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Haier Smart Home Co., Ltd.*

海爾智家股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 6690

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHTS			
	2022	2021	Change
	<i>RMB'M</i>	<i>RMB'M</i>	%
		(Restated)	
Revenue	243,485	227,081	7.2
Gross profit	74,566	69,553	7.2
Adjusted operating profit (as defined below)	15,011	13,568	10.6
Profit for the year	14,732	13,232	11.3
Attributable to:			
Owners of the Company	14,711	13,079	12.5
Non-controlling interests	21	153	(86.3)
	<u>14,732</u>	<u>13,232</u>	
Earnings per share attributable to ordinary equity holders of the Company			
Basic	RMB1.58	RMB1.41	12.1
Diluted	RMB1.57	RMB1.40	12.1
Proposed dividend per 10 shares	RMB5.66	RMB4.6	

* *For identification purpose only*

ANNUAL RESULTS

The board of directors (the “**Board**”) of Haier Smart Home Co., Ltd. (the “**Company**”) hereby announces the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB’M</i>	2021 <i>RMB’M</i> (Restated)
REVENUE	5	243,485	227,081
Cost of sales		<u>(168,919)</u>	<u>(157,528)</u>
Gross profit		74,566	69,553
Other gains, net		2,912	2,059
Selling and distribution expenses		(38,598)	(36,584)
Administrative expenses		(21,677)	(20,265)
Finance costs		(995)	(714)
Share of profits and losses of associates		<u>1,582</u>	<u>1,888</u>
PROFIT BEFORE TAX	6	17,790	15,937
Income tax expenses	7	<u>(3,058)</u>	<u>(2,705)</u>
PROFIT FOR THE YEAR		<u>14,732</u>	<u>13,232</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss in subsequently periods:			
Share of other comprehensive income/(loss) of associates		100	(50)
Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		10	101
Exchange differences on translating foreign operations		<u>3,159</u>	<u>(1,400)</u>
		<u>3,269</u>	<u>(1,349)</u>

	<i>Notes</i>	2022 RMB'M	2021 RMB'M (Restated)
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes arising from re-measurement of defined benefit plans		33	36
Change in fair value of equity investments designated at fair value through other comprehensive income (“FVTOCI”), net of tax		<u>(137)</u>	<u>1,165</u>
		<u>(104)</u>	<u>1,201</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>3,165</u>	<u>(148)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>17,897</u>	<u>13,084</u>
Profit for the year attributable to:			
Owners of the Company		14,711	13,079
Non-controlling interests		<u>21</u>	<u>153</u>
		<u>14,732</u>	<u>13,232</u>
Total comprehensive income attributable to:			
Owners of the Company		17,878	12,947
Non-controlling interests		<u>19</u>	<u>137</u>
		<u>17,897</u>	<u>13,084</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic (<i>RMB per share</i>)	9	<u>1.58</u>	<u>1.41</u>
— Diluted (<i>RMB per share</i>)	9	<u>1.57</u>	<u>1.40</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 RMB'M	2021 <i>RMB'M</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		31,857	26,982
Investment properties		26	25
Right-of-use assets		5,166	3,786
Goodwill		23,644	21,827
Other intangible assets		9,135	8,499
Interests in associates		24,528	23,201
Equity investments designated at FVTOCI		5,852	4,852
Financial assets measured at amortised cost		1,339	309
Derivative financial instruments		—	47
Long-term prepayments		1,672	1,860
Deferred tax assets		1,722	1,857
Other non-current assets		519	580
		<hr/>	<hr/>
Total non-current assets		105,460	93,825
CURRENT ASSETS			
Inventories	10	41,543	39,912
Trade and bills receivables	11	25,494	27,980
Contract assets		310	304
Prepayments, deposits and other receivables		6,552	6,434
Financial assets measured at fair value through profit or loss (“FVTPL”)		520	2,786
Financial assets measured at amortised cost		1,642	317
Derivative financial instruments		183	80
Pledged deposits		665	755
Other deposit with limited use		105	145
Cash and cash equivalents		53,369	45,198
		<hr/>	<hr/>
		130,383	123,911
Assets and disposal group held for sale		—	5
		<hr/>	<hr/>
Total current assets		130,383	123,916

	<i>Notes</i>	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
CURRENT LIABILITIES			
Trade and bills payables	12	66,975	67,386
Other payables and accruals		24,709	25,362
Contract liabilities		9,330	10,027
Interest-bearing borrowings	13	12,485	17,968
Lease liabilities		903	688
Tax payables		1,703	1,309
Provisions		2,537	2,190
Derivative financial instruments		105	80
Financial liabilities measured at FVTPL		—	6
		<hr/>	<hr/>
Total current liabilities		118,747	125,016
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		11,636	(1,100)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		117,096	92,725
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	13	13,627	3,075
Lease liabilities		2,824	1,961
Convertible bond		—	335
Deferred income		835	723
Deferred tax liabilities		2,359	2,122
Provisions for pensions and similar obligations		1,011	1,173
Provisions		1,611	1,949
Derivative financial instruments		17	—
Other non-current liabilities		98	112
		<hr/>	<hr/>
Total non-current liabilities		22,382	11,450
		<hr/>	<hr/>
Net assets		94,714	81,275
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
EQUITY			
Share capital	14	9,447	9,399
Reserves		83,976	70,586
		<hr/>	<hr/>
Equity attributable to owners of the Company		93,423	79,985
Non-controlling interests		1,291	1,290
		<hr/>	<hr/>
Total equity		94,714	81,275
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION OF THE GROUP

The predecessor of Haier Smart Home Co., Ltd (hereinafter referred to as the “**Company**”) was Qingdao Refrigerator Factory, which was established in 1984. In 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 1993, after converting to a public subscription company and issuing additional 50 million shares to the public, the A shares of the Company were listed on Shanghai Stock Exchange in November 1993. The D shares and H shares of the Company were listed on The Frankfurt Stock Exchange in December 2018 and The Stock Exchange of Hong Kong Limited in December 2020 respectively.

The address of the registered office is located at the Haier Industrial Park, Laoshan District, Qingdao, Shandong Province, PRC.

In the opinion of the directors of the Company, the ultimate controlling parent company of the Company is Haier Group Corporation (“**Haier Group**”).

The Company and its subsidiaries (collectively referred as the “**Group**”) are mainly engaged in research, development, production and sales of home appliances covering refrigerator/freezers, kitchen appliances, air-conditioners, laundry appliances, water appliances and other smart home business, as well as offering complete sets smart home solutions.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company and all values are rounded to the nearest million (“**RMB’M**”) (“**M**”), except when otherwise indicated.

This announcement has been approved for issue by the Board on 30 March 2023.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs are unobservable inputs for the asset or liability.

2.2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING BUSINESSES UNDER COMMON CONTROL

On 28 April 2022, in order to establish the competitiveness of service robots for household cleaning, promote the development of the Company's cleaning appliance business, focus its cleaning appliance resources and build up its competitiveness in whole-house deep cleaning, as well as to enhance its corporate governance and reduce routine connected transactions, Life Electric Co., a wholly-owned subsidiary of the Company, entered into the transfer agreement of Qingdao TAB Robot Technology Co., LTD. ("TAB") with Qingdao Haier Interconnect Technology Co. Ltd. ("Interconnect Co"), a wholly-owned subsidiary of Haier Group Corporation (together with its subsidiaries hereafter "Haier Group"), pursuant to which Life Electric Co. agreed to acquire and the Interconnect Co. agreed to sell 100% of the equity interest in TAB at a consideration of RMB125 million. As at the end of the reporting period, the transaction has been completed. TAB is principally engaged in the research and development, design and sales of smart vacuum robot products.

Also, Qingdao Ririshun Electric Service Co. Ltd ("Ririshun Electric"), a subsidiary of the Company, entered into the equity transfer agreement of Qingdao Ririshun Services Co. Ltd. ("Ririshun Services") with Ririshun Internet of Things Co. Ltd. ("Ririshun Internet"), a subsidiary of Haier Group, pursuant to which Ririshun Electric agreed to acquire and Ririshun Internet agreed to sell 60% of the equity interest in Ririshun Services at a consideration approximately of RMB51 million. As at the end of the reporting period, the transaction has been completed.

On 29 August 2022, in order to complement the self-manufacturing capability of refrigerator doors of Special Refrigerator Co., Ltd., reduce the Company's routine connected transactions and enhance its level of corporate governance, Special Refrigerator Co., Ltd. ("**Special Refrigerator**"), a wholly-owned subsidiary of the Company, entered into the equity transfer agreements of Special Plastic Co., Ltd ("**Special Plastic**") with Haier Group, Haier COSMO Co., Ltd., a subsidiary of Haier Group and Tooling Development Co., Ltd., a subsidiary of Haier Group respectively (the "**Transferors**") , pursuant to which Special Refrigerator agreed to acquire and the Transferors agreed to sell 100% of the equity interest in Special Plastic at a consideration of RMB152 million. As at the end of the reporting period, the transaction has been completed.

Since the Company and TAB, Ririshun Services and Special Plastic were ultimately controlled by Haier Group both before and after the completion of the transfer agreements, the acquisition of the TAB, Ririshun Services and Special Plastic were accounted for using the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the year ended 31 December 2022 and 2021 include the results, changes in equity and cash flows of all companies then comprising the Group and the TAB, Ririshun Services and Special Plastic, as if the corporate structure of the Group immediately after the completion of the equity transfer had been in existence throughout the year ended 31 December 2022 and 2021, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

The consolidated statement of financial position of the Group as at 31 December 2021 has been prepared to present the state of affairs of the Group and the TAB, Ririshun Services and Special Plastic as if the corporate structure of the Group immediately after the completion of the equity transfer had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual company attributable to the Company as at 31 December 2021.

4. OPERATING SEGMENT INFORMATION

Information reported to the directors, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For segment reporting, these individual operating segments have been aggregated into a single reportable segment. For management purposes, the Group is organised into business units based on their products and services.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

(a) **Smart Home Business in China**

(i) ***Household Food Solutions***

- the domestic refrigerator business segment manufactures and sells refrigerator within Mainland China ("**Refrigerators/Freezers**");
- the domestic kitchen appliances business segment manufactures and sells kitchen appliances within Mainland China ("**Kitchen Appliances**");

(ii) Household Air Solutions

- the domestic air conditioner business segment manufactures and sells air conditioner within Mainland China (“**Air-conditioners**”);

(iii) Household Clothing Solutions

- the domestic washing machines segments manufactures and sells washing machines within Mainland China (“**Laundry Appliances**”);

(iv) Household Water Solutions

- the domestic water appliances business segments manufactures and sells water appliances within Mainland China (“**Water Appliances**”);

(b) Smart Home Business in Overseas

- the overseas home appliances and smart home business segments manufacture and sells home appliances and smart home appliances worldwide other than Mainland China (“**Smart Home Business Overseas**”); and

(c) Other Business

- the others comprise business less than quantitative thresholds (“**Other Business**”). Such Other Business includes, among other things, parts and components, small home appliances and distribution services. The parts and components business primarily involves procurement, manufacturing and sales of ancillary parts and components for home appliances. Small home appliances business primarily involves design, outsourced manufacturing and sales of various small home appliances of our brands, to supplement our smart home solutions business. Distribution services business primarily involves distribution of televisions, consumer electronic products and others for Haier Group and other third parties, leveraging the Group’s extensive sales network.

(a) All assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of goodwill, interests in associates and cash and cash equivalents); and

(b) All liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising of interests-bearing borrowings and convertible bond).

Inter-segment sales represent the goods and services provided between segments. Segment result has been derived after elimination of inter-segment cost changed between segments.

The following is an analysis of the Group's revenue and results by reportable segments:

2022

	Smart Home Business in China							Total RMB'M
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home		Other Business	
					Refrigerators/Freezers	Kitchen Appliances		
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
<i>Segment revenue</i>								
Segment revenue from external customers	39,010	3,114	28,384	27,076	13,542	124,704	7,655	243,485
Inter-segment revenue	4,172	650	5,560	4,538	313	720	76,587	92,540
Total	<u>43,182</u>	<u>3,764</u>	<u>33,944</u>	<u>31,614</u>	<u>13,855</u>	<u>125,424</u>	<u>84,242</u>	336,025
<i>Reconciliation:</i>								
Inter-segment eliminations								<u>(92,540)</u>
Total								<u>243,485</u>
Segments results	3,785	68	868	3,069	1,713	6,250	(911)	14,842
<i>Reconciliation:</i>								
Elimination of inter-segment results								<u>45</u>
								14,887
Corporate and other unallocated income and gains or losses								2,609
Corporate and other unallocated expenses								(293)
Finance costs								(995)
Share of profits and losses of associates								<u>1,582</u>
Profit before taxation								<u>17,790</u>

2021 (Restated)

	Smart Home Business in China							Total
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air- conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M	Smart Home Business Overseas RMB'M	Other Business RMB'M	RMB'M
<i>Segment revenue</i>								
Segment revenue from external customers	36,842	3,013	27,409	25,917	12,479	113,090	8,331	227,081
Inter-segment revenue	4,888	482	4,780	4,742	222	635	83,377	99,126
Total	<u>41,730</u>	<u>3,495</u>	<u>32,189</u>	<u>30,659</u>	<u>12,701</u>	<u>113,725</u>	<u>91,708</u>	326,207
<i>Reconciliation:</i>								
Inter-segment eliminations								<u>(99,126)</u>
Total								<u>227,081</u>
Segments results	2,976	53	245	2,707	1,458	5,926	(205)	13,160
<i>Reconciliation:</i>								
Elimination of inter-segment results								<u>44</u>
								13,204
Corporate and other unallocated income and gains or losses								1,819
Corporate and other unallocated expenses								(260)
Finance costs								(714)
Share of profits and losses of associates								<u>1,888</u>
Profit before taxation								<u>15,937</u>

2022

	Smart Home Business in China							Total
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air- conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M	Smart Home Business Overseas RMB'M	Other Business RMB'M	RMB'M
Segment assets	14,577	2,327	15,102	14,157	6,504	64,106	46,120	162,893
Reconciliation:								
Elimination of segment assets								(43,670)
Goodwill								23,644
Interests in associates								24,528
Equity investments designated at FVTOCI								5,852
Deferred tax assets								1,722
Financial assets measured at FVTPL								520
Financial assets measured at amortised cost								2,981
Derivative financial instruments								183
Pledged deposits								665
Other deposits with limited use								105
Cash and cash equivalents								53,369
Other receivables								3,051
Total assets								<u>235,843</u>
Segment liabilities	34,826	1,674	11,710	8,711	5,287	34,786	56,007	153,001
Reconciliation:								
Elimination of segment liabilities								(43,437)
Tax payable								1,703
Other payable								1,171
Derivative financial instruments								122
Interest-bearing borrowings								26,112
Deferred tax liabilities								2,359
Other non-current liabilities								98
Total liabilities								<u>141,129</u>

2021 (Restated)

	Smart Home Business in China							Total
	Household Solutions	Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business	
	Refrigerators/ Freezers <i>RMB'M</i>	Kitchen Appliances <i>RMB'M</i>	Air- conditioners <i>RMB'M</i>	Laundry Appliances <i>RMB'M</i>	Water Appliances <i>RMB'M</i>	<i>RMB'M</i>	<i>RMB'M</i>	<i>RMB'M</i>
Segment assets	17,849	2,548	17,958	20,920	8,407	57,368	51,127	176,177
Reconciliation:								
Elimination of segment assets								(63,373)
Goodwill								21,827
Interests in associates								23,201
Equity investments designated at FVTOCI								4,852
Deferred tax assets								1,857
Financial assets measured at FVTPL								2,786
Financial assets measured at amortised cost								626
Derivative financial instruments								80
Pledged deposits								755
Other deposits with limited use								145
Cash and cash equivalents								45,198
Other receivables								3,610
Total assets								<u>217,741</u>
Segment liabilities	42,593	2,371	15,600	11,249	7,866	33,822	59,750	173,251
Reconciliation:								
Elimination of segment liabilities								(63,106)
Tax payable								1,309
Other payable								1,314
Derivative financial instruments								80
Financial liabilities measured at FVTPL								6
Interest-bearing borrowings								21,043
Deferred tax liabilities								2,122
Convertible bond								335
Other non-current liabilities								112
Total liabilities								<u>136,466</u>

2022

	Smart Home Business in China							Total RMB'M
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air- conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M	Smart Home Business Overseas RMB'M	Other Business RMB'M	
Other segment information:								
Product warranty provisions	1,567	118	965	1,211	625	1,459	—	5,945
Provision for obsolete and slow-moving inventories, net	269	49	226	155	80	324	42	1,145
(Reversal of)/allowance for expected credit losses in respect of trade and bills receivable, net	(18)	15	275	—	(5)	104	48	419
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	163	9	112	—	—	8	1	293
(Gain)/loss on disposal of non-current assets, net	(98)	—	11	—	1	25	(121)	(182)
Depreciation and amortisation	723	158	401	510	237	3,715	302	6,046

2021 (Restated)

	Smart Home Business in China							Total RMB'M
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air- conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M	Smart Home Business Overseas RMB'M	Other Business RMB'M	
Other segment information:								
Product warranty provisions	1,422	109	889	1,075	620	1,365	—	5,480
Provision for obsolete and slow-moving inventories, net	222	39	171	142	87	244	153	1,058
Allowance for expected credit losses in respect of trade and bills receivable, net	3	10	245	1	7	54	98	418
Allowance for/(reversal of) expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	204	9	22	50	44	103	(4)	428
(Gain)/loss on disposal of non-current assets, net	(109)	—	5	(1)	1	15	(1)	(90)
Depreciation and amortisation	572	139	400	448	244	3,019	240	5,062

Geographical information

(a) Revenue from external customers

	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Mainland China	116,726	111,842
North America	76,630	70,277
Europe	23,031	19,737
South Asia	8,284	7,138
Australia and New Zealand	6,962	7,012
Southeast Asia	5,180	4,740
Japan	3,569	3,491
Middle East and Africa	1,970	1,479
Other countries/regions	1,133	1,365
	<u>243,485</u>	<u>227,081</u>

The revenue information of above is based on the locations of the customers.

The revenue related to sales to overseas is subject to relevant tax at corresponding jurisdictions, if any.

(b) Non-current assets

	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Mainland China	20,695	16,879
Other countries/regions	29,019	25,209
	<u>49,714</u>	42,088
Interests in associates	24,528	23,201
Goodwill	23,644	21,827
Equity investments designated at FVTOCI	5,852	4,852
Deferred tax assets	1,722	1,857
	<u>105,460</u>	<u>93,825</u>

The non-current asset information above is based on the locations of the assets and excludes interests in associates, goodwill, equity investments designated at FVTOCI, and deferred tax assets.

Information about major customers

No single customer of the Group contributed 10% or more to the total revenue of the Group during the years ended 2022 and 2021.

5. REVENUE

An analysis of revenue from contracts with customers is as follows:

	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Sale of goods	243,209	226,742
Rendering of services	276	339
	243,485	227,081

	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Sale of goods		
— Point in time	243,209	226,742
Rendering of service		
— Point in time	107	177
— Over time	169	162
	243,485	227,081

All revenue contracts are for a period of one year or less. As permitted under IFRS 15, the transaction price allocated to unsatisfied or partially satisfied contracts is not disclosed.

Information about the Group's performance obligations under IFRS 15 is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Rendering of services

The performance obligation is satisfied over time or at point in time as services are rendered or when the customer obtains control of the distinct services and payment is generally due within 30 to 90 days from customers. Service contracts are for periods of one year or less, or are billed based on the time incurred.

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2022 RMB'M	2021 RMB'M (Restated)
Cost of inventories sold	167,562	156,214
Provision for obsolete and slow-moving inventories, net <i>(Note (a))</i>	1,145	1,058
Cost of services	212	256
	168,919	157,528
Employee benefit expense: (including directors', chief executive and supervisors' remuneration):		
Salaries, bonuses, allowances and benefits in kind	25,948	23,802
Pension scheme contributions	1,664	1,597
Equity-settled share-based expense	912	262
	28,524	25,661
Research and development costs	9,499	8,364
Auditors' remuneration	13	14
Expenses relating to short-term leases and low value leases	194	200
Variable lease payments not included in the measurement of lease liabilities	163	361
Product warranty provisions	5,945	5,480
Net foreign exchange (gain)/loss	(371)	577
Gain on disposal/write-off of non-current assets, net	(182)	(90)

Note:

- (a) The net provision for obsolete and slow-moving inventories for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

7. INCOME TAX EXPENSES

	2022 RMB'M	2021 <i>RMB'M</i> (Restated)
Current tax		
Charge for the year	2,752	2,508
Deferred tax	306	197
	<hr/>	<hr/>
Total tax charge for the year	3,058	2,705
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

	2022 RMB'M	2021 <i>RMB'M</i>
Proposed final dividend	5,298	4,320
	<hr/>	<hr/>
Dividend paid during the year	4,297	3,411
	<hr/>	<hr/>
	2022 RMB	2021 <i>RMB</i>
Dividend proposed per share*	0.566	0.46
	<hr/>	<hr/>

* The amount represents RMB5.66 for every 10 shares in 2022 (2021: RMB4.6 for every 10 shares). With regards to the payment of final dividend for the year ended 31 December 2021, as the total share capital of the Company changed before the registration date on 18 July 2022 and the Company maintained the total distribution of RMB4,320 million (tax inclusive) unchanged, the Company adjusted the distribution ratio per share from RMB4.60 (tax inclusive) per 10 shares to RMB4.61357 (tax inclusive) per 10 shares accordingly.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period, as adjusted to exclude the repurchased share.

The calculation of the diluted earnings per share amount is based on the profit attributable to ordinary equity holders of the Company, adjusted to reflect the interest and effect of the convertible bond, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	14,711	13,079
Effect of dilutive potential ordinary shares:		
Interest on convertible bond, net of tax	<u>6</u>	<u>50</u>
Earnings for the purpose of diluted earnings per share	<u><u>14,717</u></u>	<u><u>13,129</u></u>
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	9,316,804,514	9,275,992,161
Effect of dilutive potential ordinary shares:		
Convertible bond	12,499,928	107,788,092
Share award	44,188,061	14,253,946
Share options	<u>1,513,588</u>	<u>966,956</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u><u>9,375,006,091</u></u>	<u><u>9,399,001,155</u></u>

Notes:

The weighted average number of ordinary shares as above are adjusted by the number of shares that would have been issued assuming the conversion of convertible bond, share award and share options.

10. INVENTORIES

	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Raw material	6,049	5,057
Work in progress	74	115
Finished goods	<u>35,420</u>	<u>34,740</u>
	<u><u>41,543</u></u>	<u><u>39,912</u></u>

11. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Trade receivables	17,107	15,367
Less: Allowance for expected credit losses ("ECL")	<u>(1,193)</u>	<u>(742)</u>
Trade receivables, net	<u>15,914</u>	<u>14,625</u>
Bills receivables	9,584	13,422
Less: Allowance for ECL	<u>(4)</u>	<u>(67)</u>
Bills receivables, net	<u>9,580</u>	<u>13,355</u>
Total	<u><u>25,494</u></u>	<u><u>27,980</u></u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period generally ranges from 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of ECL, is as follows:

	2022 RMB'M	2021 <i>RMB'M</i> (Restated)
1 to 3 months	13,637	12,756
3 months to 1 year	1,697	1,523
1 to 2 years	416	238
2 to 3 years	129	53
Over 3 years	35	55
	<u>15,914</u>	<u>14,625</u>

12. TRADE AND BILLS PAYABLES

	2022 RMB'M	2021 <i>RMB'M</i> (Restated)
Trade payables	41,884	42,363
Bills payables	25,091	25,023
	<u>66,975</u>	<u>67,386</u>

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'M	2021 <i>RMB'M</i> (Restated)
Within 1 year	66,485	66,985
1 to 2 years	280	170
2 to 3 years	89	84
Over 3 years	121	147
	<u>66,975</u>	<u>67,386</u>

The trade and bills payables are non-interest-bearing and are normally settled on credit terms ranging from 30 to 180 days.

13. INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of interest-bearing borrowings is as follows:

	2022 <i>RMB'M</i>	2021 <i>RMB'M</i>
Current		
Bank loans — unsecured	12,330	17,408
Bank loans — secured	<u>155</u>	<u>560</u>
	<u>12,485</u>	<u>17,968</u>
Non-current		
Bank loans — unsecured	13,603	3,075
Bank loans — secured	<u>24</u>	<u>—</u>
	<u>13,627</u>	<u>3,075</u>
	<u><u>26,112</u></u>	<u><u>21,043</u></u>
Unsecured	25,933	20,483
Secured	<u>179</u>	<u>560</u>
	<u><u>26,112</u></u>	<u><u>21,043</u></u>
Analysed into:		
Loans repayable:		
Within one year or on demand	12,485	17,968
In the second year	992	3,036
In the third to fifth years, inclusive	12,598	39
Over five years	<u>37</u>	<u>—</u>
	<u><u>26,112</u></u>	<u><u>21,043</u></u>

14. SHARE CAPITAL

The movements of the Company's issued share capital during the years ended 31 December 2022 and 2021 are as follows:

	Number of shares 'M	Share capital RMB'M
As at 1 January 2021	9,028	9,028
Issue of shares (<i>Note a</i>)	403	403
Share repurchased and cancelled (<i>Note b</i>)	<u>(32)</u>	<u>(32)</u>
As at 31 December 2021 and 1 January 2022	9,399	9,399
Issue of share (<i>Note c</i>)	22	22
Share repurchased and cancelled (<i>Note d</i>)	(15)	(15)
Placing of shares (<i>Note e</i>)	<u>41</u>	<u>41</u>
As at 31 December 2022	<u><u>9,447</u></u>	<u><u>9,447</u></u>

Notes:

- (a) Upon conversion of convertible bonds during year ended 31 December 2021, a total of 403,210,889 H Shares were issued.
- (b) During the year ended 31 December 2021, the Company repurchased a total of 32,352,800 H shares at a consideration of approximately HKD1,000 million which were subsequently cancelled.
- (c) Upon conversion of convertible bond during year ended 31 December 2022, a total of 21,450,563 H Shares were issued.
- (d) During the year ended 31 December 2022, the Company repurchased a total of 14,970,200 H shares which were subsequently cancelled. The shares were repurchased at total price of approximately HKD362 million.
- (e) On 21 January 2022, the Company placed 41,413,600 shares to five placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and/or its connected persons at a placing price of HK\$28 per share.
- (f) All shares issued are at par value of RMB1.

LETTER TO SHAREHOLDERS

Haier Smart Home once again delivered our best ever results in 2022. Our global operating revenue grew to RMB243.485 billion, increased by 7.2% year on year. Net profit attributable to shareholders surged to RMB14.711 billion, increased by 12.5%. Haier Smart Home's core products were gaining grounds across major 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.

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!

Management Discussion and Analysis

ANALYSIS ON OPERATIONS

In 2022, the Company realized sales revenue of RMB243.485 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. (1) Gross profit margin remained flat to 2021 at 30.6%, 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 was offset by cost pressure related to rising commodities prices. (2) The Group's ratio of selling and distribution expenses in 2022 to its revenue was 15.9%, representing a reduction of 0.2 percentage points as compared to 2021. The optimization of selling expense ratio was driven by implementation of digital initiatives to enhance operational efficiency in marketing, logistics and warehouses. (3) The Group's ratio of administrative expense in 2022 to its revenue was 8.9%, which remained flat to 2021 at 8.9%. On the one hand, the Group accelerated the transformation of digital operation, optimizing business processes and enhancing organizational efficiency by adopting the digital platform throughout the whole process, which contributed to the optimization of the administrative expense ratio by 0.2 percentage points; on the other hand, the Group increased its investment in the research and development of IoT technologies, big data applications and energy-efficient technologies, which enhanced its competitiveness in artificial intelligence and led to an increase in the administrative expense ratio by 0.2 percentage points.

Net cash flow from operating activities in 2022 was RMB20.153 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 RMB126.359 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 RMB43.182 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.

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 (博觀) 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 RMB3.764 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.

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 46.0%, 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 (織諾) 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 RMB33.944 billion, up 5.5% 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%.

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 (雲鼎) 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 Meta Building 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.

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° 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° 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 (古冶區) 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° 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.

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.

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 RMB23.031 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 Ipro7plus 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.

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 in 2022, 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% in 2022. 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.

(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 market

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.

PRINCIPAL ACTIVITIES OF THE COMPANY 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.
- 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.

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 2022 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 BrandZ™ 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.

ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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 (人單合一)' Model also provided management guidance to the Company, and enabled us to replicate successful experiences. It is believed that the following advantages will help the Company to continue to strengthen its leading position:

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

Riding the trend of consumption upgrade in China, the Company has started to develop the high-end brand Casarte in the Chinese market more than 10 years ago. The creation of high-end brands required not only focus, experience and patience, but also continuous innovation of technological standards and differentiated service capabilities to fulfil user demand for high-quality experiences. The Casarte brand combined the Company’s global technological strengths, product development capabilities and manufacturing craftsmanship, as well as privilege marketing and differentiation services, which has won the trust of users in China’s high-end market. According to data from CMM, the Casarte brand has assumed a definitive leading position in China’s high-end major home appliance market in 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.

(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 (人單合一)' 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.
- **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’ (人單合一) model, Haier encourages every employee to maximize their own values while creating values for users. In Haier’s ‘Rendanheyi’ (人單合一) 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’ (人單合一) 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.

Development Strategy of the Company

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.

Operation Plan

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.

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.

Possible Risks

- 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.
- 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.

FINANCIAL REVIEW

In 2022, the Group's revenue amounted to approximately RMB243,485 million, representing an increase of 7.2% from RMB227,081 million (restated) in 2021. The profit for the year attributable to owners of the Company was RMB14,711 million, representing an increase of 12.5% from RMB13,079 million (restated) in 2021.

1. Analysis of Revenue and Profit

Items	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)	Change %
Revenue			
Smart Home Business in China	126,359	120,774	4.6
Refrigerator/Freezers	43,182	41,730	3.5
Kitchen Appliances	3,764	3,495	7.7
Air-conditioners	33,944	32,189	5.5
Laundry Appliances	31,614	30,659	3.1
Water Appliances	13,855	12,701	9.1
Smart Home Business Overseas	125,424	113,725	10.3
Other Businesses	84,242	91,708	(8.1)
Inter-segment eliminations	(92,540)	(99,126)	(6.6)
Consolidated revenue	243,485	227,081	7.2
Adjusted operation profit*	15,011	13,568	10.6
Profit for the year attributable to owners of the Company	14,711	13,079	12.5
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
— Profit for the year	<u>RMB1.58</u>	<u>RMB1.41</u>	<u>12.1</u>
Diluted			
— Profit for the year	<u>RMB1.57</u>	<u>RMB1.40</u>	<u>12.1</u>

The following table summarises our revenue by geographical location for the periods indicated:

	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)	Change %
China	116,726	111,842	4.4
Other countries/regions	126,759	115,239	10.0
Total	243,485	227,081	7.2

* Adjusted operation profit is defined as profit before taxation less interest income and expenses, exchange gains or losses, investment gains or losses, gain on disposal of subsidiaries, government incentives and share of profits or losses of associates.

In 2022, the Group's revenue increased by 7.2% from approximately RMB227,081 million (restated) to RMB243,485 million. The Group's steady revenue growth was driven by: (1) our high-end brands and the Three-Winged Bird scenario brand which boosted suite product sales and transactions; (2) overseas market expansions through leveraging globalized supply chain system and R&D platform to launch leading products and increase the price index of overseas products; (3) the development of new product categories including tumble dryers, dishwashers, heat pumps and home cleaning robots.

Revenue from the Smart Home Business in China increased by 4.6% from approximately RMB120,774 million in 2021 to approximately RMB126,359 million in 2022. Growth was driven by: (1) increasing market shares of refrigerators, washing machines, air conditioners, and water heaters, which outperformed industry growth; (2) an expanded e-commerce and franchised store distribution network, which showed positive growth momentum; (3) increased suite product sales and average ticket price from Three-Winged Bird scenario-based solutions; (4) enhanced user engagement and conversions through services and designs for urban communities, and in-home services for rural households.

(1) Household Food Solutions

Revenue from the refrigerator/freezers increased by 3.5% from approximately RMB41,730 million in 2021 to approximately RMB43,182 million in 2022. The refrigerator/freezer business spearheaded the industry trends in freshness preservation, large-volume products and smart connectivity. We served a variety of user needs through the brand matrix of Casarte, Haier and Leader, and achieved growth in market share and revenue.

Revenue from the kitchen appliances increased by 7.7% from approximately RMB3,495 million in 2021 to approximately RMB3,764 million in 2022. The kitchen appliance business accelerated high-end growth by expanding the Casarte product portfolio, which increased Casarte's market share.

(2) Household Air Solutions

Revenue from the air-conditioners increased by 5.5% from approximately RMB32,189 million in 2021 to approximately RMB33,944 million in 2022. The home air conditioner business achieved substantial increase in market share by strengthening its distribution network, boosting reputation among distributors and consumers, increasing in-house production of components, and deepening supply chain integration. The commercial air conditioner business achieved rapid growth by expanding from HVAC equipment into energy management and smart integrated solutions for property buildings.

(3) Household Clothing Solutions

Revenue from the laundry appliances increased by 3.1% from approximately RMB30,659 million in 2021 to approximately RMB31,614 million in 2022. The washing machine business strengthened high-end market leadership through product innovation, and the Group's washing machine market share continued to grow. The business also captured new growth opportunities in tumble dryers, with tumble dryer revenue soaring more than 80% in 2022.

(4) Household Water Solutions

Revenue from the water appliances increased by 9.1% from approximately RMB12,701 million in 2021 to approximately RMB13,855 million in 2022. The Group's water heater business continued to gain market share through product innovation. The water purification business strengthened competitiveness through product innovation and enhanced supply chain capability with revenue increase of 9%.

(5) Smart Home Business Overseas

Revenue from smart home business overseas increased by 10.3% from approximately RMB113,725 million in 2021 to approximately RMB125,424 million in 2022. The Group leveraged its globalized R&D platform for rapid product iterations, leading to a growing proportion of high-end products. Its globalized supply chain strategy enabled flexible supply and efficient synergies in production to swiftly cater to local demand.

Profit for the Year Attributable to Owners of the Company

In 2022, the profit for the year attributable to owners of the Company was approximately RMB14,711 million, representing an increase of 12.5% from approximately RMB13,079 million (restated) in 2021.

Adjusted Operating Profit

Adjusted operating profit was defined as profit before tax, net of interest income and expenses, net foreign exchange gains or losses, investment gains and losses (including dividend income from equity instruments designated at fair value through other comprehensive income, return on investment in other financial assets), gains on disposal of subsidiaries, government grants and share of profits and losses of associates. By excluding these items, it is easier for the management and investors to compare the Group's financial results over multiple periods and analyse the trends of its operations.

Adjusted operating profit is used as a non-IFRS measure to evaluate the Group's results of operations. This measure provides investors with valuable information of the Group's ongoing operation performance because it reveals its business trends that may be obscured by the net effect of realized capital gains and losses, fair value changes on derivative financial instruments, gains and losses on disposal of operations and other significant non-recurring or unusual items.

In 2022, the adjusted operating profit of the Group was approximately RMB15,011 million, representing an increase of 10.6% as compared to approximately RMB13,568 million (restated) in 2021. The increase in adjusted operating profit was driven by growth in the Group's China business segments and its overseas home appliances and smart home businesses.

The following table sets forth the reconciliation between the Group's adjusted operating profit and profit before tax prepared in accordance with IFRS in 2022 and 2021:

	2022 RMB'M	2021 <i>RMB'M</i> (Restated)
Profit before tax	17,790	15,937
Adjustments:		
Bank interest income	(826)	(539)
Foreign exchange (gains)/losses	(371)	577
Government grants	(767)	(719)
Return on investments in other financial assets	(192)	(453)
Dividend income from an equity investment designated at fair value through other comprehensive income	(32)	(59)
Gain on disposal of subsidiaries	(4)	(2)
Finance costs	995	714
Share of profits or losses of associates	(1,582)	(1,888)
Adjusted operating profit	<u>15,011</u>	<u>13,568</u>

Gross Profit Margins

In 2022, the overall gross profit margin of the Group was approximately 30.6%, remains basically the same from approximately 30.6% (restated) in 2021.

In 2022, the gross profit margin of the Smart Home Business in China increased by 0.6 percentage points year-on-year. The domestic market achieved higher gross profit margin year-on-year due to improved product mix, globalised R&D, digital transformation of procurement and R&D processes, and lower commodity prices in the second half of the year.

Gross profit margin of Overseas Smart Home Business decreased by 0.4 percentage points year-on-year. This was mainly due to rising commodity prices partially offsetting the positive impacts of product mix optimisation and price increases in overseas markets, resulting in a year-on-year decline in gross profit margin.

Selling and Distribution Expenses

The ratio of selling and distribution expenses of the Group to its revenue was 15.9% in 2022, this was a decrease of 0.2 percentage points from 2021. The optimization of selling expense ratio was driven by implementation of digital initiatives to enhance operational efficiency in marketing, logistics and warehouses.

Administrative Expenses

The ratio of administrative expenses of the Group to its revenue was 8.9% in 2022, which remains the same as 2021. On one hand, the Group advanced digital transformation, optimizing processes on its digital platforms to enhance organizational efficiency, which reduced the administrative expense ratio by 0.2 percentage points; on the other hand, the Group increased R&D investment in IoT, big data applications and energy-efficient technologies, which enhanced its competitiveness in artificial intelligence and led to a 0.2 percentage point increase in administrative expense ratio.

2. FINANCIAL POSITION

Items	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Non-current assets	105,460	93,825
Current assets	130,383	123,916
Current liabilities	118,747	125,016
Non-current liabilities	22,382	11,450
Net assets	94,714	81,275

Cash and Cash Equivalents and Wealth Management Products from Other Financial Assets

As at 31 December 2022, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets increased by 15.4% from RMB47,684 million (restated) as at 31 December 2021 to RMB55,026 million as at 31 December 2022. The increase was mainly due to net cash inflow from operating activities partially offset by net cash outflow from investing activities and financing activities.

Items	2022 RMB'M	2021 RMB'M (Restated)
Cash and cash equivalents	53,369	45,198
Wealth management products from other financial assets		
— Current portion	<u>1,657</u>	<u>2,486</u>
Total	<u>55,026</u>	<u>47,684</u>

Net Assets

The Group's net assets increased by 16.5% from RMB81,275 million (restated) as at 31 December 2021 to RMB94,714 million as at 31 December 2022. The net asset increase was mainly driven by profit growth during the year.

Working Capital

Trade and Bills Receivables Turnover Days

The Group's trade and bills receivables turnover days as at the end of 2022 was 40 days, representing a decrease of 7 days as compared to the end of 2021. This was mainly due to the Group's effective control over its trade and bills receivables.

Inventory Turnover Days

The Group's inventory turnover days as at the end of 2022 was 88 days, representing an increase of 8 days as compared to the end of 2021. This was mainly driven by higher inventory costs, which resulted from rising raw material and shipping costs overseas, as well as increased stockpiling.

Trade and Bills Payable Turnover Days

The Group's settlement policy with suppliers remained stable. As at the end of 2022, trade and bills payable turnover days was 145 days, which remained largely unchanged as compared to the end of 2021.

3. CASH FLOW ANALYSIS

Items	<i>Note</i>	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the year		45,198	45,789
Net cash flow from operating activities		20,153	23,237
Net cash flow used in investing activities	(a)	(8,920)	(8,063)
Net cash flow used in financing activities	(b)	(3,822)	(15,660)
Effect of foreign exchange rate changes, net		<u>760</u>	<u>(105)</u>
Cash and cash equivalents as stated in the statement of cash flows at the end of the year		<u><u>53,369</u></u>	<u><u>45,198</u></u>

Net cash inflow from operating activities for the year amounted to RMB20,153 million. Net cash flow from operation activities to net profit was 1.37. This was mainly benefited from the Group's improvement in working capital management in China.

- (a) Net cash outflow from investing activities for the year amounted to RMB8,920 million, representing an increase of 10.6% as compared to last year, with the details as follows:

Items	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Payment for purchases of non-current assets	(8,204)	(7,372)
Purchase of wealth management products	(110)	(237)
Net cash outflow for subsidiaries acquisition and disposal	(240)	(220)
Cash from disposal of fixed assets and leasehold land	229	290
Dividend from an associate	523	553
Interest received from wealth management products	136	4
Acquisition of minority interest in a subsidiary	—	(263)
Purchase of equity investments designated as at fair value through other comprehensive income	(1,028)	(740)
Net cash outflow from other investing activities	<u>(226)</u>	<u>(78)</u>
Net cash flow used in investing activities	<u><u>(8,920)</u></u>	<u><u>(8,063)</u></u>

- (b) Net cash outflow in financing activities for the year amounted to RMB3,822 million, representing a decrease of 75.6% as compared to last year, with details as follows:

Items	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Proceeds from borrowings	18,360	12,053
Repayment of borrowings	(14,688)	(19,550)
Repurchase of shares	(2,012)	(3,221)
Dividend paid to shareholders and non-controlling interests	(4,332)	(3,481)
Interest paid	(803)	(555)
Lease payment	(957)	(769)
Transaction costs attributable to issue of new shares	(4)	(178)
Cash payment for business combination under common control	(313)	—
Issue of shares	940	—
Net cash outflow and inflow from other financing activities	(13)	41
	<u>(3,822)</u>	<u>(15,660)</u>
Net cash flow used in financing activities	<u>(3,822)</u>	<u>(15,660)</u>

LIQUIDITY AND FINANCIAL RESOURCES

The Group focuses on cash flow management and has been able to maintain a healthy financial and liquidity position. As at 31 December 2022, the Group had a current ratio of 1.10 (31 December 2021: 0.99).

Items	2022 <i>RMB'M</i>	2021 <i>RMB'M</i> (Restated)
Cash and cash equivalents	53,369	45,198
Wealth management products from other financial assets	1,657	2,486
	<u>55,026</u>	47,684
Less:		
Interest-bearing borrowings	(26,112)	(21,043)
	<u>(26,112)</u>	<u>(21,043)</u>
Net balance of cash and cash equivalents and wealth management products from other financial assets	<u>28,914</u>	<u>26,641</u>

As at 31 December 2022, the wealth management products from other financial assets amounted to RMB1,657 million as compared to RMB2,486 million in 2021.

As at 31 December 2022, the Group's net balance of cash and cash equivalents and wealth management products from other financial assets amounted to RMB28,914 million (31 December 2021: RMB26,641 million (restated)), representing an increase of 8.5% as compared to 2021, mainly due to the increase of cash inflow from operating activities.

In 2022, financial return of cash and cash equivalents and the return on wealth management products from other financial assets amounted to RMB919 million, representing an increase of 53.4% as compared to RMB599 million (restated) in 2021, which was mainly due to the enhancement of capital management efficiency.

The Group will continue to maintain stable liquidity in its operations in 2022 to ensure meeting its working capital requirements in the coming year, and also for constructing super factory, as well as maintaining the financial flexibility for future strategic investment opportunities.

CAPITAL EXPENDITURE

The Company assesses its capital expenditure and investments in each business segment of the Group in China and the overseas home appliances and smart home business from time to time. The capital expenditure during the year was RMB8,204 million (2021: RMB7,372 million), in which RMB4,299 million and RMB3,905 million was mainly used in China and overseas respectively for the construction of plant and equipment, property rental expenses, and investment of information infrastructure.

GEARING RATIO

As at 31 December 2022, the Group's gearing ratio (defined as total borrowings (including interest-bearing borrowings, lease liabilities and convertible bond) divided by net assets of the Group) was 31.5%, while it was 29.6% for 2021. This was mainly due to new policy-based concessional loans in China and new working capital loans overseas.

TREASURY POLICIES

The Group adopts a prudent approach for its cash management and risk control. Due to the global presence of our business, our results of operations are affected by foreign exchange rate movements, both on a transactional and translation basis.

The Group is primarily exposed to movements in the Renminbi, our reporting currency, against US dollar and, to a lesser extent, Euro and Japanese Yen. The translational effects of exchange rate fluctuations arise because the financial results of the Group's subsidiaries are measured in the currency of the primary economic environment in which they operate (its functional currency). The results of operations of our global subsidiaries are, therefore, measured in currencies other than Renminbi and are then translated into Renminbi for the presentation of our financial results in the consolidated financial statements. Consequently, fluctuations in the applicable foreign currency exchange rates may increase or decrease the Renminbi value of our non-Renminbi assets, liabilities, revenues and costs, even if their value has not changed in their local functional currency.

The transactional effects of exchange rate fluctuations arise when one of the Group's subsidiaries enters into a sale or purchase transaction in a currency other than its functional currency. The principal source of transaction risk arises from the fact that most of our costs are measured in RMB, while most of our sales are invoiced in other currencies (including US dollar, Euro and Japanese Yen). The Group attempts to match costs and revenues along the value chain in the local markets in the same currency, creating a natural hedge for some of the transaction risks. The Group also uses forward foreign exchange contracts to mitigate its transactional exchange rate exposure.

CAPITAL COMMITMENT

The Group's capital commitments contracted but not yet provided for amounted to RMB4,008 million as at 31 December 2022 (31 December 2021: RMB3,159 million), which were mainly related to the Group's domestic and overseas factories construction projects.

CHARGE OF ASSETS

As at 31 December 2022, the Group's trade and bills receivables with a net carrying value of RMB71 million (31 December 2021: RMB263 million) were pledged to secure certain of the Group's bank loans.

In addition, as at 31 December 2022, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB642 million (31 December 2021: RMB744 million) and the Group's bills receivable amounting to RMB8,715 million (31 December 2021: RMB12,449 million).

CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

RELATIONSHIP WITH EMPLOYEES, REMUNERATION POLICY

Under the management model of “RenDanHeYi”, the Company adheres to the remuneration concept of integrating user pay, value creation and value sharing. By providing employees with a short-, medium- and long-term remuneration incentive system combining labour income, surplus profit sharing and capital gain, as well as all-rounded welfare policies and employee caring schemes, the Company encourages employees to perform their duties with an entrepreneurial mindset, and align employee value with company value and shareholder value, so as to continuously improve user experience and create a win-win situation in the development of both the Company and its employees.

The Company has established a wide range of multi-dimensional incentive mechanism and continues to implement the “A+H” global incentive system covering both domestic and foreign employees to attract, motivate and stabilize the Company’s core talent.

The total number of employees of the Group increased by 4.50% to 109,586 as at 31 December 2022 from 104,874 as at 31 December 2021.

MATERIAL ACQUISITIONS AND DISPOSALS

The Board of the Company approved on 28 April 2022 that Qingdao Haier Smart Life Electric Co. Ltd. (“**Life Electric Co.**”), a wholly-owned subsidiary of the Company, entered into the Agreement on the Transfer of Equity Interest in Qingdao TAB Robot Technology Co., LTD (“**TAB**”) with Qingdao Haier Interconnect Technology Co. Ltd. (“**Interconnect Co.**”), a wholly-owned subsidiary of Haier Group. Pursuant to this agreement, Life Electric Co. acquired 100% of the equity interest in TAB from Interconnect Co., and Life Electric Co. shall pay a consideration of RMB125 million in cash for the transfer of the equity interest.

The Board of the Company approved on 28 April 2022 that Haier Shareholdings (Hong Kong) Limited (“**Haier Hong Kong**”), a wholly-owned subsidiary of the Company, entered into the Agreement on the Transfer of Equity Interest in Qingdao Haier Mold Co., Ltd. (“**Mold Company**”) with Qingdao Haier Mold Smart Cloud Technology Co., Ltd. (“**Haier Mold Technology**”), an indirect subsidiary controlled by Haier Group. Pursuant to this agreement Haier Hong Kong sold 25% of the equity interest in the Mold Company to Haier Mold Technology, and Haier Mold Technology shall pay a consideration of RMB277 million in cash for the transfer of the equity interest.

The Board of the Company approved on 29 August 2022 that Special Refrigerator Co., Ltd., a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreements with Haier Group Corporation, Haier COSMO Co., Ltd. and Qingdao Haier Tooling Development Co., Ltd. respectively (the “**Transferors**” which hold 30.23%, 65.58% and 4.19% equity interest in Qingdao Haier Special Plastic R&D Co., Ltd. (“**Special Plastic Co., Ltd.**”) respectively). Pursuant to these agreements, Special Refrigerator Co., Ltd. acquired from the Transferors 100% of the equity interest in Special Plastic Co., Ltd. Special Refrigerator Co., Ltd. shall pay a total consideration of RMB152 million in cash for the transfer of the equity interest.

As at the end of the reporting period, the transactions were completed.

EVENTS AFTER THE REPORTING PERIOD

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.

DIVIDENDS

The Board proposes the distribution of the final dividend for the year ended 31 December 2022 of RMB5.66 in cash for every 10 shares (inclusive of tax), totaling approximately RMB5.30 billion based on the current total issued capital, net of repurchased shares but not yet cancelled. This dividend represented approximately 36% of the profit attributable to the owners of the Company. Where the total share capital of the Company changes before the registration date for the implementation of the equity distribution, it is expected to maintain the total distribution unchanged and adjust the distribution ratio per share accordingly.

This dividend distribution proposal shall be subject to the consideration and approval at the Company’s 2022 annual general meeting, and the final dividend is expected to be distributed to shareholders in two months from the 2022 annual general meeting.

Dividends for D-Shares and H-Shares shall be paid in foreign currencies. According to the Articles of Association of the Company, the applicable rate of exchange shall be average exchange rate (medium rates) for converting Renminbi into foreign currencies as quoted by The People’s Bank of China for a week immediately prior to the announcement of dividend.

Notice of the 2022 annual general meeting will announce the date of the 2022 annual meeting of the Company and details of relevant book closure of H Shares, as well as the arrangement of book closure of H Shares for the final dividend.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Repurchase of H-Share

During the year ended 31 December 2022, the Company repurchased certain of its ordinary H-Share on The Stock Exchange of Hong Kong Limited and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

Months	Number of H-Share repurchased	Price per share		Total price paid HK\$'M
		Highest HK\$	Lowest HK\$	
July 2022	1,435,600	27.80	25.60	38.69
September 2022	4,420,000	25.85	23.55	109.32
November 2022	7,271,000	24.70	19.74	166.14
December 2022	1,843,600	26.55	25.60	48.23
	<u>14,970,200</u>			<u>362.38</u>

The issued capital H-Share of the Company was reduced by the par value thereof. The premium paid on the repurchases of the Company's H-Share of RMB315 million has been charged to the share premium account of the Company. The repurchase of the Company's H-Share during the year was effected by the directors, pursuant to the mandate from shareholders sought at the extraordinary general meeting and the class meetings held on 28 June 2022 regarding the repurchases of H-Shares.

The Directors made the repurchases when the H-Shares were trading at a discount to their underlying value so as to flexibly adjust the capital structure of the Company based on market conditions. It would be beneficial to the Company's shareholders who retain their investment in the Company as their proportionate interest in the assets and earnings of the Company would increase in proportion to the number of H-Shares repurchased by the Company.

Repurchase of A-Share

During the year ended 31 December 2022, the Company repurchased certain of its ordinary A-Share on The Shanghai Stock Exchange. The summary details of those transactions are as follows:

Months	Number of A-Share repurchased	Price per share		Total price paid RMB'M
		Highest RMB	Lowest RMB	
April 2022	933,100	24.50	23.70	22.51
May 2022	46,831,339	26.00	24.50	1,187.23
June 2022	7,938,500	25.40	23.50	196.98
July 2022	801,300	26.60	25.80	21.15
September 2022	1,601,000	25.95	24.37	40.35
November 2022	600,000	24.45	23.30	14.45
December 2022	350,000	24.96	24.55	8.65
	<u>59,055,239</u>			<u>1,491.32</u>

The repurchases of the Company's A-Share during the year was effected by the directors, pursuant to a board resolution passed on 30 March 2022 regarding the repurchase of A-Share.

A total of 59,055,239 A-Shares were repurchased during the year but not yet cancelled, of which 26,814,055 A-Shares has been transferred to the A-Share Core Employee Stock Ownership Plan during July 2022. The balance of A-Shares repurchased but not yet cancelled as at end of year is 32,241,184 shares, and will be used in other share incentive plans of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company has complied with the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2022 except for certain deviations as described below.

Under code provision C.2.1 of the Code, the roles of chairman and CEO should be separated and should not be performed by the same individual. Since 28 June 2022, Mr. LI Huagang (“Mr. LI”), an Executive Director, had served as the chairman and also the CEO of the Company. Mr. LI has been the CEO of the Company since April 2019 and has assumed the role of chairman since 28 June 2022 when Mr. LIANG Haishan retired as chairman of the Company.

The Board has continued reviewing the separation of chairman and CEO. After evaluation of the situation of the Company and taking into account the experience and past performance of Mr. LI, the Board is of the opinion that it is appropriate and in the best interests of the Group for Mr. LI to hold both positions as the chairman and CEO of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Group. It also helps to promote the efficient formulation and implementation of the Company’s strategies which enabled the Group to seize business opportunities efficiently and promptly. The Board comprising a vast majority of non-executive Directors also meets regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business of the Group.

Accordingly, the Board believes that this arrangement would not have negative influence on the balance of power and authorizations between the Board and the management of the Company. In addition, through the continuing supervision of the Board and its independent non-executive Directors, checks and balances continue to exist so that the interests of the shareholders are continued to be adequately and fairly represented.

Further information on the Company’s corporate governance practices and its applications of the Code will be set out in the Corporate Governance Report contained in the Company’s 2022 Annual Report which will be dispatched to the Company’s shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a model code for Securities Transactions by Directors and supervisors (the “Model Code”) on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all Directors and supervisors of the Company have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2022.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Board of the Company has established an audit committee comprising two non-executive Directors and three independent non-executive Directors of the Company. The audit committee had reviewed, with no disagreement, with the management the accounting principles and practices adopted by the Group, and discussed financial reporting matters including the review of the consolidated annual financial statements of the Group for the year ended 31 December 2022, and discussed with internal audit department on risk management and internal controls.

The financial information in this announcement has been agreed by the Group's external auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement. As at the date of this announcement, to the best knowledge of the Board of the Company, information contained in this announcement is consistent with the information that will be contained in the 2022 Annual Report of the Company.

PUBLICATION ANNUAL REPORT

This results announcement will be published on the Company's website (<http://smart-home.haier.com>) and the HKExnews website (<http://www.hkexnews.hk>) of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2022 Annual Report will be despatched to the shareholders of the Company and will be made available on the website of the Company and the HKEXnews website of the Stock Exchange in due course.

By order of the Board of Directors
Haier Smart Home Co., Ltd.*
LI Huagang
Chairman

Qingdao, the PRC
30 March 2023

As at the date of this announcement, the executive directors of the Company are Mr. LI Huagang and Mr. GONG Wei; the non-executive directors are Mr. YU Hon To, David, Ms. Eva LI Kam Fun and Ms. SHAO Xinzhi; and the independent non-executive directors are Mr. CHIEN Da-Chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi.

* For identification purpose only