43
Equipment product and integrated channel services	14,484,542,254.19	13,065,622,141.68	14,545,683,489.06	12,989,119,690.80
Total	242,431,313,231.23	166,789,429,255.22	226,120,377,524.14	155,703,683,588.79

## Section X Financial Report

### 49. Taxes and surcharge

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
City maintenance and construction tax	290,126,011.45	302,871,487.15
Education surcharge	190,906,821.86	217,297,845.37
Property tax	61,713,388.92	58,844,071.60
Land use tax	21,637,047.83	16,126,888.33
Stamp duty	206,692,727.74	176,355,444.58
Others	42,213,230.03	37,116,582.03
Total	813,289,227.83	808,612,319.06

### 50. Selling expenses

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Selling expenses	38,597,810,391.10	36,584,438,840.05
Total	38,597,810,391.10	36,584,438,840.05

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

### 51. Administrative expenses

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Administrative expenses	10,837,316,878.50	10,471,531,966.20
Total	10,837,316,878.50	10,471,531,966.20

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

**52. R&D expenses**√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
R&D expenses	9,499,191,097.85	8,363,868,872.76
Total	9,499,191,097.85	8,363,868,872.76

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

**53. Financial expenses**√ Applicable   ☐ Not Applicable

Items	Amount for the current period	Amount for the previous period
Interest expense	984,142,709.25	712,462,772.83
Less: interest income	855,178,860.53	566,432,900.38
Less: cash discount	142,905,868.01	163,118,260.27
Exchange gains and losses (gains are represented by '-')	-371,894,224.02	577,463,512.90
Others	140,206,872.26	124,346,494.67
Total	-245,629,371.05	684,721,619.75

Interest expenditure in lease liabilities in the current period is RMB96,997,943.85 (amount for the corresponding period: RMB113,104,014.07).

**54. 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	966,389,191.58	875,988,212.18
Government grants related to assets	103,374,416.98	82,525,988.76
Total	1,069,763,608.56	958,514,200.94



**55. Investment income (losses are represented by '-')**

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	1,582,178,829.86	1,887,911,034.17
Investment income from disposal of long-term equity investments	27,123,485.74	5,189,653.78
Investment income from other equity instrument investments during holding period	31,607,357.22	58,638,795.05
Income from wealth management products	92,625,406.55	60,011,933.94
Investment income from disposal of financial assets measured at fair value with changes included in current profit and loss	99,121,873.23	393,124,704.67
Total	1,832,656,952.60	2,404,876,121.61

**56. Gains on changes in fair value (losses are represented by '-')**

Items	Amount for the current period	Amount for the previous period
Change in fair value of forward foreign exchange contracts	-134,151,416.10	53,963,469.20
Change in fair value of equity investments	59,522,888.36	46,729,587.36
Change in fair value of fund investments	-37,211,579.82	18,097,485.77
Others	-10,602,826.09	487,081.52
Total	-122,442,933.65	119,277,623.85

**57. Credit impairment loss (losses are represented by '-')**

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Bad debts losses on bills receivable	1,901,562.15	-55,738,551.40
Bad debts losses on accounts receivable	-420,692,343.10	-362,209,683.09
Bad debts losses on other receivable	-12,586,699.87	-102,351,680.93
Total	-431,377,480.82	-520,299,915.42

**58. Impairment loss on assets (losses are represented by '-')**

Items	Amount for the current period	Amount for the previous period
Impairment losses on inventory	-1,144,921,827.01	-1,057,658,740.03
Impairment losses on other current assets	-280,818,239.06	-325,647,466.98
Impairment losses on fixed assets	-3,191,271.04	-4,624,930.91
Impairment losses on construction in progress	-107,523.90	-372,747.55
Impairment losses on intangible assets		-29,631,196.82
Impairment losses on long-term equity investment	-845,634.54	-818,536.53
Impairment losses on contract assets	-69,975,265.71	
Total	-1,499,859,761.26	-1,418,753,618.82

**59. 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	257,217,030.01	127,741,157.10
Losses on disposal of non-current assets	-50,474,214.22	-16,757,437.06
Total	206,742,815.79	110,983,720.04

**60. Non-operating income**

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Total gains on disposal of non-current assets	2,647,656.16	1,546,396.81
Quality claims and fines	46,841,255.42	37,390,034.91
Others	87,038,358.38	160,131,926.76
Total	136,527,269.96	199,068,358.48

## 61. Non-operating expenses

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Total losses on disposal of non-current assets	27,077,182.74	22,285,702.85
Others	163,629,787.05	136,964,575.40
Total	190,706,969.79	159,250,278.25

## 62. Income tax expenses

### (1) Statement of income tax expenses

Items	Amount for the current period	Amount for the previous period
Current income tax expense	2,751,728,843.58	2,507,855,951.35
Deferred income tax expense	305,811,089.58	197,397,904.54
Total	3,057,539,933.16	2,705,253,855.89

### (2) Reconciliation between accounting profit and income tax expenses for the current period

Items	Amounts
Total accounting profit	17,789,721,551.69
Income tax expense calculated pursuant to statutory tax rate	4,447,430,387.92
Impact from different tax rates applicable to subsidiaries	-832,397,707.79
Impact from adjustment to income tax in prior periods	-215,282,210.40
Impact from non-taxable income	-493,234,020.50
Impact from non-deductible cost, expense and loss	199,136,849.33
Impact from deductible provisional differences or deductible losses of unrecognized deferred tax	226,227,840.39
Others	-274,341,205.79
Total income tax expense	3,057,539,933.16

**63. Other comprehensive income**√ Applicable   ☐ Not Applicable

Please refer to notes VII.45 for details.

**64. Other cash received from operating activities**√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Deposits and securities	146,194,549.40
Government grants	856,331,974.78
Non-operating income excluding government grants	49,872,811.00
Interest income	554,921,958.03
Others	62,395,840.69
Total	1,669,717,133.90

**65. Other cash paid to operating activities**√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Cash paid on selling expenses	17,494,555,343.05
Cash paid on administrative and R&D expenses	6,533,466,704.27
Cash paid on financial expenses	133,646,664.77
Non-operating expenses	21,293,448.35
Others	71,195,948.75
Total	24,254,158,109.19

### 66. Other cash paid to investing activities

√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Disposal of subsidiary	218,440,847.94
Total	218,440,847.94

### 67. Other cash received from financing activities

√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Others	1,000,000.00
Total	1,000,000.00

### 68. Other cash paid to financing activities

√ Applicable   ☐ Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Repurchase of shares	2,012,393,016.13
Cash paid to lease	956,996,323.37
Cash paid for acquisition of subsidiaries through business combination under common control	312,957,760.00
Purchase of minority interests in subsidiaries	56,960,660.00
Others	8,494,694.74
Total	3,347,802,454.24

## 69. 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>	14,732,181,618.53	13,232,259,371.01
Add: impairment provision for assets	1,931,237,242.08	1,939,053,534.24
Depreciation of fixed assets	4,560,067,791.53	3,899,373,994.04
Amortization of intangible assets	1,074,941,740.28	905,996,786.57
Amortization of long-term prepaid expenses	411,338,249.38	257,802,793.09
Losses on disposal of fixed assets, intangible assets and other long-term assets ('-' represents 'gains')	-182,313,289.21	-90,244,414.00
Loss and gains on change of fair value ('-' represents 'gains')	122,442,933.65	-119,277,623.85
Financial expenses ('-' represents 'gains')	612,248,485.23	1,289,922,731.05
Loss on investments ('-' represents 'gains')	-1,832,656,952.60	-2,404,876,121.61
Decrease in deferred income tax assets ('-' represents 'increase')	-452,670,928.44	115,139,652.25
Increase of deferred income tax liabilities ('-' represents 'decrease')	758,482,018.03	82,258,252.29
Decrease in inventories ('-' represents 'increase')	-2,773,685,039.99	-11,480,423,018.54
Decrease of operational account receivables ('-' represents 'increase')	1,781,282,453.76	5,372,841,776.18
Increase of operational account payables ('-' represents 'decrease')	-1,597,814,712.03	9,875,284,130.88
Others	1,008,424,173.16	360,268,847.35
Net cash flow generated from operational activities	20,153,505,783.35	23,235,380,690.95
<b>2. Significant investment and financing activities not involving cash inflows and outflows:</b>		
Capital transferred from debts	361,395,824.17	6,368,251,389.85
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
<b>3. Net changes of cash and cash equivalents:</b>		
Cash balance at the end of the period	53,368,813,384.61	45,197,664,411.15
Less: cash balance at the beginning of the period	45,197,664,411.15	45,790,589,785.11
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	8,171,148,973.46	-592,925,373.96

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### 70. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	53,368,813,384.61	45,197,664,411.15
Including: Cash on hand	5,312,391.11	3,085,964.28
Bank deposits always available for payment	52,955,417,379.16	45,010,311,638.51
Other monetary funds always available for payment	408,083,614.34	184,266,808.36
II. Cash equivalents		
Including: bond investments due within three months		
III. Closing balance of cash and cash equivalents	53,368,813,384.61	45,197,664,411.15

### 71. Monetary items in foreign currency

Items	Closing balance			Opening balance		
	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
Monetary funds						
USD	1,290,843,958.56	6.9646	8,990,211,833.81	850,630,647.69	6.3757	5,423,365,820.48
EUR	47,915,506.82	7.4229	355,672,015.56	149,225,110.60	7.2197	1,077,360,530.99
JPY	2,642,036,348.79	0.052358	138,331,739.15	10,520,503,841.74	0.055415	582,993,720.39
HKD	647,479,463.24	0.8933	578,393,404.51	483,444,582.35	0.8176	395,264,290.53
Others			2,630,279,781.27			2,955,290,563.22
Subtotal			12,692,888,774.30			10,434,274,925.61
Accounts receivables						
USD	770,735,456.70	6.9649	5,368,095,382.34	721,343,093.77	6.3757	4,599,067,162.94
EUR	480,679,854.02	7.4229	3,568,038,488.40	413,528,990.85	7.2197	2,985,555,255.25
JPY	4,448,523,930.25	0.052358	232,915,815.94	4,064,574,659.93	0.055415	225,238,404.78
Others			3,648,407,445.01			3,668,237,038.46
Subtotal			12,817,457,131.69			11,478,097,861.43
Short-term borrowings						
USD	337,460,553.02	6.9646	2,350,277,767.57	347,844,969.69	6.3757	2,217,755,173.25
EUR	551,092,544.77	7.4229	4,090,704,850.58	883,863,602.21	7.2197	6,381,230,048.85
JPY		0.052358		623,360,869.80	0.055415	34,543,542.60
HKD	2,600,000,000.00	0.8933	2,322,580,000.00	2,600,000,000.00	0.8176	2,125,760,000.00
Others			518,039,984.83			328,850,057.11
Subtotal			9,281,602,602.98			11,088,138,821.81
Accounts payables						
USD	1,941,535,383.62	6.9646	13,522,017,332.77	2,033,952,669.54	6.3757	12,967,872,035.21
EUR	626,564,863.63	7.4229	4,650,928,326.21	640,851,532.98	7.2197	4,626,755,812.65

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Items	Closing balance			Opening balance		
	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
JPY	7,649,104,013.60	0.052358	400,491,787.94	8,161,874,338.90	0.055415	452,290,266.49
NZD	150,709,317.71	4.4162	665,562,488.87	151,371,298.46	4.3553	659,267,416.20
Others			3,276,292,812.40			3,268,885,987.84
Subtotal			22,515,292,748.19			21,975,071,518.39
Non-current liabilities due in one year						
USD	501,395,115.52	6.9646	3,492,016,421.53	757,148,488.12	6.3757	4,827,351,615.72
EUR	82,207,419.42	7.4229	610,217,453.64	214,053,730.55	7.2197	1,545,403,718.47
JPY	2,057,044,588.88	0.052358	107,702,740.58	3,705,244,389.61	0.055415	205,326,117.85
RUB	471,424,350.04	0.0942	44,408,173.77	651,073,870.06	0.0855	55,666,815.89
Others			86,526,344.63			1,589,397,292.33
Subtotal			4,340,871,134.16			8,223,145,560.26
Long-term borrowings						
USD	742,230,000.00	6.9646	5,169,335,058.00	403,838,717.50	6.3757	2,574,754,511.17
EUR	698,254,017.68	7.4229	5,183,069,747.86	37,498,911.17	7.2197	270,730,888.98
RUB	250,000,000.00	0.0942	23,550,000.00	186,061,000.00	0.0855	15,908,215.50
JPY		0.052358		3,197,333,012.36	0.055415	177,180,208.88
Others			1,014,924,067.59			
Subtotal			11,390,878,873.45			3,038,573,824.53



## VIII.CHANGES OF CONSOLIDATION SCOPE

### 1. Business combination not under common control

√ Applicable    ☐ Not Applicable

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

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Name of the acquiree	Point of time of acquisition of equity	Cost for acquisition of equity	The proportion of equity acquired	Method of acquisition of equity	Combination date	Basis for determining the combination	Revenue of the acquiree from combination date to the end of the period	Net profit of the acquiree from combination date to the end of the period
Midwest Sales & Service Inc.	July 2022	5,949,248.00	100	Acquisition of asset	July 2022	Asset delivery	26,121,516.00	-191,464.04

#### (2) Combination cost and goodwill

Items	Midwest Sales & Service Inc.
— Cash	5,949,248.00
— Contingent consideration	
Total combination cost	5,949,248.00
Less: acquired identifiable	
Share of fair value of net assets	3,965,339.58
Amount of goodwill	1,983,908.42

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

Items	Midwest Sales & Service Inc.	
	Fair value	Book value
Accounts receivables	2,706,845.21	2,706,845.21
Prepayments	166,538.44	166,538.44
Inventories	1,112,129.27	1,266,800.74
Fixed assets	364,162.70	336,708.75
Intangible assets	1,500,000.00	
Accounts payables	-1,715,934.54	-1,715,934.54
Other payables	-168,401.50	-168,401.50
Net assets	3,965,339.58	2,592,557.10
Less: minority interests		
Net assets acquired	3,965,339.58	2,592,557.10

## 2. Business combination under common control

√ Applicable    □ Not Applicable

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

Name of the acquiree	The proportion of equity acquired in the business combination	The basis for the transaction of constituting business combination under common control	Combination date	Recognition basis of combination date
Qingdao Ririshun Service Co., Ltd.	100.00%	Controlled by Haier Group Corporation before and after combination	2022.6	Subject equity-related right and obligation transferred to the Company
Haier Robot Technology (Qingdao) Co., Ltd. (海尔机器人科技(青岛)有限公司)	100.00%	Controlled by Haier Group Corporation before and after combination	2022.6	Subject equity-related right and obligation transferred to the Company
Qingdao Haier Special Plastic R&D Co., Ltd.	100.00%	Controlled by Haier Group Corporation before and after combination	2022.9	Subject equity-related right and obligation transferred to the Company

(Continued)

Name of the acquiree	The income of the acquiree from the beginning of the current period to combination date	Net profit of the acquiree from the beginning of the current period to combination date	The income of the acquiree during the comparison period	Net profit of the acquiree during the comparison period
Qingdao Ririshun Service Co., Ltd.	37,211.90	1,421,013.21	94,116,731.27	-4,254,036.49
Haier Robot Technology (Qingdao) Co., Ltd. (海尔机器人科技(青岛)有限公司)	205,120,142.19	3,052,468.49	243,526,079.57	7,385,686.65
Qingdao Haier Special Plastic R&D Co., Ltd.	476,266,547.25	8,461,133.81	753,473,339.41	10,367,061.02

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### (2) Combination cost

Combination cost	Cash	Equity
Qingdao Ririshun Service Co., Ltd.	50,957,800	32,169,100
Haier Robot Technology (Qingdao) Co., Ltd. (海尔机器人科技(青岛)有限公司)	125,000,000	N/A
Qingdao Haier Special Plastic R&D Co., Ltd.	152,000,000	N/A

### (3) Book value of acquiree's assets and liabilities as at the combination date

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
Inventory	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	Haier Robot Technology (Qingdao) Co., Ltd. (海尔机器人科技(青岛)有限公司)	
	Combination date	End of the previous period
Monetary funds	70,965,249.26	54,371,498.79
Accounts receivables	35,633,561.58	32,228,299.73
Inventory	64,895,694.34	36,212,378.79
Other current assets		990,753.45
Long-term asset	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 within 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

Items	Qingdao Haier Special Plastic R&D Co., Ltd.	
	Combination date	End of the previous period
Monetary funds	115,521,114.49	126,298,139.94
Accounts receivables	92,983,452.02	102,437,201.57
Inventory	28,093,776.31	12,687,209.27
Other current assets	1,692,415.37	
Long-term asset	17,888,167.23	9,245,933.66
Deferred income tax assets		
Less: Accounts payables	104,855,934.97	108,198,443.08
Payables for staff's remuneration	3,109,652.36	3,485,652.36
Taxes payable	859,443.39	2,313,952.81
Other current liabilities	11,552,679.62	
Net assets	135,801,215.08	136,670,436.19

### 3. Disposal of subsidiary

Whether single disposal of investment in subsidiary will result in losing control power:

Items	Yantai Ririshun Electronics Co., Ltd.	Hainengwanjia (Shanghai) Technology Development Co., Ltd. (海能万嘉(上海)科技发展有限公司)	Shanghai Youyue Information Technology Co., Ltd. (上海优悦信息科技有限公司)
Equity disposal price	26,139,242.23		1,045,500.00
Proportion of equity disposal	81.00%	51%	62.50%
Method of equity disposal	Disposal	Disposal	Disposal
Time of loss-of-control	2022.1	2022.9	2022.12
Basis for determination the time of loss-of- control	Cancellation	Transfer	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		8,171,950.75

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(Continued)

Items	Hangzhou Gandao Intelligent Technology Co., Ltd. (杭州甘道智能科技有限公司)	Tianjin Internet of clothes Ecological Technology Co., Ltd. (天津衣联网生态科技有限公司)	Qingdao Haier Strauss Smart Chip Technology Co., Ltd. (青岛海尔施特劳斯智芯科技有限公司)
Equity disposal price	1,000,000.00	33,000.00	
Proportion of equity disposal	51.00%	100%	67.90%
Method of equity disposal	Disposal	Disposal	Cancellation
Time of loss-of-control	2022.11	2022.11	2022.2
Basis for determination the time of loss-of- control	Transfer	Transfer	Cancellation
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level	293,204.50	135,796.59	2,226.81

#### 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.
- (5) Qingdao Haier Air-Conditioner Electronics Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Haixiangzhi Technology Co., Ltd. (青岛海享智科技有限公司) for the period.

- (6) Hefei Haier Refrigerator Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary, Qingdao Haier Refrigeration Appliance Co., Ltd. (青岛海尔制冷电器有限公司) for the period.
- (7) Qingdao Haier Dishwasher Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary, Chongqing Haier Washing Appliance Co., Ltd. (重庆海尔洗涤电器有限公司) for the period.

## IX. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Composition of the Group

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Flourishing Reach Limited	Mainland of China	Bermuda	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

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Guizhou Haier Electronics Co., Ltd.	Huichuan District, Zunyi City, Guizhou Province	Huichuan District, Zunyi City, Guizhou Province	Manufacture and sale of refrigerator	59.00%		59.00%	Business combination under common control
Hefei Haier Air-conditioning Co., Limited	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air-conditioners	100.00%		100.00%	Business combination under common control
Wuhan Haier Electronics Holding Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air-conditioners	60.00%		60.00%	Business combination under common control
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of air-conditioners	100.00%		100.00%	Business combination under common control
Qingdao Haier Information Plastic Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacturing of plastic products	100.00%		100.00%	Business combination under common control
Dalian Haier Precision Products Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and sale of precise plastics	90.00%		90.00%	Business combination under common control
Hefei Haier Plastic Co., Ltd.	Hefei Economic & Technological Development Area	Hefei Economic & Technological Development Area	Manufacture and sale of plastic parts	95.17%	4.83%	100.00%	Business combination under common control
Qingdao Meier Plastic Powder Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of plastic powder, plastic sheet and high-performance coatings	40.00%	60.00%	100.00%	Business combination under common control
Chongqing Haier Precision Plastic Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Plastic products, sheet metal work, electronics and hardware	90.00%	10.00%	100.00%	Business combination under common control
Qingdao Haier Refrigerator Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and production of fluorine-free refrigerators	100.00%		100.00%	Establishment
Qingdao Haier Refrigerator (International) Co., Ltd.	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	Manufacture of refrigerators	100.00%		100.00%	Establishment
Qingdao Household Appliance Technology and Equipment Research Institute	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and development of home appliances mold and technological equipment	100.00%		100.00%	Establishment
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development and sales of health-related small home appliance	98.33%		98.33%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
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
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	Develop, purchase and sell electrical products and components	98.00%	2.00%	100.00%	Establishment
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and application of home appliances, communication, electronics and network engineering technology	91.46%	1.01%	92.47%	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



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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
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
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
Haier Refrigerator Co., Ltd.	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Processing and manufacturing of refrigerator	100.00%		100.00%	Establishment
Qingdao Haier Intelligent Building Technology Co., Ltd. (青岛海尔智慧楼宇科技有限公司)	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 S	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 refrigerator	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 freezer	100.00%		100.00%	Establishment
Qingdao Haidayuan Procurement Service Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Develop, purchase and sell electrical products and components	100.00%		100.00%	Establishment
Qingdao Haier Intelligent Technology Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and research of home appliance products	100.00%		100.00%	Establishment
Qingdao Hairi High Technology Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, manufacture and sales of product model and mould		100.00%	100.00%	Business combination under common control
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Industrial design and prototype production		75.00%	75.00%	Business combination under common control

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Beijing Haier Guangke Digital Technology Co., Ltd.	Beijing	Beijing	Development, promotion and transfer of technology		55.00%	55.00%	Business combination under common control
Shanghai Haier Medical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail of medical facility		66.87%	66.87%	Establishment
Qingdao Haier Technology Co., Ltd.	Qingdao	Qingdao	Development and sales of software and information product	100.00%		100.00%	Business combination under common control
Qingdao Haier Technology Investment Co., Ltd.	Qingdao	Qingdao	Entrepreneurship investment and consulting	100.00%		100.00%	Establishment
Qingdao Casarte Smart Living Appliances Co., Ltd.	Qingdao	Qingdao	Development, production and sales of appliances		100.00%	100.00%	Establishment
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Qingdao	Qingdao	Sales of home appliances and digital products		100.00%	100.00%	Establishment
Haier Overseas Electric Appliance Co., Ltd.	Qingdao	Qingdao	Sales of home appliances, international freight forwarding	100.00%		100.00%	Establishment
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Dalian	Dalian	Sales of home appliances, international freight forwarding	100.00%		100.00%	Business combination under common control
Qingdao Haier Central Air Conditioning Co., Ltd.	Qingdao	Qingdao	Production and sales of air 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, chuange 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

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	Qingdao	Qingdao	Production and sales of home appliances		100.00%	100.00%	Establishment
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		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		60.00%	60.00%	Establishment
Qingdao Haizhi Robotics Co., Ltd. (青岛海知机器人科技有限公司)	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. (青岛海美汇管理咨询有限公司)	Qingdao	Qingdao	Leasing and business services		100.00%	100.00%	Establishment
Wuxi Yunshang Internet of Clothing Technology Co., Ltd. (无锡云裳衣联网科技有限公司)	Wuxi	Wuxi	Internet of Things technology R & D		100.00%	100.00%	Establishment
Qingdao Haidacheng Procurement Service Co., Ltd.	Qingdao	Qingdao	Develop, purchase and sell electrical products and components	100.00%		100.00%	Establishment
Guangdong Heilong Intelligent Technology Co. Ltd (广东黑龙智能科技有限公司)	Guangzhou	Guangzhou	Scientific research and technology service sector		76.72%	76.72%	Business combination not under common control

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Beijing Haixianghui Technology Co., Ltd. (北京海享汇科技有限公司)	Beijing	Beijing	Scientific research and technology service sector		100.00%	100.00%	Establishment
Qingdao Hairuijiejing Electronics Co., Ltd. (青岛海瑞洁净电子有限公司)	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. (海尔智家体验云生态科技有限公司)	Qingdao	Qingdao	Technology development of smart home products, whole furniture customization, etc.	100.00%		100.00%	Establishment
Haier Smart Home (Qingdao) Network Co., Ltd. (海尔智家(青岛)网络有限公司)	Qingdao	Qingdao	Technical services, development, consulting, transfer, etc.		100.00%	100.00%	Establishment
Haier Smart Home (Qingdao) Network Operation Co., Ltd. (海尔智家(青岛)网络运营有限公司)	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. (青岛酒联网物联科技有限公司)	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. (青岛菱海空调设备有限公司)	Qingdao	Qingdao	Manufacture and production of air conditioner and refrigeration equipment		100.00%	100.00%	Establishment
Shenzhen Yunshang Internet of Clothes Technology Co., Ltd. (深圳云裳衣联网科技有限公司)	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. (青岛海享学人力资源有限公司)	Qingdao	Qingdao	Professional intermediary activities	100.00%		100.00%	Establishment
Jiangxi Haier Medical Technology Co., Ltd.	Jiangxi	Jiangxi	Wholesale and retail of medical equipment		100.00%	100.00%	Establishment
Qingdao Haizhi Yunlan Technology Co., Ltd. (青岛海智云岚科技有限公司)	Qingdao	Qingdao	Technical service development		100.00%	100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Qingdao Haishengze Technology Co., Ltd.	Qingdao	Qingdao	Air conditioning equipment technical services		100.00%	100.00%	Establishment
Qingdao Hailiyuan Recycling Technology Co., Ltd.	Qingdao	Qingdao	Electrical and electronic products waste treatment		100.00%	100.00%	Establishment
Qingdao Haier HVAC Equipment Co., Ltd. (青岛海尔暖通空调设备有限公司)	Qingdao	Qingdao	Manufacture and sale of air-conditioners	75.00%	25.00%	100.00%	Establishment
Qingdao Haier Home AI Industry Innovation Center Co., Ltd. (青岛海尔家庭人工智能产业创新中心有限公司)	Qingdao	Qingdao	Integrated service of AI industry application system		100.00%	100.00%	Establishment
Zhejiang Weixi IoT Technology Co., Ltd. (浙江卫玺物联科技有限公司)	Zhejiang	Zhejiang	IoT application service		100.00%	100.00%	Establishment
Qingdao Haier Quality Inspection Co., Ltd. (青岛海尔质量检测有限公司)	Qingdao	Qingdao	Inspection and testing of home appliance	100.00%		100.00%	Business combination under common control
Qingdao Haiyongcheng Certification Service Co., Ltd. (青岛海永成认证服务有限公司)	Qingdao	Qingdao	Product certification service		100.00%	100.00%	Business combination under common control
Qingdao Zhonghai Borui Testing Technology Service Co., Ltd. (青岛中海博睿检测技术服务有限公司)	Qingdao	Qingdao	Home appliance testing and technology consulting		100.00%	100.00%	Business combination under common controls
Qingdao Haier Special Plastic Development Co., Ltd.	Qingdao	Qingdao	Manufacture and sale of refrigerator doors		100.00%	100.00%	Business combination under common controls
Haier Robot Technology (Qingdao) Co., Ltd. (海尔机器人科技(青岛)有限公司)	Qingdao	Qingdao	Manufacture and sale of service robots		100.00%	100.00%	Business combination under common controls
Qingdao Ririshun Service Co., Ltd.	Qingdao	Qingdao	After-sale service of home appliances		100.00%	100.00%	Business combination under common controls
Qingdao Haizhiling Air Conditioning Engineering Co., Ltd. (青岛海智菱空调工程有限公司)	Qingdao	Qingdao	Software development and sale of daily necessities		100.00%	100.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Haier Smart Home (Xiongan, Hebei) Technology Co., Ltd. (海尔智家科技(河北雄安)有限公司)	Qingdao	Qingdao	Promotion of energy-saving technology		100.00%	100.00%	Establishment
Qingdao Ruibo Ecological Environmental Technology Co., Ltd. (青岛瑞博生态环保科技有限公司)	Qingdao	Qingdao	Environmental and AI technology consulting	100.00%		100.00%	Establishment
Qingdao Sanyiniao Technology Co., Ltd. (青岛三翼鸟科技有限公司)	Qingdao	Qingdao	Technology service and advertisement design		100.00%	100.00%	Establishment
Qingdao Jingzhi Recycle Environmental Technology Co., Ltd. (青岛鲸智再生资源环保科技有限公司)	Qingdao	Qingdao	Operation of dangerous waste		100.00%	100.00%	Establishment
Qingdao Yunshang Jieshen Yilian Technology Co., Ltd. (青岛云裳洁神衣联科技有限公司)	Qingdao	Qingdao	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Shanghai Yunshang Yuyi IoT Technology Co., Ltd. (上海云裳羽衣物联科技有限公司)	Shanghai	Shanghai	Professional cleaning and sale of daily necessities		100.00%	100.00%	Establishment
Shijiazhuang Yunshang Yilian Technology Co., Ltd. (石家庄云裳衣联科技有限公司)	Shijiazhuang	Shijiazhuang	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Nanjing Yunshang Yilian Technology Co., Ltd. (南京云裳衣联科技有限公司)	Nanjing	Nanjing	Professional cleaning and sale of daily necessities		80.00%	80.00%	Establishment
Shanxi Yunshang Yilian Technology Co., Ltd. (山西云裳衣联科技有限公司)	Shanxi	Shanxi	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Tianjin Yunshang Yilian Technology Co., Ltd. (天津云裳衣联网科技有限公司)	Tianjin	Tianjin	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Chongqing Yunshang Haihong Yilian Technology Co., Ltd. (重庆云裳海宏衣联科技有限公司)	Chongqing	Chongqing	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment

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Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding		% of voting right	Method
				Direct	Indirect		
Chengdu Yunshang Meier Yilian Technology Co., Ltd. (成都云裳美尔衣联科技有限公司)	Chengdu	Chengdu	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Beijing Yunshang Yilian Technology Co., Ltd. (北京云裳衣联科技有限公司)	Beijing	Beijing	Professional cleaning and sale of daily necessities		51.00%	51.00%	Establishment
Chengdu Yunshang Yilian Technology Co., Ltd. (成都云裳衣联科技有限公司)	Chengdu	Chengdu	Professional cleaning and sale of daily necessities		100.00%	100.00%	Establishment
Qingdao Haier Water Ecology Technology Co., Ltd. (青岛海尔水生态科技有限公司)	Qingdao	Qingdao	Technology service, development and consultation		100.00%	100.00%	Establishment
Qingdao Haixiangmian Technology Co., Ltd. (青岛海享眠科技有限公司)	Qingdao	Qingdao	Sale of food and daily necessities		100.00%	100.00%	Establishment
Qingdao Haier Kitchen IoT Technology Co., Ltd. (青岛海尔厨联网物联科技有限公司)	Qingdao	Qingdao	Technology service and sale of daily necessities		100.00%	100.00%	Establishment
Tibet Haifeng Intelligent Innovation Technology Co., Ltd. (西藏海峰智能创新科技有限公司)	Tibet	Tibet	Development of software and medical equipment		100.00%	100.00%	Establishment
Qingdao Haixiangzhi Technology Co., Ltd. (青岛海享智科技有限公司)	Qingdao	Qingdao	Manufacturing of home appliances		100.00%	100.00%	Establishment
Qingdao Haier Refrigeration Appliance Co., Ltd. (青岛海尔制冷电器有限公司)	Qingdao	Qingdao	Manufacturing of home appliances		100.00%	100.00%	Establishment
Chongqing Haier Washing Appliance Co., Ltd. (重庆海尔洗涤电器有限公司)	Chongqing	Chongqing	Manufacturing of home appliances		100.00%	100.00%	Establishment
Microenterprises such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd.	All over the country	All over the country	Sales of home appliances				Establishment

Reasons for including subsidiaries which the Company has 50% or less of the equity into the scope of consolidated financial statements:

At the end of the reporting period, the Company had substantial control over the finance and operation of companies like Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd, which were included into the scope of consolidated financial statements.

**(2) Material non-wholly owned subsidiaries**

Name of subsidiaries	Shareholding of minority shareholders	Profit or loss attributable to minority shareholders for the current period	Distribute dividends to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
Guizhou Haier Electronics Co., Ltd.	41.00%	18,163,882.93	-13,120,000.00	113,721,893.53
Wuhan Haier Electronics Holding Co., Ltd.	40.00%	9,406,875.12		258,330,069.24

**(3) Summarized financial information in respect of material non-wholly owned subsidiaries**

Name of subsidiary	Current assets	Non-current assets	Closing balance Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guizhou Haier Electronics Co., Ltd.	470,967,911.51	74,062,299.71	545,030,211.22	261,666,739.20	5,993,000.00	267,659,739.20
Wuhan Haier Electronics Holding Co., Ltd.	924,844,806.17	133,143,608.30	1,057,988,414.47	412,163,241.37		412,163,241.37



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(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 Holding 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			
	Operating income	Net profit	Total comprehensive income	Cash flow of operating activities
Guizhou Haier Electronics Co., Ltd.	1,600,827,796.63	44,302,153.48	44,302,153.48	-15,368,670.01
Wuhan Haier Electronics Holding Co., Ltd.	1,742,719,032.53	23,517,187.80	23,517,187.80	-71,319,433.90

(continued)

Name of subsidiary	Amount for the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow of operating activities
Guizhou Haier Electronics Co., Ltd.	1,434,916,082.22	34,970,709.04	34,970,709.04	428,271,861.58
Wuhan Haier Electronics Holding Co., Ltd.	1,658,928,537.91	15,000,470.71	15,000,470.71	124,310,705.76

## 2. Transactions leading to the change of shareholding in subsidiaries but not losing the control

√ Applicable   ☐ Not Applicable

### (1) Description of changes in the share of owners' equity in subsidiaries

√ Applicable   ☐ Not Applicable

Capital contribution by minority shareholders of the subsidiary of the Company leads to changes in the Company's shareholding ratio.

### (2) Impact of the transactions on minority interest and the equity attributable to shareholders of the Company:

Items	Others
Total Consideration for acquisition/disposal	54,639,935.57
Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed	5,258,549.54
Difference	-49,381,386.03
Including: adjustment to increase capital reserve	-49,381,386.03

## 3. Interests in joint ventures and associates

√ Applicable   ☐ Not Applicable

### (1) Joint ventures and associates

Name of joint venture and associates	Principal place of business	Place of registration	Nature of business	Nature of business	Accounting treatment of investment
Haier Group 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. (青岛河钢新材料科技股份有限公司)	Qingdao	Qingdao	Steel plate manufacturing	23.94%	Equity method
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	Qingdao	Qingdao	Venture Capital	63.13%	Equity method
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Qingdao	Qingdao	Manufacturing of home appliances	45.00%	Equity method
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Qingdao	Qingdao	Manufacturing of home appliances	49.00%	Equity method
Qingdao Haier Multimedia Co., Ltd	Qingdao	Qingdao	R&D and sales of television	20.20%	Equity method
Hefei Feier Smart Technology Co., Ltd.	Hefei	Hefei	Technology development	40.00%	Equity method
Anhui Kunhe Intelligent Technology Co., Ltd.	Hefei	Hefei	Electrical equipment R&D	30.00%	Equity method

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Name of joint venture and associates	Principal place of business	Place of registration	Nature of business	Nature of business	Accounting treatment of investment
Zhejiang Futeng Fluid Technology Co., Ltd.	Huzhou	Huzhou	Gas compression machinery development and manufacturing	48.00%	Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technology development	36.29%	Equity method
Beijing ASU Tech Co., Ltd.	Beijing	Beijing	Technical service import and export business	36.45%	Equity method
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	Shenzhen	Shenzhen	Technical advisory services	14.70%	Equity method
Qingdao Haimu Investment Management Co., Ltd.	Qingdao	Qingdao	Investment management	49.00%	Equity method
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	Qingdao	Qingdao	Investment management	24.00%	Equity method
Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd. (青岛国创智能家电研究院有限公司)	Qingdao	Qingdao	Development of home appliances	35.51%	Equity method
Hainengwanjia (Shanghai) Technology Development Co., Ltd. (海能万嘉(上海)科技发展有限公司)	Shanghai	Shanghai	Construction work	20.00%	Equity method
Guangzhou Heying Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Investment	49.00%	Equity method
Qingdao Home Wow Cloud Network Technology Co., Ltd	Qingdao	Qingdao	Home online service	24.93%	Equity method
Bingji (Shanghai) Corporate Management Co., Ltd.	Shanghai	Shanghai	Investment management	45.00%	Equity method
Youjin (Shanghai) Corporate Management Co., Ltd	Shanghai	Shanghai	Investment management	45.00%	Equity method
RRS (Shanghai) Investment Co., Ltd. (日日顺(上海)投资有限公司)	Shanghai	Shanghai	Investment management	45.00%	Equity method
Haier Best Water Technology Co., Ltd. (倍世海尔饮水科技有限公司)	Qingdao	Qingdao	Water equipment technology development service	49.00%	Equity method
HuizhiXiangshun Equity Investment Fund (Qingdao) Partnership (Limited Partnership)	Qingdao	Qingdao	Investment management	30.00%	Equity method
Qingdao RRS Huizhi Investment Co., Ltd.	Qingdao	Qingdao	Investment management	50.00%	Equity method
Qingdao Xinchenghui Technology Co., Ltd. (青岛鑫晟汇科技有限公司)	Qingdao	Qingdao	Technology service development	20.00%	Equity method
Europalters Italia S.r.l.	Europe	Europe	Sales 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 home appliance	25.01%	Equity method
HNR Company (Private) Limited	Pakistan	Pakistan	Manufacturing of home appliance	31.72%	Equity method
ControladoraMabeS.A.deC.V.	Mexico	Mexico	Manufacturing of home appliance	48.41%	Equity method
Middle East Air conditioning Company,Limited	Saudi Arabia	Saudi Arabia	Sales of home appliances	49.00%	Equity method

**(2) Major financial information of important associates**√ Applicable    ☐ Not Applicable**① The basic profile of important associates:**

Haier Group Finance Co., Ltd. (hereinafter referred to as 'Finance company') was established by Haier Group Corporation and its three affiliates. Registration place and principal place of business: No.178-2 Haier Road, Laoshan District, Qingdao City. The Company's subsidiaries hold an aggregate of 42.00% equity interest in Finance Company.

**② Financial information of important associates:**

Unit and Currency: RMB

Items	Finance company	
	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Current assets	62,367,859,305.44	61,294,606,916.47
Non-current assets	12,622,422,390.73	9,404,030,263.35
Total assets	74,990,281,696.17	70,698,637,179.82
Current liabilities	56,509,751,262.74	53,403,515,414.15
Non-current liabilities	480,084,424.03	369,623,253.07
Total liabilities	56,989,835,686.77	53,773,138,667.22
Minority equity interests		
Equity attributable to shareholders of the parent company	18,000,446,009.40	16,925,498,512.60
Including: share of net assets calculated per shareholding percentage	7,560,187,323.95	7,108,709,375.29
Operating income	2,037,253,129.20	2,039,657,544.66
Net profit	1,585,017,777.56	1,503,077,521.32
Other comprehensive income	9,929,719.24	-38,457,038.17
Total comprehensive income	1,594,947,496.80	1,464,620,483.15
Dividend received from associates for the year	218,400,000.00	218,400,000.00

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### (3) Summarized financial information of insignificant joint ventures and associates

Investment in associates	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Bank of Qingdao Co., Ltd.	2,934,085,854.00	2,654,248,436.12
Wolong Electric (Jinan) Motor Co., Ltd.	174,697,807.74	151,837,378.99
Qingdao Hegang New Material Technology Co., Ltd. (青岛河钢新材料科技股份有限公司)	314,802,331.45	312,493,256.21
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	319,245,649.36	393,598,372.59
Mitsubishi Heavy Industries Haier (Qingdao) Airconditioners Co., Ltd.	715,461,260.26	682,901,976.73
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	413,367,540.80	409,053,808.05
Qingdao Haier Multimedia Co., Ltd.	153,550,234.50	277,102,563.88
Qingdao Haier Moulds Co., Ltd.		269,158,534.54
Hefei Feier Smart Technology Co., Ltd.		265,106.27
Anhui Kunhe Intelligent Technology Co., Ltd.	1,997,782.61	1,877,574.14
Zhejiang Futeng Fluid Technology Co., Ltd.	77,807,408.84	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.	12,829,433.78	15,529,700.01
Shenzhen Genyuan Environmental Protection Technology Co., Ltd.	6,914,487.73	6,914,487.73
Qingdao Haimu Investment Management Co., Ltd.	2,521,766.42	2,465,299.70
Qingdao Haimu Smart Home Investment Partnership (Limited Partnership)	58,905,912.88	59,424,662.44
Hainengwanjia (Shanghai) Technology Development Co., Ltd. (海能万嘉(上海)科技发展有限公司)	772,938.88	
Qingdao Guochuang Intelligent Household Appliance Research Institute Co., Ltd. (青岛国创智能家电研究院有限公司)	45,016,334.20	
Guangzhou Heying Investment Partnership (Limited Partnership)	285,793,577.87	285,793,577.87
Qingdao Home Wow Cloud Network Technology Co., Ltd.	2,547,217.00	2,600,050.50
Bingji (Shanghai) Corporate Management Co., Ltd.	1,014,425,293.04	972,200,487.88
Youjin (Shanghai) Corporate Management Co., Ltd.	1,843,591,441.88	1,766,819,068.86
RRS (Shanghai) Investment Co., Ltd. (日日顺(上海)Investment有限公司)	3,351,166,257.98	3,211,580,125.21
Haier Best Water Technology Co., Ltd. (倍世海尔饮水科技有限公司)	148,369,638.40	79,785,557.39

<b>Investment in associates</b>	<b>Closing balance/ Amount for the current period</b>	<b>Opening balance/ Amount for the previous period</b>
HuizhiXiangshun Equity Investment Fund (Qingdao) 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. (青岛鑫晟汇科技有限公司)	8,598,002.89	9,964,773.52
Meiling Candy Washing Machine Co., Ltd. (美菱卡迪洗衣机有限公司)		22,752,232.07
EuropaltersItaliaS.r.l.	15,760,505.28	9,361,965.48
Orygin LLC	13,918,442.26	
Konan Electronic Co., Ltd	67,770,092.99	69,273,712.61
HNR Company (Private) Limited	74,366,909.55	114,055,318.97
HPZ LIMITED	88,751,047.98	71,269,048.97
Haier Raya Electric S.A.E		10,568,507.40
ControladoraMabeS.A.deC.V.	4,685,927,386.53	4,131,983,673.10
Middle East Air conditioning Company,Limited	8,820,101.55	10,318,898.13
Total book value of investment	17,092,180,848.82	16,218,584,554.49
Total amount of the following financial data of associates calculated based on shareholding percentage		
Net profit	917,792,070.74	1,276,185,381.16
Other comprehensive income	95,751,117.93	-34,119,700.06
Total comprehensive income	1,013,543,188.67	1,242,065,681.10

### X. SEGMENT REPORT

√ Applicable    ☐ Not Applicable

The Company is principally engaged in manufacture and sales of home appliances and relevant services business, manufacture of upstream home appliances parts, distribution of products of third party, logistics 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.
- 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 and so on.

(3) Other business segments: mainly include channel, equipment components, small home appliance business and others.

Due to centralized management under the headquarters or exclusion from the assessment scope of segment management, the total assets of segments exclude monetary funds, financial assets held for trading, derivative financial assets, dividends receivable, held-for-sale financial assets, other current assets, debt investment, long-term accounts receivable, long-term equity investment, other equity instruments investment, other non-current financial assets, goodwill and deferred income tax assets; the total liabilities of segments exclude long-term and short-term borrowings, financial liabilities held for trading, derivative financial liabilities, taxes payable, interests payable, dividends payable, held-for-sale liabilities, bonds payable, deferred income tax liabilities and other non-current liabilities; profits of segments exclude financial expenses, profit or loss in fair value changes, income from investment, and income on disposal of assets, Non-value-added tax refundable upon imposition component of other income, non-operating incomes and expenses and income tax.

## (1) Information of reportable segments

## Segment information for the period

Segment information	China smart home business				
	Internet of Food solutions		Air energy solutions	Internet of clothing solutions W	Whole house water solutions
	Refrigerator/ freezers	Kitchen appliances	Air conditioners	Washing machine	Water home appliances
Segment revenue	43,199,470,772.09	3,763,429,363.37	33,946,969,623.71	31,613,988,663.17	13,854,726,199.27
Including: external revenue	39,027,034,631.31	3,113,540,694.76	28,386,620,301.46	27,076,387,016.95	13,542,203,958.47
Inter-segment revenue	4,172,436,140.78	649,888,668.61	5,560,349,322.25	4,537,601,646.22	312,522,240.80
Total segment operating cost	39,396,647,949.90	3,695,684,203.26	33,076,503,084.49	28,544,566,501.17	12,141,922,308.40
Segment operating profit	3,802,822,822.19	67,745,160.11	870,466,539.22	3,069,422,162.00	1,712,803,890.87
Total segment assets	14,577,249,272.86	2,326,675,305.96	15,101,978,985.73	14,156,800,879.35	6,504,143,011.57
Total segment liabilities	34,825,770,806.25	1,674,425,538.49	11,709,730,530.33	8,711,401,637.34	5,287,383,764.72

(continued)

Segment information	Overseas home appliance and smart home business	Other business	Inter-segment eliminations	Total
Segment revenue	125,423,825,543.85	84,251,398,520.89	-92,540,245,015.62	243,513,563,670.73
Including: external revenue	124,703,758,491.87	7,664,018,575.91		243,513,563,670.73
Inter-segment revenue	720,067,051.98	76,587,379,944.98	-92,540,245,015.62	
Total segment operating cost	119,174,719,653.59	85,153,874,973.61	-92,585,243,582.25	228,598,675,092.17
Segment operating profit	6,249,105,890.26	-902,476,452.72	44,998,566.63	14,914,888,578.56
Total segment assets	64,106,295,908.67	46,119,831,030.71	-43,669,842,995.53	119,223,131,399.32
Total segment liabilities	34,773,662,612.50	56,005,860,058.46	-43,436,908,965.22	109,551,325,982.87



## 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	Internet of clothing solutions
	Refrigerator/	Kitchen	Air conditioners	Air conditioners	Water home appliances
	freezers	appliances			
Segment revenue	41,743,157,017.74	3,495,589,873.43	32,192,834,146.73	30,658,121,874.87	12,701,189,534.01
Including: external revenue	36,854,876,837.94	3,013,351,768.25	27,412,948,533.30	25,916,495,249.83	12,478,797,708.26
Inter-segment revenue	4,888,280,179.80	482,238,105.18	4,779,885,613.43	4,741,626,625.04	222,391,825.75
Total segment operating cost	38,754,084,806.60	3,442,698,782.42	31,944,204,039.40	27,951,528,749.31	11,242,746,656.47
Segment operating profit	2,989,072,211.14	52,891,091.01	248,630,107.33	2,706,593,125.56	1,458,442,877.54
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 eliminations	Total
Segment revenue	113,725,197,263.88	91,716,273,350.33	-99,126,545,419.30	227,105,817,641.69
Including: external revenue	113,090,283,595.32	8,339,063,948.79		227,105,817,641.69
Inter-segment revenue	634,913,668.56	83,377,209,401.54	-99,126,545,419.30	
Total segment operating cost	107,799,170,859.34	91,912,861,706.02	-99,170,658,940.10	213,876,636,659.46
Segment operating profit	5,926,026,404.54	-196,588,355.69	44,113,520.80	13,229,180,982.23
Total segment assets	57,368,272,498.73	51,126,662,397.31	-63,373,327,405.31	112,802,795,942.98
Total segment liabilities	33,874,070,274.78	59,750,131,702.98	-63,106,428,270.31	110,197,446,579.56

**(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	116,754,660,544.84	111,866,568,165.67
Other countries/regions	126,758,903,125.89	115,239,249,476.02
Among which:		
America	76,629,831,084.82	70,277,292,639.70
Australia	6,962,360,306.70	7,011,702,914.33
South Asia	8,283,959,988.29	7,138,132,421.70
Europe	23,031,521,394.12	19,736,797,708.72
Southeast Asia	5,179,557,555.83	4,740,118,325.43
Middle East and Africa	1,970,513,900.11	1,478,785,406.72
Japan	3,568,558,534.13	3,491,226,268.28
Others	1,132,600,361.89	1,365,193,791.14
Total	243,513,563,670.73	227,105,817,641.69

**Total non-current assets**

Items	Closing balance	Opening balance
Mainland China	19,355,615,775.70	16,573,428,753.11
Other countries/regions	29,019,302,954.24	25,209,296,729.73
Total	48,374,918,729.94	41,782,725,482.84

Total non-current assets exclude: debt investments, long-term receivable, long-term equity investments, other equity instrument investments, other non-current financial assets, goodwill and deferred income tax assets.

## XI. DISCLOSURE OF FAIR VALUE

### 1. Fair value of assets and liabilities measured at fair value

The level to which the fair value measurement result belongs is determined by the lowest level to which the input value is significant to the fair value measurement as a whole:

Level 1: Unadjusted quotes for the same asset or liability in an active market.

Level 2: Inputs that are directly or indirectly observable for related assets or liabilities, except for Level 1 inputs.

Level 3: Unobservable inputs of related assets or liabilities.

#### At the end 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>	395,687,084.83	14,638,968.26	109,486,827.82	519,812,880.91
Including: Bank wealth management products		14,638,968.26		14,638,968.26
Investment fund	168,430,847.63			168,430,847.63
Investment in equity instruments	227,256,237.20		109,486,827.82	336,743,065.02
<b>Derivative financial assets</b>		183,185,160.51		183,185,160.51
Including: Forward foreign exchange contract		178,992,877.32		178,992,877.32
Forward commodity contract		4,192,283.19		4,192,283.19
<b>Other equity instruments</b>	16,353,773.34	1,027,550,923.67	4,807,978,233.19	5,851,882,930.20
Including: Equity instruments measured at fair value and changes of which included in other comprehensive income	16,353,773.34	1,027,550,923.67	4,807,978,233.19	5,851,882,930.20
Derivative financial liabilities		104,594,040.66		104,594,040.66
Including: Forward foreign exchange contract		92,580,419.48		92,580,419.48
Forward commodity contracts		12,013,621.18		12,013,621.18
<b>Other non-current liabilities</b>			16,916,789.10	16,916,789.10
Including: put option liability			16,916,789.10	16,916,789.10

## At the beginning of the period

Items	Input used for fair value measurement			Total
	Quotes in an	Important	Important	
	active market (Level 1))	observable input (Level 2)	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 fund	150,516,274.37			150,516,274.37
Investment in equity instruments	224,266,143.39		106,291,467.43	330,557,610.82
Derivative financial assets		79,819,974.01		79,819,974.01
Including: Forward foreign exchange contract		72,822,190.59		72,822,190.59
Interest rate swap agreement		6,997,783.42		6,997,783.42
Other equity instruments	21,055,159.54	2,812,000,000.00	2,018,829,785.09	4,851,884,944.63
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	2,018,829,785.09	4,851,884,944.63
Other non-current assets			46,832,494.61	46,832,494.61
Including: Other non-current financial assets			46,832,494.61	46,832,494.61
Financial liabilities held for trading		6,294,014.40		6,294,014.40
Including: Forward foreign exchange contract		6,294,014.40		6,294,014.40
Derivative financial liabilities		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.

## 2. The basis for determining the fair value of the continual Level 2 fair value measurement items

Items	Fair value at the end of the period	Valuation techniques
<b>Financial assets held for trading</b>		
Including: Bank wealth management products	14,638,968.26	Discounted cash flow
<b>Derivative financial assets</b>		
Including: Forward foreign exchange contract	178,992,877.32	Discounted cash flow
Forward commodity contract	4,192,283.19	Discounted cash flow
<b>Other equity instruments investment</b>		—
Including: equity instruments measured at fair value through other comprehensive income	1,027,550,923.67	Recent transaction methods
<b>Derivative financial liabilities</b>		
Including: Forward foreign exchange contract	92,580,419.48	Discounted cash flow
Forward commodity contracts	12,013,621.18	Discounted cash flow

### 3. Continual Level 3 fair value measurement major items, the valuation techniques adopted and information of important parameters

Items	Fair value at the end of the period	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
<b>Other equity instruments</b>					
Including:					
1. COSMO IoT Technology Co., LTD. (卡奥斯物联科技股份有限公司)	2,817,408,000.00	Market approach	1. Average EV/Sales multiple of peers 2. Discount for lack of marketability	1. 1.46 to 1.48 2. 19% to 21%	1. 1% increase (decrease) in average EV/Sales multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB116 million. 2. 1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by RMB146 million.
2. SINOPEC Fuel Oil Sales Corporation Limited (中国石化销售股份有限公司)	1,234,500,000.00	Market approach	1. Average P/E multiple of peers 2. Discount for lack of marketability	1. 32.38 to 33.04 2. 28.2% to 30.2%	1. 1% increase (decrease) in average P/E multiple of the Comparable Companies would result in increase (decrease) in fair value by RMB12.3 million. 2. 1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by RMB17.4 million.

### 4. Financial instruments not measured at fair value

Financial assets and financial liabilities not measured at fair value include: monetary funds, bills receivable, accounts receivable, other receivables, other current assets, long-term and short-term borrowings, bills payable, accounts payable, other payables, long-term payables, bonds payable, etc. The difference between the book value and the fair value of financial assets and financial liabilities not measured at fair value at the end of the period is small.

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (I) Explanation for basis of identifying related party

According to Accounting Standards for Business Enterprises No. 36 — Related Party Disclosures, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party. Parties (two or more than two) are also considered to be related if they are subject to common control, joint control or significant influence from another party.

According to Management Practices for Information Disclosure of Listed Company (China Securities Regulatory Commission Order No. 182), related legal entity or individual will be identified as related parties in certain occasions.

**(II) Relationships between related parties****1. Information about the parent company and other companies holding shares of the Company**

Name	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. (海尔卡奥斯股份有限公司)	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 company	Qingdao High-tech Zone Haier Park	118,924,416	/	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**

The details of the subsidiaries of the Company are detailed in Note IX.1.

**3. Joint ventures and associates**

The details of associates and joint ventures of the Company are detailed in Note VII.11 and IX.3.



## 4. Connected companies with no relationship of control

Name	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
Dalian Haier International Trade Co., Ltd.	Subsidiary of Haier Group
Qingdao Goodaymart Supply Chains 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
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Dingxin Electronic Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.	Subsidiary of Haier Group
Shanghai Zhiyu Technology Co., Ltd.	Subsidiary of Haier Group
Cosmoplat Chuangzhi IOT Technology (Chongqing) Co., Ltd.	Subsidiary of Haier Group
Qingdao Haina Cloud Intelligent System Co., Ltd.	Subsidiary of Haier Group
Chongqing Zhonglian Energy Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Blue Whale Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Xiaoshuai Intelligent Technology Co., Ltd.	Subsidiary of Haier Group
Haier International Co., Ltd.	Subsidiary of Haier Group
Hongkong Gooday Supply Chain Management Limited	Subsidiary of Haier Group
Gooday (Qingdao) International Supply Chain Service Co., Ltd.	Subsidiary of Haier Group
Qingdao Manniq Intelligent Technology Co., Ltd.	Subsidiary of Haier Group
Thunderobot International (HK) Limited	Subsidiary of Haier Group
Chongqing Zhonglian Energy Technology Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier New Materials R & D Co., Ltd.	Subsidiary and associate of Haier Group
HNR Company (Private) Limited	Associate
Wolong Electric (Jinan) Motor Co., Ltd.	Associate
HPZ Limited	Associate
Mitsubishi Heavy Industry Haier (Qingdao) Air Conditioner Co., Ltd.	Associate
Controladora Mabe S.A.deC.V.	Associate
Qingdao Haier Multi-media Co., Ltd.	Associate

Name	Relationship with the Company
Qingdao HBIS Composite New Material Co., Ltd.	Subsidiary of associate
Hefei Hegang New Material Technology Co., Ltd.	Subsidiary of associate

**(III) Related transactions**

1. Details of the Company's procurement of goods and services from related parties are as follows:

☒ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Related parties	Amount for the current period	Amount for the previous period
Controladora Mabe S.A.deC.V.	13,123,708,450.38	12,314,855,657.89
Qingdao Haier Parts Procurement Co., Ltd.	7,059,896,523.58	538,564,747.23
Gooday Supply Chain Technologies Co., Ltd.	4,444,169,934.17	3,848,406,918.04
HNR Company (Private) Limited	3,073,674,460.32	2,733,833,669.59
Chongqing Haier Electrical Appliances Sales Co., Ltd.	3,054,825,152.17	5,274,865,476.66
Shanghai Cotai Supply Chain Management Co., Ltd.	1,471,945,927.42	1,624,701,243.17
Dalian Haier International Trade Co., Ltd.	529,797,174.58	507,660,692.05
Qingdao Goodaymart Supply Chains Co., Ltd.	421,203,765.86	690,524,339.94
Qingdao Haier Moulds Co., Ltd.	413,503,657.29	654,961,221.67
Qingdao Haier International Trading Co., Ltd.	397,359,401.03	570,588,757.78
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	322,583,108.75	2,121,388,092.90
Wolong Electric (Jinan) Motor Co., Ltd.	233,769,115.21	1,013,817,589.80
Qingdao HBIS Composite New Material Co., Ltd.	156,388,498.04	923,986,491.86
Qingdao Ding Xin Electronics Technology Co., Ltd.	101,558,830.18	885,837,757.21
Cosmoplat Chuangzhi IOT Technology (Chongqing) Co., Ltd. (卡奥斯创智物联科技(重庆)有限公司)	119,852,149.42	1,031,357,405.38
Hefei Hegang New Material Technology Co., Ltd.	117,415,909.49	1,190,287,247.15
Other related parties	2,848,081,174.13	4,051,040,692.74
Total	37,889,733,232.02	39,976,678,001.06

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2. Details of the Company's sales of goods to related parties are as follows:

Related parties	Amount for the current period	Amount for the previous period
Controladora Mabe S.A.deC.V.	1,023,743,811.97	730,275,993.98
Qingdao Haier International Trading Co., Ltd.	672,339,983.04	613,142,450.61
HNR Company (Private) Limited	602,998,664.66	681,960,950.97
Qingdao Haier Multi-media Co., Ltd.	136,786,578.47	88,327,957.96
Qingdao Haier International Travel Agency Co., Ltd.	119,166,052.08	215,683,256.42
HPZ Limited	118,748,741.50	90,831,902.38
Other related parties	829,514,949.57	917,809,275.26
Total	3,503,298,781.29	3,338,031,787.58

## 3. Amount of unsettled items of related parties

Items and name of customers	Closing Balance	Opening Balance
<b>Bills receivable:</b>		
Qingdao Ding Xin Electronics Technology Co., Ltd.	45,947,984.43	622,590.67
Cosmoplat Chuangzhi IOT Technology (Chongqing) Co., Ltd.	28,764,679.42	2,528,394.74
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	23,908,824.49	13,520,000.00
Qingdao Haina Cloud Intelligent System Co., Ltd.	9,196,905.30	21,511,057.07
Other related parties	13,863,643.73	20,304,074.20
<b>Accounts receivable:</b>		
HNR Company (Private) Limited	887,316,060.44	588,605,242.72
Controladora Mabe S.A.deC.V.	155,980,651.90	123,524,843.42
Qingdao Haier Parts Procurement Co., Ltd.	155,500,553.65	
Qingdao Haier International Trading Co., Ltd.	147,208,453.41	34,284,071.61
HPZ Limited	117,899,486.73	
Shanghai Zhiyu Technology Co., Ltd.	116,549,809.14	43,349,588.61
Chongqing Zhonglian Energy Technology Co., Ltd.	48,870,443.21	45,403,951.21
Qingdao Haina Cloud Intelligent System Co., Ltd.	24,917,701.10	31,824,063.09
Other related parties	126,236,118.64	352,919,464.97
<b>Prepayments:</b>		
HNR Company (Private) Limited	110,370,091.99	82,148,476.31
Shanghai Zhiyu Technology Co., Ltd.	40,934,511.12	
Qingdao Haier New Materials R & D Co., Ltd.	8,445,024.12	
Qingdao Haier International Travel Agency Co., Ltd.	6,253,573.56	23,936,807.36
Other related parties	27,781,442.20	95,176,038.89
<b>Other receivables:</b>		
Qingdao Blue Whale Technology Co., Ltd.	12,392,334.21	12,392,334.21
Controladora Mabe S.A.deC.V.	12,158,833.50	16,260,655.41
Dalian Haier International Trade Co., Ltd.	9,440,616.07	4,372,124.84
Qingdao Haier International Travel Agency Co., Ltd.	5,553,777.66	5,908,061.04
Haier International Co., Ltd.	4,272,144.02	8,497,154.27
Other related parties	26,691,391.51	99,783,350.46
<b>Bills payable:</b>		
Qingdao Haier New Materials R & D Co., Ltd.	386,075,771.04	90,348,253.59
Qingdao Haier Parts Procurement Co., Ltd.	180,719,158.83	
Wolong Electric (Jinan) Motor Co., Ltd.	37,773,640.00	4,127,872.00
Other related parties	37,227,346.97	50,019,985.82
<b>Accounts payable:</b>		
Qingdao Haier Parts Procurement Co., Ltd.	1,860,747,884.39	1,986,376,315.99
Controladora Mabe S.A.deC.V.	1,299,452,149.83	941,545,815.41
Qingdao Haier International Trading Co., Ltd.	257,531,848.99	106,344,044.12
Hongkong Gooday Supply Chain Management Limited	250,478,107.49	

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Items and name of customers	Closing Balance	Opening Balance
Thunderobot International (HK) Limited	155,527,162.34	
Dalian Haier International Trade Co., Ltd.	150,178,673.56	175,739,251.85
Qingdao Haier New Materials R & D Co., Ltd.	101,958,410.60	21,654,400.63
Gooday Supply Chain Technologies Co., Ltd.	79,442,717.42	1,461,094.92
Cosmoplat Chuangzhi IOT Technology Co., Ltd.	53,275,591.30	268,605,818.56
Other related parties	212,314,885.05	1,978,773,614.10
<b>Contract liabilities:</b>		
Wolong Electric (Jinan) Motor Co., Ltd.	51,422,207.69	21,373,101.27
Chongqing Zhonglian Energy Technology Co., Ltd.	17,215,206.92	17,210,554.92
Mitsubishi Heavy Industry Haier (Qingdao) Air Conditioner Co., Ltd.	4,208,374.00	49,594.69
HPZ Limited	3,353,144.42	4,696,178.43
Other related parties	6,008,371.78	111,264,927.65
<b>Other payables:</b>		
Gooday Supply Chain Technologies Co., Ltd.	485,473,357.04	687,378,382.22
Gooday (Qingdao) International Supply Chain Service Co., Ltd.	140,136,176.89	
Shanghai Cotai Supply Chain Management Co., Ltd.	113,720,815.14	154,351,301.35
Qingdao Haier Moulds Co., Ltd.	69,423,409.16	21,298,170.87
Qingdao Manniq Intelligent Technology Co., Ltd.	67,521,909.37	28,372,133.16
Qingdao Goodaymart Supply Chains Co., Ltd.	30,669,122.96	72,545,343.35
Dalian Haier International Trade Co., Ltd.	21,899,297.26	21,800,000.00
Qingdao Haier International Travel Agency Co., Ltd.	17,736,906.10	16,372,400.80
Qingdao Blue Whale Technology Co., Ltd.	15,865,657.94	27,367,393.54
Other related parties	123,426,526.98	168,093,852.85

**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	31,424,418,720.13	28,870,880,571.84
Interest receivable from the Finance Company	468,636,097.70	260,900,663.40
Loans of the Finance Company	60,000,000.00	336,507,659.12
Interest payable to the Finance Company	46,158.00	1,813,534.66
Acceptance note issued	21,621,825,652.96	21,697,666,574.19
Foreign exchange derivatives		
of the Finance Company	-2,293,511.73	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	570,162,386.04	339,728,297.25
Interest expense of the Finance Company	4,933,548.81	8,137,583.63
Service fee of the Finance Company	29,446,933.09	23,493,333.12
Spot foreign exchange business (foreign exchange settlement and sale)	6,337,945,933.79	9,856,440,483.71

- (2) The lease expense of the Company and its subsidiaries for production and operation leased from related parties for the current period was RMB97 million (amount for the corresponding period: RMB113 million).

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- (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.		304,896,830.40	Haier Group Corporation
Haier Russian Industries Ltd.	60,000,000.00		Haier Group Corporation
Total	60,000,000.00	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 RMB2,311 million at the end of the period (amount for the corresponding period: RMB1,805 million).

### (IV) Pricing Policy

#### 1. Related-party Sales

Some related parties purchase components through the independent procurement platform of the Company, purchase electrical appliances for sales from the Company, and receive after-sales services, R&D service, housing rental and other business provided by the company due to their business needs. In 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-party 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 renewed the Financial Services Framework Agreement, 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 lasts until 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 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

√ Applicable    ☐ Not Applicable

#### (1) Employee Stock Ownership Plan

The resolutions on the 2022 A Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd. (Draft) And Its Summary (the “2022 A Share ESOP”) and the 2022 H Share Core Employee Stock Ownership Plan of Haier Smart Home Co., Ltd. (Draft) And Its Summary (the “2022 H Share ESOP”) were considered and passed at the 28th meeting of the 10th session of the Board of Directors and the 25th meeting of the 10th session of the Board of Supervisors held by the Company on 28 April 2022, and it was agreed to implement the 2022 A Share ESOP and the 2022 H Share ESOP.

##### (a) 2022 A Share ESOP

The shares of the 2022 A Share ESOP were sourced from the repurchased shares of 26,814,055 Shares transferred from the “securities account for repurchase of Haier Smart Home Co., Ltd.” to the specific account of the 2022 A Share ESOP at a transfer price of RMB25.33 per share.

##### (b) 2022 H Share ESOP

The management of the 2022 H Share ESOP has been entrusted to Industrial Securities Asset Management Co., Ltd. with the establishment of Industrial Securities Asset Management Xinzhong Haier Smart Home No. 8 Employee Stock Ownership Single Asset Management Plan (the “Asset Management Plan”). The Asset Management Plan purchased 2,653,200 H Shares in aggregate in the secondary market through the Hong Kong Stock Connect, with an average transaction price of HK\$25.6630 per share and a transaction amount of approximately HK\$68,089,020.00.

**(2) 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 Grant of 2022 A Share Option to Incentive Recipients 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 recipients at the exercise price of RMB23.86 per Share.

Number of Share Options	Number for the current period	Number for the 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

**(3) Restricted Shares**

Number of restricted shares	Number for the current period	Number for the previous period
At the beginning of the period	4,438,027.00	
Granted during the period	5,636,959.00	4,438,027.00
Vested during the period	309,451.00	
Lapsed during the period	999,660.00	
At the end of the period	8,765,875.00	4,438,027.00

**(4) Method of determining the fair value of equity instrument on the date of grant:**

- (a) 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, 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, 4, and 5 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 104,756,896 share options granted under this incentive plan of the Company amounted to RMB777,000,000.
- (b) The fair value on the date of grant was arrived at on the basis of the share price of the Company on the date of grant, taking into account the current value of cash dividend.
- (5) 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: RMB567,000,000 for the stock ownership plan; RMB315,000,000 for the share options; and RMB47,000,000 for the restricted shares.

As at the end of the period, balance associated with the above share-based payment incentive plans provided in the capital reserve amounted to RMB955,000,000.

## XIV. CONTINGENCIES

☒ Applicable   ☐ Not Applicable

As of 30 March 2023, the Company has no significant contingencies that need to be disclosed.

## XV. EVENTS AFTER THE BALANCE SHEET DATE

According to the resolution of the 4th meeting of the 11th session of the Board of Directors of the Company held on 30 March 2023, the profit for the year is proposed to be distributed on the basis of the total number of shares on the record date after deducting the repurchased shares from the repurchased account when the plan is implemented in the future, the Company will declare cash dividend of RMB5.66 (including taxes) for every 10 shares to all shareholders.

## XVI. RISKS RELATED TO FINANCIAL INSTRUMENTS

√ Applicable    ☐ Not Applicable

The book value of various financial instruments on the balance sheet date is as follows:

### Financial assets

Items	Closing Balance			Total
	Financial assets measured at fair value and changes of which included in current profit and loss	Measured at amortized cost	Financial assets measured at fair value and changes of which included in other comprehensive income	
Monetary funds		54,138,815,682.51		54,138,815,682.51
Financial assets held for trading	519,812,880.91			519,812,880.91
Derivative financial assets			183,185,160.51	183,185,160.51
Receivable		9,580,191,838.15		9,580,191,838.15
Accounts receivable		15,913,691,537.11		15,913,691,537.11
Other receivables		2,380,929,623.19		2,380,929,623.19
Other current assets		1,642,421,944.45		1,642,421,944.45
Debt investments		1,034,222,222.22		1,034,222,222.22
Long-term receivables		305,070,001.45		305,070,001.45
Other equity instruments			5,851,882,930.20	5,851,882,930.20

## Section X Financial Report

### 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		46,097,333,903.45	46,097,333,903.45
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
Receivable		13,354,791,068.29	13,354,791,068.29
Accounts receivable		14,625,260,856.04	14,625,260,856.04
Other receivables		1,957,886,257.19	1,957,886,257.19
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		4,851,884,944.63	4,851,884,944.63
Other non-current assets	46,832,494.61		46,832,494.61

### Financial liabilities

Items	Closing Balance		Total
	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	
Short-term borrowings		9,643,374,732.46	9,643,374,732.46
Derivative financial liabilities	104,594,040.66		104,594,040.66
Bills payable		25,090,945,421.28	25,090,945,421.28
Accounts payable		41,883,694,299.24	41,883,694,299.24
Other payables		17,511,771,662.70	17,511,771,662.70
Non-current liabilities due in one year		2,854,446,929.32	2,854,446,929.32
Long-term borrowings		13,590,866,873.43	13,590,866,873.43
Long-term payables		44,240,087.94	44,240,087.94
Other non-current liabilities	16,916,789.10		16,916,789.10

**Financial liabilities (continued)**

Items	Opening Balance		Total
	Financial liabilities measured at fair value	Financial liabilities measured at amortised 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		42,363,218,840.33	42,363,218,840.33
Other payables		17,570,339,925.76	17,570,339,925.76
Non-current liabilities due in 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.

## 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 one year	379,679,227.77	546,532,442.90
1-2 years	533,963,843.29	
2-3 years		
Over 3 years		
Accounts receivable balance	913,643,071.06	546,532,442.90
Allowance for bad debts		
Net receivables	913,643,071.06	546,532,442.90

Changes in bad debt provision for accounts receivable in the current period:

Items	Opening Balance	Increase for the current period		Decrease for the current period		Closing Balance
		Provision for the current period	Other increase	Reversal	Write-off and other movement	
Allowance for bad debts						

### 2. Other receivables

√ Applicable    □ Not Applicable

Unit and Currency: RMB

Items	Closing Balance	Opening Balance
Interest receivable	29,783,516.95	51,632,471.99
Dividend receivable	1,015,840,000.00	3,615,840,000.00
Other receivables	13,341,408,140.62	12,577,807,696.42
Total	14,387,031,657.57	16,245,280,168.41



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### Interest receivable

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Aging	Closing Balance	Opening Balance
Within 1 year	29,783,516.95	51,632,471.99
More than 1 year		
Total	29,783,516.95	51,632,471.99

### Dividend receivable

√ Applicable    ☐ Not Applicable

Unit and Currency: RMB

Aging	Closing Balance	Opening Balance
Within 1 year	1,000,000,000.00	3,615,840,000.00
More than 1 year	15,840,000.00	
Total	1,015,840,000.00	3,615,840,000.00

### Other receivable

① The disclosure of other receivables by aging is as follows:

Aging	Closing Balance	Opening Balance
Within one year	6,278,019,144.67	12,040,141,153.64
More than one year	7,066,828,954.97	537,791,379.00
Other receivables balance	13,344,848,099.64	12,577,932,532.64
Allowance for bad debts	3,439,959.02	124,836.22
Net other receivables	13,341,408,140.62	12,577,807,696.42

② Changes in bad debt provision for 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	3,315,122.8				3,439,959.02

### 3. Long-term equity investment

√ Applicable    □ Not Applicable

#### (1) Details of long-term equity investments:

Unit and Currency: RMB

Items	Closing Balance		Opening Balance	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Long-term equity investment				
Including: Long-term equity investments in subsidiaries	49,632,299,728.31	7,100,000.00	49,377,425,428.31	7,100,000.00
Long-term equity investments in associates	3,228,239,799.56	109,300,000.00	3,252,734,849.46	109,300,000.00
Total	52,860,539,527.87	116,400,000.00	52,630,160,277.77	116,400,000.00

#### (2) Long-term equity investments to subsidiaries

Investee	Opening Balance	Increase/ Decrease for the period	Closing Balance	Impairment provisions at the end of the period
<b>I. Subsidiaries:</b>				
Chongqing Haier Electronics Sales Co., Ltd.	9,500,000.00		9,500,000.00	
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	34,735,489.79		34,735,489.79	
Qingdao Haier Refrigerator Co., Ltd.	402,667,504.64		402,667,504.64	
Qingdao Haier Special Refrigerator Co., Ltd.	329,832,047.28	96,904,371.71	426,736,418.99	
Qingdao Haier Information Plastic Development Co., Ltd.	102,888,407.30		102,888,407.30	
Dalian Haier Precision Products Co., Ltd.	41,836,159.33		41,836,159.33	
Hefei Haier Plastic Co., Ltd.	42,660,583.21	29,689,700.00	72,350,283.21	
Qingdao Haier Technology Co., Ltd.	16,817,162.03		16,817,162.03	
Qingdao Household Appliance Technology and Equipment Research Institute	66,778,810.80		66,778,810.80	
Qingdao Meier Plastic Powder Co., Ltd.	24,327,257.77		24,327,257.77	
Chongqing Haier Precision Plastic Co., Ltd.	47,811,283.24		47,811,283.24	
Qingdao Haier Electronic Plastic Co., Ltd.	69,200,000.00		69,200,000.00	
Dalian Haier Refrigerator Co., Ltd.	138,600,000.00		138,600,000.00	
Dalian Haier Air-conditioning Co., Ltd.	99,000,000.00		99,000,000.00	
Guizhou Haier Electronics Co., Ltd.	96,904,371.71	-96,904,371.71	—	
Hefei Haier Air-conditioning Co., Limited	67,110,323.85	12,292,800.00	79,403,123.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	238,758,240.85		238,758,240.85	
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	1,131,107,944.51		1,131,107,944.51	
Qingdao Haier Air Conditioner Gen Corp., Ltd.	220,636,306.02		220,636,306.02	
Qingdao Haier Special Freezer Co., Ltd.	471,530,562.76		471,530,562.76	
Qingdao Haier Dishwasher Co., Ltd.	206,594,292.82		206,594,292.82	

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Investee	Opening Balance	Increase/ Decrease for the period	Closing Balance	Impairment provisions at the end of the period
Wuhan Haier Freezer Co., Ltd.	47,310,000.00		47,310,000.00	
Wuhan Haier Electronics Holding Co., Ltd.	100,715,445.04		100,715,445.04	
Chongqing Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Hefei Haier Refrigerator Co., Ltd.	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.	91,750,000.00		91,750,000.00	
Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd.	2,000,000.00		2,000,000.00	
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	100,000,000.00		100,000,000.00	
Haier Shareholdings (Hong Kong) Limited	26,022,782,526.24	157,891,800.00	26,180,674,326.24	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.00		130,000,000.00	
Qingdao Haier Technology Investment Co., Ltd.	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 Zhijia Experience Cloud Ecological Technology Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Ruibo Ecological Environmental Technology Co., Ltd.		55,000,000.00	55,000,000.00	
Total	49,377,425,428.31	254,874,300.00	49,632,299,728.31	7,100,000.00

## (3) Long-term equity investments to associates

Name of investee	Opening Balance	Increase/Decrease for the current period			Closing Balance	Impairment provisions at the end of the period
		Increased/decreased amount for the current period	Investment income recognized under equity method	Others		
Wolong Electric (Jinan) Motor Co., Ltd.	145,209,273.31		23,370,283.04		168,579,556.35	
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	393,598,372.59		-57,153,662.41	-17,199,060.82	319,245,649.36	
Bank of Qingdao Co., Ltd.	1,051,480,863.27	139,485,507.20	83,487,972.18	-112,115,851.23	1,162,338,491.42	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	682,901,976.73		113,559,283.53	-81,000,000.00	715,461,260.26	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	409,053,808.05		22,213,959.56	-17,900,226.81	413,367,540.80	21,000,000.00
Qingdao Haier Multimedia Co., Ltd.	277,102,563.87		-123,552,329.38		153,550,234.49	88,300,000.00
Hefei Hegang New Material Technology Co., Ltd.	293,387,991.64		9,482,737.24	-7,173,662.00	295,697,066.88	
Total	3,252,734,849.46	139,485,507.20	71,408,243.76	-235,388,800.86	3,228,239,799.56	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	335,344,865.65	292,889,261.14	208,799,283.50	197,653,713.44
Other Business	89,317,060.67	77,735,951.48	144,998,965.02	117,703,392.70
Total	424,661,926.32	370,625,212.62	353,798,248.52	315,357,106.14

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### 5. Investment income

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	71,408,243.76	275,575,730.42
Investment income generated from disposal of long-term equity investment		
Investment income from long-term equity investment accounted for using cost method	6,328,139,259.26	3,633,540,000.00
Income from wealth management products	31,888,263.12	9,015,443.80
Investment income from investment in other equity instrument during the holding period	302,249.84	269,896.34
Total	6,431,738,015.98	3,918,401,070.56

## XIX. APPROVAL OF FINANCIAL REPORT

This financial report was approved for publication by the Directors of the Company on 30 March 2023.

## XX. SUPPLEMENTARY INFORMATION

### 1. Basic earnings per share and diluted earnings per share

Items	Amount for the current period			Amount for the previous period		
	Earnings per share			Earnings per share		
	(RMB)			(RMB)		
	Weighted average return on net assets	Basic earnings per share	Diluted earnings per share	Weighted average return on net assets	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	16.81%	1.58	1.57	17.26%	1.41	1.40
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	15.95%	1.50	1.49	15.65%	1.27	1.27

**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	14,710,923,491.99	13,078,840,517.10
Less: non-recurring profit or loss	747,991,638.21	1,247,567,958.81
Net profit attributable to ordinary shareholders of the Parent Company after deduction of non-recurring profit or loss	13,962,931,853.78	11,831,272,558.29

**Breakdown of non-recurring profit and loss for the current period**

Non-recurring profit and loss items	Amounts for the current period
Profit and loss from disposal of non-current assets	209,436,774.95
Government subsidies included in current profit or loss, except for government subsidies that are closely related to the Company's normal business operations, to be enjoyed in a fixed amount or fixed quantity based on the national unified standards	766,426,467.17
Profit from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures	
Profit and loss from fair value changes of financial assets held for trading, 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	-23,321,060.42
Other non-operating income and expenses except the aforementioned items	-29,750,173.25
Effect of minority equity interest	-20,321,980.53
Effect of income tax	-167,413,005.22
Effect of profit from business combination under common control	12,934,615.51
Total	747,991,638.21

**3. Differences in accounting data under domestic and overseas accounting standards**

☐ Applicable    ☒ Not Applicable

Chairman of the Board: LI Huagang

Date of approval for publication by the Board: 30 March 2023

**Information of amendment**

☐ Applicable    ☒ Not Applicable

# Section XI Responsibility Statement

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

Qingdao, 30 March 2023

The Board of Haier Smart Home Co., Ltd

Li Huagang

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Gong Wei

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