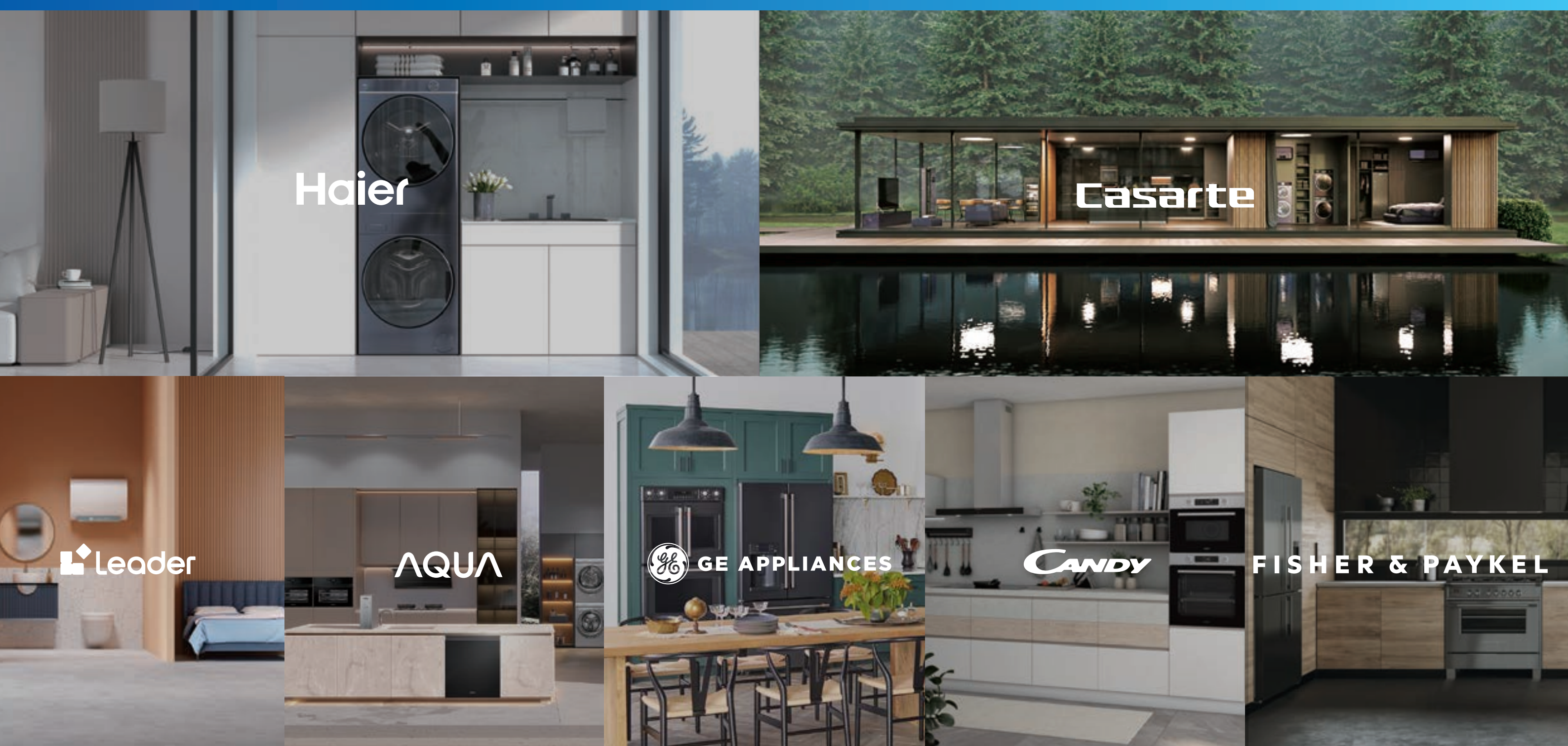
Haier

海爾智家股份有限公司
Haier Smart Home Co., Ltd.

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

A Shares Stock Code: 600690 D Shares Stock Code: 690D H Shares Stock Code: 6690

2023 ANNUAL REPORT



海尔智家
Haier smart home

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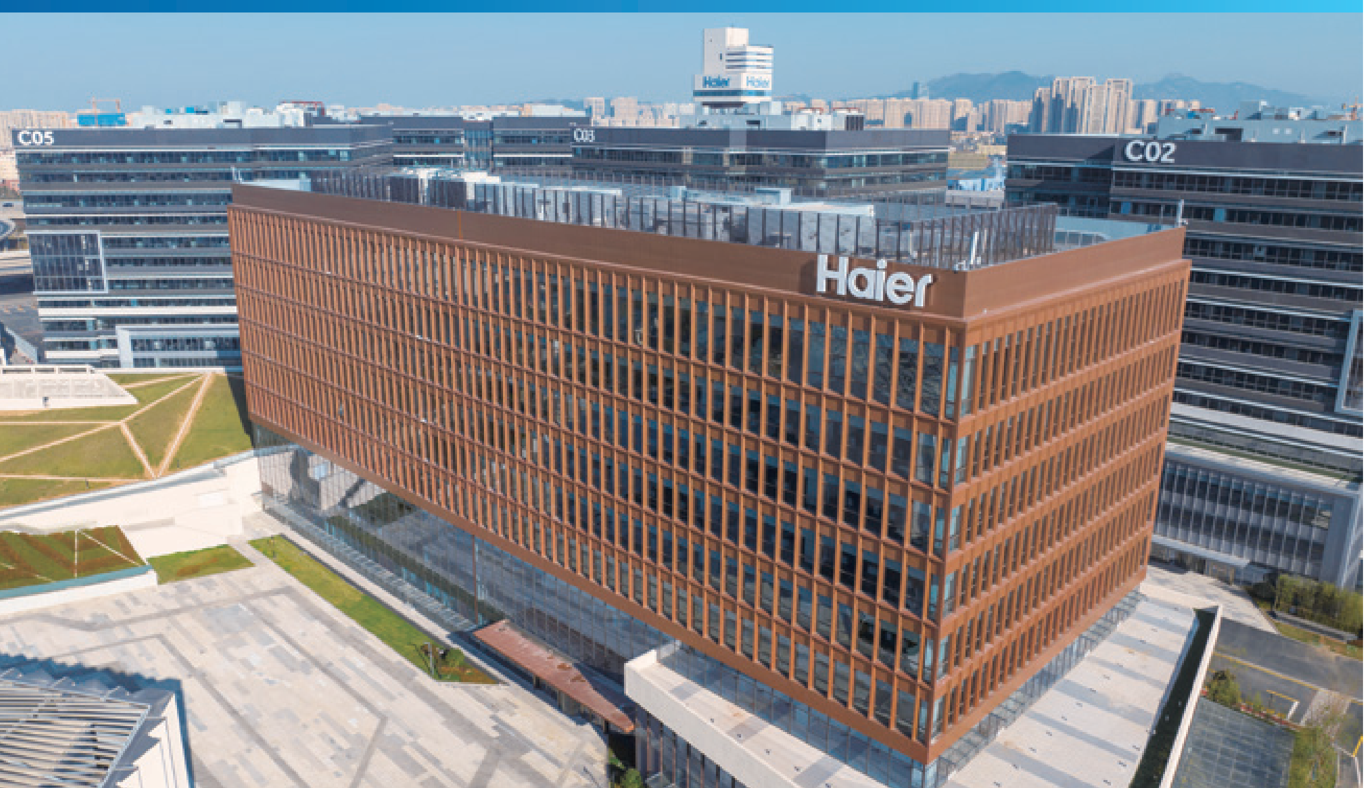

CORPORATE PROFILE

We are a leader in the global major home appliance industry. According to the data from Euromonitor, we ranked first in the major home appliance industry in the world in terms of retail volume of major home appliances for 14 consecutive years. We have a global portfolio of home appliance brands consisting of Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel and AQUA. Our Haier brand refrigeration appliances and laundry appliances also ranked first among major home appliance brands in the world in terms of retail volume for 16 and 15 consecutive years respectively. Currently, our business covered more than 160 countries and regions around the world including China, North America, Europe, South Asia and Southeast Asia, Australia and New Zealand, Japan, Middle East and Africa.

We are also a global pioneer in providing smart home solutions. Leveraging on our full-range home appliances products, according to Euromonitor, we are one of the first home appliance enterprises in the industry to launch smart home solutions, supported by the introduction of our cloud based platform that offers integrated smart home solutions covering various lifestyle scenarios. Centering on our interconnected home appliance products, and supported by Haier Smart Home App and Haier Smart Home Experiential Cloud Platform as well as our experience stores and franchised stores, we provide smart home solutions suited for various lifestyle scenarios for users to satisfy their pursuit for a better life.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Huagang
(Chairman and Chief Executive Officer)
Mr. GONG Wei

Non-executive Directors

Ms. SHAO Xinzhi *(Vice Chairman)*
Mr. YU Hon To, David
Ms. Eva LI Kam Fun

Independent Non-executive Directors

Mr. CHIEN Da-chun
Mr. WONG Hak Kun
Mr. LI Shipeng
Mr. WU Qi

SUPERVISORS

Mr. LIU Dalin
Mr. YU Miao
Ms. MA Yingjie

BOARD SECRETARY

Ms. LIU Xiaomei

PRINCIPAL BOARD COMMITTEES

Audit Committee

Mr. WONG Hak Kun *(Committee Chairman)*
Ms. SHAO Xinzhi
Mr. CHIEN Da-chun
Mr. YU Hon To, David
Mr. WU Qi

Remuneration and Assessment Committee

Mr. CHIEN Da-chun *(Committee Chairman)*
Mr. LI Huagang
Mr. LI Shipeng

Nomination Committee

Mr. WU Qi *(Committee Chairman)*
Mr. LI Huagang
Mr. LI Shipeng

Strategy Committee

Mr. LI Huagang *(Committee Chairman)*
Mr. GONG Wei
Mr. LI Shipeng
Mr. WU Qi

Environmental, Social and Governance Committee

Ms. Eva LI Kam Fun *(Committee Chairwoman)*
Mr. CHIEN Da-chun
Mr. GONG Wei

COMPANY SECRETARY

Mr. NG Chi Yin

LEGAL ADVISORS

As to PRC Law

Zhong Lun Law Firm

As to Hong Kong Law

Clifford Chance

PRINCIPAL BANKER

China Construction Bank Corporation

AUDITORS

Hexin Certified Public Accountants LLP
HLB Hodgson Impey Cheng Limited

FINANCIAL CALENDAR

Six-month interim period end	:	30 June
Financial year end	:	31 December

REGISTERED OFFICE AND HEADQUARTERS

Haier Industrial Park
Laoshan District, Qingdao
Shandong Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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H-SHARES REGISTRAR

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Hong Kong

STOCK CODE

The Shanghai Stock Exchange: 600690
The Frankfurt Stock Exchange: 690D
The Stock Exchange of Hong Kong Limited: 06690

WEBSITE

http://smart-home.haier.com

LETTER TO SHAREHOLDERS

The pandemic might seem to be a thing of the past; however slowdown in the property sector took its toll on demand for appliances in China throughout last year. High interest rate and inflation weighed on sentiment as well as residential construction and remodelling activity in the US and Europe, resulting in more consumers postponing purchases of appliances. Haier Smart Home made resolute effort to implement premium brand strategy and accelerated digital transformation to deliver another year of unprecedented performance amid these challenges.

In 2023, Haier Smart Home achieved a global revenue of RMB261.422 billion, marking a year-on-year growth of 7.3%. Our net profit attributable to shareholders grew 12.8% to RMB16.597 billion.

Through the year, our entire management honoured their faith in the founding principle of "RenDanHeYi" (人單合一), as they went above and beyond to achieve quality growth with innovative product despite macro challenges. On the other hand, our organization has become leaner, more agile, and more efficient with growth in sales revenue and profitability. The management also became more aware of what paves ways towards profitable growth and greater return on investments is user-centric and profit-driven digitalization.

Haier Smart Home provides over 100 million units of home appliances in more than two hundred countries and regions in 2023, including major appliances, HVAC products, water heaters, and small appliances. Rather than chasing short-term gains, we prioritise sustainable growth through a relentless focus on stakeholder experiences — be it our distributors, suppliers, consumers, or employees. In the domestic market, we nurture strong bonds with distribution partners, I also spend a great deal of time listening to our distributors who share our inspiration in building a more competitive ecosystem. We started to evaluate sales network using sell-through figures, to minimize inefficient short-term stock piling. In 2023, the Company generated a net cash flow of RMB25.262 billion from operating activities, a growth of 24.7% year-on-year, leveraging digital management system that improves turnovers and enhances transparency in rebate policies to enhance store performance.

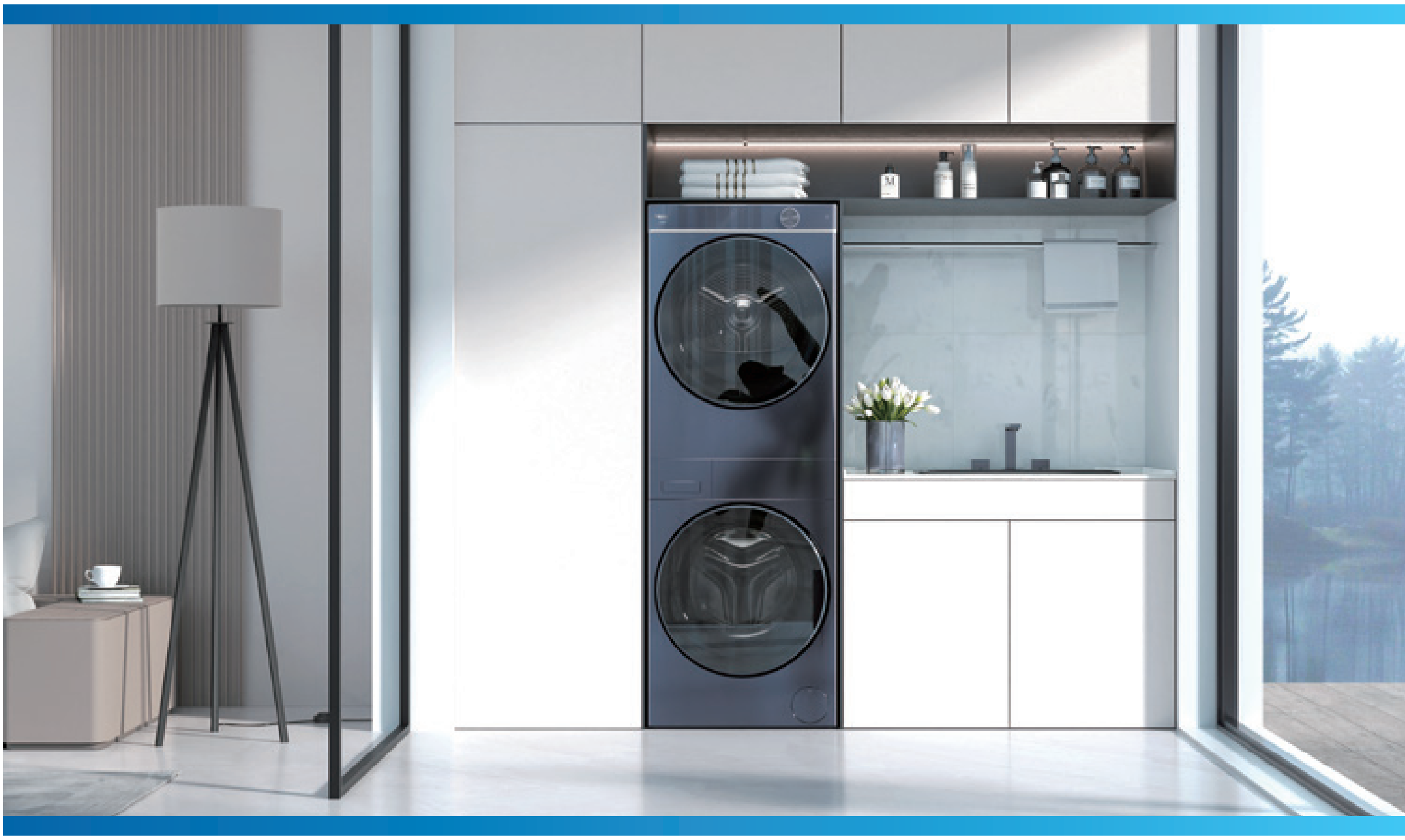
This year, we have developed a logistics and inventory management system with suppliers, to make delivery schedules more predictable and our distributors' resource allocation more efficient. Leveraging on digital delivery and service dispatch systems, we minimised waiting time of logistics service providers, thus improving service and installation efficiency, all of which aim at elevating logistics and service experiences while reducing our selling and administrative expense ratios.

We are currently undertaking numerous initiatives on R&D, manufacturing and marketing integration and digitalised procurement management. We intend to replicate what we have learned from transforming domestic business to overseas operations soon. I believe our sustainable development will remain intact against macro downturn as long as we focus on improving experience and enhancing profitability, which should better position us in the competition when the market turns around.

Haier Smart Home continued to be named as the Most Admired Company by Fortune Magazine in 2023, and GE Appliances, our subsidiary in the US was once again recognised as the Great Place to Work. We strive to build a place that inspires young Gen Z to take pride in generating amazing value for our users without bureaucracy. At Haier Smart Home, employees are listened to, as we believe their satisfaction generates significant operational benefits.

Looking ahead to 2024, I have full confidence in Haier Smart Home's positioning and growth potential.

Let's take a closer look at our businesses.

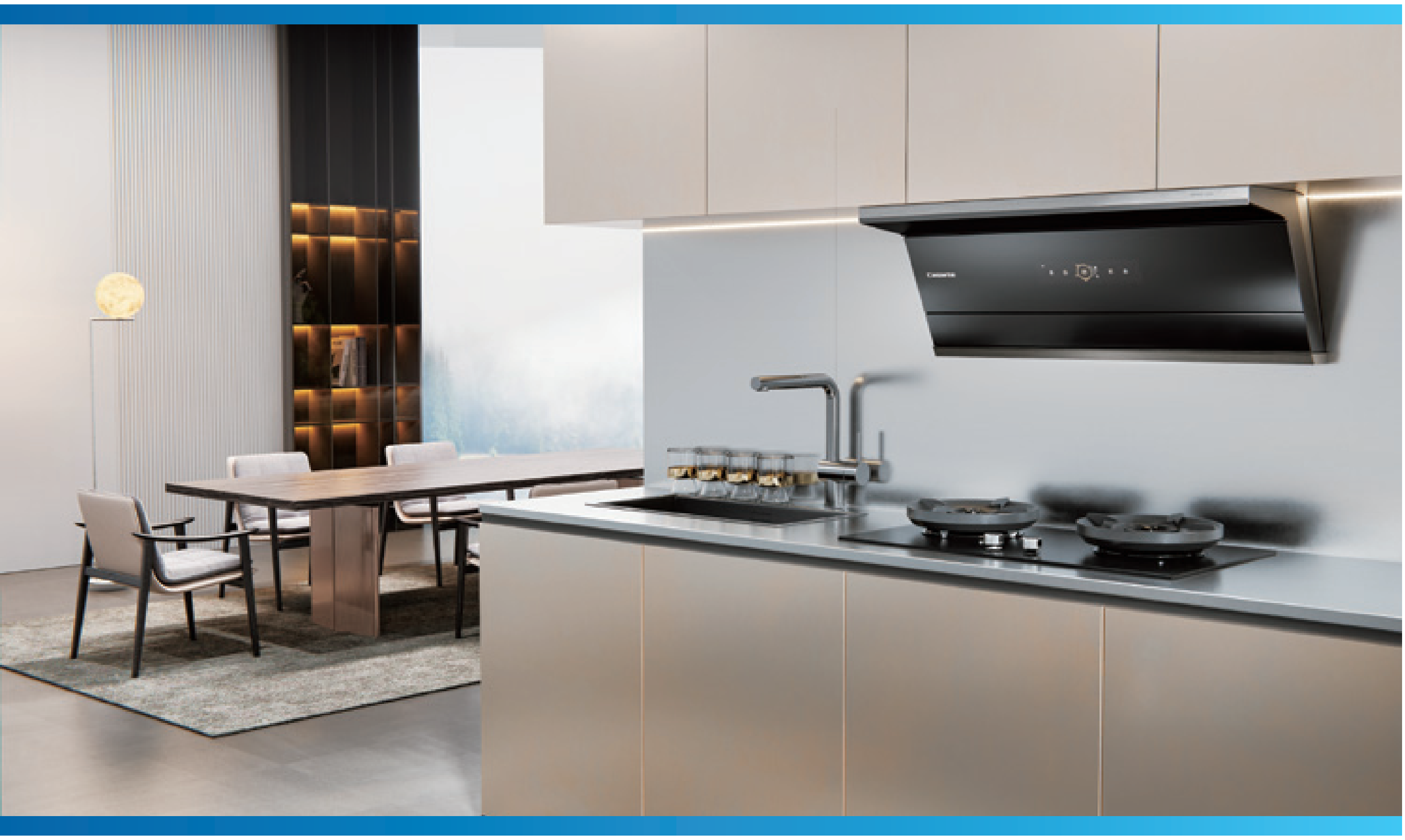


Strengthening leadership

We have over 40% domestic market share in refrigerators and washing machines. Future growth depends on product innovation. Our built-in refrigerators provide users with a whole new experience by seamlessly blending in with home décor, catalysing a surge in demand for product upgrades. Additionally, our washer-dryer combo disruptively solves users' pain points and leads the industry in the US. We have made some progress in Europe and Southeast Asia, although we are yet to become one of the top three. Significant potential could be unlocked by leveraging on our global R&D platform with local supply chain.

Haier's dishwasher business is poised to accelerate with growing market penetration, which is only 4% in China. The complementary nature of dryers and washers has laid down solid foundation for the strong momentum to continue leveraging on our strengths in washing machines.

In the white goods category, Haier Smart Home has established a leading position with technological platform and innovative system. Starting from 2024, Haier will focus on breaking down organisational barriers and integrating our global planning platforms to introduce more competitive products and implement more efficient market strategy.



Gearing up

Another important pillar is HVAC and water heaters. Our residential and commercial air conditioning businesses currently rank among second-tier players in domestic market while water heaters have become domestic market leader with little overseas exposure. I believe substantial growth potential could be unlocked in these sectors.

In the home air conditioner business, in the past two years, we have been making efforts to address absence and shortage of components. By establishing a compressor joint venture and developing proprietary computer boards, we improved integration efficiency of R&D and manufacturing to increase profitability. We also accelerated MRV units and residential air conditioner business with expansions in distribution network.

In commercial air conditioners, we continue to draw inspirations from original technologies that are future-proof and pioneer the industry in high-efficiency magnetic levitation air conditioners. Moreover, we were the industry's first to adopt air suspension technology, which gives our systems a lifespan of 30 years with little maintenance required.

We run a highly profitable water appliance business with the largest share in both gas and electric water heater, and a steadily growing purifiers unit in China. Our next step is to expand into the global arena, particularly in emerging markets with investments committed in HVAC and water heater to grow market share and profitability.

Investing in Future

Our Company's strategic vision is to become the number one choice for smart home solutions. In the IoT era, Haier Smart Home is positioned to capitalise on the integration of smart home appliances and furnishing on one hand, and small appliances equipped with smart capabilities on the other hand. Our strategic approach entails providing integrated design solutions leveraging on San Yi Niao's platform, while promoting smart small appliances supported by brand, ecosystem, and technologies.

In 2023, we made the strategic decision to acquire the commercial refrigeration business of Carrier Global Corporation, who is also our joint venture partner in China. The food refrigeration and commercial cold chain sectors present opportunities that could be unlocked by technological advancement and digital transformation. Carrier's commercial refrigeration business has a strong customer base, established operational systems, leading engineering expertise, and experienced management team. Following the completion of the transaction, we will make further investment to grow cold chain business leveraging on supply chain advantages in China and Haier's 'RenDanHeYi (人單合一)' management approach.

Since Haier Smart Home's IPO, our dividend payout ratio has increased gradually as planned. In the financial year 2023, the cash dividend pay out ratio will reach 45.02%, and a total of RMB1.6 billion was used to buy back A and H shares. Starting from financial year 2024, we will raise dividend payout continuously, and in for financial years 2025 and 2026, the cash dividend payout ratio will not be less than 50%.

What we achieved in 2023 was merely a beginning. Our board of directors is committed to enhancing consumer experience and improving profitability by consolidating existing advantages and unlocking new potentials while laying down foundations for long term development. The management and employees are confident that we could take the business to new heights.

Li Huagang
Chairman

27 March 2024

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The directors, supervisors and senior management of the Group during the year, and the directors as at the reporting date are as follows:

EXECUTIVE DIRECTORS

Mr. LI Huagang ("Mr. LI"), aged 54, has been an Executive Director of the Company since June 2019 and the Chief Executive Officer of the Company since April 2019. He has been appointed as the Chairman of the Board since 28 June 2022. Mr. Li graduated from Huazhong University of Science and Technology in Wuhan, the PRC in July 1991 with a Bachelor's degree of Economics, and from China Europe International Business School in Shanghai, the PRC in January 2014 with a degree of Executive Master of Business Administration (EMBA).

Mr. LI joined Haier in 1991 and served as the sales head of the Marketing and Promotion Division of Haier (海爾商流本部銷售事業部長) and the general manager of China operations of the Company. From August 2017 to March 2019, he served as the chief executive officer of Haier Electronics Group Co., Ltd. (hereinafter referred to as "Haier Electronics", a listed company of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), stock code: 1169 which was privatized and delisted on 23 December 2020). Since March 2019, he has been appointed as an executive director of Haier Electronics. Mr. LI has extensive experience in the fields of corporate management, marketing, brand operation, and global business operation. Mr. LI currently serves as a director of various subsidiaries of the Group.

Mr. LI vigorously promoted the change of the Company's marketing channels and Casarte's high-end brand strategy, which led to the increase in revenue of Haier Smart Home's online and offline business; Mr. LI also actively led and implemented Haier Smart Home's digital transformation strategy, promoting the Company's cost optimization and operational efficiency improvement. In order to meet users' needs for a better life upgrade from home appliances to smart home solutions, Mr. LI led and released the San Yi Niao scenario branding strategy to strengthen the construction of the Company's IoT scenario and enhance the Company's smart home scenario solution capability. In terms of global business operations, Mr. LI is actively involved in the management and operation of the Company's overseas business, with significant operational results.

Mr. LI has been honored with the 2015 China Home Appliance Marketing Leader (2015年中國家電營銷領袖人物), the 2018 Outstanding Contribution Award for the Forty Years of China's Household Appliance Industry Development (2018年中國家用電器行業發展四十年傑出貢獻獎), the 2019 China Top Ten Brand Person of the Year (2019中國十大品牌年度人物), and 2021 Taishan Industry Leading Talent.

Mr. GONG Wei ("Mr. GONG"), aged 49, Vice-president, has been appointed as an Executive Director of the Company since 28 June 2022. He has been the Chief Financial Officer of the Company since January 2010 and a Vice General Manager of the Company since April 2013. Mr. GONG joined the Group in July 1994, and has held various positions, including successively serving as the head of finance of Haier Refrigerator Co., Ltd. from July 1994 to August 1999; the financial manager of Haier Northern China Business Development Division (海爾商流華北事業部) from August 1999 to March 2001; the chief financial officer of Haier White Goods Group (海爾白電集團) from April 2001 to June 2008. Mr. Gong currently serves as the director of various subsidiaries of the Group.

Mr. GONG obtained a degree of Executive Master of Business Administration from the University of International Business and Economics in Beijing, the PRC in December 2011. Mr. GONG was granted honorary titles such as "Labour Model of Qingdao City (2012–2014)" in 2015 and "National Outstanding Accounting Workers (全國優秀會計工作者)" in December 2005, and received several awards, including Top Ten CFOs in China by "New Money" Magazine (《新理財雜誌》) in April 2012, and 2020 International Finance Leaders of the Year in China. Mr. GONG was admitted as a fellow of The Chartered Institute of Management Accountants in March 2020.

NON-EXECUTIVE DIRECTORS

Ms. SHAO Xinzhi ("Ms. SHAO"), aged 53, has been appointed as a Non-executive Director of the Company and Vice Chairman of the Board since 28 June 2022. Ms. SHAO graduated from the University of International Business and Economics with a degree of Executive Master of Business Administration. She is currently the vice president and chief financial officer of Haier Group. Ms. SHAO adheres to the goal of innovation and value-enhancement, empowering the high-quality development of the industry, and comprehensively builds the group's financial ecosystem through financial strategy formulation, financial system construction and operation, asset management, capital operation and other financial full value chain management. In 2000, Ms. SHAO served as the chief accountant of Haier Air Conditioning Division and the general manager of the strategy center of Haier Group's financial management department. In 2007, Ms. SHAO established the first financial sharing center in the home appliance industry, pioneering the "cloud + end" financial management innovation model with Chinese characteristics to provide enterprises with comprehensive financial best solutions, becoming one of the industry benchmarks and winning the first prize of the National Enterprise Management Modernization Innovation Achievement. In 2019, Ms. SHAO was appointed as the vice president of Haier Group and the operator of the Big Sharing Empowerment Platform. In 2020, Ms. SHAO was appointed as vice president and chief financial officer of Haier Group. Ms. SHAO has been honored as "National Advanced Accounting Worker (全國先進會計工作者)", "Qingdao Top Talent (青島市拔尖人才)", "ACCA Outstanding Achievement Award (ACCA卓越成就獎)" and "IMA Outstanding Contribution Leader in Management Accounting (IMA管理會計卓越貢獻領袖)" over the years.

Mr. YU Hon To, David ("Mr. YU"), aged 76, has been appointed as a Non-executive Director of the Company since 5 March 2021. Mr. YU holds a Bachelor of Social Science degree from The Chinese University of Hong Kong. Mr. YU is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate Member of Hong Kong Institute of Certified Public Accountants. He is a chartered accountant with over 40 years' experience in the fields of auditing, corporate finance (including advisory on IPO, mergers & acquisitions and financial restructuring), financial investigation and corporate governance. Mr. YU was formerly a partner of a renowned international accountants firm in Hong Kong with extensive experience in the corporate finance advisory assignments in Greater China for Hong Kong corporations, private equity groups and multinationals.

Mr. YU is currently an independent non-executive director of several other companies listed on the Hong Kong Stock Exchange, namely One Media Group Limited (stock code: 426), Playmates Toys Limited (stock code: 869), China Resources Gas Group Limited (stock code: 1193), Keck Seng Investments (Hong Kong) Limited (stock code: 184) and MS Group Holdings Limited (stock code: 1451). During the past three years, he was also an independent non-executive director of New Century Asset Management Limited (the manager of New Century Real Estate Investment Trust) (stock code: 1275), China Renewable Energy Investment Limited (stock code: 987), Playmates Holdings Limited (stock code: 635), and Media Chinese International Limited (stock code: 685).

Ms. Eva LI Kam Fun (name that also commonly used is "Mrs. Eva CHENG LI Kam Fun") ("Ms. Eva LI Kam Fun"), aged 71, has been appointed as a Non-executive Director of the Company since 5 March 2021. Ms. Eva LI Kam Fun graduated from the University of Hong Kong with Bachelor of Arts (Hons) and Master of Business Administration degrees. She was conferred with the degree of Doctor of Business Administration, honoris causa, from the Hong Kong Metropolitan University in 2014.

Ms. Eva LI Kam Fun also served as an independent non-executive director of Haier Electronics, a subsidiary of the Company, since 2013 and till its privatization on December 2020. Ms. Eva LI Kam Fun had a distinguished career that spanned 34 years with Amway Corporation. When she retired in 2011, she held the concurrent positions of Executive Vice President of Amway Corporation and Executive Chairman of Amway China Co. Ltd. responsible for Amway Greater China & Southeast Asia Region. Thereafter, she also had been the president of Our Hong Kong Foundation from 2015 to 2022.

Ms. Eva LI Kam Fun had also been an independent non-executive director of Nestle S.A., a publicly listed company on the SIX Swiss Exchange from 2012 to 2023, an independent non-executive director of Amcor Limited (a company listed on the Australian Securities Exchange) from 2014 to 2019, and an independent non-executive director of Trinity Limited (a company listed on the Main Board of the Hong Kong Stock Exchange) (Stock Code: 891) from 2011 to 2020.

Ms. Eva LI Kam Fun's leadership was well recognised in the business community. She was twice named the "World's 100 Most Powerful Women" by Forbes Magazine in 2008 and 2009. CNBC awarded Ms. Eva LI Kam Fun with the "China Talent Management Award" in its 2007 China Business Leaders Awards.

In the areas of public and social service, Ms. Eva LI Kam Fun is currently a member of Electoral Affairs Commission of Hong Kong SAR, a member of Chief Executive's Policy Unit Expert Group (Social Development) of Hong Kong SAR, honorary president, honorary representative and consultant of the All-China Women's Federation, permanent honorary director of The Chinese General Chamber of Commerce, court member of the Hong Kong Metropolitan University, and a member of the Xiqu Centre advisory panel of West Kowloon Cultural District Authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIEN Da-chun ("Mr. CHIEN"), aged 70, has been an Independent Non-executive Director of the Company since June 2019. He currently serves as a director of ENN Group Co., Ltd. Mr. CHIEN has over 15 years of experience in business administration and corporate management. Mr. CHIEN worked for over 10 years at International Business Machines Corporation ("IBM") group of companies until 2015, achieving various senior management roles before his retirement by the end of 2015. In addition to his experience in business corporations, Mr. CHIEN has served as a professor of Management Practice and a member of the Teaching Steering Committee of the third session of the Executive Education Project at the School of Business of Renmin University of China since January 2019.

Mr. CHIEN received a Bachelor of Science from the Department of Mathematics of Tamkang College of Arts and Science (currently known as Tamkang University of Taiwan) in June 1975.

Mr. WONG Hak Kun ("Mr. WONG"), aged 67, has been an Independent Non-executive Director of the Company since June 2020. He currently serves as an independent non-executive director of Yue Yuen Industrial Holdings (Limited) (a company listed on the Hong Kong Stock Exchange (stock code: 00551)) since June 2018, an independent non-executive director of Lung Kee (Bermuda) Holdings Limited (a company listed on the Hong Kong Stock Exchange (stock code: 00255)) since June 2018, an independent non-executive director of Guangzhou Automobile Group Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 02238) and the Shanghai Stock Exchange (stock code: 601238)) since May 2020, and an independent non-executive director of Hangzhou SF Intra-City Industrial Co., Ltd (a company listed on the Hong Kong Stock Exchange (Stock code: 9699)) since December 2021. During the past three years, he was also an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01743)). Mr. WONG has over 36 years of experience in auditing, assurance and management. Mr. WONG worked in Deloitte China from July 1980 to May 2017, during which he was a partner since 1992. Mr. WONG also served as a member of Deloitte China's Governance Board from June 2000 to May 2008. Prior to his retirement from Deloitte China in May 2017, he was Deloitte China's National Managing Partner of Audit & Assurance.

Mr. WONG received a Bachelor's degree of social science from the University of Hong Kong in Hong Kong in November 1980. He is an associate of the Hong Kong Institute of Certified Public Accountants (HKICPA) since December 1983, an associate of the Association of Chartered Certified Accountants (ACCA) since September 1983, an associate of The Institute of Chartered Secretaries and Administrators in United Kingdom since April 1984, and an associate of the Chartered Institute Management Accountants (CIMA) since June 1990.

Mr. LI Shipeng ("Mr. LI"), aged 57, has been an Independent Non-executive Director of the Company since 5 March 2021. Mr. LI holds a bachelor's and master's degree from University of Science and Technology of China, and a PhD degree from Lehigh University, USA. Mr. LI has extensive experience in areas such as Internet of Things technology, and artificial intelligence. Mr. LI is currently a chair scientist at the International Digital Economy Academy and an executive director of the Low Altitude Economic Branch. He is also the Director of the Applied Intelligence of Suzhou Industrial Technology Research Institute. Prior to that, he served as the Chief Researcher and Deputy Dean of Microsoft Research Asia, Chief Technology Officer of Cogobuy Group, Vice President of iFlytek Group, and the Executive President of Shenzhen Institute of Artificial Intelligence and Robotics.

Mr. LI is a member of the International Eurasian Academy of Sciences and a fellow of the International Institute of Electrical and Electronics Engineers (IEEE fellow). He was listed as one of the world's top 1,000 computer scientists by Guide2Research and ranked top 20 in Mainland China in 2020. Mr. LI is a renowned expert in areas such as internet, computer vision, cloud computing, Internet of Things and artificial intelligence.

Mr. WU Qi ("Mr. WU Qi"), aged 56, has been an Independent Non-executive Director of the Company since 25 June 2021. Mr. WU Qi graduated from Zhejiang University with a Bachelor's degree majoring in national economic management in 1990, thereafter he graduated from Renmin University of China with an on-the-job Master's degree majoring in Money and Banking in 1995 and China Europe International Business School with an EMBA in 2002, respectively. He has 25 years of work and management experience in world-class management and consulting companies. He served as the vice president (Global) and vice chairman (Greater China) of Accenture, and the chairman of Shun Zhe Technology Development Co., Ltd. He was a member and the president (Greater China) of Roland Berger's Global Management Committee, a member of Roland Berger's Global Supervisory Board. He was a senior consultant for Foxconn's D sub-business group strategy and intelligent manufacturing and a consultant of XNode, a famous accelerator for startups, and non-executive director of Grinm Advanced Materials Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600206.SH) (resigned in April 2018). He was awarded 2015 Outstanding Talent in Jing'an District, Shanghai. Mr. WU Qi's past experience in consulting industry involves transportation/ logistics, high-tech manufacturing, tourism, finance, consumer goods, real estate, government departments and other industries. His has extensive experience in fields such as development strategy, organizational change, sales and brand strategy, corporate innovation, digital transformation and intelligent manufacturing, post-merger integration, regional industrial and economic development and upgrading. He is a well-known expert in Industry 4.0, transportation and regional planning and development in the PRC. He served as a consultant for Hangzhou Bay Development Planning, a member of the Intelligent Manufacturing Expert Committee of the Shenzhen Municipal Government, deputy head of the 13th Five-Year Planning Expert Committee of Zhengzhou City, Henan Province, vice chairman of China Cold Chain Alliance and other social positions.

SUPERVISORS

Mr. LIU Dalin ("Mr. LIU"), aged 43, has been the Chairman of the Board of Supervisors of the Company since 25 June 2021. He graduated from the School of Mechanical Engineering of Jinan University and holds master's degree in business administration from Renmin University of China. He is a senior engineer. Since August 2005, he served as a designer of water heater department at Haier Group, an assistant R&D engineer, a R&D engineer and a R&D manager of the electric heating department of Haier Group successively, among other things. From July 2020 to March 2021, he served as the president of the Board of Supervisors of Gooday Supply Chain Technologies Co., Ltd., among other things.

Ms. MA Yingjie ("Ms. MA"), aged 54, has been a Supervisor of the Company since 25 June 2021. She is an assistant officer specialising on society matters. She once served as the secretary of the trade union of the Company, the contact person of the customer service department of Qingdao Haier Dishwasher Co., Ltd. Currently, she is the head of Society and Community department of the Company.

Mr. YU Miao ("Mr. YU"), aged 40, has been an Employee Representative Supervisor of the Company since January 2019. He joined our Company in April 2012 and has since then served as the legal manager of our Company, mainly in charge of management of legal affairs.

Mr. YU obtained a Bachelor's degree of Law from Jinan University in Jinan, the PRC in July 2005, and a Master's degree of Law in economics law from Dongbei University of Finance and Economics in Dalian, the PRC in December 2008. Mr. YU passed the PRC bar exam and obtained the PRC lawyer qualification (non-practising) certificate in February 2008.

SENIOR MANAGEMENT

Mr. GONG Wei. See “EXECUTIVE DIRECTORS”.

Mr. XIE Juzhi (“Mr. XIE”), aged 57, Vice-president, graduated from Shandong University of Finance and Economics in July 1989 with a bachelor’s degree, and joined Haier Group Corporation in the same year. Mr. XIE has experience in whole-process product management, product-wide services and product-wide marketing. Mr. XIE had held senior positions in Electrothermal Division and of the East China Marketing and Promotion Division of the Haier Group Corporation, and served as the Corporate General Manager of the Customer Services of the Haier Group Corporation since August 2002. Since July 2012, he has been the Vice President of Haier Group Corporation, and he has been in charge of Haier Group Corporation’s integration of community sales services in first and second-tier cities, and developing the online and offline sales of new household products. From December 2015, he has been managing the newly developed business segments of Haier Group Corporation, including water purification, logistics, Haier home and Gooday services and has started to concurrently manage the water heater business since 2019. Mr. XIE was appointed as the chief executive officer and an executive director of Haier Electronics since March 2019. Since April 2021, he is responsible for supervising the smart living appliances segment. He is currently responsible for supervising the intelligent industrial platform. Mr. XIE was awarded honorary titles including the Gold Award of Outstanding Contribution Award of China’s Home Appliance Services Industry (中國家電服務行業突出貢獻獎金獎) and Outstanding Entrepreneur of Shandong Province (山東省優秀企業家).

Mr. LI Pan (“Mr. LI”), aged 47, Vice-president, graduated from Wuhan University in 1997 and obtained the double degree in economics and international business administration. He joined Haier Group in 1997 and currently serves as the general manager of the overseas platform of the Company. Mr. LI has held various positions in Haier Group, including serving as the assistant director of the Asia-Pacific Division, the manager of the Haier ASEAN Center, the manager of the Overseas Brands Marketing Center, the manager of the Overseas Strategic Center and the director on the operation of overseas markets. He has held important positions of the overseas platform of Haier Group since 2004 with extensive frontline management experience in product planning, brand marketing, market exploration and corporate operation.

Mr. ZHAO Yanfeng (“Mr. ZHAO”), aged 46, Vice-president, graduated from Tianjin Institute of Light Industry with a bachelor’s degree in mechanical and electrical engineering in 2001 and received a degree of EMBA from Renmin University of China in 2019. Mr. ZHAO joined Haier Smart Home in 2001 and is currently the general manager of Haier’s washing business. Since joining Haier Smart Home, Mr. ZHAO has held various positions such as its regional branch general manager, general manager of domestic market of refrigeration industry, and general manager of the refrigeration business in China. He possess whole-process management experience in product planning, research and development, manufacturing and marketing.

Mr. LI Yang ("Mr. LI"), aged 47, Vice-president, graduated from Qingdao University of Science & Technology in 1998 and obtained a Bachelor's degree in fine chemical engineering. He obtained a degree of Executive Master of Business Administration (EMBA) from Xi'an Jiaotong University in 2022. Mr. LI is a senior engineer. He joined Haier Group in 1998 and currently serves as the general manager of the integrated supply chain of the Company. Mr. Li Yang has held positions of the Company such as the head of the quality department, the manufacturing director, and the general manager of the internet of clothing platform. He has served as the general manager of the integrated supply chain of the Company since 2023, and has been engaged in management concerning end-to-end process and digital transformation of the integrated supply chain of the Company. The ecological platform of the internet of clothing incubated under his leadership was awarded the first prize for "Innovation Results in Modern Management of National Light Industry Enterprises" (全國輕工業企業管理現代化創新成果) in 2019. The Company was selected as one of the "2023 Intelligent Supply Chain Cases" (2023數智化供應鏈案例) by the Alliance of Industrial Internet, and he received the "Most Promising Entrepreneur in Qingdao in 2018" and the "Advanced Individual in Management Innovation of National Light Industry Enterprises" and other honors.

Mr. SONG Yujun ("Mr. SONG"), aged 48, Vice-president, graduated from Shandong University of Technology with a bachelor's degree in equipment engineering and management in 1998 and received a degree of EMBA from Tsinghua University in 2015. He joined Haier in 1998 and has served as general manager of Haier's overseas promotion department, director and general manager of Haier Pakistan, executive director of Haier India, director of Haier's South Asia and Southeast Asia oversea region, vice president of Haier Home Appliance Industry Group, etc. He has held various important positions in Haier Overseas since 1998 and has rich experience in product, manufacturing, R&D, marketing and sales. He has been awarded various honors such as Qingdao Model Worker (青島市勞動模範), Qingdao Top Professional and Technical Talent (青島市專業技術拔尖人才), Qingdao High-level Service Talent (青島高層次服務人才) and other honorary titles. He is currently the general manager of Haier air-conditioning business.

Mr. GUAN Jiangyong ("Mr. GUAN"), aged 45, Vice-president, graduated from the Northeast Electric Power University in 2001 and obtained a Bachelor's degree in management information system. Mr. GUAN joined Haier Group in 2001 and currently serves as the general manager of the water heater business and the internet of water platform of Haier. Mr. GUAN has been engaged in product management in industry and trade markets, production and manufacturing, product marketing and industrial pipeline management and served as a regional general manager, the market director on the water heater business and the general manager of the internet of water platform and the water heater business. He possesses whole-process management experience in product manufacturing, marketing, corporate planning management and industrial platforms.

Mr. WU Yong ("Mr. WU"), aged 45, Vice-president, graduated from Tianjin College of Commerce in 2001 and obtained a Bachelor's degree in heat supply, ventilation and air-conditioning engineering. He obtained the double degree of EMBA from the School of Economics and Management of Tsinghua University and the INSEAD in 2015. Mr. WU joined Haier Group in 2001 and currently serves as the general manager of the kitchen appliances of the Company. Mr. WU has served as the general manager of the PRC Region on manufacturing and production of refrigerators, overseas marketing and the air-conditioning business since joining the Group and possesses whole-process management experience in manufacturing, marketing and industrial platforms.

Mr. HUANG Xiao Wu ("Mr. HUANG"), aged 46, Vice-president, graduated from the College of Photoelectric Engineering, Chongqing University with a bachelor's degree in engineering in 1998, and graduated from the Faculty of Business and Economics of The University of Hong Kong with a master's degree in business administration in 2004. Mr. HUANG has extensive work experience in commercial banking, strategic investment, industrial funds, corporate finance and capital market operation, where he participated in and led major strategic investment and financing projects involving numerous fields such as marketing channels, logistics, home appliances and technology industries. Mr. Huang has been appointed as Vice-president of the Company since 2021, and is responsible for the Company's affairs on such as investor relations, capital market, equity financing, strategic investment. He also serves as the director of the ESG Executive Office of Haier Smart Home. Prior to above, Mr. HUANG served as the deputy general manager of Haier Electronics. Prior to joining Haier Group, he worked in the Ningbo branch and Shanghai branch of Industrial and Commercial Bank of China, Investment Banking Division of Guosen Securities, Anglo Chinese Investment Banking Group (英高投資銀行集團) and other institutions.

Ms. LIU Xiaomei ("Ms. LIU"), aged 38, appointed as the Board Secretary of the Company since June 2022. She graduated from the Law School of Minzu University of China with a double bachelor's degree in law and literature in 2009, and graduated from the Department of International Law of the China Foreign Affairs University with a master's degree in international law in 2011, and is qualified to practice law in China. Ms. LIU joined the Haier in June 2015 and has been in charge of legal and compliance matters of corporate governance, capital market, M&A and corporate finance at Haier Electronics Group Co., Ltd. and the Company. Prior to joining Haier, Ms. LIU worked for Jingtian & Gongcheng (law firm) in Beijing. Ms. LIU has had extensive work experience in corporate governance, capital market, industrial fund, and investment and financing.

BUSINESS REVIEW

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS ON OPERATIONS

The Company's revenue for the 2023 financial year amounted to RMB261.422 billion, representing an increase of 7.3% from 2022. The growth was driven by: multi-brand strategy and extensive product offerings which captured opportunities in different market segments; enhanced retail capabilities and product premiumization; more competitive water heater, HVAC and kitchen appliances contributed strong revenue growth in China; enhanced user values from San Yi Niao's improved scenario-based suite products; development of new categories including tumble dryers, dishwashers, home cleaning robots and heat pumps to capture opportunities in quality living and the low-carbon economy.

For the financial year ended 31 December 2023, the net profit attributable to shareholders of the Company was RMB16.597 billion, representing a 12.8% increase from 2022.

The Company's gross profit margin reached 30.9% in 2023, up 0.3 percentage points compared to the same period in 2022. Margin improvement in domestic market was driven by lower commodity prices, digitalisation in procurement and R&D, development of a digitalised production and sales coordination system, and improved product mix. In overseas markets, benefits from better product mix and production capacity utilisation were partly offset by intensified competition in key regions, resulting in a year-on-year decline in gross profit margin.

The selling and distribution expenses ratio was 15.7% in 2023, a reduction of 0.1 percentage points compared to the same period in 2022, selling expense ratio has improved resulting from digitally enhanced efficiency in resource allocation, logistics and fulfilment in China. On the other hand, overseas selling expense ratio went up due to intensified competition, increased spending in network expansion, promotions, and store upgrades.

The ratio of administrative expenses of the Group to its revenue was 8.9% in 2023, which remains the same as 2022. On the one hand, the Group streamlined business processes and enhanced organisational efficiency by leveraging digital tools, resulting in a 0.1 percentage point optimisation of the administrative expense ratio. On the other hand, the Group strengthened core capabilities in smart home technologies, advanced technology-driven product innovation across various industries, and improved the digital platforms of the San Yi Niao scenario brand, leading to a 0.1 percentage point increase in the administrative expense ratio.

In 2023, the Company's net cash flow from operating activities was RMB25.262 billion, an increase of RMB5.007 billion year-on-year.

ANALYSIS ON OPERATIONS (continued)

I. Household Food Storage and Cooking Solutions

(1) Refrigerator business

In 2023, the refrigerator business of the Company remained committed to leading the global industry in the IoT era. By constantly innovating freshness preservation and built-in technologies, expanding high-end products, and accelerating retail transformation, the Company was able to strengthen its leadership in the industry. In 2023, sales revenue of the global refrigerator business was RMB81.910 billion, a growth of 5.2% compared to the same period in 2022.

According to Gfk, the Company's share of retail revenue reached 45.2% offline and 40.3% online in China in 2023, up 1.3 and 1.1 percentage points year-on-year, respectively. According to Euromonitor, the Company held a 14.1% share of retail volume overseas.

The domestic market

The Company has significantly increased its share in the high-end market. Casarte built-in refrigerator achieved a remarkable 120% year-on-year volume growth. Haier refrigerator expanded Boguan (博觀) series with full-space freshness preservation technology and compartmentalised storage design, dominating the market in the price range above RMB20,000 per unit. According to CMM, the share of offline retail with unit price of RMB10,000 and above reached 52.8%, an increase of 4 percentage points year-on-year.

Enhancing retail capabilities has been a key focus. By strengthening network coverage in underserved areas, leveraging digital marketing to improve customer acquisition, and upgrading end-user experience, the Company enhanced efficiency in customer engagement and improved conversion by 8%.

The Company also prioritised end-to-end cost reduction and efficiency improvement. To scale up production and in-house manufacturing of basic components, the first phase of Shanghe Refrigeration Park was put into operation in 2023, adding 1.5 million units in capacity. Manufacturing efficiency has improved by over 10% via integrating advanced manufacturing technologies and digitalising manufacturing, inspection, and logistics.

Overseas markets

The Company remained committed to high-end brand strategy and synergising global resources to strengthen product leadership and enhance user experience. In North America, we launched the integrated Built-in French Door refrigerator with Monogram and Café brand, Internal Dispenser Multi-door refrigerator with Profile and Café brand. In Europe, our clean ice-making technology and grade-a silent operation elevated user experiences and captured the largest market share in high-end multi-door refrigerators. Haier also raised price index to 122. In the Japanese market, upgrade in product and brand portfolio contributed to the strong growth of ultra-large refrigerators.

ANALYSIS ON OPERATIONS (continued)

I. Household Food Storage and Cooking Solutions (continued)

(1) Refrigerator business (continued)

Overseas markets (continued)

On 14 December 2023, the Company announced the acquisition of Carrier Refrigeration Benelux B.V., the commercial refrigeration business of Carrier Global Corporation, for approximately USD 640 million in cash. This move signified the Company's expansion from residential into commercial refrigeration, opening the door to new growth opportunities. The acquisition will enhance the Company's foothold in the European market and strengthen global competitiveness, while capturing opportunities in China and Asia Pacific. The transaction is expected to close in 2024.

(2) Kitchen appliance business

In 2023, the Company focused on becoming the global leader in high-end smart kitchen by enhancing in-store experience of smart product suites and introducing product innovations, built-in technologies, and scenario-based solutions. In 2023, the kitchen appliance business recorded global revenue of RMB41.654 billion, up 6.9% compared to the same period in 2022.

According to Gfk, the Company's offline retail sales accounted for 8.8% of market sales, up 0.5 percentage points year-on-year, ranking third in China, where our share of high-end built-in products reached 17.9%. Online retail sales accounted for 4.3%, up 0.8 percentage points year-on-year. According to Euromonitor, our shares continued to perform well in key markets overseas: we achieved double-digit growth in Europe despite industry downturn; and grew market share by 3 percentage points in Australia through the dual-brand strategy of FPA and Haier.

The domestic market

Sales revenue grew over 10% with sequential improvement every quarter in 2023 by seizing opportunities in product upgrades, kitchen renovations and property completions, developing partnerships with cabinet and home improvement companies, and increasing presence in home improvement channels.

Casarte kitchen appliances focused on increasing product competitiveness. The launch of ultra-slim built-in retractable range hoods, ultra-slim built-in five-ring stoves, and humidity-controlled ovens led to a 30% increase in retail sales, driving high-end market share to 10%.

Haier's smart kitchen appliance factory in Laiyang was the first to win the ROI-EFESO Industry 4.0 Award since 2013, a recognition of our substantial improvement in supply chain competitiveness. The Company enhanced cost competitiveness by increasing in-house component manufacturing from 30% to 54% and establishing a digitalised material cost model.

ANALYSIS ON OPERATIONS (continued)

I. Household Food Storage and Cooking Solutions (continued)

(2) Kitchen appliance business (continued)

Overseas markets

In North American market, in collaboration with eco-partners such as Google Cloud, the Company uses a generative AI platform to help users generate customized recipes based on the food in their kitchens. In Australia and New Zealand, FPA brand elevated retail experience by launching sleek, minimalist oven suites and enhancing in-store product displays. In the commercial sector, the Company focused on providing high-end design solutions, establishing partnerships with designers to drive growth.

II. Household Laundry Management Solutions

The laundry business aimed to become number one choice globally during the IoT era and strived to maintain leadership through innovations in garment care, integration of home appliances and furnishing, energy efficiency, and eco-friendly technologies, while expanding new categories including tumble dryers. In 2023, the laundry business achieved a global revenue of RMB61.492 billion, representing an increase of 6.2% from 2022.

According to Gfk, the Company's retail market share went up 1.5 percentage points year-on-year to 47.5% offline in China, while remaining unchanged at 40.4% online. Euromonitor ranked us number one in ten countries, including Australia, New Zealand, and Vietnam.

The domestic market

Consumers' desire for quality living has created demand for specialized products such as tumble dryers, wall-mounted washing machines, and fabric care cabinets. The Company proactively shifted from selling individual washing machine to providing laundry solutions, encompassing washing machines, tumble dryers, and fabric care cabinets. This upgrade aimed to offer a more refined and professional laundry experience to enhance user value. In 2023, the completion of tumble dryer factory in Shanghai added capacity of 2 million units. Tumble dryer revenue grew 20% year-on-year in 2023. According to Gfk, the Company topped the retail market with 40.4% share offline, and 34% share online.

The Company pressed ahead with retail transformation, and enhanced capabilities by directing distributors to focus on improving in-store experiences to improve user acquisition and conversion, while attracting younger consumers and increasing user recognition with innovative content on new social media platforms such Douyin and Xiaohongshu.

A series of end-to-end cost reduction and efficiency improvements were implemented, including discontinuing low-efficiency models, and increasing the proportion of mid to high-end products to enhance competitiveness.

ANALYSIS ON OPERATIONS (continued)

II. Household Laundry Management Solutions (continued)

Overseas markets

The Company focused on implementing high-end brand strategies, leveraging on local market insights and global R&D strengths to enrich product pipeline and grow market share.

In North America, the Company introduced Combo with washer and dryer all-in-one machine, it disruptively solves users' pain points through one machine by completing a full load of wash and dry within two hours, and leads in the industry. In Western Europe, the launch of Haier's highly differentiated IPRO helped increase in market share by 4 percentage points for products with unit price above EUR 599. In India, market share in selected channels grew from 4% to 16% with price index increasing from 89 to 101 leveraging on improved in-store display and brand recognition.

III. Air Solutions

During the reporting period, the Company's air solution business achieved revenue of RMB46.104 billion, up 13.1% year-on-year.

(1) Home air conditioner business

In 2023, the home air conditioner business concentrated on implementing smart and healthy air solution strategy via innovating user-centred scenarios, enhancing technological capabilities, developing retail-end capabilities and end-to-end digitalisation, to boost market competitiveness.

The domestic market

Focusing on providing air solutions with outstanding quality, taste, and performance, the home air conditioner business ramped up R&D investment to attract top talents, deploy technological resources and enhanced competitiveness in core functions. The innovative Variable Shunt Technology has earned the Energy Saving and Emission Reduction Science and Technology Progress Award from China Energy Conservation Association. In 2023, we introduced the Casarte Nebula (星雲) series, the industry's first integrated high-powered air conditioner, 110,000 units have been sold since their first introduction, driving us to the first place in the market segment priced above RMB10,000 with 37% share.

We continued to enhance network coverage and develop omnichannel retail and marketing capabilities. We prioritised franchised sales networks and increased store count offline, while promoting best-sellers, creating new social media content, and improving monetization online. During the reporting period, we ranked among top 10 best-sellers for the first time. In the commercial channel, we developed an operating framework integrating customer service, technical support, and installation management to improve conversion efficiency, contributing to contract revenue exceeding RMB10 billion.

The Company focused on improving supply chain and boosting in-house component manufacturing to strengthen cost competitiveness. In March 2023, our computer board factory in Zhengzhou commenced mass production with an annual capacity of 2 million sets and potential cost savings of over RMB10 million. The Company's compressor joint venture with Shanghai Highly is expected to begin production in the first quarter of 2024, contributing to overall supply chain capabilities.

ANALYSIS ON OPERATIONS (continued)

III. Air Solutions (continued)

(1) Home air conditioner business (continued)

Overseas markets

The home air conditioner business aims to provide health-conscious, smart, and energy-efficient products tailored to meet local demand and promote sustainability in the global market. In the European market, we expanded the lineup of R290 with the use of eco-friendly refrigerant to address growing environment concerns. In Pakistan, our solar-powered air conditioners tackled rising electricity prices by reducing daytime billing to zero, fulfilling demand for affordable energy-efficiency. We also built a new factory in Egypt and enhanced manufacturing capabilities in India, Pakistan, and Thailand, leveraging first-mover advantage in the global supply chain.

In 2023, the Company became number one in Pakistan and Thailand, and grew retail market share in Southeast Asia and Western Europe.

(2) Smart building business

In 2023, the smart building business strategically focused on developing smart low-carbon building solutions. By leveraging existing HVAC business, the Company expanded into heat pumps, energy management, and smart building management, thus seizing the opportunities from energy efficiency standard upgrade and growing demand for clean energy. In 2023, the global revenue of smart building business increased by over 14% compared to the same period in 2022, with revenue in the domestic market exceeding RMB5 billion. According to China IoL, our domestic market share rose 0.8 percentage points to 9.5%, ranking fourth in the industry in 2023.

The domestic market

Leveraging technological advantages in magnetic levitation, air suspension, and high-efficiency heat exchange, the Company strengthened its leadership in high-speed variable-frequency and smart IoT technologies, while creating efficient HVAC workshop solutions. We were world's first to implement static pressure air suspension technology on central air conditioning systems that could last for a period of 30 years and require little maintenance while saving up to 50% energy. The MX-super IoT-based multi-split system was the industry's first smart solution for large spaces, utilizing four units of 24 HP modules running in parallel to maximize output of 96 HP, effectively reducing floor space by 50% while improving energy efficiency.

The Company's heat pump business captured industrial demand for clean energy with expanded product application to achieve sales growth of 20%. The new variable frequency high-temperature heat pump could provide hot water up to 90ºC. It has been widely used by clients from electroplating, slaughterhouses, petroleum, food processing, textile printing and dyeing industries, as well as on existing housing renovation projects.

To accelerate the transition towards one-stop low-carbon solution provider, the Company completed the acquisition of Tongfang Energy Technology Development Company in September 2023, which is expected to enhance our integrated heating and cooling services, clean energy, and waste heat recycling solutions.

ANALYSIS ON OPERATIONS (continued)

III. Air Solutions (continued)

(2) Smart building business (continued)

Overseas markets

The smart building business centred on expanding product portfolio and upgrading product mix. For example, we received over RMB100 million orders from clients in the Middle East for T3 variable frequency series that could operate under high-temperature. In Europe, we focused on the integration of heat pump products with Haier Smart hOn platform of local storage data and energy storage systems, accelerating the transition from single product to multiple energy source solutions to smart energy management.

We also accelerated the development of store network integrating consumer experience, product display and marketing, as well as staff training to enhance design and installation capabilities.

IV. Household Water Solutions

In 2023, the water heater and purifier business strategically focused on becoming the global leader in household water heating, cooling, and purification solutions. We achieved steady growth in water purifiers, softeners and filters leveraging innovations to create health-conscious, high capacity and comfortable experience. In 2023, the global water heater and purifier revenue was RMB15.336 billion, representing an increase of 8.5% from 2022.

The domestic market

To address concerns of ageing products, water quality and additional demand from families with two children, the Company focused on product iterations and grew sales revenue to over RMB12 billion in 2023. The Company's Casarte Crystal Tank electric water heater seamlessly moulded aerospace-grade crystal fibres and industrial-grade polymer materials to deliver a mineral spring experience with water that is rich in strontium. Our gas water heaters pioneered the use of gas-electric hybrid constant temperature technology, automatically switching between two energy sources to reduce heating time and stabilize water temperature, sales revenue recorded a compounded annual growth of over 20% from 2021 to 2023.

On the market side, we also captured replacement demand by cleaning ageing products in existing neighbourhoods, capturing demands through showcasing solutions in new buildings, while accelerating commercial business with comprehensive water purification and heating/cooling solutions.

We promoted end-to-end cost reduction and efficiency improvement by strengthening vertical supply chain integration to grow in-house manufacturing by 10% and reduce cost with additional 19 module components. Meanwhile, we enhanced proportion of shared modules to enhance efficiency in R&D and improve average contribution per SKU.

ANALYSIS ON OPERATIONS (continued)

IV. Household Water Solutions (continued)

Overseas markets

Water heater and purifier business has significant potential in overseas market where the current exposure remains limited. The Company remained committed to meeting consumer demand with improving product offerings to cater for local tastes. We have made several breakthroughs in the more mature markets including North America where we introduced gas storage water heater and in Europe we offered gas water heaters and boilers. The Company also grew revenue by developing comprehensive solutions and enhancing presence in specialists' channels for building materials, bathroom fixtures and installation.

V. China operation: Driving brand transformation, optimising distribution network, and winning recognition from users.

During the reporting period, the Company strengthened multi-brand strategic transformation and improved user experiences to enhance traffic acquisition and conversion. Our home appliances market share in China amounted to 28% in 2023, up 1 percentage point year-on-year.

The Company implemented a series of digital transformation initiatives to improve distributors' operational efficiency, marketing, and promotional resource deployment, while enhancing decision-making capabilities using big data tools, all of which aimed at effectively showcasing smart scenario-based solutions in stores and promoting local community outreach campaigns at zero distance to boost user experience and recognition.

In addition, the Company also strengthened omnichannel presence and enhanced operating capabilities. In first and second-tier markets, we targeted shopping malls and home improvement channels to capitalise on user traffic. In third and fourth-tier markets, we transformed stores from selling individual products to offering scenario-based solutions, while assisting and encouraging distributors to actively engage users online instead of waiting for customers in store, thus grew sales revenue and enhanced resource utilisation. The Company created social media releases containing product information and engaged customers across multiple platforms, to improve conversion while cutting the cost of acquiring traffic by 7%. In 2023, the Company achieved double-digit growth in retail sales revenue online. Leveraging on digital platform, we were able to customize scenario-based solutions for corporate clients. We also set up a task force specializing in collaborating with state-owned enterprises, top 500 private enterprises, and leading local companies, to increase penetration in these markets.

ANALYSIS ON OPERATIONS (continued)

V. China operation: Driving brand transformation, optimising distribution network, and winning recognition from users. (continued)

The Company actively adopted a multi-brand operation strategy to cater to different segments. An upgrade plan has been launched under high-end Casarte brand to achieve stable growth of 14% in retail revenue in 2023. During the reporting period, the Company associated our brands with smart & quality living, by enriching product portfolio, strengthening social media presence, and upgrading store experiences. In 2023, Casarte ranked first in brand awareness on Xiaohongshu. 240 experience stores have been set up in shopping malls all over the country. We also built the Casarte Art Centre inside the prestigious Deji Plaza in Nanjing to create brand new shopping experience by combining home appliances with artistic home improvement. Leveraging on local market advantages, the Company was able to accelerate the development of luxury home appliance brand Fisher & Paykel. By targeting designers, equestrians, and food enthusiasts, a series of brand communication strategies were implemented to craft its luxurious image. In 2023, five experiential stores were opened in high-end building materials market and shopping malls, highlighting ultra-high-end scenario solutions including social kitchen and personal care.

In 2023, San Yi Niao focused on enhancing its design platform and store digitalisation to improve scenario-based solutions and sales capabilities. Retail sales surged 84% year-on-year, with product suites accounting for over 60% of total sales. The Company's proprietary Nesting Interior Design Platform consists of over 500 3D-modules of home appliance designs, and floor plans covering 90% of residential districts across the country. Nearly 1,500 new outlets were added, facilitating product suite sales growth by localized scenario solutions and professional finishing standard.

VI. Overseas markets: Harnessing global resources to develop high-end brands, outgrowing the industry.

In 2023, the Company's revenue from overseas market amounted to RMB136.412 billion, up 7.6% from 2022. The increase in revenue is attributed to the Company's commitment to high-end brand and strengthened market leadership by integrating global R&D, introducing original technologies; continuous upgrade of product mix which drove up price indices; and diversified portfolio encompassing high-end, mid-range and entry-level products to meet diverse demands. In terms of market development, the Company optimised user experience and enhanced brand reputation by expanding retail presence, increasing visibility in mainstream channels, and establishing professional HVAC sales channels. Efforts have also been made to strengthen production capacity in countries along the Belt and Road Initiative to grasp development opportunities.

ANALYSIS ON OPERATIONS (continued)

VI. Overseas markets: Harnessing global resources to develop high-end brands, outgrowing the industry. (continued)

1. North America

GE Appliances continued outperforming the industry and gained share in core appliances in 2023. In 2023, sales revenue went up by 4.1% reaching RMB79.751 billion.

The Company persists in promoting its leadership in premium brands and products and has successfully launched innovative core appliances, such as Profile Combo with heat pump washer and dryer, integrated Built-in French Door refrigerator with Monogram and Café brand, Internal Dispenser Multi-door refrigerator with Profile and Café brand, high-end customized Range Hood with Monogram brand, and the next generation stainless steel dishwasher with GE and Profile brand, to fully meet the needs of local users. Take Combo with washer and dryer all-in-one machine as an example, it disruptively solves users' pain points through one machine by completing a full load of wash and dry within two hours, and leads in the industry. As a result, it has been honoured with dozens of awards, including the Best Product Award — Best Home Technology Product in 2023 KBIS/IBS, the Sustainable Product of the Year 2023, and the CES Innovation Award of Home Appliance.

The Company has earned the house share in Big Box and Costco and gained Lowe's "Partner of the Year" award due to innovative products and win-win solutions.

The Company persists in laying out new industries and channels. At AHR Show of 2023, the Company launched Air & Water solutions with Unitary/DFS/VRF and gas storage water heater, which were widely recognized by professional channels.

The Company is actively exploring smart ecosystem transformation to enhance users' experience. In collaboration with eco-partners such as Google Cloud, it uses a generative AI platform to help users generate customized recipes based on the food in their kitchens. It also provides optimal energy management solutions for Net Zero homes. The Company was recognized as IoT Breakthrough's "Smart Appliance Company of the Year" for sixth consecutive year.

The Company continually implements RenDanHeYi to activate employees' vitality, thus achieving zero distance from the users. The Company received a score of 100 on the Human Rights Campaign Foundation's 2023–2024 Corporate Equality Index (CEI) for sixth consecutive year. CEI is the premier benchmark survey and report in the United States, measuring corporate policies and practices related to LGBTQ and workplace equality. And once again it was selected for Fortune Manufacturing and Production™ The Best Workplace List, meanwhile received the "Best Workplace for Innovators" award from Fast Company.

ANALYSIS ON OPERATIONS (continued)

VI. Overseas markets: Harnessing global resources to develop high-end brands, outgrowing the industry. (continued)

2. Europe

In the European market, the Company recorded sales revenue of RMB28.544 billion, up 23.9% year-on-year, with retail volume share increased by 1 percentage point to 9.1%. Dedicated efforts have been made to enhance product and supply chain competitiveness. The Company established strategic partnership with local testing centres including LGA, CTTN and Intertek, repositioned R&D facilities in Nuremberg to promote German design.

The Company launched New Candy Project to raise brand positioning, leveraging global cooperations in developing new modules and products, including Chef@Home refrigerator with large screen, smart oven with smart recipe recognition, dish washer with industry's fastest programme setting, 959/979 washing machine series with class A energy efficiency that grew price index from 118 to 127. On the distribution front, we strengthened partnerships with leading retailers across Europe including Boulanger and Darty.

Thanks to high profile sport events sponsorship including Roland-Garros tournament, Haier brand had 3.1 percentage points increase in brand awareness.

3. Australia and New Zealand

Amid weak consumer sentiment in Australia and New Zealand, the Company still managed to increase market share through product innovation, retail transformation and dual-brand operation. In Australia, the Company's market sales in sales volume grew by 1 percentage point while sales revenue market share grew by 0.7 percentage points. In New Zealand, market share of kitchen appliance and dish washers grew by 4% and 2%, respectively. The growth was achieved by continuing launching of innovative products including Haier H600 T door refrigerator which helped our market share in unit with capacity of 500–600L grow to 15.2%, Series 11 high-end washing machines strengthened FPA's luxury market leadership, Haier introduced first top-loading washing machine with auto dispenser in the industry.

4. South Asia

During the period, revenue from South Asia grew 14.9% year-on-year to RMB9.521 billion. In India, our high-end market share increased by 4 percentage points supported by innovations such as the five-star inverter air conditioner. Targeting vegetarian consumers in India, we introduced T-door refrigerator, over 30,000 units have been sold, ranking us first in terms of local market share. We strengthened network coverage, particularly in the western and northern regions, to enhance touchpoints and product promotion to solidify our market position. We improved automation and product competitiveness through end-to-end upgrade and optimisation of manufacturing and sales coordination at Northern Industrial Park.

Despite inflation and currency fluctuations in Pakistan, we managed to grow sales revenue by 20% and added more than 300 franchised stores, both of which helped us maintain leadership with 40% market share.

ANALYSIS ON OPERATIONS (continued)

VI. Overseas markets: Harnessing global resources to develop high-end brands, outgrowing the industry. (continued)

5. Southeast Asia

During the reporting period, sales revenue grew 11.6% to RMB5.78 billion in the Southeast Asian market.

By adjusting product mix, we successfully increased price indices and boosted competitiveness in Vietnam and Thailand, where our air conditioners ranked number one leveraging product mix upgrade and introduction of new series with sterilisation technologies. In Vietnam, the Color AI washing machine was well received for its colour touch screen and smart washing features. The new unit has a price index of 150 which helped us rank first in the industry with over 20% market share.

We developed franchise channels by adding 150 new exclusive brand zones in Indonesia and the Philippines and opening 15 new franchised stores in Malaysia. We also raised brand profile through product launches and sponsoring top sports games, while using targeted marketing strategies online and offline to deepen user engagement, positioning us as the most dynamic brand in the market.

6. Japan

During the period, sales revenue amounted to RMB3.662 billion, up 2.6% year-on-year, or 5.1% in Japanese Yen.

In response to demand for large refrigerators and washers, we launched TX ultra-slim large refrigerator and the large-volume heat pump front-load washer which helped volume market share grow in those two categories. We also established presence in all mainstream channels and secured prime shelf space by differentiating product display and in-store experience. Leveraging product iterations and IoT technology upgrade, installed base of smart appliance from community laundry business exceeded 53,000 units, with more than 2 million active users. In addition, we enhanced profitability through implementing end-to-end cost reduction measures.

ANALYSIS ON OPERATIONS (continued)

VII. Digital transformation

During the reporting period, the Company strategically tackled challenges in the transformation, to enhance market operations, R&D efficiency, cost competitiveness, and turnovers.

To improve market competitiveness, the Company launched an experience cloud platform that enabled real-time monitoring of the entire customer journey, starting from purchase to delivery, installation, usage, and service. The platform boosted business competitiveness through a structured feedback mechanism, resulting in a 24% reduction in user complaints. We helped distributor improve the management of distribution, inventory, and store operations using digital distribution systems and customer analysis tools. As a result, our digital retail sales increased by 22% year-on-year.

To enhance R&D competitiveness, the Company established an integrated R&D platform, enabling efficient collaboration in terms of planning, development, and procurement. This resulted in a 19% increase in revenue contribution of individual models in the domestic market. By promoting the share of common component parts, total number of components was reduced by 8%, thereby increasing the procurement scale per component and cut down purchasing costs.

To enhance manufacturing competitiveness, the Company centred on precise and efficient order execution. By streamlining information flow between material planning and logistic dispatch planning, we established a digitalized production model with unified scheduling system. This enabled transparent operations and smart scheduling throughout the manufacturing process, resulting in a 4% reduction of manufacturing cost and a 16% increase in output per worker.

To improve product turnover efficiency, our focus was on rapid order delivery and efficient inventory turnover. We accelerated order models upgrade and established end-to-end digital capabilities by integrating marketing, production, procurement, and logistics planning. By leveraging data models, we were able to review orders, optimise assignments and resource allocation, resulting in an 8% improvement in domestic DIO (days inventory outstanding).

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD

(I) Industry Overview for 2023

1. The domestic market

In 2023, the Chinese household appliance industry experienced steady growth. According to AVC data, the retail sales of household appliances in China[1] (excluding 3C & digital products) reached RMB849.8 billion in 2023, marking a year-on-year increase of 3.6%. Demand for traditional products like refrigerators, washing machines, and air conditioners remained stable, while categories with lower penetration rates such as tumble dryers and dishwashers maintained rapid growth.

Home air conditioning industry: Benefiting from hot weather, fulfilment of pent-up demand for renovation and installation during the pandemic, and low industry inventory levels, growth of the air conditioning outperformed the rest in the market. Annual retail volume reached 60.85 million units, up 6.5% year-on-year; retail sales amounted to RMB211.7 billion, an increase of 7.5% year-on-year.

Refrigerator industry: Consumers' increasing demand for large-capacity, freshness preservation, and built-in features, along with advancements in related technologies, has fuelled the rapid growth of built-in refrigerator products and a steady rise in average prices. Retail volume of the refrigerator industry reached 38.31 million units, a 1.5% year-on-year increase; retail revenue amounted to RMB133.3 billion, representing a 7% year-on-year growth.

Laundry care industry: The rising consumer demand for high-quality laundry has fuelled the adoption of tumble dryers, leading to an increased share of washer-dryer combo suites and revitalising the industry's recovery. In 2023, the total retail sales of the laundry industry reached RMB106.2 billion, a year-on-year increase of 7.7%. Specifically, (1) the washing machine sector recorded a retail volume of 40.05 million units, up 3.4% year-on-year, with retail sales amounting to RMB93.3 billion, representing a 5.8% increase. (2) the tumble dryer sector recorded a retail volume of 2.17 million units, up 16.4% year-on-year, with retail sales reaching RMB12.9 billion, a growth of 23.8% year-on-year.

Kitchen appliance industry: Benefitting from the release of pent-up demand during the pandemic and product mix upgrades, retail sales of range hoods, stoves, and disinfection cabinets reached RMB52.5 billion, up 5.1% year-on-year. Integrated stoves, impacted by the downturn in the third and fourth-tier real estate markets, recorded a retail revenue of RMB24.9 billion, a decrease of 4.0% year-on-year. The growing consumer emphasis on convenience and health has propelled the sustained popularity of dishwashers. In 2023, retail sales in the dishwasher industry amounted to RMB11.2 billion, marking a 9.6% increase year-on-year.

[1] Including refrigerator, freezer, washing machine, dryer, air-conditioner, kitchen appliances (range hoods, stoves, and disinfection cabinets), integrated range hoods, electric water heater, gas water heater, small home appliances, televisions, dishwasher, microwave oven, electric oven, vacuum cleaner, air purifier, water purifier, electric fans, electric heater, etc.

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2023 (continued)

1. The domestic market (continued)

Water heater industry: Driven by increased demand for gas water heaters, energy efficiency upgrades, and a rise in demand for large-volume water heaters, the water heater industry experienced steady growth. In 2023, the industry's retail sales totalled RMB50.5 billion, up 7.4% year-on-year. Specifically, retail sales of electric water heaters amounted to RMB23.3 billion, up 4.0% year-on-year, while retail sales of gas water heaters reached RMB27.2 billion, a growth of 10.4% year-on-year.

Water purifier industry: Benefitting from the recovery of the offline market and product mix upgrades of POU (point of use) water purifiers, retail sales continued to grow, with revenue reaching RMB20.5 billion, an increase of 10.7% year-on-year.

In 2023, consumer purchasing power and willingness to spend have recovered. Due to differences in purchasing power and attitudes among consumer groups, there was a noticeable segmentation in the home appliance market. Driven by innovative experiences brought about by the integration of home appliances and furnishing, design aesthetics, smart features, and health-conscious options, the high-end home appliance market outperformed the industry average, with a continuous increase in market share. According to Gfk's 2023 retail data, refrigerators priced above RMB10,000 per unit accounted for 38% of total retail revenue, up 2.9 percentage points from 2022; washing machines priced above RMB10,000 per unit accounted for 13.8% of total retail revenue, up 0.1 percentage points from 2022, and dishwashers priced above RMB8,000 per unit accounted for 42.5% of total retail revenue, a 3.4 percentage point increase from 2022.

Distribution network has become increasingly diversified, with emerging channels gaining a larger share of traffic. This trend posed challenges to existing distribution networks and operational models for businesses, while also fuelling innovation in user management and unlocking new development opportunities. As consumers became more accustomed to shopping online, along with enhanced integration of online and offline services, the share of online sales volume continued to rise. At the same time, live streaming in offline experiential stores facilitated the integration of online and offline channels. The combination of online traffic and offline experience has become the future direction of retail development. Short video/content sharing platforms such as Douyin, Kuaishou, and Xiaohongshu were rapidly developing, playing an increasingly significant role in user acquisition and education. According to AVC retail data, retail revenue on Douyin surged 121% for refrigerators and 164% for air conditioners in 2023.

In 2023, commodity prices in the domestic market substantially declined compared to 2022. Meanwhile, market competition in the white goods industry became more rational and prices were more stable. These factors collectively contributed to an improvement in the profitability of the industry.

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2023 (continued)

2. Overseas markets

According to Euromonitor, global home appliances retail revenue (including major appliances and small appliances) totalled USD 530.106 billion in 2023, representing a 1.5% increase year-on-year. Of this total, the retail revenue of major appliances reached USD 287.023 billion, at the same level as the previous year; while the retail revenue of small home appliances amounting to USD 243.084 billion, up 3.3% year-on-year. The surge in demand for home appliances in developed countries during the pandemic eventually subsided in the post-pandemic period. Additionally, in a high-interest-rate environment, real estate loan rates continued to rise, resulting in reduced willingness in buying homes, further dampening demand in the home appliance market.

By market:

(1) **The U.S.:** Impacted by high interest rates, new home construction and home sales declined. According to data from the Association of Home Appliance Manufacturers (AHAM), core appliance shipments in 2023 remained flat year-on-year. Intensified competition within the industry led to lower unit prices.

(2) **Europe:** According to Gfk data, consumer confidence remained low amid high interest rates and inflation, leading to a 3.8% decline in industry sales volume year-on-year. Due to the frequent occurrence of extreme hot weather resulted in air conditioner industry outperforming the overall home appliance industry, and more consumers are looking for health-conscious and energy-efficient products.

(3) **South Asia:** ① In India, consumer demand became more segmented. Growth was stable but slowed in the mid-range to high-end market. As purchasing power in the third- and fourth-tier markets slowly recovered, demand for energy-saving entry-level products increased. Chain retailers expanded rapidly across the country, and the market share of e-commerce channels continued to climb. The sales volume of the home appliance industry increased by 4.6%. ② In Pakistan, consumer purchasing power declined due to inflation and exchange rate fluctuations, resulting in a 25% drop in the home appliance industry volume, and an increasing demand for low-end budget-friendly products.

(4) **Southeast Asia:** According to Gfk data, the Thai market recorded a sales volume growth of over 20% in air conditioners as driven by hot weather, while refrigerators and washing machines experienced a slight decline. In the Vietnamese market, export demand decreased due to weakened global economy, coupled with intensified industry competition, resulting in a 4.5% decline in sales volume. In the Indonesian market, consumer spending levels decreased in 2023, leading to an 8.2% decline in sales volume for the home appliance industry.

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2023 (continued)

2. Overseas markets (continued)

(5) **Australia & New Zealand:** Performance of the home appliance market in Australia and New Zealand fell short of expectations due to adverse effects from the global economic slowdown and inflation. Both markets have shown varying degrees of decline.

(6) **Japan:** The white goods market was sluggish in Japan due to inflation and currency depreciation. Annual sales volume of refrigerators, freezers and washing machines dropped by 5.1% year-on-year. Consumer demand for high value-added products such as large capacity and energy-saving options was on the rise.

(II) Industry Outlook for 2024

1. The domestic market

The domestic home appliance industry has shifted into a new phase driven by replacement demand. According to data from the China Household Electric Appliance Research Institute, the total ownership of air conditioners, refrigerators, and washing machines in China in 2022 amounted to 780 million, 580 million, and 550 million units respectively, underscoring the existence of a massive replacement market. The 2024 Government Work Report advocated and incentivised the replacement of old appliances to unleash consumer spending power, promote energy conservation, and mitigate safety risks associated with outdated appliances. The government is committed to promoting large-scale recycling and reuse of home appliances, strengthen the development of a new "replace + recycle" logistics system, and coordinate central finance and local government efforts to support the implementation to benefit consumers.

At present, China's leading home appliance companies are dedicated to enhancing the safe recycling, eco-friendly processing, and resource reuse of outdated appliances. Trade-in programs not only drive the market sales of energy-efficient and eco-friendly products but also facilitate the recycling of metals and other materials to minimise waste pollution. Relevant national policies will further mobilize collective societal efforts to stimulate replacement demand, promote a circular economy, and bring new vitality into the industry's sustainable growth.

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD (continued)

(II) Industry Outlook for 2024 (continued)

2. Overseas markets

In 2024, developed countries are expected to enter a rate cut cycle, and the real estate market is expected to gradually rebound, thereby increasing demand for home appliances, and creating a more favourable market environment for home appliance exports. According to Euromonitor, global home appliances' retail revenue (including major appliances and small appliances) will be USD 540.6 billion in 2024, up 2% year-on-year, of which, the retail revenue of major appliances is estimated to reach USD 292.5 billion, up 1.9% year-on-year, and the retail revenue of small home appliances amounting to USD 248.2 billion, up 2.1% year-on-year.

As IoT technologies progress and consumers continue to seek to improve their quality of life, the home appliance industry is trending towards smart and high-end products, amplifying the added value of home appliances. In addition, amidst the backdrop of energy scarcity, there is a growing consumer preference for energy-efficient products, which fuels the development of high-efficiency products such as heat pumps.

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 innovative 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 15 consecutive years. The Company has a global portfolio of brands, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel and AQUA. From 2008 to 2023, Haier brand refrigerators and washing machines ranked first among global major home appliance brands in sales volume for 16 and 15 consecutive years respectively.

PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD (continued)

- **Pioneer of global smart home solutions:** Capitalizing on our full-range home appliances products, the Company is recognized by Euromonitor as one of the first in the industry to introduce smart home solutions. San Yi Niao remained committed to the mission of "providing smart home experience for a better home", by enhancing three major capabilities in respect of design tools, store digitalisation and the Smart Home APP, we have been dedicated to providing customised and specialised smart home appliance solutions for users.

  Over the years, the Company has established a business layout that includes smart solutions for food storage and cooking, laundry, air and water, the Overseas Home Appliance and Smart Home Business, and Other Business.

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

- **Household Food Storage and Cooking Solutions:** Through selling products such as refrigerators, freezers, kitchen appliances in global market, 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:** 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.

PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD (continued)

- **Air Solutions (Internet of Air):**

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

  Smart buildings: 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 providing worldwide 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, the Company offers 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.

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 markets, 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 market share in 2023 is as follows: ranked first in Asia in terms of retail volume, with a market share of 26%; ranked second in America, with a market share of 15.8%; ranked first in Australia and New Zealand, with a market share of 14.6%. The Company ranked fourth in Europe with a market share of 8.8%.

PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD (continued)

Other Businesses

Building on our established smart home businesses, the Company has also developed small home appliances, cleaning robots, 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 2023 World's Most Admired Companies by the Fortune Magazine. We are the only company being selected in Europe and Asia in the home appliances industry and are the only selected company incorporated outside the US. Meanwhile, the Company is also the world's only Internet-of-Things (IoT) ecosystem brand being named again as BrandZ™ Top 100 Most Valuable Global Brands in 2023.

At the same time, the Company was named again among Fortune's China ESG Impact list and Forbes' The World's Best Employers 2023 list. The Company's ESG effort has also been recognized by external rating agencies, receiving an MSCI ESG rating of A, which is at leading levels within home appliance sector in China. 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 ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company has established a solid strategic presence and competitive advantage in global market. 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 2023. In overseas markets, the Company has adhered to its high-end brand creation strategy, building capacity to create leading sustainable growth, which has continuously improved its market share. Building on this foundation, the Company will further consolidate its leadership position in the industry by leveraging integrated synergies of its global unified platforms, through efficiency transformation driven by digitalization, and by leveraging its technological strength and innovative capabilities. As cornerstone for sustainable development, our "Rendanheyi (人單合一)" 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) Building up excellent high-end brand operation capabilities and creating a well-recognized high-end brand through forward-looking layout and long-term investment in the global market to achieve a leading market position.

To better meet the need of consumers in pursuit of quality life, 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 requires 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 2023, ranking first in the retail sales of refrigerator, washing machine and air conditioner categories in the high-end segment. Specifically, in terms of offline retail sales, shares of the Casarte brand of refrigerators and air conditioners reached 50% and 28% respectively in the market with product priced above RMB15,000 in China, while its share of washing machines priced above RMB10,000 in the China's market reached 84%.

In the North American market, the Company owns high-end brands such as Monogram, Café, and GE Profile. In collaboration with the Qingdao headquarters, we enhanced our high-end brand profile through launching leading products including Combo washers and dryers. Through the creation of luxurious, customizable and smart technology-enabled user experience, our high-end brands Monogram, Café and GE Profile have grown rapidly.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(ii) Providing users with specialised and customised smart household solutions through the San Yi Niao brand with cross-household design focusing on scenario-based experience to carry out the mission of "providing smart home experience for a better home".

As users continued to demand for higher living quality, coupled with the development of technologies such as Internet of Things and big data, 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 algorithms, big data models and IoT equipment technology, the Company enhanced its three major capabilities in respect of design tools, store digitalisation and the Smart Home APP to create a new home appliances sales method with cross-household design focusing on scenario-based experience, and develop high-end, package, and front-end sales capabilities. Focusing on the mission of "providing smart home experience for a better home", the Company has been dedicated to providing customised and specialised smart home appliance solutions for users.

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

In respect of 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 2023, 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 points of sales in global markets.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(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, 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.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(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 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 H20 spray technology, which has been applied to freestanding and built-in dishwashers of Haier, Fisher & Paykel, CANDY and HOOVER, hence strengthening the Company's product leadership.

- **Global collaborative product development:** The Company has established a global product development mechanism to facilitate 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, in order to develop the HRT-683 refrigerator which has become a mainstream high-end product in the local market.

- **Global collaborative procurement:** The Company has established a global procurement committee to coordinate procurement activities. The committee has built a 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 resources at the Company level. By unifying procurement rules and processes, the Company established a standardised operating system with differentiated procurement strategies to enhance efficiency while lowering risks. We have also developed a Company-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 production capacity, and factories across the globe could share and develop smart manufacturing technologies to boost competitiveness.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

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

- **Global collaborative marketing and brand promotion:** The Company operates a multi-level brand portfolio with collaborative brand promotions. The Company also promotes and introduces successful marketing strategies among regional markets. For example, the Company successfully replicated its sales and marketing model from China's third and fourth-tier markets to markets such as India, Pakistan, and Thailand, strengthening the company's brand image and regional market competitiveness.

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

Haier Smart Home delves into technological innovation to expedite the development of innovation-driven productivity that aims for high-end, smart and green upgrade. Leveraging on our industry-leading and comprehensive R&D presence, we constantly provide global users with home appliances that meet their needs and customise their smart and convenient way of living, thus enriching users' life experience as well as cementing our leading position in high-end brands, scenario brands and ecosystem brands.

- **Leadership in original technologies:**

  In 2023, Haier Smart Home adopted an user-oriented approach to tackle users' pain points with continuous innovation efforts, and achieved a series of technological innovations: successfully researched and developed the magnetically-controlled chilled technology that saw us become the first to create a full-coverage, even and constant magnetic space within the freezer, bridging the gap in the industry; originated the first 3D see-through drying technology that can directly penetrate cloth surface to gauge the dryness level inside the machine and stop drying when the clothes are dry; unveiled the X11 washing machine with the highest energy efficiency standards in Europe, with an energy efficiency standard of A-40%; created the first vertical domain model for smart home that scooped the highest industry rating of "Double 4+".

- **Certification from authorities:**

  As of the end of 2023, the Company received a total of 16 State Science and Technology Progress Award, more than any other company in the industry. The Company won the Disruptive Technology Innovation Competition of the Ministry of Science and Technology for two consecutive years, the highest accolade in the industry.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

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

- **Leadership in patent quality:**

  As of the end of 2023, Haier Smart Home has accumulated more than 103,000 patents applications globally, including more than 67,000 invention patents. The Company also accumulated 12 state patent gold awards, ranking first in the domestic market. In the 'Global Smart Home Invention Patent Ranking' in 2023, Haier Smart Home once again topped the list with 6,152 published patent applications, ranking first in the world for the tenth consecutive times.

- **Leadership in international standards:**

  As of the end of 2023, Haier Smart Home has cumulatively led and participated in the drafting of 97 international standards and 678 state/industrial standards. We are the only company in the industry to have participated in 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 Board and the IEC Market Strategy Board, which have enabled the Company to stay actively involved in the formulation of international standards.

- **Leadership in experience design:**

  Haier won over 600 accolades, including international design awards such as the German IF Design Award and the Red Dot Design Award. The Company won the most international design gold awards in the industry with six in total and won 3 China Excellent Industrial Design Gold Awards from the Ministry of Industry and Information Technology, which is the only enterprise in China that have earned three consecutive gold awards.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(viii) Sustainability

① **Global ESG governance structure:** Haier Smart Home has established a global ESG governance structure, including the ESG Committee of the Board of Directors, the ESG Global Executive Office, and the Global ESG Executive Working Group, which provides organisational support for the in-depth practice of ESG.

② **Green development and low-carbon operation:** Haier Smart Home has formulated the "6 Green" strategy of green management throughout the entire life cycle, which includes "green design, green manufacturing, green marketing, green recycling, green disposal, and green procurement", and promotes green actions throughout the entire life cycle. Haier Smart Home has integrated low-carbon, recycling, energy saving and emission reduction into its daily operations to promote green upgrading of the industry.

③ **Social responsibility and charity work:** Haier Smart Home actively participates in public welfare projects such as the Hope Project, rural revitalisation, and emergency relief on a global scale, and continues to give back to society through donations and volunteer services.

④ **Leading ESG rating:** Haier Smart Home has the leading rating among its peers in China in respect of the ESG ratings issued by three major organizations, namely CSI, MSCI and Wind, which demonstrates its excellent performance in environmental, social responsibility and corporate governance.

(ix) 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.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

Development strategy of the Company

The Company is committed to become a user-oriented digital enterprise in the IoT era, and become the world's first IoT-based smart home ecosystem brand.

(1) Consumer appliance business

- **Refrigerators and washing machines**: The Company is committed to driving technological innovation and refining scenario-based solutions to strengthen and expand our leading position in the domestic market. We will enhance competitiveness in local markets overseas to increase our market share and profitability globally.

- **Kitchen appliances**: In overseas markets, we aim to maintain and expand our leading positions in the United States, Australia, and New Zealand. Domestically, we plan to rapidly increase our market share by enhancing the Casarte product line and optimising home improvement channels.

- **Emerging product categories**: We will accelerate R&D as well as marketing efforts for new product categories such as tumble dryers and dishwashers. We are determined to enter into new business areas, such as lifestyle appliances and cleaning appliances, to keep up with the growing consumer demand for high-quality living.

(2) Heating, Ventilation and Air Conditioning (HVAC) business

- **Air conditioners**: The Company will enhance the R&D of core technologies and refine our product lineup to establish professional solution capabilities that lead the industry. By fostering integration within the industrial chain and streamlining production processes, we will lower costs and improve operational efficiency. In addition, we will strengthen the development of our professional sales channels to deliver more convenient and effective customer service.

- **Water heaters and purifiers**: By leveraging our leading position in the water heater industry, we are actively expanding into new product lines, such as whole-house water purification and whole-house heating and cooling systems, to provide comprehensive household water solutions. In overseas markets, we will accelerate business expansion globally by developing products that cater to local market demands, expanding professional sales channels, and establishing localised production bases.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

Development plan for 2024

In 2024, the Company will continue to advance digital transformation. By innovating business models, operational mechanisms, and organisational platforms, we aim to enhance user experience and operational efficiency and achieve leadership objectives.

In established businesses such as refrigerators, washing machines, and water heaters, we will concentrate on product iteration, innovation of scenario-based solutions, and market transformation to expand our competitive edge in the domestic market; while introducing new high-end products and reinforcing local market presence to increase market share and enhance profitability in overseas markets.

For growing businesses such as air conditioners, kitchen appliances, and smart buildings, we will enhance competitiveness by establishing industry-leading R&D systems, improving industrial chain integration, and actively expanding professional sales channels, to lay a solid foundation for the Company's long-term stability and growth.

To enhance our ability to acquire user traffic in the domestic market, we will strengthen our distribution networks and retail capabilities to boost sales, while establishing an effective system to acquire and monetize traffic on emerging media platforms like Douyin. We will also roll out the warehouse-to-consumer model to improve supply chain and ensure prompt fulfilment of consumer demands. The Casarte brand will undergo a brand enhancement, expand into niche markets, and strengthen its capabilities in product innovation, retail, marketing, and top-notch services. The objective is to strengthen Casarte's position as a leader in the domestic high-end market, increase brand influence, and capture a larger market share.

We will strengthen the SAN YI NIAO model as our core offering, continuously improving its user experience on home appliance and home furnishing integration, end-to-end digital services, and smart living features. We aim to boost its sales of home appliance product suites, which would result in higher average ticket prices and market conversion rates.

For overseas markets, we will focus on driving growth in market share and profitability across different regions. (1) Develop product iteration systems tailored to local consumer needs, achieving continuous innovation and upgrades, enhancing competitiveness in high-end markets, and improving price indices and gross profit margins. (2) Accelerate the localisation of regional supply chains by optimising local production, warehousing, and logistics processes, to lower costs and increase responsiveness. (3) Drive retail transformation in distribution networks by enhancing efficiency through digitalisation, and harness cutting-edge technologies such as big data and artificial intelligence to streamline business operations and enhance user experience. (4) Foster global collaboration across branding, R&D, procurement, supply chain, and logistics to optimise global resource allocation, reduce costs and boost efficiency, and bolster global competitiveness.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

Potential risks of the Company

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 competition. The white goods industry is highly competitive with a high degree of product homogeneity. While industry concentration has been on the rise in recent years, certain sub-sectors may face increased inventory levels due to supply-demand imbalance, potentially leading to risks such as price wars. Additionally, rapid technological advancements, a shortage of industry talent, shortened product life cycles and ease of imitation are making it increasingly challenging to generate profit. Although new products, services and technologies often command higher selling prices, the Company finds itself compelled to invest more in R&D. The Company will actively invest in R&D to introduce innovative products and services, thereby attracting more users and establishing a lasting brand influence.

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 raw materials prices continue to rise, it will put certain pressure on the Company's production and operations. Additionally, the Company relies on third party manufacturers and suppliers for key raw materials, components, manufacturing equipment, and OEM suppliers. 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 local 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.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

Potential risks of the Company (continued)

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, 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.

FINANCIAL REVIEW

In 2023, the Group's revenue amounted to approximately RMB261,422 million, representing an increase of 7.3% from RMB243,550 million (restated) in 2022. The profit for the year attributable to owners of the Company was RMB16,597 million, representing an increase of 12.8% from RMB14,712 million (restated) in 2022.

1. ANALYSIS OF REVENUE AND PROFIT

Items	2023 RMB'M	2022 RMB'M (Restated)	Change %
Revenue			
Household Food Storage and Cooking Solutions			
— Refrigerator/Freezers	**81,910**	77,842	5.2
— Kitchen Appliances	**41,654**	38,953	6.9
Air Solutions	**46,104**	40,758	13.1
Household Laundry Management Solutions	**61,492**	57,909	6.2
Household Water Solutions	**15,336**	14,134	8.5
Other Businesses	**96,718**	91,166	6.1
Inter-segment eliminations	**(81,792)**	(77,212)	5.9
Consolidated revenue	**261,422**	243,550	7.3
Adjusted operation profit*	**17,250**	15,014	14.9
Profit for the year attributable to owners of the Company	**16,597**	14,712	12.8
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
— Profit for the year	**RMB1.79**	RMB1.58	13.3
Diluted			
— Profit for the year	**RMB1.78**	RMB1.57	13.4

1. ANALYSIS OF REVENUE AND PROFIT (continued)

The following table summarises the Group's revenue by geographical location for the periods indicated:

	2023 RMB'M	2022 RMB'M (Restated)	Change %
China	**125,010**	116,791	7.0
Other countries/regions	**136,412**	126,759	7.6
Total	**261,422**	243,550	7.3

* 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 grants and share of profits or losses of associates.

As at 31 December 2023, the Group had overseas assets of RMB117,712 million, accounting for 46.5% of the total assets. In 2023, the operating revenue and operating profit of the Group's overseas assets amounted to RMB136,412 million and RMB6,370 million respectively.

In 2023, the Group's revenue increased by 7.3% from approximately RMB243,550 million (restated) to RMB261,422 million. The Group's steady revenue growth was driven by: (1) multi-brand strategy and extensive product offerings which captured growth opportunities in different market segments; (2) overseas market share gains driven by enhanced retail capabilities and product premiumization; (3) ongoing transformations of water heater, HVAC and kitchen appliance categories in China, leading to improved competitiveness and rapid growth; (4) enhanced user values from strengthened competitive edge in solution design, sales and services of San Yi Niao's scenario-based suite products; (5) the development of new product categories including tumble dryers, dishwashers, home cleaning robots and heat pumps to capture opportunities in quality living and the low-carbon economy.

(1) Household Food Storage and Cooking Solutions

Revenue from the refrigerator/freezers increased by 5.2% from approximately RMB77,842 million (restated) in 2022 to approximately RMB81,910 million in 2023. The refrigerator and freezer business remained committed to leading the global refrigeration industry in the IoT era. By constantly innovating in freshness preservation and built-in technologies, expanding high-end products, and strengthening retail transformation, we maintained and advanced our leadership in the global refrigeration sector.

Revenue from the kitchen appliances increased by 6.9% from approximately RMB38,953 million (restated) in 2022 to approximately RMB41,654 million in 2023. The kitchen appliance business remained committed to becoming the global leader in high-end smart kitchen appliances. By innovating product suites, built-in technologies, and smart scenario-based solutions, we enhanced in-store experience of smart product suites and grew market share.

1. ANALYSIS OF REVENUE AND PROFIT (continued)

(2) Air Solutions

Revenue from the Air Solutions increased by 13.1% from approximately RMB40,758 million (restated) in 2022 to approximately RMB46,104 million in 2023. The home air conditioner business remained committed to becoming a leader in smart and health-conscious whole-house air solutions by focusing on innovating user-centered scenarios, enhancing technological capabilities, and strengthening retail transformation and end-to-end digitalisation, thereby boosting market competitiveness.

The smart building business strategically focused on leading the development of smart low-carbon building solutions. By leveraging existing HVAC business, we expanded into heat pumps, energy management, and smart building management, thus seizing the opportunities from energy efficiency standard upgrade and growing demand for clean energy.

(3) Household Laundry Management Solutions

Revenue from Household Laundry Management Solutions increased by 6.2% from approximately RMB57,909 million (restated) in 2022 to approximately RMB61,492 million in 2023. The laundry care business aimed at becoming the number one choice in the global washing machine sector during the IoT era. We maintained leadership through innovations in garment care, integration of home appliances and furnishing, energy efficiency, and eco-friendly technologies, while expanding new categories including tumble dryers.

(4) Household Water Solutions

Revenue from Household Water Solutions increased by 8.5% from approximately RMB14,134 million (restated) in 2022 to approximately RMB15,336 million in 2023. The water business strategically focused on becoming the global leader in household water heating, cooling, and purification solutions. We achieved steady growth through ongoing innovations in creating health-conscious, high-capacity and comfortable water heater experience, and accelerated development of new products such as water purifiers, softeners, and filters.

Profit for the Year Attributable to Owners of the Company

In 2023, the profit for the year attributable to owners of the Company was approximately RMB16,597 million, representing an increase of 12.8% from approximately RMB14,712 million (restated) in 2022.

1. ANALYSIS OF REVENUE AND PROFIT (continued)

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 2023, the adjusted operating profit of the Group was approximately RMB17,250 million, representing an increase of 14.9% as compared to approximately RMB15,014 million (restated) in 2022. The increase in adjusted operating profit was mainly attributed to the growth of profits in the Group's various business segments across global markets.

The following table sets forth the reconciliation between the Group's adjusted operating profit and profit before tax prepared in accordance with IFRS in 2023 and 2022:

	2023 **RMB'M**	2022 RMB'M (Restated)
Profit before tax	**19,712**	17,791
Adjustments:		
Bank interest income	**(1,447)**	(826)
Foreign exchange gains	**(135)**	(371)
Government grants	**(1,094)**	(767)
Return on investments in other financial assets	**(51)**	(192)
Dividend income from an equity investment designated at fair value through other comprehensive income	**(59)**	(32)
Gain on disposal of subsidiaries	**—**	(4)
Finance costs	**2,111**	997
Share of profits or losses of associates	**(1,787)**	(1,582)
Adjusted operating profit	**17,250**	15,014

1. ANALYSIS OF REVENUE AND PROFIT (continued)

Adjusted Operating Profit (continued)

Gross Profit Margins

In 2023, the overall gross profit margin of the Group was approximately 30.9%, increased by 0.3 percentage points year on year. The domestic market recorded a year-on-year increase in gross profit margin, driven by lower commodity prices, digitalisation in procurement and R&D, development of a digitalised production and sales coordination system, and enhanced product mix. In overseas markets, benefits from improved product mix and production capacity utilisation were offset by intensified competition in key regions, resulting in lower gross margin compared to the previous year.

Selling and Distribution Expenses

The ratio of selling and distribution expenses of the Group to its revenue was 15.7% in 2023, an improvement of 0.1 percentage points compared to 2022. The selling expense ratio in China improved year-on-year due to digitalisation which enhanced efficiency in marketing resource allocation, logistics distribution, and warehousing operations. Conversely, the selling expense ratio in overseas markets increased due to heightened competition, leading to additional spending on retail channel expansion, new product promotion, and store upgrades.

Administrative Expenses

The ratio of administrative expenses of the Group to its revenue was 8.9% in 2023, which remains the same as 2022. On the one hand, the Group streamlined business processes and enhanced organisational efficiency by leveraging digital tools, resulting in a 0.1 percentage point optimisation of the administrative expense ratio. On the other hand, the Group strengthened core capabilities in smart home technologies, advanced technology-driven product innovation across various industries, and improved the digital platforms of the San Yi Niao scenario brand, leading to a 0.1 percentage point increase in the administrative expense ratio.

2. FINANCIAL POSITION

Items	2023 RMB'M	2022 RMB'M (Restated)
Non-current assets	**120,759**	105,539
Current assets	**132,621**	130,479
Current liabilities	**120,083**	118,886
Non-current liabilities	**27,385**	22,382
Net assets	**105,912**	94,750

2. FINANCIAL POSITION (continued)

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

As at 31 December 2023, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets increased by 1.7% from RMB55,049 million (restated) as at 31 December 2022 to RMB55,995 million as at 31 December 2023. 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	2023 RMB'M	2022 RMB'M (Restated)
Cash and cash equivalents	**53,977**	53,392
Wealth management products from other financial assets — Current portion	**2,018**	1,657
Total	**55,995**	55,049

Net Assets

The Group's net assets increased by 11.8% from RMB94,750 million (restated) as at 31 December 2022 to RMB105,912 million as at 31 December 2023. 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 2023 was 38 days, representing a decrease of 2 days as compared to the end of 2022. 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 2023 was 82 days, representing an decrease of 6 days as compared to the end of 2022. This was mainly due to the Group's effective optimization of inventory control and inventory optimization.

Trade and Bills Payables Turnover Days

The Group's trade and bills payables turnover days as at the end of 2023 was 138 days, representing a decrease of 7 days as compared to the end of 2022. This was mainly due to the Group's enhanced payment efficiency during the period.

3. CASH FLOW ANALYSIS

Items	Note	2023 RMB'M	2022 RMB'M (Restated)
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the year		**53,392**	45,202
Net cash flow generated from operating activities		**25,262**	20,255
Net cash flow used in investing activities	(a)	**(17,085)**	(8,925)
Net cash flow used in financing activities	(b)	**(7,841)**	(3,900)
Effect of foreign exchange rate changes, net		**249**	760
Cash and cash equivalents as stated in the statement of cash flows at the end of the year		**53,977**	53,392

Net cash inflow from operating activities for the year amounted to RMB25,262 million. Net cash flow from operation activities to net profit was 1.51. This was mainly due to increased operating profit and enhanced operational efficiency.

(a) Net cash outflow from investing activities for the year amounted to RMB17,085 million, representing an increase of 91.4% as compared to last year, with the details as follows:

Items	2023 RMB'M	2022 RMB'M (Restated)
Payment for purchases of non-current assets	**(9,907)**	(8,209)
Purchase of wealth management products	**(7,982)**	(110)
Net cash outflow for subsidiaries acquisition and disposal	**(156)**	(240)
Cash from disposal of fixed assets and leasehold land	**168**	229
Dividend from an associate	**684**	523
Interest received from wealth management products	**87**	136
Purchase of equity investments designated as at FVTOCI	**—**	(1,028)
Net cash inflow/(outflow) from other investing activities	**21**	(226)
Net cash flow used in investing activities	**(17,085)**	(8,925)

3. CASH FLOW ANALYSIS (continued)

(b) Net cash outflow in financing activities for the year amounted to RMB7,841 million, representing an increase of 101.1% as compared to last year, with details as follows:

Items	2023 RMB'M	2022 RMB'M (Restated)
Proceeds from borrowings	**19,958**	18,380
Repayment of borrowings	**(18,423)**	(14,768)
Repurchase of shares	**(1,802)**	(2,012)
Dividend paid to shareholders and non-controlling interests	**(5,278)**	(4,332)
Interest paid	**(1,946)**	(821)
Lease payment	**(1,138)**	(959)
Cash payment for business combination under common control	**(95)**	(313)
Change in ownership interests in subsidiaries	**910**	46
Issue of shares	**—**	940
Net cash outflow from other financing activities	**(27)**	(61)
Net cash flow used in financing activities	**(7,841)**	(3,900)

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 2023, the Group had a current ratio of 1.10 (31 December 2022: 1.10).

Items	2023 RMB'M	2022 RMB'M (Restated)
Cash and cash equivalents	**53,977**	53,392
Wealth management products from other financial assets	**2,018**	1,657
	55,995	55,049
Less:		
Interest-bearing borrowings	**(28,396)**	(26,141)
Net balance of cash and cash equivalents and wealth management products from other financial assets	**27,599**	28,908

As at 31 December 2023, the wealth management products from other financial assets amounted to RMB2,018 million as compared to RMB1,657 million in 2022.

LIQUIDITY AND FINANCIAL RESOURCES (continued)

As at 31 December 2023, the Group's net balance of cash and cash equivalents and wealth management products from other financial assets amounted to RMB27,599 million (31 December 2022: RMB28,908 million (restated)), representing a decrease of 4.5% as compared to 2022, mainly due to improved returns on capital and increased debt investment.

Among the cash and cash equivalents and the wealth management products from other financial assets balance, approximately 72% was denominated in Renminbi and the remaining 28% was denominated in Euro, Hong Kong dollars, U.S. dollars, New Zealand Dollars and other currencies.

As at 31 December 2023, the Group's interest-bearing borrowings amounted to RMB28,396 million (31 December 2022: RMB26,141 million (restated)). For details of the interest-bearing borrowings, please refer to note 31 to the consolidated financial statements.

In 2023, financial return of cash and cash equivalents and the return on wealth management products from other financial assets amounted to RMB1,497 million, representing an increase of 62.9% as compared to RMB919 million in 2022, which was mainly due to the enhancement of capital management efficiency.

The Group will continue to maintain stable liquidity in its operations in 2023 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.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2023, the Group did not have any significant investment or future plans for material investments or capital assets.

Future capital expenditure planning: Capital expenditure in China market will mainly focus on, amongst other things, smart factory layout and the upgrade of employees' work environments. Capital expenditure in the overseas market will mainly focus on, amongst other things, global supply chain layout and factory reconstruction, new product research and development and information technology construction to continuously improve overseas operation capacity. Investment capital will be financed through the Company's internal or external capital and debt financing.

USE OF PROCEEDS FROM CONVERTIBLE BONDS AND PLACEMENT OF SHARES

On 18 December 2018, the Company issued approximately RMB3,007 million of A-share convertible bonds. The net proceeds from the issuance of the convertible bonds (the "Net Proceeds") amounted to approximately RMB2,984 million after deducting the issue costs and other related expenses of approximately RMB23 million. As the redemption conditions of the 2019 A-share convertible bonds were satisfied, the directors of the Company decided to exercise the redemption right after consideration and approval, and the Company has redeemed the balance of the A-share convertible bonds in full. Following the redemption, the Company's convertible bonds were delisted on 17 December 2019. As at 31 December 2022, the A-share convertible bonds no longer existed but the funds raised from the issuance of the bonds had not been fully utilised and the unutilised Net Proceeds of approximately RMB181 million had been permanently reallocated to the Company's daily working capital. The remaining unutilised working capital of RMB181 million as at December 31, 2022 was fully utilised during the year.

USE OF PROCEEDS FROM CONVERTIBLE BONDS AND PLACEMENT OF SHARES (continued)

The Company entered into a placing agreement dated 11 January 2022 with a placing agent in relation to the placing of new H shares of the Company under a general mandate. The Company intends to further strengthen its financial position by the placing and the utilization of the net proceeds, which will be primarily for supporting overseas business expansion and investments in ESG related areas. The share placing was completed on 21 January 2022. An aggregate of 41,413,600 H Shares of par value of RMB1.00 each were placed to 5 placees, the ultimate beneficial owners of which are independent third parties and are not connected with the Company and/or its connected persons. The placing price per H Share was HK$28.00 (as compared to the closing price per H Share on 11 January 2022 of HK$32.70). The net proceeds per H Share based on the estimated expenses was HK$27.77.

The placees were Golden Sunflower, Segantii, PAG Pegasus Fund LP, Janchor and Valliance, which respectively subscribed for 34,856,200, 2,185,800, 2,176,400, 1,311,400 and 883,800 placing shares, the consideration of which respectively amounted to HK$975,973,600, HK$61,202,400, HK$60,939,200, HK$36,719,200 and HK$24,746,400.

The gross proceeds and net proceeds from the placing will be approximately HK$1,159.58 million and approximately HK$1,149.98 million respectively. The net proceeds from the placing will be used for the following purposes: (i) 70% for capacity building of overseas industrial parks; (ii) 15% for investments in ESG (Environmental, Social and Governance) related areas; (iii) 10% for information technology upgrading of overseas industrial parks; and (iv) 5% for overseas channel building and promotion, which is expected to be fully utilized by December 2024. The above uses are consistent with the intended uses of the proceeds previously disclosed by the Company.

A detailed breakdown and description of the net proceeds utilised during the year ended 31 December 2023 is set out below:

	Actual net proceeds as at 1 January 2023 HK$'M	Amount of net proceeds utilized during the year ended 31 December 2023 HK$'M	Unutilised net proceeds as at 31 December 2023 HK$'M	Related Projects
Capacity building of overseas industrial parks	741.17	741.17	–	Egypt Industrial Park Project
Investments in ESG (Environmental, Social and Governance) related areas	172.50	–	172.50	
Information technology upgrading of overseas industrial parks	115.00	115.00	–	Factory Informatisation Upgrade
Overseas channel building and promotion	57.50	57.50	–	Channel Expansion Project in Middle East and Africa
	1086.17	913.67	172.50	

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 RMB9,907 million (2022: RMB8,209 million (restated)), in which RMB4,825 million and RMB5,082 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 2023, the Group's gearing ratio (defined as total borrowings (including interest-bearing borrowings and lease liabilities) divided by net assets of the Group) was 30.9%, as compared to 31.5% for 2022. This was mainly due to increased total assets attributable to net profit growth.

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 RMB3,225 million as at 31 December 2023 (31 December 2022: RMB4,008 million), which were mainly related to the Group's domestic and overseas factories construction projects.

CHARGE OF ASSETS

As at 31 December 2023, the Group's trade and bills receivables with a net carrying value of RMB34 million (31 December 2022: RMB80 million (restated)) were pledged to secure certain of the Group's bank loans.

In addition, as at 31 December 2023, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB407 million (31 December 2022: RMB642 million) and the Group's bills receivable amounting to RMB4,357 million (31 December 2022: RMB8,715 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. The Company provides employees with a short-, medium- and long-term remuneration incentive system combining labour salaries, which are reviewed annually, along with discretionary performance bonuses, share options and share award schemes, 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 continuous improve user experience and create a win-win situation in the development of both the Company and its employees. For details of the director's remuneration policy, please refer to section of remuneration and appraisal committee in the Corporate Governance Report.

The total number of employees of the Group increased by 2.6% to 112,458 as at 31 December 2023 from 109,586 as at 31 December 2022.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group values its customers and suppliers as major partners and stakeholders. A healthy and competitive partnership network is fundamental to the Group's success.

In China, we serve our customers through a comprehensive omni-channel sales network consisting of offline and online channels. Our offline sales and distribution network in China primarily consists of the following: (i) our franchised stores and their extended sales network, (ii) national chain store retailors (being Suning and Wuxing), (iii) regional chain store retailors, and (iv) other sales channels selling to our business partners. We also offer our products through online channels including: (i) directly selling to end-customers through our own Haier Smart Home App or B2C platforms such as our flagship store on Tmall.com, and (ii) selling our products to B2B2C channels such as JD.com.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS (continued)

All of our franchisees, national chain stores, regional chain stores and online B2B2C platforms are independent third parties. Our relationship with our franchisees, national chain stores, regional chain stores and online B2B2C platforms is in essence a buyer and seller relationship. They are our customers and they do not act on our behalf when dealing with their respective end customers, and we have no management control over their daily operations or their inventories level. Our franchisees, national chain stores, regional chain stores and online B2B2C platforms place orders with us when and to the extent they deem appropriate. We monitor their sales performance and provide marketing guidance to them. Based on their sales performance, we may consider enhancing, weakening or even terminating our cooperation relationships with our retailors and distributors. In general, our relationships with our major franchisees, national chain stores, major regional chain stores and major online B2B2C platforms have remained stable. There was no material non-compliance with the terms and conditions of our agreements with them.

North America and Europe are our two largest overseas markets and a substantial part of our overseas sales are made through local retailors. We also sell our products through online channels. We have established stable business relationship with our retailors and other customers. In the North America, we have maintained good collaboration with them through various kinds of branding, sales, marketing and promotion activities, which does not only enhance the sale of our products, but also promotes our brand recognition among the consumers covering various demographical groups. In Europe, our principal sales channels cover retail stores and e-commerce platforms. Similar to our approach in the North America, we also strategically select our retailors in Europe based on various criteria including market share, market positioning, and reputation of the customers, in order to maximise the reach of our products to consumers. We maintain stable business relationship with our online and offline customers.

Through our information feedback system, customer feedback is sent to the suppliers in real time and is a key part of the suppliers' key performance indicator in their on-going evaluations. For overseas suppliers, their performance is also closely monitored by the local teams in accordance with the requirements set forth in the agreement, as well as the local customs.

Prospective suppliers can register on our online platform. Once registered, a supplier will be vetted for its business, product quality, technical capabilities, and social responsibilities, among other criteria. Once a supplier has been approved, it is added to the pool of pre-qualified suppliers and becomes eligible to bid for the relevant orders from us. The orders are posted on our online platform and open to suppliers for bidding. We strive to make the bidding process transparent and fair for all of the participating suppliers. Once the bid is selected, the supplier will sign a contract with us and officially becomes our supplier. The suppliers' performance can be rated by the customers through the same online platform. Based on the customers' feedback, the system can automatically adjust and optimise the supply strategies.

We typically seek to enter into long-term agreements with our strategic suppliers. For other suppliers, the agreements are generally renewed annually. The payment terms for our suppliers vary, but the typical payment period for suppliers is "3+6" in China, meaning that we serve our suppliers with banker's acceptances with a term of six months after an initial credit period of three months. We typically do not have a fixed and standard payment period for suppliers in our overseas markets.

MATERIAL ACQUISITIONS AND DISPOSALS

On 14 December 2023, the Group announced that it entered into an equity transfer agreement with Carrier Global Corporation, a company listed on the New York Stock Exchange of the United States of America ("Carrier Group"), to acquire, through its wholly-owned subsidiary, the commercial refrigeration business of Carrier Group at a cash consideration of approximately US$640 million (equivalent to approximately RMB4,559 million, with the final consideration amount subject to adjustments at completion). As at the date of this report, such transaction is pending approval or consent by the relevant domestic and overseas government authorities.

Saved as disclosed herein, the Group did not make any material acquisitions and disposals of subsidiaries associates and joint ventures during the reporting period.

EVENTS AFTER THE REPORTING PERIOD

According to the resolution of the 9th meeting of the 11th session of the Board of Directors of the Company held on 27 March 2024, 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. The Company declared cash dividend of RMB8.04 (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 2023 of RMB8.04 in cash for every 10 shares (inclusive of tax), totaling approximately RMB7.47 billion based on the current total issued capital, net of repurchased shares but not yet cancelled. This dividend represented approximately 45.02% 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 2023 annual general meeting, and the final dividend is expected to be distributed to shareholders in two months from the 2023 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 2023 annual general meeting will announce the date of the 2023 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") and the management (the "Management") of Haier Smart Home Co., Ltd. (the "Company") recognise that sound corporate practices are crucial to the efficient operation of the Company and its subsidiaries (collectively the "Group") and the safeguarding of our shareholders' interests. In this regard, the Board gives high priority to enhance the Company's corporate governance standards with emphasis on transparency, accountability and independence in order to enhance the long-term value of our shareholders.

The Company has complied with the applicable code provisions (the "Code Provision(s)") and principles under the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the year ended 31 December 2023 except for certain deviations as described below. The Board shall review its code from time to time to ensure its continuous compliance with the Code. This report describes the Company's corporate governance practices, explains its applications of and deviations from the Code (if any), together with considered reasons for such deviations (if applicable).

BOARD OF DIRECTORS

Composition

As at 31 December 2023, the Board comprised two Executive Directors (Mr. LI Huagang (Chairman) and Mr. GONG Wei), three Non-executive Directors (Mr. YU Hon To, David, Ms. Eva LI Kam Fun and Ms. SHAO Xinzhi) and four Independent Non-executive Directors (Mr. CHIEN Da-Chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi) (the "INED(s)").

The Board has at least one-third in number of its members comprising INEDs throughout the year. The Company has also fulfilled the requirements of the composition of the Company's audit committee, remuneration committee and the nomination committee under the Listing Rules.

At least one of the INEDs possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Directors are well-versed in respective areas such as accounting and finance, business management and industry knowledge and the Board as a whole has achieved an appropriate balance of skills and experience. The chairman of the Board and the nomination committee will review the composition of the board from time to time so as to enhance it for meeting the strategic objectives of the Company. The Directors' biographical details are set out on pages 12 to 16 of this annual report.

To the best of the Company's knowledge, there is no financial, business, family or other material/relevant relationship(s) among the Board members and the supervisors. All of them are free to exercise their independent judgment on all matters concerning the Company.

The Articles of Association of the Company ("Articles of Association") have stated clearly the procedures for the appointment of new directors, re-election and removal of directors. Under the Articles of Association, the Board may from time to time to nominate a director either to fill a casual vacancy or as an addition to the Board, subject to the election at the next following general meeting of the Company.

Non-executive Directors of the Company are all elected by the general meetings, with term of office of three years, which are renewable upon re-election and reappointment.

BOARD OF DIRECTORS (continued)

Board diversity policy

The Company recognizes that Board diversity will help improve corporate governance, increase the efficiency of the Board, reduce management and control risks and make better decisions, thereby achieving the sustainable and healthy development of the Company.

When determining the composition of the Board, the Company will take into full consideration the Board diversity, including but not limited to, gender, age, cultural and educational background, regions, professional experience, skills, knowledge and service terms of Directors as well as other regulatory requirements.

Appointments of Board members will be made on a merit basis and requirements for Board diversity will be fully considered, with a focus on evaluating which skills, experience, and diverse viewpoints and perspectives the candidates can bring to the Board, and how they can contribute to the Board.

The Nomination Committee of the Company is responsible for supervising and reporting to the Board matters concerning diversification of the Board members; working out the composition of the Board members, evaluating the professional experience, skills, knowledge and other diverse factors required by the Board, and making recommendations to the Board; searching for and nominating Director candidates and reporting the same to the Board for approval; supervising the appointment made by the Board; and ensuring that the recruitment and selection from the Board to common staff proceed according to proper procedures.

The Company shall establish and implement relevant plans to develop a broader and more diverse pool of skilled and experienced employees, so that, in time, their skills will prepare them for senior management and board positions.

The Nomination Committee will consider and, if appropriate, set measurable objectives to implement the Board diversity policy and review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee of the Company will be responsible for monitoring the implementation of the Board diversity policy, evaluating the diversity of the Company every year and reviewing the Board diversity policy as appropriate, discussing any revisions required, and making recommendations to the Board for approval before implementation.

The achievements made from above Board diversity measures during the transition from the 10th session of the Board to the current 11th session of the Board included the followings:

The current 11th session of the Board, commenced from June 2022, comprises of nine Directors, including two executive Directors, three non-executive Directors and four independent non-executive Directors. In particular, there are two female Directors, accounting for 22.2%, an increase of 13.2 percentage points as compared to the percentage of female Directors (9%) in the previous 10th session of the Board; and four independent Directors, accounting for 44.4%, an increase of 8.1 percentage points compared to the previous 10th session of the Board (36.3%). Members of the Board of Directors have extensive knowledge and experience in industry experience, Internet of Things, corporate governance, global market experience, financial management and risk management, which will help the Board of Directors to make the best decisions for the sustainable and healthy development of the Company.

BOARD OF DIRECTORS (continued)

Board diversity policy (continued)

The Board had achieved and maintained to have two female Directors in the current 11th session of the Board. The Board considers that current gender diversity has met the diversity policy of the Company and has met the requirement stipulated in the relevant Listing Rules.

The Company will continue to maintain gender diversity on the Board, and the Nomination Committee will proactively consider the increase in the proportion of female members when selecting and making recommendations on suitable candidates for Board membership. Through the Board diversity policy, the annual assessment by Nomination Committee on Board structure, and the measures for ensuring gender diversity when recruiting staff at mid to senior level, the Company could develop a pipeline of potential successors to the Board to achieve gender diversity.

The Company had 112,458 employees from about 50 countries around the world, including 39,512 overseas employees. Details break-down by gender at the end of reporting year are as follows:

	Male employees	**Female employees**
Percentage of employees by gender	71.6%	28.4%
Percentage of senior management by gender	90.0%	10.0%

The Group had targeted to increase the ratios of female members in senior management and the overall workforce. For instance, GE Appliances, one of the major overseas subsidiaries of the Company, has set a target to achieve the ratio of female members in workforce to 40% by 2025 (currently the ratio is 33%). The Board considers that current gender diversity in senior management and the overall workforce have met the business needs.

Based on business development and operational needs, the Company will take into full consideration of the factors when recruiting its employees, including skills, age and gender diversity, and will strive to achieve a balanced proportion of our employee in skills, age and gender.

Corporate strategy

The Board awares and understands the Group's purpose, values, mission and long term strategic business plans, reflects this understanding on the related key issues discussions and satisfies that these and the Company's culture are aligned. The Chairman of the Board organises meetings and regularly presents the Group's values, mission and long-term strategic business plans to members of the Board as well as key management of local and overseas subsidiaries.

BOARD OF DIRECTORS (continued)

Delegation by the Board

The Directors are collectively responsible for setting the Group's strategies, providing leadership and guidance to put them into effect, reviewing and monitoring the performance of the Group and are accountable to the Company's shareholders. To maximise the effectiveness of the Group's operations, the Board has delegated management and administration of the Group's daily operations to the Executive Directors, chief executive officer ("CEO") and the Management while reserved several important matters for its approval. To this end, the Articles of Association of the Company have set out the division of functions between the Board and the Management (including the Executive Directors and the CEO).

The major functions of the Board and the Management are summarized as follows: The Board is principally responsible for:

1. determining the Company's business plans and investment schemes;

2. formulating the Company's annual budgets and final accounts;

3. formulating the Company's profit distribution plan and plan for covering losses;

4. formulating the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;

5. formulating the Company's plans for significant acquisition, merger and acquisition, division, dissolution and change of corporate form;

6. determining establishment of the Company's internal management mechanisms;

7. determining establishment of the Company's basic management rules and the plans for amendment of the Articles of Association;

8. any other functions and powers accorded by laws, administrative regulations, departmental rules and the listing rules of the place where the securities of the Company are listed or the Articles of Association or other authorities granted by the shareholders' general meeting; and

9. subject to the requirements of the Listing Rules and other regulations, approving transactions in which connected person(s) (as defined in the Listing Rules) of the Company is/are considered having material interests.

BOARD OF DIRECTORS (continued)

Delegation by the Board (continued)

The Management is principally responsible for:

1. exercising all such other powers and performing all such other acts as may be exercised and performed by the Directors, save and except for those that may specifically be reserved by the Board and/or the committees set up by the Board for decision and implementation; or those that may only be exercised by the Board pursuant to the Company Law of the PRC and other regulations in the PRC, the Articles of association, the Listing Rules, the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs;

2. presiding over production and operation management of the Company, organizing implementation of Board resolutions and reporting to the Board of Directors on their work;

3. organising the implementation of the Company's annual business plans and investment plans;

4. formulating plans for establishment of internal management mechanisms of the Company;

5. formulating basic management rules, and specific rules and regulations of the Company;

6. determining the appointment or dismissal of management personnel other than those whose appointment or dismissal be decided by the Board of Directors; and

7. monitoring the executions of the continuing connected transactions between connected person(s) (as defined in the Listing Rules and other regulations) and the Company to ensure their compliance with the relevant rules and regulation.

The Board reviews those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

BOARD OF DIRECTORS (continued)

Chairman and Chief Executive Officer ("CEO")

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 who 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.

Independent Non-executive Directors (the "INED")

The INEDs have the same duties of care and skill and fiduciary duties as the Executive Directors. They are expressly identified as such in all corporate communications that disclose the names of the Directors.

The INEDs are experienced professionals with expertise in areas of accounting and finance, and business management. With their professional knowledge and experience, the INEDs advise the Company on its operation and management; provide independent opinions on the Company's connected/continuing connected transactions and other material transactions; participate in the Company's Audit Committee meetings, Remuneration and Appraisal Committee meetings, Nomination Committee meetings, Strategy Committee meetings and Environmental, Social and Governance Committee meetings. The INEDs also contribute to provide adequate checks and balances so as to protect the interests of the Company, to enable the interests of the Company's shareholders as a whole are adequately and fairly represented, and to promote the development of the Company.

No equity-based remuneration with performance-related elements is granted to INEDs.

The chairman meets the INEDs at least once annually without the presence of other Directors to discuss any topics they consider necessary.

The Company has received an annual confirmation of independence from each of the INEDs pursuant to Rule 3.13 of the Listing Rules and considers all INEDs independent as at the date of this report.

BOARD OF DIRECTORS (continued)

Supply of and access to information

Newly appointed Directors will receive induction packages relating to the duties and responsibilities of directors under the Listing Rules and other applicable rules and regulations.

All the Directors are briefed and updated from time to time on the latest legislative and regulatory developments, and they receive, in a timely manner, adequate information which is accurate, clear, complete and reliable to ensure that they are fully aware of their responsibilities under the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other applicable legal and regulatory requirements.

In order to ensure that their duties can be properly discharged, the Directors are entitled to seek advice from independent professional advisers whenever deemed necessary by them at the Company's expense.

Professional development

The Directors paid significant attention to enhance their knowledge and expertise so as to discharge their duties and responsibilities more effectively. The Company would organize in-house training sessions for newly appointed directors which are conducted by professionals relating to the duties and responsibilities of directors under the Listing Rules and other applicable rules and regulations.

During the year, all Directors have fully observed the Code Provision C.1.4 and have attended various relevant training programmes which include:

(i) In-house seminars sessions on topics relating to the business development of the Company;

(ii) In-house seminars, conducted by professionals, for updates on changes on relevant laws and regulations of the places of listing;

(iii) Participation and/or as speakers in relevant conferences and seminars organized by various external organizations relevant to the business or directors' duties, for update on corporate governance, and for enhancing their business expertise; and

(iv) Private study of materials relevant to the director's duties and responsibilities.

During the year, all Directors received regular updates on the Group's business, operations, risk management, corporate governance matters, and changes on relevant laws and regulations applicable to the Group.

During the year, the Company Secretary of the Company have taken no less than 15 hours of relevant professional training.

BOARD OF DIRECTORS (continued)

Board meetings

During the year ended 31 December 2023, the Board held five meetings to review and approve, among other things, the 2022 annual results, 2023 interim and quarterly results; to discuss and review the strategic transactions, connected transactions and other assets restructure plans; to discuss and review the share based award proposals such as the Core Employee Stock Ownership Plan (ESOP), the Restricted Share Unit Scheme (RSU), and the Share Option Incentive Scheme; to discuss and propose various resolutions for shareholders' general meetings. The Company's board meetings (the "Board Meeting(s)") are permitted to be held by means of telephone or other means of electronic communication.

Sufficient notices are served and comprehensive information is provided to the Board members in advance of all the Board Meetings in order to enable them to make informed decisions on all matters transacted at the Board Meetings.

The proceedings of the Board Meetings are conducted by the Chairman of the Board or another Executive Director who ensures that sufficient time is allowed for discussion among the Directors and equal opportunities are being given to the Directors to express their views and share their concerns.

The Board Secretary and the Company Secretary attends the Board Meetings to advise Directors on corporate governance practices, and statutory compliance, accounting and financial issues whenever deemed necessary by the Board.

Board minutes are prepared for recording all matters transacted and resolved at the Board Meetings. Draft and final versions of the Board minutes are sent to all Directors for their comments and records. Also, the minutes of Board Meetings as well as meetings of Board committees are recorded in sufficient details of the matters considered and decisions made, including concerns raised by the Directors or dissenting views expressed. All the Board minutes are also kept by the Board Secretary and are open for inspection by the Directors.

The Company has mechanism to ensure independent views and input are available to the Board. This was achieved through the Board diversity and the appointment of independent directors. In June 2022, the Company completed the transition to the current 11th session of the Board, further enhancing the independence of the Board. The new Board comprises of 4 independent Directors, accounting for 44.4% of the Board, an increase of 8.1 percentage points compared to the previous term (36.3%). All of the independent Directors of the Company are experienced professionals with expertise in accounting, finance and business management. In 2023, the independent Directors of the Company perform specific duties in accordance with the Articles of Association and the listing rules of the places of listing, including participating in the meetings of the special committees of the Company and advising the Company on its operation and management; providing independent advice on connected transactions, profit distribution plans and other significant transactions of the Company. By discharging their duties as mentioned above, the independent Directors help to protect the interests of the Company and its shareholders as a whole and to promote the development of the Company. The chairman of each of the Company's special committees (except the Strategy Committee and ESG Committee) is an independent Director. The number of independent Directors in the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee accounts for one-half or more of the total number of committee members.

BOARD OF DIRECTORS (continued)

Board meetings (continued)

The following table shows the attendance of the Directors at the Board Meetings during the year ended 31 December 2023:

	No. of the Board Meetings attended/held
Executive Directors:	
Mr. LI Huagang *(Chairman)*	5/5
Mr. GONG Wei	5/5
Non-executive Directors:	
Ms. SHAO Xinzhi *(Vice Chairman)*	5/5
Mr. YU Hon To, David	5/5
Ms. Eva LI Kam Fun	5/5
INEDs:	
Mr. CHIEN Da-chun	5/5
Mr. WONG Hak Kun	5/5
Mr. LI Shipeng	5/5
Mr. WU Qi	5/5

It is challenging to arrange the board meetings that fits in with the tight and busy schedules of all the Directors. To enable all the Directors to keep abreast of the Group's latest development and to discharge their duties properly, the Board Secretary and the Company Secretary would brief the Directors on those matters transacted at the board meetings that they are unable to attend.

BOARD OF DIRECTORS (continued)

Model Code for Securities Transactions by Directors and Supervisors

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 C3 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 2023.

In addition, the Board has adopted written guidelines (the "Employees' Guidelines for Securities Transactions") for securities transactions by employees (the "Relevant Employees") who are likely to be in possession of unpublished price sensitive information of the Company on no less exacting terms than the Model Code. Having made specific enquiries of all the Relevant Employees, the Company confirmed that all the Relevant Employees had complied with the required standards as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2023.

Board Committees

The Board has established an Audit Committee (the "Audit Committee"), a Remuneration and Appraisal Committee (the "Remuneration and Appraisal Committee"), a Nomination Committee (the "Nomination Committee"), a Strategy Committee (the "Strategy Committee") and a Environmental, Social and Governance Committee (the "ESG Committee") (collectively the "Committees") to oversee specific aspects of the Company's affairs. The Committees report to the Board regularly, and have been provided with sufficient resources to discharge their respective duties. To reinforce independence, the chairmen of the Committees other than the Strategy Committee and the ESG Committee are INEDs. Each of the Committees has adopted specific terms of reference covering its duties, powers and functions which will be reviewed by the Board from time to time. The Board Secretary also acts as secretary of the Committees. The Committees adopt as far as practicable, the procedures and arrangement of the Board Meeting in relation to the conduct of meetings, notice of meetings and recording of minutes. Further particulars of each of the Committees are set out below:

(1) Audit Committee

During the year ended 31 December 2023, the Audit Committee comprised five members throughout the year. The members are as follows:

Mr. WONG Hak Kun;
Ms. SHAO Xinzhi;
Mr. CHIEN Da-chun;
Mr. YU Hon To, David; and
Mr. WU Qi

The Audit Committee was chaired by Mr. WONG Hak Kun. Mr. WONG, Mr. YU and Ms. SHAO possess the required accounting expertise. The terms of reference of the Audit Committee (as revised) are available on the respective websites of the Company and the Hong Kong Stock Exchange.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(1) Audit Committee (continued)

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting, to make recommendations to the Board on the appointment, reappointment and removal of the Group's external auditors and review of the Company's financial controls, internal control and risk management systems. Each member of the Audit Committee has unrestricted access to the Group's external auditor and the Management.

During the year ended 31 December 2023, the Audit Committee held five meetings to review with the management the accounting principles and practices adopted by the Group and to discuss financial reporting matters including the review of 2022 annual results and 2023 interim and quarterly results of the Group, review the adequacy of resources, accounting staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions, review of the internal control procedures, the connected transactions and the continuing connected transactions, review of the significant transactions of the Group, review the reappointment of external auditors, and review the terms of reference of the Audit Committee, and other related issues.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor. The annual results for the year ended 31 December 2023 were also reviewed by the Audit Committee.

The Board also has adopted the arrangement for employees of the Company to raise genuine concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters in the Company and its subsidiaries. The Audit Committee monitors the execution of this arrangement.

The following table shows the attendance of members of the Audit Committee during the year ended 31 December 2023:

	No. of Audit Committee meetings attended/held
Non-executive Directors:	
Mr. YU Hon To, David	5/5
Ms. SHAO Xinzhi	5/5
INEDs:	
Mr. WONG Hak Kun	5/5
Mr. CHIEN Da-chun	5/5
Mr. WU Qi	5/5

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(2) Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee currently comprises three members including:

Mr. LI Huagang;
Mr. CHIEN Da-chun; and
Mr. LI Shipeng

The Remuneration and Appraisal Committee is chaired by Mr. CHIEN Da-chun, an INED. The terms of reference of the Remuneration and Appraisal Committee (as revised) are available on the respective websites of the Company and the Hong Kong Stock Exchange.

The primary duties of the Remuneration and Appraisal Committee are to make recommendations to the Board on policies and structures of all remuneration of the Directors and senior management. Each of the Directors has not involved in the determination of his/her own remuneration.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salaries, pensions and discretionary bonuses. The remuneration for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and Independent Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fees which are determined with reference to their duties and responsibilities and are subject to shareholders' approval at general meetings.

During the year ended 31 December 2023 the Remuneration and Appraisal Committee held five meetings. At the meetings, members of the Remuneration and Appraisal Committee reviewed and made recommendations to the Board on the remuneration proposals and the performance based structures of the Directors and senior management, including the share based award proposals such as the 2023 A-share and H-share Core Employee Stock Ownership Plan (ESOP), and the 2023 H-share Restricted Share Unit Scheme (RSU). The Remuneration and Appraisal Committee considered these proposals by taking into account the factors such as remuneration packages and benefits offered by comparable companies, the respective contribution of each of the Directors and senior management to the Group and the business objectives of the Group. The Remuneration and Appraisal Committee also considered the execution reports of incentive schemes (Core Employee Stock Ownership Plan and A-share Option Incentive Scheme) in relation to the assessment of the Executive Directors and senior management.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(2) Remuneration and Appraisal Committee (continued)

Particularly, in approving the 2023 share award and share option scheme, the Remuneration and Appraisal Committee has reviewed the material matters including (i) appropriateness of the number of share awards and share options to be granted; (ii) vesting period of no less than 12 months; (iii) plan of exercise or vesting which is linked with performance targets to be fulfilled by participants. There are no unusual or exceptional features in the share award and share option scheme that are contradictive with the relevant rules for which special approval from the Remuneration and Appraisal Committee are required.

The Remuneration and Appraisal Committee has adopted the model that it will review the proposals made by the Management on the remuneration of Executive Directors and senior managements with reference to the Board's corporate policies and objectives, and make recommendations to the Board. The remuneration plans or proposals mainly include but not limited to performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

The following table shows the attendance of members of the Remuneration and Appraisal Committee during the year ended 31 December 2023:

	No. of Remuneration and Appraisal Committee meetings attended/held
Executive Director:	
Mr. LI Huagang	5/5
INEDs:	
Mr. CHIEN Da-chun	5/5
Mr. LI Shipeng	5/5

Refer to note 13(b) to the consolidated financial statements for the details of remuneration payable to key management personnel (excluding Directors) of the Group by band.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(3) Nomination Committee

The Nomination Committee currently comprises three members including:

Mr. LI Huagang;
Mr. LI Shipeng; and
Mr. WU Qi

The Nomination Committee was chaired by Mr. WU Qi, an INED. The terms of reference of the Nomination Committee (as revised) are available on the respective websites of the Company and the Hong Kong Stock Exchange.

The Nomination Committee is responsible for formulating nomination policy and making recommendations to the Board on nomination and appointment of Directors, senior management and Board succession. It also develops selection procedures of candidates for nomination, reviews the structure, size and composition of the Board and assesses the independence of the INEDs. The Company has provided the Nomination Committee sufficient resources to perform its duties.

Nomination procedures include identification and acknowledgement of qualified individuals by the Nomination Committee and review and approval of such nomination by the Board. The Nomination Committee shall proactively communicate with the Company's relevant departments, examine the Company's demand for new directors and senior managers. The selection criteria for Directors are that the candidates must have substantial experience in business relevant to the Company, or in corporate management, or in relevant profession and must be able to contribute effectively to the objectives of the Company. In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria (such as professional expertise, relevant experience, personal ethics etc.) and with due regard for the benefits of diversity on the Board. Any committee member may propose suitable candidates for directorship for discussion and approval by the Nomination Committee, after which the Board will consider and, if proper, approve such nomination. Director thus selected is subject to election by the Company's shareholders in the next general meeting or next annual general meeting, as appropriate, according to the Articles of Association of the Company.

The Nomination Committee monitors the execution of the Board diversity policy of the Company. Selection will be based on a range of diversity perspectives, including but not limited to, professional experience, business experience and insight, skills, know-how, gender, age, cultural and educational background, ethnic and length of services. It will review the Board diversity policy as appropriate and recommend any revisions to the policy to the Board for consideration and approval if necessary.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(3) Nomination Committee (continued)

During the year ended 31 December 2023, the Nomination Committee held one meeting. At the meeting, members of the Nomination Committee have reviewed the composition of the Board and diversity of the Board.

The Nomination Committee discussed and agreed the measurable objectives for achieving diversity on the Board and recommended them to the Board for adoption. The Nomination Committee assessed the composition and diversity of the Board on objectives of offering relevant industry experience and business skill to the Board for the Company's strategic business developments, while maintaining diversity of perspectives appropriate to the requirements of the Group's business.

The following table shows the attendance of members of the Nomination Committee during the year ended 31 December 2023:

	No. of Nomination Committee meetings attended/held
Executive Director:	
Mr. LI Huagang	1/1
INEDs:	
Mr. WU Qi	1/1
Mr. LI Shipeng	1/1

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(4) Strategy Committee

The Strategy Committee currently comprises four members including:

Mr. LI Huagang;
Mr. LI Shipeng;
Mr. WU Qi; and
Mr. GONG Wei

The Strategy Committee is chaired by Mr. LI Huagang.

The purpose of the Strategy Committee shall be to prepare recommendations for the Board in fulfilling its responsibilities relating to the study of the Company's long-term development strategy, major investment decisions and shareholders' return plan.

The primary responsibilities and authorities of the Strategy Committee include:

(I) to study the Company's long-term development strategy plans and make recommendations;

(II) to study major investment and financing programs which requires to be approved by the Board of Directors as stated in the Articles of Association and make recommendations;

(III) to study major capital operation and assets management projects which requires to be approved by the Board of Directors as stated in the Articles of Association and make recommendations;

(IV) to study shareholders' return plan of the Company and make recommendations;

(V) to study other important matters affecting the Company's development and make recommendations;

(VI) to review the implementation of the above matters;

(VII) to handle other matters as authorized by the Board.

During the year ended 31 December 2023, the Strategy Committee held one meeting. At the meeting, members of the Strategy Committee have discussed and reviewed the status of execution of the Company's development strategy, and made recommendations to the Board.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(4) Strategy Committee (continued)

The following table shows the attendance of members of the Strategy Committee during the year ended 31 December 2023:

	No. of Strategy Committee meetings attended/held
Executive Directors:	
Mr. LI Huagang	1/1
Mr. GONG Wei	1/1
INEDs:	
Mr. LI Shipeng	1/1
Mr. WU Qi	1/1

(5) Environmental, Social and Governance Committee

The Company has established the Environmental, Social and Governance Committee ("ESG Committee") to better implement the ecological brand strategy of the Company in the age of the Internet of Things, integrate the idea of "Social, Environmental and Corporate Governance" into the corporate strategy, promote sustainable development, generate long-term value for all stakeholders and build a green, intelligent and mutual beneficial ecosystem of the Internet of Things.

The ESG Committee currently comprises three members including:

Ms. Eva LI Kam Fun;
Mr. CHIEN Da-Chun; and
Mr. GONG Wei

Ms. Eva LI Kam Fun serves as the chairwoman of the ESG Committee.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(5) Environmental, Social and Governance Committee (continued)

The ESG Committee serves as the specific working body for evaluating the Company's working progress on the environmental, social and governance (ESG) responsibilities and the risks and opportunities it faces, and for formulating the Company's ESG vision, goals and strategies. The ESG Committee strives to improve and enhance the Company's capabilities of managing environment and social responsibilities, and to promote the sustainable development of the Company. The ESG Committee also promotes the ESG risk management practices and internal control enhancements, and provides direction for the work of the Company's ESG task force.

During the year ended 31 December 2023, the ESG Committee held two meetings. At the meeting, members of the ESG Committee have discussed and reviewed the Company's 2022 ESG report, discussed ESG goals, strategies and other related matters, and made recommendations to the Board.

The following table shows the attendance of members of the ESG Committee during the year ended 31 December 2023:

	No. of ESG Committee meetings attended/held
Executive Director:	
Mr. GONG Wei	2/2
Non-executive Director:	
Ms. Eva LI Kam Fun	2/2
INED:	
Mr. CHIEN Da-chun	2/2

Corporate Governance Function

The primary corporate governance duties of the Board are to develop and review the Company's policies and practices on corporate governance; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the year, the Board have developed and reviewed the Company's corporate governance practices, including the review of the Company's Articles of Association, terms of reference of the various board committees, and various internal policies and rules based on the recent changes of regulatory requirements. The Board also reviewed the process in upgrading the internal controls and risk management.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company's communication policy for shareholders is summarized as follows:

The Company follows a policy of disclosing relevant information to shareholders and the investment community in a timely manner, and will regularly review this policy to ensure its effectiveness. Information shall be communicated to shareholders and the investment community mainly through the Company's quarterly, interim and annual financial reports, and general meetings that may be convened, as well as by making available all the disclosures submitted to the stock exchanges where the securities are listed, and its corporate communications and other corporate publications on the Company's website.

Effective and timely dissemination of information to shareholders and the investment community shall be ensured at all times. Shareholders and the investment community may at any time, e.g. at the investors meetings and discussions or via enquiry emails, etc., express their views or make a request for the Company's information to the extent such information is publicly available.

The Company's website provides comprehensive and updated information about the Company, including our financial results, announcements, circulars, composition of the Board or Board Committees and their respective terms of reference, and other corporate documents such as the articles of the Company.

The annual general meeting ("AGM") provides an opportunity for communication between the Board and the Company's shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Circulars to Shareholders provide information on matters that require to be brought to the attention or action of shareholders, such as appointments of Directors, amendments to the articles of the Company, matters relating to poll voting at annual general meetings, etc.

AGM proceedings are reviewed from time to time and revised (if needed) to ensure that the Company follows the best corporate governance practices.

The Company has reviewed the implementation of the shareholders' communication policy conducted during the year ended 31 December 2023 and considered it effective based on the following achievements:

It is the Company's practice to provide an explanation to shareholders of the details of the voting by poll procedures in the general meetings in accordance with the Articles of Association and the relevant listing rules of the places where it securities are listed. The poll results of the general meetings are also published on the websites of the Company and/or of the stock exchanges where the securities are listed. The Board regards general meetings as one of the principal channels of communication with our shareholders and the Directors provide detailed and complete answers to questions raised by the shareholders in the general meetings in accordance with the relevant rules and regulations.

The Board attaches great importance to investor relations management and provides a variety of communication channels for investors. It maintains positive interaction with investors through annual investor conferences, online collective reception day for investors, emails, on-site and online surveys and other means to protect the legitimate rights and interests of investors. The management of the Company and its investors had extensive exchanges on issues of concern to investors, such as corporate governance, operating conditions, development plan and strategies, and ESG information, based on public information, and received active participation from its investors.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (continued)

In respect of information disclosure, to protect the interests of investors and other stakeholders, in particular small and medium-sized shareholders, the Company strictly complied with the domestic and overseas information disclosure regulatory requirements and fulfilled its information disclosure obligations. During the reporting period, in addition to providing high-quality mandatory information disclosure, the Company has also provided voluntary disclosure of key issues of concern to investors and the capital market, such as corporate strategy and development, corporate governance matters, and ESG information. The Company continues to enhance the disclosure, which have been highly rated by external organizations.

During the year ended 31 December 2023, the Company held four general meetings, including the annual general meeting, one A-shares class meeting, one D-shares class meeting, and one H-shares class meeting. In these general meeting and class meetings, various resolutions were passed.

The following table shows the attendance of the Directors at the general meetings held during the year ended 31 December 2023:

	No. of the General meetings attended/held
Executive Directors:	
Mr. LI Huagang *(Chairman)*	4/4
Mr. GONG Wei	4/4
Non-executive Directors:	
Ms. SHAO Xinzhi *(Vice Chairman)*	4/4
Mr. YU Hon To, David	4/4
Ms. Eva LI Kam Fun	4/4
INEDs:	
Mr. CHIEN Da-chun	4/4
Mr. WONG Hak Kun	4/4
Mr. LI Shipeng	4/4
Mr. WU Qi	4/4

During the year ended 31 December 2023, there have been no changes in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Procedures by which Shareholders may convene a special general meeting

Shareholders requesting the convening of an extraordinary general meeting or a class shareholders' meeting shall proceed in accordance with the procedures set forth below:

(1) Two or more shareholders who hold, in aggregate, 10% or more of the shares carrying the right to vote at the proposed meeting may sign one or several written requisitions of the same format and contents, requesting the Board of Directors to convene an extraordinary general meeting or a class shareholders' meeting. The agenda of the proposed meeting shall be stated therein. The Board of Directors shall convene the extraordinary general meeting or a class shareholders' meeting responsively after receipt of the aforesaid written requisition(s). The number of the aforesaid shares shall be calculated as of the date on which the requisition(s) is/are made.

(2) Where the Board of Directors gives consent for convening of an extraordinary general meeting, a notice on convening of the extraordinary general meeting or the class shareholders' meeting shall be issued within 5 days from such decision, and the changes made to the original request in the notice shall be approved by relevant shareholders.

(3) Where the Board of Directors does not give consent for convening of an extraordinary general meeting or does not issue a feedback within 10 days upon the receipt of the requisition(s), the shareholders holding 10% or more of the Company's shares separately or in aggregate shall have the right to propose to the Board of Supervisors on convening of an extraordinary general meeting and such proposal shall be made to the Board of Supervisors in writing.

(4) Where the Board of Supervisors gives consent for convening an extraordinary general meeting, a notice on convening of the extraordinary general meeting shall be issued within 5 days upon the receipt of the requisition(s) and the changes made to the original request in the notice shall be approved by relevant shareholders.

(5) Where the Board of Supervisors fails to issue a notice of a shareholders' general meeting within the stipulated period, the Board of Supervisors shall be deemed as not convening and chairing the shareholders' general meeting, and the shareholders who hold 10% or more of the Company's shares individually or jointly for 90 or more consecutive days may proceed to convene and chair a shareholders' general meeting on their own initiative.

SHAREHOLDERS' RIGHTS (continued)

Procedures by which Shareholders may convene a special general meeting (continued)

(6) If the shareholders' general meeting is convened by the Board of Supervisors or shareholders on their own, a written notice shall be issued to the Board of Directors, and such meeting shall be filed with the stock exchange of the place where the securities of the Company are listed.

(7) Prior to the announcement of the resolutions passed by the shareholders' general meeting, the shareholding percentage of the shareholders who convene the meeting shall not be less than 10%. Shareholders who convene the meeting shall publish an announcement no later than the issuance of notice of the shareholders' general meeting and undertake that their shareholding percentage shall not be less than 10% during the period from the date of proposing the convening of the shareholders' general meeting to the convening date of the shareholders' general meeting. The shareholders who convene the meeting shall submit the relevant supporting materials to the stock exchange of the place where the securities of the Company are listed at the time of the issuance of notice of the shareholders' general meeting as well as of the announcement of the resolutions passed by such meeting.

Procedures by which enquiries may be put to the Board

Shareholders may put forward enquiries to the Board through the Board Secretary, Company Secretary and the representative of our office in Germany who will direct the enquiries to the Board for handling. Such enquiries can be made by the following means:

Mail: Board Secretary
Haier Smart Home Co., Ltd.
Board of Directors Building,
Haier Industrial Park,
1 Haier Road, Laoshan District, Qingdao City, the PRC

Email: finance@haier.com

Mail: Company Secretary
Haier Smart Home Co., Ltd.
Unit 1908, 19/F, Harbour Centre,
25 Harbour Road Central,
Wan Chai, Hong Kong

E-mail: ir@haier.hk

SHAREHOLDERS' RIGHTS (continued)

Procedures for putting forward proposals at a Shareholders' meeting

When the Company decides to convene a shareholders' general meeting, the Board of Directors, the Board of supervisors and shareholders severally or jointly holding 1% or more of the shares of the Company shall be entitled to put forward proposals to the Company.

The shareholders severally or jointly holding 1% or more of the shares of the Company may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the shareholders' general meeting. Where shareholders subject to the conditions as mentioned above raise interim proposals before the convening of the shareholders' general meeting, their shareholding proportions shall not be less than 1% during the period from the date of the issuance of notice on proposals to the announcement of the resolutions. The convener shall, within 2 days after the receipt of such proposals, issue a supplemental notice of the shareholders' general meeting and announce the contents of the interim proposals. (note *)

Procedures for Shareholders to propose a person for election as a Director

When the Company needs to elect a director, the shareholders of the Company may nominate a person for election as a director of the Company at the shareholders' general meeting (including annual general meeting and extraordinary general meeting) to be convened then according to the Articles of Association of the Company ("Articles of Association").

1. According to Article 84 of the Articles of Association, the shareholders' general meeting may exercise the following functions and powers: (II) to elect and replace directors and supervisors who are not employee representatives, and to decide on the remuneration matters of the relevant directors and supervisors; (X) to amend the Articles of Association and deliberate proposals put forward by shareholders who represent 1% or more of the Company's voting shares.

2. According to Article 96 of the Articles of Association, when the Company decides to convene a shareholders' general meeting, the Board of Directors, the Board of Supervisors and shareholders that severally or jointly hold 1% or more of the shares of the Company shall be entitled to put forward proposals to the Company. The shareholders that severally or jointly hold more than 1% of the Company's shares may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the shareholders' general meeting. The convener shall, within 2 days after the receipt of such proposals, issue a supplemental notice of the shareholders' general meeting and announce the contents of the interim proposals. (note*)

Note*: Certain proposed amendments on the Company's Articles of Association as stated in the Company's relevant announcement dated 27 March 2024 have been reflected herein, which are subject to the approval of the annual general meeting to be held on June 2024.

SHAREHOLDERS' RIGHTS (continued)

Procedures for Shareholders to propose a person for election as a Director (continued)

3. According to Article 101, Article 136 and Article 194 of the Articles of Association, the election of directors and supervisors shall comply with the following provisions:

   (I) The list of candidates for directors and supervisors shall be presented in the form of a proposal at a shareholders' general meeting for voting.

   (II) Upon the expiration of the term of office of the Board of Directors or the Board of Supervisors or in need of replacement of directors or supervisors due to vacancies within the Board of Directors or the Board of Supervisors, the shareholders, individually or jointly, holding 3% or more of the total number of the outstanding shares with voting rights of the Company may recommend candidates for directors or supervisors to the Board of Directors in writing. Upon the Board of Directors' or the Board of Supervisors' review and examination, if the candidates comply with the provisions by law and the Articles of Association, the Board of Directors or the Board of Supervisors shall submit the candidate list, curriculum vitae and basic information in the form of a proposal to the shareholders' general meeting for deliberation and election. Upon the expiration of the term of office of the Board of Supervisors or in need of replacement of supervisors due to vacancies within the Board of Supervisors, supervisors previously held by the employee representatives of the Company shall still be replaced or by-elected through democratic election among the Company's staff and workers.

   (III) Where a shareholders' general meeting proposes to discuss election matters of directors and supervisors, the notice of the shareholders' general meeting shall fully disclose the detailed information of the proposed candidates for directors and supervisors.

   (IV) The Company's Board of Directors, Board of Supervisors and shareholders who hold 1% or more of the issued shares of the Company, individually or jointly, may nominate candidates for independent directors, who will be decided through election by the shareholders' general meeting. The agreement of the nominee shall be obtained before the nominator nominates him/her as an independent director. The nominator shall be fully aware of such details of the nominee as occupation, educational background, title, work experience, all concurrent positions etc., and shall express his/her/its opinions on the nominee's qualifications for holding the position of independent director and his/her/its independence. The nominee shall make a public statement that no relationship exists between himself/herself/itself and the Company that could affect his/her/its independent and objective judgments. The Board of Directors of the Company shall make the aforementioned information public in accordance with regulations before the holding of the shareholders' general meeting at which the independent director is to be elected.

SHAREHOLDERS' RIGHTS (continued)

Procedures for Shareholders to propose a person for election as a Director (continued)

3. According to Article 101, Article 136 and Article 194 of the Articles of Association, the election of directors and supervisors shall comply with the following provisions: (continued)

   (V) When a shareholders' general meeting votes on the election of directors and supervisors, the cumulative voting method may be implemented pursuant to the provisions of the Articles of Association or the resolution of a shareholders' general meeting. The cumulative voting system referred to in the preceding paragraph shall mean that when a shareholders' general meeting elects directors or supervisors, each share shall have the same number of voting rights as the number of directors or supervisors to be elected and the voting rights held by a shareholder may be used together. The Board of Directors shall announce the curriculum vitae and basic information of candidates for directors and supervisors to the shareholders before the holding of the shareholders' general meeting.

   (VI) Where the shareholders' general meeting has passed the proposal on the election of the relevant directors and supervisors, the newly-elected directors and supervisors shall take office on the date when the resolution is passed at the shareholders' general meeting, unless otherwise resolved by the shareholders' general meeting.

INSURANCE

The Group has arranged appropriate directors' and officers' liability insurance to indemnify the Directors and senior staff of the Group for their potential liabilities incurred by them in discharging their duties. The Group reviews the insurance coverage for the Directors and the Group's senior staff on an annual basis.

POLICY ON PAYMENT OF DIVIDENDS

The Company has implemented a proactive and flexible dividend policy. Future profit distributions may be carried out in the form of cash dividends or stock dividends or by interim cash profit distributions. The dividend policy shall maintain consistency and stability. In case that the legal conditions as mentioned below for both cash dividends and stock dividends are satisfied, cash dividends shall prevail.

The Company's dividend policy shall be determined by the Board of Directors based on the business development and performance of our Company and will be subject to the approval of the shareholders' general meeting.

Subject to the satisfaction of conditions for cash dividend distribution provided in the PRC Company Law, the Company shall in principle pay cash dividend once each fiscal year. The Board of Directors may propose to pay an interim profit distribution depending on the profitability and capital reserve of our Company. In addition, the Board of Directors may put forward a stock dividend distribution proposal in addition to cash dividend after considering factors such as our Company's performance, share price, share capital scale and debt structure.

POLICY ON PAYMENT OF DIVIDENDS (continued)

The Company expects that, in the future, the principal source of profits for the payment of dividends will be income from its operating business, and dividends and other payments received from current and future direct and indirect subsidiaries. The determination of each subsidiary's ability to pay dividends is subject to applicable law.

On the basis of the unconsolidated financial statements of the Company and subject to PRC law, the Articles of Association and the Company's capital needs for normal production and operation, planned investments and other significant capital outlays, the annual cash dividends shall, in principle, account for at least 20%, and contingent upon each year's performance, not less than 15% of the Company's net profits for the prior fiscal year which are available for distribution and attributable to the ordinary equity holders of the Company, calculated in accordance with PRC GAAP.

After the completion of the Privatisation Proposal of Haier Electronics Group Co., Ltd. and with the improvement in the efficiency of capital use and operating capacity, the Company plans to gradually increase the dividend rate to 33%, 36% and 40% for 2021, 2022 and 2023 to enhance the return of all shareholders.

From 2024 to 2026, the proportion of dividend to profit (consolidated profit attributable to owners of the Company) to be distributed in cash each year shall be gradually increased. In 2025 and 2026, the proportion of cash dividends shall not be less than 50% of the net profit (subject to the approval of the annual general meeting of the Company to be held on June 2024).

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing financial statements of the Group in accordance with relevant statutory requirements and generally accepted accounting principles and ensuring that the financial statements give a true and fair view of the Group's financial position. In preparing the financial statements of the Group for the year ended 31 December 2023, the Directors have adopted suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and prepared the financial statements on a going concern basis.

The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report of this Annual Report.

The Board aims to present a comprehensive, balanced and understandable assessment of the Group's development and prospects in all corporate communications, including but not limited to annual, interim and quarterly reports, any price sensitive announcements and financial disclosures required under the relevant listing rules of the places where its securities are listed and other regulations, any reports to regulators as well as to information required to be disclosed pursuant to other statutory requirements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group is committed to implementing and maintaining effective risk management and internal controls procedures to identify and manage the risks faced by the Group, as well as to safeguard the interests of the Group and our shareholders as a whole. The Board would ensure that adequate resources and management attention will be devoted to strengthen its internal controls and risk management procedures.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Board is responsible for overseeing adequate internal controls and risk management procedures in the Group, reviewing their effectiveness on an on-going basis, and ensuring the Management has clearly defined the authorities and key responsibilities of each business and operational unit for adequate checks and balances. The Board has delegated to the Management the design, implementation and monitoring of the Group's risk management and internal control systems covering all material aspects, including financial, operational, ESG, risk management functions and in compliance with all relevant regulations. Such systems are designed to manage the risk of failure to achieve business objectives, and provide reasonable, but not absolute assurance against material misstatement or loss.

The Board is also responsible for ensuring that the Management has discharged its duty to have an effective internal control system in terms of the adequacy of resources, qualification and experience of staff of the Company's finance reporting and internal audit functions, as well as these relating to the Company's ESG performance and reporting and their training programme and budget.

Control Environment

- Risk awareness and control responsibility are built into the company culture and are regarded as the foundation of risk management and internal control systems;

- An effective internal audit function is maintained which is independent from operational management;

- Whistleblowing Guideline of the Company is in place.

Internal Auditing Function

In response to the broadening of the Group's scope of business activities and the increase in geographical locations in which it operates, to face the challenges of the fast growing trend of new business and the related financial and operational risks, the Group has continuously strengthened the functions of its Internal Audit Department. It provides independent and objective assurance, and consulting activity designed to add value and improve Company's operations. It helps the Group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit Department also provides independent and reasonably assurance that the internal controls system is effective and efficient. In order to carry out its functions, the Internal Audit Department is given unrestricted access to all business operations and personnel, all business files and accounting records. The head of the Department reports directly and regularly to the Audit Committee and CEO respectively on the findings of audit matters. The work schedule of the Internal Audit Department is based on an annual audit program reviewed and approved by the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Risk Management

An enterprise-wide risk assessment with the Management and key-process owners had been institutionalised to identify major risks of all levels and to review the effectiveness of the key controls and mechanisms in place. It is intended that the risk management framework would be able to raise risk-awareness within senior management such that a safeguarding culture of the Group's business and assets is to be developed and implemented.

The Internal Audit Department of the Company plays a significant role in the risk management execution. Major risks of all levels facing the Group are identified and evaluated, and the management ultimately reviewed the identification and evaluation of these risks. Based on these procedures, mitigation measures and plans with respect to each key risk identified are developed and implemented, which include establishing or enhancing internal controls, with regular review and update so as to mitigate the risks to controllable range. The process of the work performed are reported regularly to the Audit Committee and the Board on their scheduled meetings.

Control Process

The Company recognizes that the assessment of the internal control system is an on-going process, and management enhancements are required to address deficiencies in internal controls over operations, compliance on regulations including listing rules of the places where the securities are listed, and financial and non-financial reporting.

There is a clearly-defined management structure with specified authority limits and segregated responsibilities to achieve business control objectives and safeguard of assets. Guidelines and approval limits for operating and capital expenditures are set clearly in advance, with division of operations and with financial personnel responsible for the different approval processes. An internal budget system as well as expense system have been used to enhance the controls and effectiveness embedded in the approval process. Detective controls are also in place as safeguards on business and operational processes.

The Internal Audit Department establishes an annual internal control review plan for major internal control systems covering areas including operational control, financial control and compliance control (including review of controls on continuing connected transactions). The review tasks on various internal controls are prioritized in accordance with the risk level assessed, or where significant changes have been taken place, or where new businesses have been set up.

During the year ended 31 December 2023, the Internal Audit Department has conducted a review of the effectiveness of Group's internal control procedures on the major business and operational processes. Findings and recommendations for further improvements have been reported to the Audit Committee as well as Board. Such recommendations have been or are being implemented by the Management with regular review.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Review of Control Effectiveness

The Audit Committee reviewed the effectiveness of the risk management and internal control systems by reviewing the internal control assessment report of the Internal Audit Department at lease twice in a year. The Board has, through the Audit Committee, reviewed and considered that for the year ended 31 December 2023, the Group's risk management and internal control systems were effective and adequate.

As part of the audit of the financial statements, the external auditors have issued their standard unqualified report on their audit of the Company's internal control on financial reporting system.

Inside Information

The Company has adopted the following procedures and internal controls for the handling and dissemination of inside information:

(i) the Company keeps updated on the obligations under the Securities and Futures Ordinance, the applicable listing rules and other statutory regulations with regard to the timely and proper disclosure of inside information and authorizes the disclosure through the publication of announcements as required;

(ii) the Company implemented an Inside Information Disclosure Policy which the Company's spokespersons have to strictly follow in communicating with the public;

(iii) the Company adopted a Model Code for securities transactions by Directors, and by employees who are likely to be in possession of unpublished inside information of the Company on no less exacting terms than that for the Directors; and

(iv) the Company included in the employee conduct code that unauthorised uses of confidential and inside information are strictly prohibited.

ANTI-CORRUPTION

Haier Smart Home strictly complies with the laws and regulations in China and other overseas places of operations related to anti-bribery, anti-fraud, anti-extortion and anti-money laundering. The Company has formulated and strictly implemented the Code of Commercial Conduct of Haier Group, the Anti-fraud Regulations, the Employee Code of Conduct of Haier Smart Home, the Management Policy of Black List of suppliers and other related policies in the world. The Board of Directors is responsible for reviewing and supervising the Company's policies and measures that are related to compliance of laws and regulations.

The Company has set up an anti-fraud working committee in 2022 comprising of staff of internal control, legal and various business lines to perform anti-corruption and anti-malpractice tasks, actively promoted the development and implementation of anti-corruption, anti-money laundering and other systems related to commercial ethics. We regularly identify commercial ethics risks, carry out specialised anti-corruption audits and report to and are monitored by the Board of Directors and the Audit Committee, and strive to create an honest and ethical business environment.

ANTI-CORRUPTION (continued)

The Company continues to optimize the Anti-fraud Regulations, improve the functions of each department in the audit of anti-corruption, anti-fraud and anti-money laundering, strengthen the early risk management, put forward the requirement to strengthen self-detection capabilities, and upgrade the internal control system and the measures to promote anti-fraud, as well as further enhance risk identification. Meanwhile, we apply our big data cloud monitoring system to conduct early risk warning and investigation, regularly identify and sort out fraud risks at all levels of the Company, including factories, industries and platforms, identify risks in business scenarios through risk audits, and facilitate governance and mitigation of risks through establishing various mechanisms.

REMUNERATION OF EXTERNAL AUDITORS

The domestic and overseas auditors of the Company for 2023 were Hexin Certified Public Accountants LLP and HLB Hodgson Impey Cheng Limited.

During the year ended 31 December 2023, the annual audit fees and non-audit fee payable/paid by the Group to Hexin Certified Public Accountants LLP was RMB6.55 million and RMB2.23 million, respectively. The non-audit services mainly included internal control review service.

The audit fees and non-audit fee payable/paid by the Group to HLB Hodgson Impey Cheng Limited were RMB3.74 million and RMB0.15 million, respectively. The non-audit services mainly included review of the continuing connected transactions.

27 March 2024

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

During the year, the Company and its subsidiaries continued to be engaged in smart home business in China and overseas, evolving around a comprehensive portfolio of home appliances established over the years, covering primarily refrigeration appliances, kitchen appliances, air-conditioners, laundry appliances and water appliances, with value-added consumer services. There was no significant changes in the nature of the Group's principal activities during the year. The principal activities of the Company also includes investment holding.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties faced by the Group and an indication of the Group's likely future developments, can be found in the Chairman's Letter to Shareholders and Business Review and Financial Review set out on pages 5 to 11 and 20 to 65 of this Annual Report. Such information forms part of the Report of The Directors.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the Group's financial position as at that date are set out in the financial statements on pages 141 to 295.

The Directors of the Company recommend the payment of a final dividend for the year ended 31 December 2023 of RMB8.04 (2022: RMB5.6692 (adjusted)) in cash for every 10 shares (inclusive of tax).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 296. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year ended 31 December 2023 are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2023 are set out in note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions in the relevant PRC laws and the Company's Articles of Association for granting pre-emptive rights to the Company's existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Repurchases of H-Shares

During the year ended 31 December 2023, the Company repurchased certain of its ordinary H-Shares 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-Shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Total price paid HK$'M
May 2023	4,260,000	24.50	22.75	100.75
June 2023	4,223,600	24.00	22.15	98.39
	8,483,600			199.14

The issued capital H-Shares of the Company was reduced by the par value thereof. The premium paid on the repurchases of the Company's H-Shares of RMB173 million has been charged to the share premium account of the Company. The repurchase of the Company's H-Shares during the year was effected by the Directors, pursuant to the mandate from shareholders sought at the annual 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY (continued)

Repurchases of A-Shares

During the year ended 31 December 2023, the Company repurchased certain of its ordinary A-Shares on The Shanghai Stock Exchange. The summary details of those transactions are as follows:

Months	Number of A-Share repurchased	Price per share Highest RMB	Lowest RMB	Total price paid RMB'M
January 2023	712,900	26.85	24.10	18.79
May 2023	17,572,600	22.50	21.20	387.69
June 2023	8,275,000	23.90	21.35	191.45
July 2023	5,820,700	23.35	22.65	133.57
August 2023	50,000	23.55	23.55	1.18
September 2023	8,691,252	24.50	23.58	207.96
October 2023	1,720,100	22.20	22.05	38.06
November 2023	10,268,300	22.62	21.72	228.41
December 2023	10,869,400	21.52	20.15	224.84
	63,980,252			1,431.95

The repurchases of the Company's A-Shares during the year was effected by the Directors, pursuant to a board resolutions passed on 30 March 2022 and 27 April 2023 regarding the repurchase of A-Shares. The A-shares repurchased will be used in the Company's share incentive plans.

A total of 63,980,252 A-Share were repurchased during the year but not yet cancelled, of which 25,117,000 A-Share have been transferred to the A-Share Core Employee Stock Ownership Plan during July 2023. The balance of A-Share repurchased but not yet cancelled as at end of year is 38,863,252 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 2023.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 47 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the provisions of the Company Law of the PRC, amounted to approximately RMB7.48 billion, of which RMB7.47 billion has been proposed as a final dividend for the year.

ENVIRONMENTAL AND SOCIAL POLICIES AND PERFORMANCE

The Board of Directors is the highest responsible and decision-making body for ESG matters of the Company. Environmental, Social and Governance Committee (ESG Committee) is to assist the Board with ESG governance and information disclosure issues. The Board regularly assesses, prioritizes and manages ESG issues (including risks and materiality to the Company's business). It also regularly reviews the results of the assessment, identifies ESG issues material to the Company's development, be aware of management actions and recommendations taken.

The ESG Committee is responsible for developing an effective ESG strategy that aligns the Company's ESG objectives with its business objectives, and for continuously reviewing and improving the Company's ESG performance. The Board reviews the strategy on a regular basis to verify and ensure its alignment with the Company's growth strategy. The ESG Executive Leadership Team, comprising senior executives from various departments, reports regularly to the ESG Committee on ESG issues within the Company. The Team is responsible for implementing the Company's ESG policy and reporting to and advising the ESG Committee. The Company has established ESG goals related to its business operations, and the Board has reviewed and discussed the establishment and the progress of these goals. We have made continual progress for each ESG work target as planned.

Since joining the United Nations Global Compact (UNGC), we have closely integrated our ESG strategy with the practice of the United Nations 2030 Sustainable Development Goals (UN SDGs), committing to uphold the Ten Principles of the Global Compact grounded on United Nations Conventions, and continuously achieving ESG leadership.

For Haier Smart Home, ESG serves as an important guide in achieving high-quality and sustainable development. In 2023, the Company further enhanced our ESG strategy framework based on our business characteristics and industry context. We established five key pillars and future actions, using them as a roadmap to actively engage in sustainable development. Aligned with the core pillars of our ESG strategy, we have formulated ESG targets for 2022–2024 and are taking proactive steps to facilitate their achievement.

Further discussions on above are in the Environmental, Social and Governance Report which are issued separately.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board is responsible for reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements, with the assistance of the Internal Audit Department, the Legal Department and the Board Secretary office of the Company. The Company has in place compliance procedures to ensure adherence to the laws and regulations that are relevant to the Group.

We are of the view that, the Group had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the year. Particularly, our business operated in the PRC territory complied with relevant PRC laws and regulations in all material respects, and no material administrative penalties imposed on us have been found that may have a material adverse effect on our Group's business operations. We have cultivated a culture of compliance by implementing various measures and processes to ensure that the behaviour of our employees meets compliance requirements and our compliance culture is embedded into our everyday workflow.

The Group's staff are regularly briefed and updated from time to time on the relevant changes in laws and regulations so as to enhance their awareness of compliance obligations.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

During the year ended 31 December 2023, Haier Group Corporation, the substantial shareholders of the Company, had beneficial interests in one of the Group's five largest suppliers.

Save as disclosed above, none of the Directors or any of their close associates or any shareholders of the Company which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year were:

Executive directors:
Mr. LI Huagang
(Chairman and Chief Executive Officer)
Mr. GONG Wei

Non-executive directors:
Ms. SHAO Xinzhi *(Vice Chairman)*
Mr. YU Hon To, David
Ms. Eva LI Kam Fun

Independent Non-executive directors:
Mr. CHIEN Da-chun
Mr. WONG Hak Kun
Mr. LI Shipeng
Mr. WU Qi

These nine Directors compose the 11th session of the Board of the Company. The term of the 11th session of the Board of the Company would be three years. The term of office for each Director has been effective upon the consideration and approval at the annual general meeting of the Company convened on 28 June 2022. Each of the Directors has entered into a service contract with the Company. Each Director would receive a director fee before tax of RMB320,000 per year.

The Company has received an annual confirmation of independence from each of Mr. CHIEN Da-chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi, and as at the date of this report, the Board still considers them independent on the basis of such confirmations.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Supervisors of the Company and the senior management of the Group are set out on pages 12 to 19 of the annual report.

CHANGES OF INFORMATION OF DIRECTORS

There is no changes of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publish of the Company's 2023 interim report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

During the year, no Director or Supervisors had a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY

A Directors' and Officers' Liability Insurance is in place to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such directors and officers may be held liable.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of directors' remuneration are set out in notes 8 and 13 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except executive positions and related interests in the Haier Group, no director or supervisor nor a connected entity of a director or supervisor had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding companies of the Company or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Except executive positions and related interests in the Haier Group, none of the Directors is interested in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CEO IN SHARES AND UNDERLYING SHARES

At 31 December 2023, the interests and short positions of the Directors, Supervisors and chief executive in the share capital and underlying shares ("Share(s)") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares of the Company:

Names	Positions	Class of Shares held	Number of Shares held	Nature of interest	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LI Huagang	Chairman of the Board, Executive Director and Chief Executive Officer	A Share H Share	919,710 812,145	Beneficial owner Beneficial owner	0.0146% 0.0284%	0.0097% 0.0086%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	2,004,724	Beneficial owner	0.0318%	0.0212%
Ms. SHAO Xinzhi	Vice Chairman of the Board, Non-Executive Director	H Share	1,045,056	Beneficial owner	0.0366%	0.0111%
Mr. YU Hon To, David	Non-Executive Director	H Share	810,000	Beneficial owner	0.0283%	0.0086%
Ms. Eva LI Kam Fun	Non-Executive Director	H Share	355,200	Beneficial owner	0.0124%	0.0038%
Mr. LIU Dalin	Chairman of the Board of Supervisors	A Share H Share	36,676 21,355	Beneficial owner Beneficial owner	0.0006% 0.0007%	0.0004% 0.0002%
Ms. MA Yingjie	Supervisor	A Share	12,719	Beneficial owner	0.0002%	0.0001%
Mr. Yu Miao	Supervisor	A Share	6,436	Beneficial owner	0.0001%	0.0001%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2023 totalling 9,438,114,893 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,858,548,266 H Shares, representing approximately 66.84%, 2.87% and 30.29% of the total share capital of the Company, respectively.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CEO IN SHARES AND UNDERLYING SHARES (continued)

Long positions in shares of the Company: (continued)

Apart from above, the following Directors, Supervisors and chief executive are also the grantees of the A Share ESOP and H Share ESOP of the Company:

Names	Positions	Class of Shares	Number of outstanding shares of ESOP (Year of granted)	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LI Huagang	Chairman of the Board, Executive Director and Chief Executive Officer	A Share	30,037 (2021)	0.0005%	0.0003%
			125,104 (2022)	0.0020%	0.0013%
			212,811 (2023)	0.0034%	0.0023%
		H Share	32,554 (2021)	0.0011%	0.0003%
			140,292 (2022)	0.0049%	0.0015%
			219,537 (2023)	0.0077%	0.0023%
			181,121 (vested)	0.0063%	0.0019%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	18,195 (2021)	0.0003%	0.0002%
			67,193 (2022)	0.0011%	0.0007%
			104,907 (2023)	0.0017%	0.0011%
		H Share	21,136 (2021)	0.0007%	0.0002%
			75,351 (2022)	0.0026%	0.0008%
			108,223 (2023)	0.0038%	0.0011%
			106,712 (vested)	0.0037%	0.0011%
Ms. SHAO Xinzhi	Vice Chairman of the Board, Non-executive Director	A Share	104,907 (2023)	0.0017%	0.0011%
		H Share	108,223 (2023)	0.0038%	0.0011%
Mr. LIU Dalin	Chairman of the Board of Supervisors	A Share	6,500 (2021)	0.0001%	0.0001%
			29,634 (2022)	0.0005%	0.0003%
			49,956 (2023)	0.0008%	0.0005%
Ms. MA Yingjie	Supervisor	A Share	1,468 (2021)	0.0000%	0.0000%
			6,278 (2022)	0.0001%	0.0001%
			12,655 (2023)	0.0002%	0.0001%
Mr. YU Miao	Supervisor	A Share	1,461 (2021)	0.0000%	0.0000%
			5,032 (2022)	0.0001%	0.0001%
			16,652 (2023)	0.0003%	0.0002%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2023 totalling 9,438,114,893 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,858,548,266 H Shares, representing approximately 66.84%, 2.87% and 30.29% of the total share capital of the Company, respectively.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CEO IN SHARES AND UNDERLYING SHARES (continued)

Long positions in shares of the Company: (continued)

On 11 January 2022, the Company entered into a placing agreement with a placing agent for a placing of new H Shares of the Company under general mandate. A total of 41,413,600 H Shares have been placed 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. The placing price is HK$28.00 per H Share. The following directors and supervisor of the Company have invested indirectly in the structured notes issued by Golden Sunflower, one of the placees, through the trusts and asset management schemes. The details of their capital contribution are as follows:

Names	Positions	Amount contributed (In HK$ million)	Relevant number of placing H shares	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LI Huagang	Chairman of the Board, Executive Director and Chief Executive Officer	18.35	655,305	0.0229%	0.0069%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	9.17	327,652	0.0115%	0.0035%
Ms. SHAO Xinzhi	Vice Chairman of the Board, Non-Executive Director	11.01	393,183	0.0138%	0.0042%
Mr. LIU Dalin	Supervisor	4.89	174,629	0.0061%	0.0019%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2023 totalling 9,438,114,893 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,858,548,266 H Shares, representing approximately 66.84%, 2.87% and 30.29% of the total share capital of the Company, respectively.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CEO IN SHARES AND UNDERLYING SHARES (continued)

Long positions in underlying shares of the Company pursuant to share options:

Names	Positions	Class of Shares	Number of share options granted and not yet exercised	Approximate percentage* of shareholding interest in the relevant class of Shares upon exercise of share options	Approximate percentage* of shareholding interest in the total share capital of the Company upon exercise of share options
Mr. LI Huagang	Chairman of the Board, Executive Director and Chief Executive Officer	A Share	548,364	0.0087%	0.0058%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	274,182	0.0043%	0.0029%

Note: The exercise price of each of the above A Share options is RMB25.63 for subscription of one share. The exercisable period is from 15 September 2022 to 15 September 2027.

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2023 totalling 9,438,114,893 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,858,548,266 H Shares, representing approximately 66.84%, 2.87% and 30.29% of the total share capital of the Company, respectively.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive had any interests or short positions in the shares or underlying shares of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE AWARD SCHEMES

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme

The Company adopted the A Share Core Employee Stock Ownership Plan (ESOP) (2021–2025), the H Share Core Employee Stock Ownership Plan (ESOP) (2021–2025) and the H Share Restricted Share Unit Scheme (RSU) at the 2020 annual general meeting held on 25 June 2021 ("2020 AGM").

It is expected that relevant employees of the Group ordinarily reside within Mainland China will mainly be covered by the A Share ESOP and H Share ESOP, while relevant employees of the Group ordinarily reside outside Mainland China will mainly be covered by the RSU Scheme. The scheme shares for A Share and H Share ESOPs and RSU Scheme are funded by existing shares of the Company.

The A Share and H Share ESOPs and RSU Scheme are designed to provide incentive to middle and senior management and core employees with the Company's two to three-year profit target, and business unit and individual performance target as the main appraisal benchmarks. There is no consideration to be paid by the participants for the shares awarded under the A Share and H Share ESOPs and RSU Scheme, which aligns with the purpose of the share aware scheme to attract and retain the services of directors and employees.

Pursuant to the authorisation sought at the 2020 AGM, the Board has the sole discretion of determining the list of employees entitled to participate in the A Share ESOP and H Share ESOP and the allocation for subsequent phases. The decision would be based on the rules of the A Share ESOP and H Share ESOP, changes in the workforce and performance assessment results, and are authorized to make adjustments. Also, the Board or its delegate may, from time to time, select any eligible person to be a selected participant in accordance with the RSU Scheme Rules.

A Share ESOP and H Share ESOP

The purposes of the ESOPs are to drive employees' entrepreneurship and innovation with "Rendanheyi"; to enhance corporate governance mechanism and create shareholders' value; and to attract talents and innovate the remuneration management system of the Company.

Participants of the ESOPs shall be the directors (except for independent directors), supervisors and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries.

With the authorization of the shareholders' meeting, the board of directors shall have the right to decide on the establishment of an independent ESOP for each year from 2021 to 2025 based on the actual needs. The duration of each ESOP shall not exceed five years, calculated from the time when the Company announces that the underlying shares obtained in the last time for each year are recorded to the ESOP for that year. After the expiration of the duration, the ESOP shall be terminated, or may be extended after being approved by the board of directors with the authorization of the shareholders' meeting.

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)

A Share ESOP and H Share ESOP (continued)

The ESOP for each year shall be independent of each other, but the total number of shares held by each established and existing ESOPs (including A Share ESOP and H Share ESOP) shall not exceed 10% of the total share capital of the Company, and the total number of shares corresponding to a single employee's share in the existing ESOPs shall not exceed 1% of the total amount of the Company's share capital.

During the year, in order to improve the corporate governance mechanism, create value for shareholders and promote the full implementation of the Company's IoT smart home brand strategy, the Company introduced the A Share Core Employee Stock Ownership Plan (2023) and the H Share Core Employees Ownership Plan (2023) upon the approval at the 5th Meeting of the 11th session of the Board of Directors of the Company convened on 27 April 2023, with the subsequent authorization at the 2022 AGM of the Company.

A Share ESOP (2021)

The total amount of funds used to participate in the A Share ESOP for 2021 was RMB708 million. Pursuant to the arrangement of the A Share Core Employee Stock Ownership Plan (2021), 25,440,807 A Shares (amounting to approximately RMB707 million, excluding related fees and tax expenses) held in the designated securities repurchase account of Haier Smart Home Co., Ltd. were transferred to the designated account of "Haier Smart Home Co., Ltd. — A Share Core Employee Stock Ownership Plan (2021)" at the price of RMB27.79 per share (which is the average purchase cost of the shares in the designated repurchase account) through non-trading transfer on 22 July 2021.

Such proportion of shares would be locked up in accordance with the regulations. According to the A Share ESOP (2021–2025), the A Share ESOP is subject to a 12-month lock-up period from the date of the Company's disclosure of the announcement of the completion of the transfer of the repurchased A Shares from the designated securities repurchase account of the Company (i.e., from 24 July 2021 to 23 July 2022).

After the end of the lock-up period, the participants shall be appraised according to the performance appraisal system of the Company. The appraisal period is two years, and upon the expiration of the lock-up period of the 2021 ESOP, 40% and 60% of the corresponding underlying shares shall be vested to the participants in two phases. The specific vesting time shall be determined by the Management Committee upon the expiration of the lock-up period.

The A Share ESOP (2021) participants include 14 persons of the directors, supervisors and other senior management members, and 1,585 core technical (business) employees with a total holding of RMB707 million.

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)

A Share ESOP (2022)

There were no more than 2,250 employees participating in the 2022 ESOP. The total amount of funds used to participate in the 2022 ESOP was RMB680 million. There are 11 persons including directors, supervisors and senior officers, with a total share of RMB21.96 million, accounting for 3.2% of the 2022 ESOP. There are 2,239 core technical (business) personnel of the Company and its subsidiaries, with a total share of RMB658.04 million, accounting for 96.8% of the 2022 ESOP.

The source of shares of the 2022 ESOP were the repurchased A shares of the Company. The 2022 ESOP established a lock-up period of 12 months from the date of disclosure of the announcement on completion of transfer of the repurchased shares of the Company from the repurchase special account.

On 21 July 2022, 26,814,055 Shares (average purchase cost was RMB25.33 per share) held in the "repurchase special account of Haier Smart Home Co., Ltd." were transferred to the designated account of "Haier Smart Home Co., Ltd. — A Share Core Employee Stock Ownership Plan (2022)" through non-trading transfer. The lock-up period is from 22 July 2022 to 21 July 2023.

After the end of the lock-up period, the participants shall be appraised according to the performance appraisal system of the Company. The appraisal period is two years, and upon the expiration of the lock-up period of the 2022 ESOP, 40% and 60% of the corresponding underlying shares shall be vested to the participants in two phases. The specific vesting time shall be determined by the Management Committee upon the expiration of the lock-up period.

A Share ESOP (2023)

There were no more than 2,400 employees participating in the 2023 ESOP. The total amount of funds used to participate in the 2023 ESOP shall be RMB565.50 million. There are 14 directors, supervisors and senior officers with a total share of RMB31.42 million, accounting for 5.6% of the ESOP. There are 2,386 core technical (business) personnel of the Company and its subsidiaries, with a total share of RMB534.08 million, accounting for 94.4% of the ESOP.

The source of shares for the ESOP were the repurchased shares of the Company in the repurchase special account. The 2023 ESOP established a lock-up period of 12 months from the date of disclosure of the announcement on completion of transfer of the repurchased shares of the Company from the repurchase special account.

On 17 July 2023, 25,117,000 Shares (average purchase cost was RMB22.49 per share) held in the "repurchase special account of Haier Smart Home Co., Ltd". were transferred to the designated account of "Haier Smart Home Co., Ltd. — A Share Core Employee Stock Ownership Plan (2023)" through non-trading transfer. The lock-up period is from 19 July 2023 to 18 July 2024.

After the end of the lock-up period of the 2023 ESOP, the corresponding underlying shares shall be vested to the participants in two phases (40% and 60% respectively). The specific vesting time shall be determined by the Management Committee after the end of the lock-up period.

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)

The following table discloses movements in the A Share ESOPs during the year:

Name or category of Participants	On 1 January 2023	Granted during the year	Vested during the year (Note)	Cancelled during the year	Lapsed during the year	On 31 December 2023	Date of grant of A Share ESOP	Vesting period for A Share ESOP
Directors								
Mr. LI Huagang	87,300	–	57,263	–	–	30,037	30/07/2021	30/07/2021–30/07/2023
	173,306	–	48,202	–	–	125,104	10/08/2022	10/08/2022–30/07/2024
	–	212,811	–	–	–	212,811	28/07/2023	28/07/2023–30/07/2025
	260,606	212,811	105,465	–	–	367,952		
Mr. GONG Wei	53,553	–	35,358	–	–	18,195	30/07/2021	30/07/2021–30/07/2023
	93,061	–	25,868	–	–	67,193	10/08/2022	10/08/2022–30/07/2024
	–	104,907	–	–	–	104,907	28/07/2023	28/07/2023–30/07/2025
	146,614	104,907	61,226	–	–	190,295		
Ms. SHAO Xinzhi	–	104,907	–	–	–	104,907	28/07/2023	28/07/2023–30/07/2025
Subtotal	407,220	422,625	166,691	–	–	663,154		
Supervisors								
Mr. LIU Dalin	19,936	–	13,436	–	–	6,500	30/07/2021	30/07/2021–30/07/2023
	41,404	–	11,770	–	–	29,634	10/08/2022	10/08/2022–30/07/2024
	–	49,956	–	–	–	49,956	28/07/2023	28/07/2023–30/07/2025
	61,340	49,956	25,206	–	–	86,090		
Ms. MA Yingjie	4,745	–	3,277	–	–	1,468	30/07/2021	30/07/2021–30/07/2023
	8,675	–	2,397	–	–	6,278	10/08/2022	10/08/2022–30/07/2024
	–	12,655	–	–	–	12,655	28/07/2023	28/07/2023–30/07/2025
	13,420	12,655	5,674	–	–	20,401		
Mr. YU Miao	3,746	–	2,285	–	–	1,461	30/07/2021	30/07/2021–30/07/2023
	6,704	–	1,672	–	–	5,032	10/08/2022	10/08/2022–30/07/2024
	–	16,652	–	–	–	16,652	28/07/2023	28/07/2023–30/07/2025
	10,450	16,652	3,957	–	–	23,145		
Subtotal	85,210	79,263	34,837	–	–	129,636		
Other employees								
In aggregate	17,654,447	–	8,461,318	9,193,129	–	–	30/07/2021	30/07/2021–30/07/2023
	26,490,905	–	6,191,537	–	–	20,299,368	10/08/2022	10/08/2022–30/07/2024
	–	24,615,112	–	–	–	24,615,112	28/07/2023	28/07/2023–30/07/2025
	44,145,352	24,615,112	14,652,855	9,193,129	–	44,914,480		
Total	44,637,782	25,117,000	14,854,383	9,193,129	–	45,707,270		
The five highest paid employees among the Participants are as follows:								
In aggregate	311,251	–	210,144	71,070	–	30,037	30/07/2021	30/07/2021–30/07/2023
	593,210	–	163,131	–	–	430,079	10/08/2022	10/08/2022–30/07/2024
	–	787,855	–	–	–	787,855	28/07/2023	28/07/2023–30/07/2025
Total	904,461	787,855	373,275	71,070	–	1,247,971		

The closing price of the Company's A Share immediately before the grant date of the A Share ESOP was RMB23.62 per share. The fair values of the A Share ESOP granted on 28 July 2023 is RMB614 million. The weighted average closing price of the share immediately before the vesting date of the A Share ESOP was RMB23.6 per share. Refer to note 36 of the consolidated financial statements for the details of the fair value measurement of the A Share ESOP.

The purchase price of the above cancelled shares is RMB27.79 per share.

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)

The granting mandate of each of the A Share ESOPs is only valid and effective for that particular year, and therefore there is no remaining life for such A Share ESOPs as at the date of this annual report. As at 1 January and 31 December 2023, the number of share awards available for grant under the A Share ESOPs was nil.

The particulars regarding dilution effect of the A Share ESOP are set out in note 12 to the financial statements.

Notes:

1. The assessment criteria under the A Share ESOP and H Share ESOP (2021) ("2021 ESOP") are as follows:

   The assessment criteria and vesting conditions for participants under the 2021 ESOP who are the Chairman, President and corporate platform staff of the Company are as follows: (1) If the ESOP Management Committee assesses that such participants have achieved the target results for 2021 and the growth of the Company's audited net profit attributable to the parent for 2021 exceeds 26% (including 26%) over the pro forma net profit attributable to the parent for 2020 (excluding the one-off gain on disposal of 54.40% equity interest in Haier COSMO IOT Ecosystem Technology Co., Ltd. (海爾卡奧斯物聯生態科技有限公司) (hereinafter referred to as "COSMOPlat")),40% of the interests of the underlying shares in the 2021 ESOP shall be vested to the participants in full; if the growth rate is between 20.8% (including 20.8%) and 26%, the ESOP Management Committee will determine the percentage of vesting and report to the Remuneration and Assessment Committee of the Board of Directors for approval before vesting; if the growth is less than 20.8% (excluding 20.8%), the corresponding portion of the 2021 assessment will not vest. (2) If the ESOP Management Committee assesses that such participants have achieved the target results for 2022 and the compound annual growth rate of the Company's audited net profit attributable to the parent for 2022 exceeds 18% (including 18%) over the pro forma net profit attributable to the parent for 2020 (excluding the one-off gain on disposal of 54.40% equity interest in COSMOPlat), 60% of their interests of the underlying shares in the 2021 ESOP for such period shall vest to the participants in full; if the compound annual growth rate is between 14.4% (including 14.4%) and 18%, the ESOP Management Committee will determine the percentage of vesting and report to the Remuneration and Assessment Committee of the Board of Directors for approval before vesting; if the growth is less than 14.4% (excluding 14.4%), the corresponding portion of the 2022 assessment will not vest.

   Other than the aforementioned participants, the passing rate of the ESOP Participants shall be determined by the ESOP Management Committee and the vesting could be 40% and 60% for 2021 and 2022, respectively.

2. The assessment indicators under the A Share and H Share ESOP (2022) ("2022 ESOP") are as follows:

   a. Where the participants under the 2022 ESOP are the chairman, president and platform personnel of the Company, the assessment indicators and vesting shall be as follows: If the results of the Management Committee's assessment of such participants in 2022 are up to the standard, and the audited net profit attributable to the parent company of the Company in 2022 is increased by more than 15% (inclusive) compared with the pro forma net profit attributable to parent company in 2021, 40% of the interests of the underlying shares in the 2022 ESOP shall be vested to the participants. If the said net profit is increased by 12% (inclusive) to 15%, vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Assessment Committee for approval; if the said net profit is increased by less than 12% (exclusive), the corresponding part of assessment in 2022 will not be vested. If the results of the Management Committee's assessment of such participants in 2023 are up to the standard, and the audited net profit attributable to the parent company of the Company in 2023 is increased by more than 15% (inclusive) compared with the pro forma net profit attributable to parent company in 2021 on a CAGR basis, 60% of the interests of the underlying shares under the 2022 ESOP shall be vested to the participants. If the said net profit is increased by 12% (inclusive) to 15% on a CAGR basis,vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Assessment Committee for approval; if the said net profit is increased by less than 12% (exclusive), the corresponding part of assessment in 2023 will not be vested. The "net profit attributable to the parent company": (1) the net profit attributable to the parent company during the 2021 represents audit data for 2021 Audit Report, amounting to RMB13.067 billion; (2) the other net profit attributable to the parent company during the 2022 and 2023 represents audited net profit attributable to the parent company after excluding the one-off impact on profit or loss arising from any material asset disposal/acquisition (if any) for the year. (In this regard, with reference to relevant requirements in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, material asset disposals and acquisitions are defined as: (1) material asset disposals and acquisitions with an individual transaction amount representing over 5% (inclusive) of the latest audited net asset attributable to the parent company of the listed company, or (2) individual transaction with asset creating a net profit or net profit of acquisition target representing over 5% of the latest audited net profit attributable to the parent company of the listed company.)

   b. Where the participants under the 2022 ESOP are the persons other than those mentioned in item a above, 40% and 60% of the interests of the underlying shares under the 2022 ESOP shall be vested respectively if the results of the Management Committee's assessment in 2022 and 2023 are up to the standard.

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Shares restricted shares award scheme (continued)

Notes: (continued)

3. The assessment indicators under the A Share and H Share ESOP (2023) ("2023 ESOP") are as follows:

   a. Where the participants under the 2023 ESOP are the directors, president, supervisors and platform personnel of the Company, the appraisal rules for 2023 and 2024 are based on a weighted average of the completion rate of the compound growth rate of net profit attributable to the parent company after non-recurring items and the completion rate of return on equity (hereinafter "Comprehensive Completion Rate"). The specific appraisal objectives and rules are as follows:

	Net profit attributable to the parent company after non-recurring items	**Return on equity (Note)**
Performance appraisal indicators for 2023	Growth rate of audited net profit attributable to the parent company after non-recurring items for 2023 over net profit attributable to the parent company after non-recurring items for 2022 not less than 15% (inclusive)	Audited return on equity (ROE) for 2023 not less than 16.8% (inclusive)
Performance appraisal indicators for 2024	Compound growth rate of audited net profit attributable to the parent company after non-recurring items for 2024 over net profit attributable to the parent company after non-recurring items for 2022 not less than 15% (inclusive)	Audited return on equity (ROE) for 2024 not less than 16.8% (inclusive)
Appraisal weighting	50%	50%

Note: Return on equity (ROE) refers to the weighted average return on equity. If the Company raises fund through capital market such as a public offering or issuance of shares to specific targets during the term of the 2023 ESOP that may have an impact on the Company's net assets and ROE, the impact of such actions shall be excluded from the calculation of ROE attributable to shareholders of the listed company for each appraisal year, and the appraisal indicators in relation to ROE in each year's appraisal criteria shall be adjusted accordingly. The details of the adjustment plan will be considered by the Remuneration and Appraisal Committee and submitted to the board of directors for approval before implementation.

Comprehensive Completion Rate = 50%*completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items + 50%*completion rate of return on equity

Of which:

Completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items = compound growth rate of audited net profit attributable to the parent company after non-recurring items for the year over net profit attributable to the parent company after non-recurring items for 2022/15%

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Shares restricted shares award scheme (continued)

Notes: (continued)

3. The assessment indicators under the A Share and H Share ESOP (2023) ("2023 ESOP") are as follows: (continued)

   a. (continued)

      Completion rate of return on equity = audited return on equity for the year/16.8%

      (1) Appraisal indicators and vesting for 2023

         If the results of the Management Committee's appraisal of such Participants in 2023 are up to the standard, and the Comprehensive Completion Rate in 2023 is more than 1 (inclusive), 40% of the interests of the Underlying Shares under the ESOP shall be vested to the Participants.

         If the Comprehensive Completion Rate is between 0.8 (inclusive) to 1: ① for the completion rates of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity exceeding 0.8 (inclusive), vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval; ② for any of the completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity below 0.8 (exclusive), vesting shall be made after the proportion of vesting is determined by the Remuneration and Appraisal Committee and submitted to the board of directors for approval.

         If the Comprehensive Completion Rate is less than 0.8 (exclusive), 40% of the Underlying Shares under the ESOP will not be vested.

      (2) Appraisal indicators and vesting for 2024

         If the results of the Management Committee's appraisal of such Participants in 2024 are up to the standard, and the Comprehensive Completion Rate in 2024 is more than 1 (inclusive), 60% of the interests of the Underlying Shares under the ESOP shall be vested to the Participants.

         If the Comprehensive Completion Rate is between 0.8 (inclusive) to 1: ① for the completion rates of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity exceeding 0.8 (inclusive), vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval; ② for any of the completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity below 0.8 (exclusive), vesting shall be made after the proportion of vesting is determined by the Remuneration and Appraisal Committee and submitted to the board of directors for approval.

         If the Comprehensive Completion Rate is less than 0.8 (exclusive), 60% of the Underlying Shares under the ESOP will not be vested.

   b. Where the participants under the 2023 ESOP are the persons other than those mentioned in item a above, 40% and 60% of the interests of the underlying shares under the 2023 ESOP shall be vested respectively if the results of the Management Committee's assessment in 2023 and 2024 are up to the standard.

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Shares restricted shares award scheme (continued)

H Share ESOP (2021)

The total amount of funds used to participate in the 2021 ESOP was RMB90 million. Pursuant to the arrangement of the H Share Core Employee Stock Ownership Plan (2021), the Company entrusted an asset management company to purchase a total of 3,757,000 H Shares of the Company in the secondary market through the Hong Kong Stock Connect, with an average transaction price of HK$28.268 per share and a transaction amount of approximately HK$106 million. The aforesaid purchased shares will be subject to lock-up for a period from 27 July 2021 to 26 July 2022.

After the end of the lock-up period, the participants shall be appraised according to the performance appraisal system of the Company. The appraisal period is two years, and upon the expiration of the lock-up period of the 2021 ESOP, 40% and 60% of the corresponding underlying shares shall be vested to the participants in two phases. The specific vesting time shall be determined by the Management Committee upon the expiration of the lock-up period.

Upon the vesting of the H Shares, the vested H Shares will be sold by the asset management company on due course for the cash settlement to the participants.

The participants of the H Share ESOP are 35 core senior management staff members of the Company who play an important role in the overall performance and development of the Company.

H Share ESOP (2022)

Participants of the 2022 ESOP shall include the directors (except for independent directors) and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries, totaling 33 persons. The total amount of funds to be used to participate in the 2022 ESOP was RMB60 million. There are 8 persons including directors, and senior officers, with a total share of RMB20.53 million, accounting for 34.2% of the 2022 ESOP. There are 25 other core management personnel of the Company, with a total share of RMB39.47 million, accounting for 65.8% of the 2022 ESOP.

The source of shares of the 2022 ESOP were the H shares of the Company purchased from the secondary market through the Shanghai-Hong Kong Stock Connect. The Company entrusted an asset management company to purchase a total of 2,653,200 H Shares of the Company in the secondary market through the Hong Kong Stock Connect, with an average transaction price of HKD25.663 per share and a transaction amount of approximately HK$68 million. The lock-up period shall be 12 months, calculated from the date when the Company announces that the underlying shares purchased in the last time are recorded in the 2022 ESOP.

After the end of the lock-up period, the participants of the 2022 ESOP shall be appraised according to the performance appraisal system of the Company. The appraisal period is two years, and upon the appraisal, 40% and 60% of the shares of the plan shall be vested to the participants in two phases.

The specific vesting time shall be determined by the Management Committee upon the expiration of the lock-up period. Upon the vesting of the H Shares, the vested H Shares will be sold by the asset management company on due course for the cash settlement to the participants.

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)

H Share ESOP (2023)

The source of funds of the 2023 ESOP shall be the incentive funds withdrawn by the Company in the amount of RMB70.50 million. The source of shares of the 2023 ESOP were H shares of the Company purchased from the secondary market through the Shanghai-Hong Kong Stock Connect.

Participants of the 2023 ESOP shall include the directors (except for independent directors) and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries, totaling 34. There are 11 directors and senior officers, with a total share of RMB33.19 million, accounting for 47.1% of the ESOP. There are 23 other core management personnel of the Company, with a total share of RMB37.31 million, accounting for 52.9% of the ESOP.

The lock-up period is 12 months, calculated from the date when the Company announces that the last of underlying shares purchased are recorded in the 2023 ESOP.

During the year, the Company entrusted an asset management company to purchase a total of 3,230,400 H Shares of the Company in the secondary market through the Hong Kong Stock Connect, with an average transaction price of HKD23.62 per share and a transaction amount of approximately HK$76.3 million. The lock-up period is from 26 July 2023 to 25 July 2024.

The assessment period is for two years, and upon the expiration of the lock-up period of the 2023 ESOP, 40% and 60% of the corresponding underlying shares shall be vested to the participants in two phases. The specific vesting time shall be determined by the Management Committee upon the expiration of the lock-up period.

Upon the vesting of the H Shares, the participants entrust the Management Committee to sell the underlying shares of the 2023 ESOP during the duration of the ESOP for cash settlement.

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)

H Share ESOP (2023) (continued)

The following table discloses movements in the H Share ESOPs during the year:

Name or category of Participants	On 1 January 2023	Granted during the year	Vested during the year (Note)	Cancelled during the year	Lapsed during the year	On 31 December 2023	Date of grant of H Share ESOP	Vesting period for H Share ESOP
Directors*								
Mr. LI Huagang	100,320	–	67,766	–	–	32,554	30/07/2021	30/07/2021–30/07/2023
	194,347	–	54,055	–	–	140,292	10/08/2022	10/08/2022–30/07/2024
	–	219,537	–	–	–	219,537	28/07/2023	28/07/2023–30/07/2025
	294,667	219,537	121,821	–	–	392,383		
Mr. GONG Wei	62,213	–	41,077	–	–	21,136	30/07/2021	30/07/2021–30/07/2023
	104,359	–	29,008	–	–	75,351	10/08/2022	10/08/2022–30/07/2024
	–	108,223	–	–	–	108,223	28/07/2023	28/07/2023–30/07/2025
	166,572	108,223	70,085	–	–	204,710		
Ms. SHAO Xinzhi	–	108,223	–	–	–	108,223	28/07/2023	28/07/2023–30/07/2025
Subtotal	461,239	435,983	191,906	–	–	705,316		
Other employees								
In aggregate	2,302,118	–	725,440	1,576,678	–	–	30/07/2021	30/07/2021–30/07/2023
	2,354,494	–	552,053	–	–	1,802,441	10/08/2022	10/08/2022–30/07/2024
	–	2,794,417	–	–	–	2,794,417	28/07/2023	28/07/2023–30/07/2025
	4,656,612	2,794,417	1,277,493	1,576,678	–	4,596,858		
Total	5,117,851	3,230,400	1,469,399	1,576,678	–	5,302,174		
The five highest paid employees among the Participants are as follows:								
In aggregate	360,487	–	245,370	82,563	–	32,554	30/07/2021	30/07/2021–30/07/2023
	665,233	–	182,937	–	–	482,296	10/08/2022	10/08/2022–30/07/2024
	–	812,758	–	–	–	812,758	28/07/2023	28/07/2023–30/07/2025
Total	1,025,720	812,758	428,307	82,563	–	1,327,608		

The closing price of the Company's H Share immediately before the grant date of the H Share ESOP was HK$24.2 per share. The fair values of the H Share ESOP granted on 28 July 2023 is RMB73 million, the Group recognised a total A and H Share ESOP expense of RMB407 million during year ended 31 December 2023. The weighted average closing price of the shares immediately before the vesting date of the H Share ESOP was HK$24.1 per share. Refer to note 36 of the consolidated financial statements for the details of the fair value measurement of the H Share ESOP. The purchase price of the above cancelled shares is HK$28.268 per share.

The granting mandate of each of the H Share ESOPs is only valid and effective for that particular year, and therefore there is no remaining life for such H Share ESOPs as at the date of this annual report. As at 1 January and 31 December 2023, the number of share awards available for grant under the H Share ESOPs was nil.

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)

H Share ESOP (2023) (continued)

The particulars regarding dilution effect of the H Share ESOP are set out in note 12 to the financial statements.

Note:

The assessment criteria for H Share ESOPs are the same as for A Share ESOPs. Refer to the note to the table disclosing movements in the A Share ESOPs above.

H Share Restricted Share Unit Scheme (2021, 2022 and 2023)

The purposes of the RSU Scheme are to stimulate the pro-activeness of the eligible persons, encourage their innovation to create value, enhance profit, achieve competitive goals, and ultimately maximise return for the shareholders; to promote the strategic development and realize the goals of the Company; to optimise the remuneration structure of the Group's employees; to attract, motivate and retain core capable talents of the Group for the future business development and expansion of the Group.

Eligible Person who may participate in the RSU Scheme include any individual, being an employee, director, supervisor, senior management, key operating team member of any member of the Group who the Board or its delegatee considers, in their sole discretion, to have significantly contributed or will significantly contribute to the development of the Group.

Subject to the RSU Scheme Rules, the Company and/or the delegatee may from time to time instruct the trustee in writing to subscribe or acquire H Shares on the Stock Exchange and to hold them on trust for the benefit of the selected participants on and subject to the terms and conditions of the RSU Scheme Rules and the Trust Deed.

The Board or the delegatee may grant awards to selected participants during the award period conditional upon fulfilment of terms and conditions of the awards and performance targets as the Board or the delegatee determines from time to time.

The Board shall not make any further grant which will result in the aggregate number of H Shares granted to exceed one per cent (1%) of the total number of issued H Shares as at the relevant grant date. The total number of RSU granted but remain unvested to a selected participant under the RSU Scheme shall not exceed zero point one per cent (0.1%) of the total number of issued H Shares as at the relevant grant date.

The vesting of the Award granted under the RSU Scheme is subject to the conditions of the relevant business unit(s) and personal performance targets of the relevant selected participant and any other applicable vesting conditions as set out in the award letter.

The appraisal period is generally two years (40% and 60% of the corresponding underlying shares to be vested to the participants in two phases) or three years (100% of corresponding underlying shares to be vested to the participants in one phase) upon the expiration of the vesting period of the RSU Scheme. The specific vesting time shall be determined by the Management Committee upon the expiration of the vesting period.

Pursuant to the arrangement of the H Share Restricted Share Unit Scheme (2021), the Company entrusted an independent trust agency to purchase a total of 4,538,400 H Shares of the Company in the secondary market, with an average price of HK$27.32 and a total transaction amount of approximately HK$124 million.

In year 2021, a total of 4,438,027 H Share RSU of the Company were granted to and accepted by staff members of the Company (who are not directors, chief executive and supervisors of the Company) who play an important role in the overall performance and development of the Company.

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)

H Share Restricted Share Unit Scheme (2021, 2022 and 2023) (continued)

Pursuant to the arrangement of the H Share Restricted Share Unit Scheme (2022), the Company entrusted an independent trust agency to purchase a total of 5,783,600 H Shares of the Company in the secondary market, with an average price of HK$26.63 and a total transaction amount of approximately HK$154 million.

During the year 2022, a total of 5,636,959 H Share RSU of the Company were granted to and accepted by staff members of the Company (who are not directors, chief executive and supervisors of the Company) who play an important role in the overall performance and development of the Company.

Pursuant to the arrangement of the H Share Restricted Share Unit Scheme (2023), the Company entrusted an independent trust agency to purchase a total of 5,456,000 H Shares of the Company in the secondary market, with an average price of HK$23.70 and a total transaction amount of approximately HK$129 million.

During the reporting period, a total of 6,158,959 H Share RSU of the Company were granted to and accepted by staff members of the Company (who are not directors, chief executive and supervisors of the Company) who play an important role in the overall performance and development of the Company.

The following table discloses movements in the Company's H Share RSU during the year:

	Number of H Share RSU							
Name or category of Participants	On 1 January 2023	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	On 31 December 2023	Date of grant of RSU	Vesting period for RSU
Non-director employees								
In aggregate	3,403,023	–	221,022	23,427	28,713	3,129,861	30/7/2021, 1/9/2021, 15/12/2021	30/7/2021–1/8/2024, 1/9/2021–1/8/2024, 15/12/2021–1/8/2024
In aggregate	5,362,852	–	312,895	–	185,931	4,864,026	25/5/2022, 23/6/2022, 9/9/2022	25/5/2022–15/3/2024, 23/6/2022–1/7/2025, 9/9/2022–1/7/2025
In aggregate	–	6,158,959	2,511	–	64,786	6,091,662	23/6/2023, 1/11/2023	23/6/2023–1/7/2026, 1/11/2023–1/7/2026
	8,765,875	6,158,959	536,428	23,427	279,430	14,085,549		

SHARE AWARD SCHEMES (continued)

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)

H Share Restricted Share Unit Scheme (2021, 2022 and 2023) (continued)

The closing prices of the Company's H Share immediately before the grant date of the RSU on 23 June 2023 and 1 November 2023 were HK$24.55 and HK$22.4 per share respectively. The fair values of the RSU granted on 23 June 2023 and 1 November 2023 were RMB131 million and RMB1 million respectively, the Group recognised a total restricted share expense of RMB43 million during year ended 31 December 2023. The weighted average closing price of the shares immediately before the vesting date of the H Share RSU was HK$25 per share. Refer to note 36 of the consolidated financial statements for the details of the fair value measurement of the H Share RSU.

The purchase price of the above cancelled shares is HK$27.32 per share.

The granting mandate of each of the H Share RSU schemes is only valid and effective for that particular year, and therefore there is no remaining life for H Share RSU schemes as at the date of this annual report. As at 1 January and 31 December 2023, the number of share awards available for grant under the H Share RSU schemes was nil.

The particulars regarding dilution effect of the H Share RSU are set out in note 12 to the financial statements.

At the date of approval of these financial statements, the Company had 14,085,549 H Share RSU outstanding under the RSU Scheme, which represented approximately 0.49% of the Company's total number of H Shares in issue as at that date.

Further details of the H Share RSU is set out in note 36 to the consolidated financial statements.

A-SHARE OPTION SCHEME

The participants under the A Share Option Incentive Schemes exclude the Company's independent directors, supervisors, the shareholders individually or in aggregate holding 5% or more of the shares of the Company or the de facto controllers and their spouses, parents or children.

The total number shares of the Company to be granted under the A Share Option Incentive schemes within the validity period to any participants will not exceed 1% of the total number of shares of the Company. The total underlying shares of the Company involved under fully effective share option incentive schemes shall not exceed 10% of the total number of shares of the Company as at the date of the proposal of the incentive scheme at the shareholders' meetings for approval. The source of the scheme share for A Share Option Incentive Scheme are from the issuance of new shares.

2021 A Share Option Incentive Scheme

The Company adopted a 2021 A Share Option Incentive Scheme (the "2021 A Share Option Incentive Scheme") at the extraordinary general meeting held on 15 September 2021. This scheme is an additional measure that builds on the Company's A Share and H Share Employee Stock Ownership Schemes and Restricted Share Unit Scheme to further enhance employee incentives.

A-SHARE OPTION SCHEME (continued)

2021 A Share Option Incentive Scheme (continued)

To drive the achievement of the Company's longer term target, further enhance the development of high-end scenario-based brand and smart household business, the Company introduced the A Share Option Incentive Scheme to provide incentive to the core management members with five or six-year appraisal period and higher profit targets than those under the A Share and H Share ESOP.

The participants of the A Share Option Incentive Scheme are core management staff that have made significant contribution to the Company's overall performance and long-term development, specifically including Directors and senior management of the Company, the general manager and department manager of business divisions of the Company.

For the 2021 A Share Option Incentive Scheme, the Company had resolved to grant 51,000,000 Share Options to the Participants. Among which, first 46,000,000 to be granted and 5,000,000 to be reserved.

In year 2021, on 15 September 2021, the Company firstly granted 46,000,000 A Share options to 400 participants (included directors of the Company). On 15 December 2021, the Company granted 4,525,214 reserved share options to 18 participants under the 2021 A Share Option Incentive Scheme. The remaining reserved share options under the A Share Option Incentive Scheme will not be further granted.

2022 A Share Option Incentive Scheme

The Company adopted a 2022 A Share Option Incentive Scheme (the "2022 A Share Option Incentive Scheme") at the annual general meeting held on 28 June 2022.

As the Company is leading the effort to upgrade its Internet of Things from "high-end brands" to "scenario brands", and to "ecological brands", the Company needs to have long-term planning to ensure the achievement of its strategic results and also improve its long-term incentive scheme in line with the above objectives. As such, the incentive scheme encourages core technology talents and business team to venture and innovate continuously, as well as significantly boosts and promotes participants' initiative through the formulation of long-term performance growth indicators and inspires them to provide users with the best experience and achieve business development across the industry cycle.

The incentive model serves as a benchmark for the development in the coming 4 years as a cycle, which expedites participant's alignment with the Company's strategic objectives of long-term development, and further promotes the synergistic consolidation of businesses, boosts operation efficiency and achieves industry leading.

The participants are core staff that includes business director, core technical staff and business backbone staff of the Company (excluding current Directors and senior management of the Company) and have made significant contributions to the Company's overall performance and long-term development.

For the 2022 A Share Option Incentive Scheme, the Company had resolved to grant 104,756,896 A Share options to the Participants. On 28 June 2022, the Company had granted 104,756,896 A Share options to 1,834 participants.

A-SHARE OPTION SCHEME (continued)

The following table discloses movements in the Company's A Share options outstanding during the year:

	Number of A-Share options								
Name or category of Participants	On 1 January 2023	Granted during the year	Exercised during the year	Cancelled during the year (note 3)	Lapsed during the year	On 31 December 2023	Date of grant of share options (note 1)	Exercise period of share options	Exercise price of share options per share (note 2) RMB
Executive directors*									
Mr. LI Huagang	913,900	–	–	365,536	–	548,364	15/09/2021	15/09/2022 to 15/09/2027	25.63
Mr. GONG Wei	457,000	–	–	182,818	–	274,182	15/09/2021	15/09/2022 to 15/09/2027	25.63
Other employees									
In aggregate	44,629,100	–	–	17,545,750	764,740	26,318,610	15/09/2021	15/09/2022 to 15/09/2027	25.63
In aggregate	4,525,214	–	–	1,431,241	1,009,018	2,084,955	15/12/2021	15/12/2022 to 15/12/2027	25.63
In aggregate	104,756,896	–	–	25,607,303	2,327,684	76,821,909	28/06/2022	28/06/2023 to 28/06/2027	23.86
	155,282,110	–	–	45,132,648	4,101,442	106,048,020			

There is no consideration payable on application or acceptance of the share options by the participants under the A Share option scheme. The granting mandate of each of the A Share option schemes is only valid and effective for that particular year, and therefore there is no remaining life for such A Share option schemes as at the date of this annual report. As at 1 January and 31 December 2023, the number of share options available for grant under the A Share option schemes was nil.

A-SHARE OPTION SCHEME (continued)

Exercise arrangement for the share options granted in 2021:

Exercise arrangement	Vesting periods	Proportion of exercisable share options to granted share options	Exercise periods	Performance appraisal target
1st exercise	From the date of grant to the expiry of 12 months from the date of grant	20%	From the first trading day upon the expiry of 12 months from the date of grant to the last trading day upon the expiry of 24 months from the date of grant	The growth rate of the Company's net profit attributable to the parent company in 2021 over adjusted net profit attributable to the parent company in 2020 reaches or exceeds 30%
2nd exercise	From the date of grant to the expiry of 24 months from the date of grant	20%	From the first trading day upon the expiry of 24 months from the date of grant to the last trading day upon the expiry of 36 months from the date of grant	The growth rate of the Company's net profit attributable to the parent company in 2022 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
3rd exercise	From the date of grant to the expiry of 36 months from the date of grant	20%	From the first trading day upon the expiry of 36 months from the date of grant to the last trading day upon the expiry of 48 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2023 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
4th exercise	From the date of grant to the expiry of 48 months from the date of grant	20%	From the first trading day upon the expiry of 48 months from the date of grant to the last trading day upon the expiry of 60 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2024 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
5th exercise	From the date of grant to the expiry of 60 months from the date of grant	20%	From the first trading day upon the expiry of 60 months from the date of grant to the last trading day upon the expiry of 72 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2025 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

Exercise arrangement for the share options granted in 2022:

Exercise arrangement	Vesting periods	Proportion of exercisable share options to granted share options	Exercise periods	Performance appraisal target
1st exercise	From the date of grant to the expiry of 12 months from the date of grant	25%	From the first trading day upon the expiry of 12 months from the date of grant to the last trading day upon the expiry of 24 months from the date of grant	The growth rate of the Company's net profit attributable to the parent company in 2022 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
2nd exercise	From the date of grant to the expiry of 24 months from the date of grant	25%	From the first trading day upon the expiry of 24 months from the date of grant to the last trading day upon the expiry of 36 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2023 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
3rd exercise	From the date of grant to the expiry of 36 months from the date of grant	25%	From the first trading day upon the expiry of 36 months from the date of grant to the last trading day upon the expiry of 48 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2024 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
4th exercise	From the date of grant to the expiry of 48 months from the date of grant	25%	From the first trading day upon the expiry of 48 months from the date of grant to the last trading day upon the expiry of 60 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2025 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

A-SHARE OPTION SCHEME (continued)

Exercise arrangement for the share options granted in 2021 and 2022: (continued)

Notes:

1. The share options granted in 2021 will be valid for a maximum period of 72 months commencing from the grant date to the date of full exercise or cancellation of all share options granted to the participants. Upon the expiry of the 12-month period from the grant date of share options granted under the Incentive Scheme, and subject to the satisfaction of the Exercise Conditions, the participants may exercise the options in five yearly phases of 20% of the granted options each. The vesting period of the share options is from the date of grant until the respective vesting dates.

   The share options granted in 2022 will be valid for a maximum period of 60 months commencing from the grant date to the date of full exercise or cancellation of all share options granted to the participants. Upon the expiry of the 12-month period from the grant date of share options granted under the Incentive Scheme, and subject to the satisfaction of the Exercise Conditions, the participants may exercise the options in four yearly phases of 25% of the granted options each. The vesting period of the share options is from the date of grant until the respective vesting dates.

2. The exercise price of the share options granted is not lower than the carrying amount of the shares, nor lower than the higher of the followings: (1) the average trading price of the A Shares on the trading day preceding the announcement of the A Share Option Incentive Scheme, and (2) the average trading price of the A Shares for the last 20 trading days preceding the announcement of the A Share Option Incentive Scheme. The number and exercise price of the share options is subject to adjustment(s) in the event of any distribution of dividends, capitalisation issue, bonus issue, sub-division or consolidation of shares and rights issue in accordance with the provisions of the A Share Option Incentive Scheme.

3. All the options forfeited before expiry of the relevant schemes will be treated as lapsed options which will not be added back to the number of shares available to be issued under the relevant schemes.

The number of A shares that may be issued in respect of A Share options granted under all schemes of the Company during the year ended 31 December 2023 represented 0% of the weighted average number of shares of the A Shares in issue for the year 2023. The total number of A Shares available for issue under the A-share option scheme is 106,048,020 as at 31 December 2023, representing approximately 1.12% of the total share capital as at 31 December 2023 and approximately 1.12% of the total share capital as at 29 April 2024 (the date of publication of 2023 annual report of the Company).

The particulars regarding dilution effect of the share options are set out in note 12 to the financial statements.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES IN OR DEBENTURES OF THE COMPANY

Save as the share awards (ESOPs and RSU scheme) and share options granted and vested to the Directors and supervisors, at no time during the year ended 31 December 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, supervisors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and supervisors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

The Group has contracts with Haier Corp and their subsidiaries and/or associates (collectively referred to as "Haier Affiliates") for the transactions include those for Services Supply Framework Agreement, Services Procurement Framework Agreement, Products and Materials Sales Framework Agreement, Products and Materials Procurement Framework Agreement, and Financial Services Framework Agreement. Further details of the transactions undertaken in connection with these contracts during the year are included in the section "CONNECTED TRANSACTIONS".

Save as disclosed in this annual report, no controlling shareholders or their respective subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party subsisting during or at the end of the year ended December 31, 2023.

EQUITY-LINKED AGREEMENT

Save as the A-Share option incentive scheme, the Company has not engaged in any equity-linked agreement during the year ended 31 December 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2023, the following shareholders who have interest in 5% or more of the issued share capital of the Company were recorded in the register of substantial shareholders as required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name of Shareholder	Class of Shares held	Number of Shares held	Nature of interest	Approximate percentage* of shareholding in the relevant class of Shares	Approximate percentage* of shareholding in the total share capital of the Company
Haier Group Corporation[Notes 1 to 4]	A Share	2,637,339,206	Beneficial owner Interest in controlled corporation Interest through voting rights entrustment arrangement	41.81%	27.94%
	H Share	538,560,000	Interest in controlled corporation	18.84%	5.71%
	D Share	58,135,194	Interest in controlled corporation	21.45%	0.62%
Haier COSMO Co., Ltd.[Notes 1 and 2]	A Share	1,258,684,824	Beneficial owner	19.95%	13.34%
HCH (HK) Investment Management Co., Limited[Note 3]	H Share	538,560,000	Beneficial owner	18.84%	5.71%
Haier International Co., Limited[Note 4]	D Share	58,135,194	Beneficial owner	21.45%	0.62%
Other H Class Shareholders[Note 5]					
Other D class Shareholders[Note 6]					

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2023 totalling 9,438,114,893 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,858,548,266 H Shares, representing approximately 66.84%, 2.87% and 30.29% of the total share capital of the Company, respectively.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

1. Haier Group Corporation holds directly 1,072,610,764 A Shares. In addition, Haier Group Corporation indirectly owns or controls (i) 1,258,684,824 A Shares through Haier COSMO Co., Ltd. (海爾卡奧斯股份有限公司) (formerly Haier Electric Appliances International Co., Ltd.), one of its subsidiaries, (ii) 172,252,560 A Shares through Qingdao Haier Venture & Investment Information Co., Ltd., one of its subsidiaries and (iii) 133,791,058 A Shares through Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership), a party acting in concert with Haier Group Corporation.

2. Haier Group Corporation holds 51.20% of the issued shares in Haier COSMO Co. Ltd. (海爾卡奧斯股份有限公司) (formerly Haier Electric Appliances International Co., Ltd.), and is also entitled to exercise the remaining 48.80% voting rights in Haier Cosmo Co., Ltd. through an irrevocable voting rights entrustment arrangement.

3 HCH (HK) Investment Management Co., Limited ("HCH (HK)") holds 538,560,000 H Shares. Haier Group Corporation controls 100% voting rights in HCH (HK), thus is deemed to be interested in the 538,560,000 H Shares held by HCH (HK).

4. Haier International Co., Limited is a wholly-owned subsidiary of Haier Group Corporation. Therefore, Haier Group Corporation is deemed to be interested in the 58,135,194 D Shares held by Haier International Co., Limited.

5. JPMorgan Chase & Co. held 283,118,533 H Shares, representing approximately 9.9% of the total number of H Shares. BlackRock, Inc. held 168,045,203 H Shares, representing approximately 5.88% of the total number of H Shares.

6. Silk Road Fund Co., Ltd. held 54,007,663 D Shares, representing approximately 19.93% of the total number of D Shares;

Short positions and Lending pools:

JPMorgan Chase & Co. had a short position of 26,798,617 H Shares, representing approximately 0.94% of the total number of H Shares; and had a lending pool of 59,948,831 H Shares, representing approximately 2.10% of the total number of H Shares. BlackRock, Inc. had a short position of 306,200 H Shares, representing approximately 0.01% of the total number of H Shares.

Save as disclosed above, as at 31 December 2023, no person, other than the Directors, Supervisors and CEO of the Company, whose interests are set out in the section "Interests and short positions of directors, supervisors and CEO in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

Haier Group directly and indirectly owns 34.27% of the voting rights of the Company. Haier Group, together with its associates as defined under Rule 14A.13 of the Listing Rules, are therefore the Company's connected persons by virtue of Rules 14A.07(1) and 14A.07(4) of the Listing Rules.

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions

Following the listing of the Company by way of introduction on the Main Board of the Hong Kong Stock Exchange (in the form of H Shares) for the privatisation of Haier Electronics Group Co., Ltd. by the Company, the transactions between members of the Group and Haier Group constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. These connected transactions have complied with the disclosure requirements of Chapter 14A of the Listing Rules.

The non-exempt continuing connected transactions include those for Services Supply Framework Agreement, Services Procurement Framework Agreement, Products and Materials Sales Framework Agreement, Products and Materials Procurement Framework Agreement, and Financial Services Framework Agreement. These continuing connected transaction agreements (except the Financial Services Framework Agreement) have been renewed on 28 June 2022 (date of the 2021 Annual General Meeting of the Company) such that these agreements shall remain in force up to 31 December 2025. The Financial Services Framework Agreement had been renewed on 25 June 2021 (date of the 2020 Annual General Meeting of the Company) and on 26 June 2023 (date of 2022 Annual General Meeting of the Company), and shall remain in force up to 31 December 2026. Further details and reasons of these transactions are as follows:

During the year ended 31 December 2023, the Group had the following material transactions with Haier Group:

		Cap Amounts	**Transaction Amounts**	
		2023	**2023**	2022
	Notes	**RMB'000**	**RMB'000**	RMB'000
Services Supply Framework Agreement	(i)	**260,000**	**69,000**	81,000
Services Procurement Framework Agreement	(ii)	**7,160,000**	**6,322,000**	5,963,000
Products and Materials Sales Framework Agreement	(iii)	**3,480,000**	**2,515,000**	2,859,000
Products and Materials Procurement Framework Agreement	(iv)	**19,090,000**	**14,801,000**	16,712,000
Financial Services Framework Agreement	(v)			

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

	Notes	Cap Amounts 2023 RMB'000	Transaction Amounts 2023 RMB'000	Transaction Amounts 2022 RMB'000
Deposit Services	(v)			
(a) Maximum daily outstanding balance		**34,000,000**	**33,987,000**	31,977,000
(b) Interest income		**1,020,000**	**766,000**	570,000
Loan Services	(v)			
(a) Maximum daily outstanding balance		**10,000,000**	**60,000**	338,000
(b) Interest expense		**400,000**	**–**	5,000
Other Financial Services	(v)			
(a) Maximum daily trading balance of Foreign exchange derivative products		**5,500,000**	**3,054,000**	413,000
(b) Service fee		**80,000**	**24,000**	29,000

Notes:

(i) The Group has provided certain sales-related services mainly comprising after-sale services and value-added consumer services, such as installation, calibration, consultation, repair and maintenance and technical support and other services to Haier Group and its associates on a non-exclusive basis from time to time.

The purpose is that our Group has also entered into the Products Sales Framework Agreement with Haier Group, pursuant to which our Group would provide certain Products and Materials for Sale to Haier Group and its associates from time to time. The provision of sales-related services under the Services Supply Framework Agreement provides Haier Group with a one-stop solution in relation to its demands for Products and Materials for Sale from us. The enhancement of purchase experience of Haier Group through provision of sales-related services helps our Group maintain a stable and quality business relationship with Haier Group.

Pricing for the after-sale and value-added services provided by our Group to Haier Group and its associates pursuant to the Services Supply Framework Agreement varies taking into account the type and nature of each type of services, and pricing increases when a higher degree of technicality or costs are involved for the required service. Each type of services would be provided on terms no less favourable to our Group than those prevailing in the PRC market for the services of the same or comparable type, nature and quality and at similar time, with reference to market prices or normal commercial terms of this type of transactions with independent third parties.

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

Notes: (continued)

(ii) The Group would purchase certain services mainly include logistics services, advertising, promotional and marketing services and other comprehensive services from Haier Group and its associates on a non-exclusive basis from time to time.

The purpose is that the Group and Haier Group have a long-term and stable business relationship. Haier Group is familiar with our business process and needs, quality standards and operational requirements, and is able to supply relevant services we needed on a constant basis. Based on our previous experience in business dealings with Haier Group and its associates, we believe that Haier Group and its associates are capable of effectively satisfying our demands for the relevant services in a stable and quality manner.

The fees to be paid by our Group to Haier Group and its associates pursuant to the Services Procurement Framework Agreement would be determined with reference to market prices or normal commercial terms of this type of transactions with independent third parties, or negotiated by the parties on an arm's-length basis by taking into consideration factors including but not limited to actual costs and expenses and market conditions. The prices and terms shall be no less favourable than those offered to our Group by independent third parties.

(iii) The Group has to provide certain products and materials mainly include products for internal consumption, components and raw materials for production use and full-suite smart home solutions, including ancillary products and services to Haier Group and its associates on a non-exclusive basis from time to time.

The purpose is that the Group is familiar with Haier Group's business process and needs, quality standards and operational requirements, and is able to supply the Products and Materials for Sale needed by Haier Group on a constant basis and provides our Group with a stable income. Our Directors believe that maintaining a stable and quality business relationship with Haier Group will facilitate our current and future business operations. In addition, our Group is able to leverage on the centralised procurement platforms to source the components and materials requested by Haier Group from time to time at a relatively lower cost and profit from the spread offered, thereby enjoying benefits from economies of scale.

The fees to be charged for the Products and Materials for Sale to be sold by our Group to Haier Group and its associates pursuant to the Products and Materials Sales Framework Agreement would be at such prices to be agreed between the parties, in particular:

- The prices of sales of products and the smart home solutions would be determined taking into account the type of products and solutions, retail volume, market conditions and others, and would be not lower than the price of products and solutions of the similar nature, type and quality provided by our Group to comparable independent third parties in the market.

- The prices of sales of components and materials would be determined based on actual sales prices of the components and materials plus a commission fee rate (which is for the purpose of covering the relevant operational and administrative expenses of the members of our Group in providing the components and materials) of no more than 1.25%.

The sales (including the applied discount rates and commission fee rates) would be on terms no less favourable to our Group than those prevailing in the PRC market for products, components and materials of the same or comparable type, nature and quality and at similar time as well as those offered by our Group to independent third parties.

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

Notes: (continued)

(iv) The Group has to procure certain products and materials mainly comprising products for internal consumption and resale uses, production and experimental equipment used, idled, procured and/or tailor-made by Haier Group and its associates for the Group internal consumption use, and raw materials and parts required for production use from Haier Group and its associates on a non-exclusive basis, from time to time.

The purpose is that Haier Group is familiar with our business process and needs, quality standards and operational requirements, and is able to supply the Products and Materials to Procure needed by us on a constant basis. Our Group is allowed to leverage on the scale and efficiency of the centralised procurement platform of Haier Group and its associates for its production operations of different segments thereby lowering our Group's procurement costs. Based on our previous experience in business dealings with Haier Group and its associates, we believe that Haier Group and its associates are capable of effectively satisfying our demands for relevant stable and quality products, equipment and materials.

The procurement amount to be charged by Haier Group and its associates for the products to procure would be negotiated by the parties at arm's length basis on terms no less favourable than those offered to our Group by independent third parties. In the event that there are no appropriate independent third parties providing products and materials of same or similar quality, our Group will refer to the fees and terms of products of same or similar quality provided by Haier Group and its associates to independent third parties, cost of products and materials, estimated value and market price for comparison and referencing purpose.

The procurement amount to be charged by Haier Group and its associates for the equipment to procure would be determined based on arm's length negotiation after taking into account various factors such as the sources, depreciation, and net asset values of such equipment, relevant cost and expense (such as purchase price of such equipment, relevant operational and administrative expenses, etc.), with reference to the estimated values and market prices, which is determined based on the historical prices paid by our Group to independent third parties in procuring the equipment of similar type and quality.

The procurement amount to be charged by Haier Group and its associates for the materials to procure would be determined based on the actual cost (for example, prices obtained by Haier Group and/or its associates through bidding process (if applicable) or other actual purchase prices) plus a commission fee rate (which is for the purpose of covering the relevant operational and administrative expenses of Haier Group and its associates in providing the materials) of no more than 1.25%, or based on market prices, whichever is lower.

(v) Haier Group and its associates, Haier Group Finance Co., Ltd. (collectively "Haier Group Finance"), provided financial services mainly comprising deposit services, Loan services and entrusted loan services and other financial services to the Group on a non-exclusive basis from time to time.

The purpose is that Haier Group Finance, as enterprise group finance companies specialising in home appliance industry, can, subject to the supervision of the China Banking and Insurance Regulatory Commission provide a chain of various financial solutions to our Group in a more efficient and flexible manner than independent commercial banks. The benefits to our Group to use the financial services of Haier Group Finance include: (i) Haier Group Finance's better understanding of the operations and development needs of our Group which should allow more expedient and efficient provision of various tailor-made packaged financial services to our Group than other external banks in the PRC; and (ii) the enhanced cost savings by reducing the amount of finance fees and charges payable to external banks when Haier Group Finance can offer more favourable terms than those offered by external banks.

In terms of deposit services, pursuant to the Financial Services Framework Agreement, in respect of domestic RMB deposits, Haier Group and its associates provides deposit services to our Group, referring to the benchmark deposit interest rate announced by the PBOC on its official website for the same period from time to time, at an interest rate no less favourable than the highest interest rate for the same type of deposits as quoted by Industrial and Commercial Bank of China, Agricultural Bank of China, China Construction Bank, Bank of China and all the listed national joint stock banks in the PRC. Overseas deposits in RMB and foreign currencies are implemented in accordance with market principles, and the interest rate of similar deposits is more favourable than the highest interest rate of commercial banks available to the Group.

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

Notes: (continued)

(v) (continued)

In terms of loan services, Haier Group and its associates would provide loans to our Group at a price no less favourable than the market prices determined at arm's length basis with reference to the borrowing rate for the same type of loans charged by other two to three major financial institutions/commercial banks. The entrusted loan services provided by Haier Group and its associates as a financial service institution for our Group are provided on a free-of-charge basis. Our Group may use the internet banking system of Haier Group and its associates for settlement on a free-of-charge basis.

In terms of provision of Other Financial Services, the fees charged by Haier Group and its associates would be determined based on relevant market prices with reference to the benchmark rates published by the PBOC on its official website from time to time; if there is no such benchmark rates published by the PBOC for that kind of financial service, the fee would be determined with reference to, amongst other factors, the rates charged by other major financial institutions/commercial banks for the same types of services and on terms no less favourable than those offered by independent commercial banks/financial institutions in the PRC to our Group. Haier Group and its associates pools its resource advantages to obtain the lowest service fees and the best services from external financial institutions, and agrees that Haier Group and its associates would not charge any intermediate fees except those charged by external banks. In addition, Haier Group and its associates agrees to waive all the service fees to be paid by our Group to Haier Group and its associates, including without limitation, account management fees, online banking activation fees, inquiry fees, deposit certificate fees, credit certificate fees, and internal settlement fees.

The internal audit department of the Company reviewed the continuing connected transactions and the adequacy and effectiveness of the internal control procedures, and provided the findings to the independent non-executive Directors to assist them in performing their annual reviews. The independent non-executive Directors also made appropriate enquiries with the management to ensure that they have sufficient information to review the transactions and the internal control procedures. The INEDs have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (continued)

The amounts of the continuing connected transactions have not exceeded the caps disclosed in (i) the listing document for the Company's H Shares, or (ii) other previous announcements and shareholders' circulars published by the Company.

HLB Hodgson Impey Cheng Limited, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to *Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions* under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. HLB Hodgson Impey Cheng Limited, have issued their unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules as follows:

a. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions set out in the above list of continuing connected transactions, nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

Save as disclosed in this chapter, none of the related party transactions set out in note 13 to the financial statements constitute connected transactions under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DONATIONS

During the year, the Company's expenditure on charitable donation was approximately RMB6.85 million.

TAXATION POLICIES FOR DIVIDEND

Taxation policies applicable to the shareholders in respect of the cash dividend received for the shares held by them in the Company shall follow the laws and regulations as revised from time to time by the state, details in relation thereto will be otherwise announced by the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, at least 25% of the Company's total issued share capital was held by the public, and the H Shares was more than 15% of our Company's total number of issued shares. Therefore, the Company is able to meet the minimum public float requirement under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 49 to the financial statements.

AUDITORS

There have been no changes of auditors in the preceding three years, and Hexin Certified Public Accountants LLP audited the 2023 annual financial statements prepared by the Company in accordance with Accounting Standards for Business Enterprises (PRC Accounting Standards).

HLB Hodgson Impey Cheng Limited audited the 2023 annual financial statements prepared by the Company in accordance with International Financial Reporting Standards.

On behalf of the Board

Li Huagang
Chairman

Qingdao, the PRC
27 March 2024

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
HAIER SMART HOME CO., LTD.
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Haier Smart Home Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 141 to 295, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of goodwill and other intangible assets	
Refer to Notes 2.3, 3, 17 and 18 to the consolidated financial statements	
The Group had goodwill and other intangible assets with carrying amounts of approximately RMB24,290 million and RMB9,101 million respectively as at 31 December 2023. This impairment assessment conclusion was arrived at based on estimation of the recoverable amount of the goodwill and other intangible assets as at 31 December 2023 using the value-in-use model, which required exercise of management judgement with respect to the determination of appropriate discount rate and estimation of forecasted cash flows for the financial projection period, in particular future revenue growth. We focused on this area due to the size of the balances and the judgement exercised by management in determining impairment assessment on goodwill and independent external valuation were obtained in order to support management's estimates other intangible assets as at 31 December 2023.	Our procedures in relation to the management's impairment assessment included but not limited to: • Evaluating the competency, capabilities and objectively of the independent professional external valuer; • Assessing the appropriateness of the methodology and key assumptions and inputs used based on our knowledge of the business and of the relevant industry and using our valuation experts; • Challenging management about the valuation reasonableness of key assumptions and inputs used, based on our knowledge of the business and industry; and • Checking, on sampling basis, the accuracy and relevance of the input data used. Based on the procedures performed, we found that the management judgement and estimates used in impairment assessment were supported by the available evidence.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter

Provision for obsolete and slow-moving inventories

Refer to Notes 2.3, 3 and 24 to the consolidated financial statements

As at 31 December 2023, the Group had inventories of approximately RMB39,524 million and recognised provision for obsolete and slow-moving inventories of approximately RMB1,091 million to consolidated statement of profit or loss during the year ended 31 December 2023.

The provision against obsolete and slow-moving inventories is estimated based on the net realisable value of the inventories with reference to the latest selling prices and current market conditions.

Management judgement is involved in estimating the selling price for inventories, the costs of completion and the costs necessary to make the sale.

We focused on this area due to the size of the balances and the judgement exercised by management in determining the obsolete and slow-moving inventories.

Our procedures in relation to the management's assessment on provision for obsolete and slow-moving inventory included but not limited to:

- Evaluating the estimates made by management and used to determine the provision obsolete and slow-moving inventories during the year and compare to the provisions made in prior year;
- Performing a recalculation, on a sample basis, of the inventory provision made on individual inventories;
- Sample checking on the subsequent selling price of finished goods; and
- Checking the ageing profile of inventories, the historical sales and usage records of the inventories.

Based on the procedures performed, we found that the management judgement and estimates used in the provision assessment against obsolete and slow-moving inventories were supported by the available evidence.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for product warranties	
Refer to Notes 2.3, 3 and 32 to the consolidated financial statements	
As at 31 December 2023, the Group had provision for product warranties of approximately RMB3,809 million. Product warranty provisions were made with reference to the sales volume and the expected unit costs for warranty services. The assessment of the provision amount involves management assumptions, judgements and estimates. We focused on this area due to the management's judgements were required in determining the value of provision for product warranties.	Our procedures in relation to the management's assessment on provision for product warranties included but not limited to: • Evaluating the estimates made by management and used to determine the provision for product warranties during the year and compare to the provisions made in prior year; • Performing a recalculation, on a sample basis, of the provision made; • Sample checking on the subsequent costs of warranty services; and • Comparing the provision made by the Group and the operation result of the Group. Based on the procedures performed, we found that the management judgement and estimates used in the provision assessment against product warranties were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The engagement director on the audit resulting in this independent auditors' report is Tien Sun Kit, Jack.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'M	2022 RMB'M (Restated)
REVENUE	5	**261,422**	243,550
Cost of sales		**(180,719)**	(168,960)
Gross profit		**80,703**	74,590
Other gains, net	5	**3,463**	2,913
Selling and distribution expenses		**(40,978)**	(38,601)
Administrative expenses		**(23,152)**	(21,696)
Finance costs	7	**(2,111)**	(997)
Share of profits and losses of associates		**1,787**	1,582
PROFIT BEFORE TAX	6	**19,712**	17,791
Income tax expenses	10	**(2,980)**	(3,058)
PROFIT FOR THE YEAR		**16,732**	14,733
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified to profit or loss in subsequently periods:			
Share of other comprehensive (loss)/income of associates		**(104)**	100
Effective portion of changes in fair value of hedging instrument for cash flow hedges, net of tax		**(99)**	10
Exchange differences on translating foreign operations		**(336)**	3,159
		(539)	3,269
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes arising from re-measurement of defined benefit plans		**40**	33
Change in fair value of equity investments designated at fair value through other comprehensive income ("**FVTOCI**"), net of tax		**463**	(137)
		503	(104)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(36)**	3,165
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16,696**	17,898

	Notes	2023 RMB'M	2022 RMB'M (Restated)
Profit for the year attributable to:			
Owners of the Company		**16,597**	14,712
Non-controlling interests		**135**	21
		16,732	14,733
Total comprehensive income attributable to:			
Owners of the Company		**16,576**	17,879
Non-controlling interests		**120**	19
		16,696	17,898
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic (RMB per share)	12	**1.79**	1.58
— Diluted (RMB per share)	12	**1.78**	1.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'M	2022 RMB'M (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**35,495**	31,857
Investment properties	15	**99**	103
Right-of-use assets	16(a)	**6,273**	5,166
Goodwill	17	**24,290**	23,644
Other intangible assets	18	**9,101**	9,135
Interests in associates	19	**25,547**	24,528
Equity investments designated at FVTOCI	20	**6,404**	5,852
Financial assets measured at amortised cost	22	**9,192**	1,339
Long-term prepayments	26	**1,747**	1,672
Deferred tax assets	34	**1,806**	1,724
Other non-current assets		**805**	519
Total non-current assets		**120,759**	105,539
CURRENT ASSETS			
Inventories	24	**39,524**	41,588
Trade and bills receivables	25	**28,890**	25,511
Contract assets	30(a)	**261**	310
Prepayments, deposits and other receivables	26	**6,908**	6,563
Financial assets measured at fair value through profit or loss ("**FVTPL**")	21	**954**	520
Financial assets measured at amortised cost	22	**1,530**	1,642
Derivative financial instruments	23	**68**	183
Pledged deposits	27	**448**	665
Other deposit with limited use	27	**61**	105
Cash and cash equivalents	27	**53,977**	53,392
Total current assets		**132,621**	130,479
CURRENT LIABILITIES			
Trade and bills payables	28	**69,278**	66,984
Other payables and accruals	29	**27,368**	24,784
Contract liabilities	30(b)	**7,732**	9,353
Interest-bearing borrowings	31	**10,408**	12,514
Lease liabilities	16(b)	**1,040**	903
Tax payables		**1,556**	1,706
Provisions	32	**2,532**	2,537
Derivative financial instruments	23	**169**	105
Total current liabilities		**120,083**	118,886

	Notes	2023 RMB'M	2022 RMB'M (Restated)
NET CURRENT ASSETS		**12,538**	11,593
TOTAL ASSETS LESS CURRENT LIABILITIES		**133,297**	117,132
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	31	**17,988**	13,627
Lease liabilities	16(b)	**3,287**	2,824
Deferred income	33	**948**	835
Deferred tax liabilities	34	**2,028**	2,359
Provisions for pensions and similar obligations	43	**1,085**	1,011
Provisions	32	**1,935**	1,611
Derivative financial instruments	23	**—**	17
Other non-current liabilities		**114**	98
Total non-current liabilities		**27,385**	22,382
Net assets		**105,912**	94,750
EQUITY			
Share capital	35	**9,438**	9,447
Reserves	37	**94,076**	84,012
Equity attributable to owners of the Company		**103,514**	93,459
Non-controlling interests		**2,398**	1,291
Total equity		**105,912**	94,750

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2024 and signed on its behalf by:

Mr. Li Huagang
Chairman

Mr. Gong Wei
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2023

	Notes	Issued equity RMB'M	Capital reserve RMB'M	Share-based payments reserve RMB'M	Remeasurement of defined benefits plans reserve RMB'M	Cash flow hedges reserve RMB'M	FVTOCI reserve RMB'M	Equity method investments reserve RMB'M	Reserve funds (Note 37(i)) RMB'M	Convertible bond reserve RMB'M	Retained profits RMB'M	Exchange differences on translation reserve (Note 37(iii)) RMB'M	Other reserves RMB'M	Treasury shares reserve (Note 37(vi)) RMB'M	Total reverses RMB'M	Total RMB'M	Non-controlling interests RMB'M	Total equity RMB'M
		Attributable to owners of the Company																
			Reserves															
At 1 January 2022		9,399	21,631	262	73	3	1,006	(341)	3,437	119	47,968	(1,921)	773	(2,424)	70,586	79,985	1,290	81,275
Effect of business combination under common control		–	30	–	–	–	–	–	–	–	21	–	–	–	51	51	–	51
At 1 January 2022 (restated)		9,399	21,661	262	73	3	1,006	(341)	3,437	119	47,989	(1,921)	773	(2,424)	70,637	80,036	1,290	81,326
Profit for the year		–	–	–	–	–	–	–	–	–	14,712	–	–	–	14,712	14,712	21	14,733
Other comprehensive income/(loss) for the year																		
– Share of other comprehensive income of associates		–	–	–	–	–	–	100	–	–	–	–	–	–	100	100	–	100
– Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		–	–	–	–	2	–	–	–	–	–	–	–	–	2	2	8	10
– Exchange differences on translating foreign operations		–	–	–	–	–	–	–	–	–	–	3,169	–	–	3,169	3,169	(10)	3,159
– Changes arising from re-measurement of defined benefit plans		–	–	–	33	–	–	–	–	–	–	–	–	–	33	33	–	33
– Change in fair value of equity investments designated at FVTOCI		–	–	–	–	–	(137)	–	–	–	–	–	–	–	(137)	(137)	–	(137)
Total comprehensive income/(loss) for the year		–	–	–	33	2	(137)	100	–	–	14,712	3,169	–	–	17,879	17,879	19	17,898
Dividend payable to owners of the Company (Note 38(b))		–	–	–	–	–	–	–	–	–	(4,297)	–	–	–	(4,297)	(4,297)	–	(4,297)
Dividend payable to non-controlling interests (Note 38(b))		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(19)	(19)
Transfer to reserves fund		–	–	–	–	–	–	–	576	–	(576)	–	–	–	–	–	–	–
Recognition of equity settled share-based payment		–	–	912	–	–	–	–	–	–	–	–	–	–	912	912	–	912
Changes in ownership interests in subsidiaries that do not result in a loss of control		–	(49)	–	–	–	–	–	–	–	–	–	(166)	–	(215)	(215)	–	(215)
Business combination under common control		–	(305)	–	–	–	–	–	–	–	–	–	–	–	(305)	(305)	–	(305)
Purchase of treasury shares		–	–	–	–	–	–	–	–	–	–	–	–	(2012)	(2012)	(2012)	–	(2012)
Share repurchased and cancelled (Note 35)		(15)	(315)	–	–	–	–	–	–	–	–	–	–	330	15	–	–	–
Issue of share		41	895	–	–	–	–	–	–	–	–	–	–	–	895	936	1	937
Issue of shares upon conversion of convertible bond		22	458	–	–	–	–	–	–	(119)	–	–	–	–	339	361	–	361
Other changes		–	(24)	–	–	–	1	–	–	–	157	–	(218)	248	164	164	–	164
At 31 December 2022 (restated)		9,447	22,321	1,174	106	5	870	(241)	4,013	–	57,985	1,248	389	(3,858)	84,012	93,459	1,291	94,750

Consolidated Statement of Changes in Equity

As at 31 December 2023

	Notes	Attributable to owners of the Company																
			Reserves															
		Issued equity RMB'M	Capital reserve RMB'M	Share-based payments reserve RMB'M	Remeasurement of defined benefits plans reserve RMB'M	Cash flow hedges reserve RMB'M	FVTOCI reserve RMB'M	Equity method investments reserve RMB'M	Reserve funds (Note 37(i)) RMB'M	Convertible bond reserve RMB'M	Retained profits RMB'M	Exchange differences on translation reserve (Note 37(iii)) RMB'M	Other reserves RMB'M	Treasury shares reserve (Note 37(vi)) RMB'M	Total reverses RMB'M	Total RMB'M	Non-controlling interests RMB'M	Total equity RMB'M
At 1 January 2023		9,447	22,291	1,174	106	5	870	(241)	4,013	–	57,979	1,248	389	(3,858)	83,976	93,423	1,291	94,714
Effect of business combination under common control		–	30	–	–	–	–	–	–	–	6	–	–	–	36	36	–	36
At 1 January 2023 (restated)		9,447	22,321	1,174	106	5	870	(241)	4,013	–	57,985	1,248	389	(3,858)	84,012	93,459	1,291	94,750
Profit for the year		–	–	–	–	–	–	–	–	–	16,597	–	–	–	16,597	16,597	135	16,732
Other comprehensive income/(loss) for the year																		
– Share of other comprehensive loss of associates		–	–	–	–	–	–	(104)	–	–	–	–	–	–	(104)	(104)	–	(104)
– Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		–	–	–	–	(98)	–	–	–	–	–	–	–	–	(98)	(98)	(1)	(99)
– Exchange differences on translating foreign operations		–	–	–	–	–	–	–	–	–	–	(322)	–	–	(322)	(322)	(14)	(336)
– Changes arising from re-measurement of defined benefit plans		–	–	–	40	–	–	–	–	–	–	–	–	–	40	40	–	40
– Change in fair value of equity investments designated at FVTOCI		–	–	–	–	–	463	–	–	–	–	–	–	–	463	463	–	463
Total comprehensive income/(loss) for the year		–	–	–	40	(98)	463	(104)	–	–	16,597	(322)	–	–	16,576	16,576	120	16,696
Dividend payable to owners of the Company (Note 38(b))		–	–	–	–	–	–	–	–	–	(5,254)	–	–	–	(5,254)	(5,254)	–	(5,254)
Dividend payable to non-controlling interests (Note 38(b))		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(25)	(25)
Transfer to reserves fund		–	–	–	–	–	–	–	828	–	(828)	–	–	–	–	–	–	–
Recognition of equity settled share-based payment		–	–	611	–	–	–	–	–	–	–	–	–	–	611	611	–	611
Changes in ownership interests in subsidiaries that do not result in a loss of control		–	(31)	–	–	–	–	–	–	–	–	–	–	–	(31)	(31)	1,012	981
Business combination under common control		–	(95)	–	–	–	–	–	–	–	–	–	–	–	(95)	(95)	–	(95)
Purchase of treasury shares		–	–	–	–	–	–	–	–	–	–	–	–	(1,802)	(1,802)	(1,802)	–	(1,802)
Share repurchased and cancelled (Note 35)		(9)	(173)	–	–	–	–	–	–	–	–	–	–	182	9	–	–	–
Other changes		–	(53)	–	–	–	–	–	–	–	38	–	(379)	444	50	50	–	50
At 31 December 2023		9,438	21,969	1,785	146	(93)	1,333	(345)	4,841	–	68,538	926	10	(5,034)	94,076	103,514	2,398	105,912

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'M	2022 RMB'M (Restated)
Cash flows from operating activities			
Profit before tax		**19,712**	17,791
Adjustments for:			
Finance costs	7	**2,111**	997
Interest income	5	**(1,536)**	(949)
Share of profits and losses of associates		**(1,787)**	(1,582)
Dividends income from equity investment designated at FVTOCI	5	**(59)**	(32)
Gain on disposal of financial assets/liabilities measured at FVTPL, net	5	**(1)**	(99)
Gain on disposal of associates and subsidiaries	5	**(14)**	(27)
Loss/(gain) on disposal of non-current assets, net	5	**112**	(182)
Fair value (gain)/loss on financial assets/liabilities measured at FVTPL, net	5	**(20)**	122
Depreciation of property, plant and equipment	6	**4,422**	4,026
Depreciation of right-of-use assets and investment properties	6	**1,108**	933
Amortisation of other intangible assets and other non-current assets	6	**1,269**	1,092
Provision for obsolete and slow-moving inventories, net	6	**1,091**	1,145
Impairment of trade and bills receivables, prepayments, deposits and other receivables and long-term prepayments, net	6	**568**	712
Impairment of property, plant and equipment, interests in associates, other intangible assets and contract assets, net	6	**88**	74
Equity-settled share-based expense	6	**611**	912
Operating cash inflow before movements in working capital		**27,675**	24,933
Decrease/(increase) in inventories		**982**	(2,783)
(Increase)/decrease in trade and bills receivables, prepayments, deposits and other receivables and contract assets		**(3,882)**	1,795
Increase/(decrease) in trade and bills payables, other payable and accruals and contract liabilities		**3,001**	(1,983)
Change in other working capital		**101**	96
Cash generated from operations		**27,877**	22,058
Interest received		**1,086**	555
Income tax paid		**(3,701)**	(2,358)
Net cash generated from operating activities		**25,262**	20,255

	2023 RMB'M	2022 RMB'M (Restated)
Cash flows from investing activities		
Payment for purchases of non-current assets	**(9,907)**	(8,209)
Proceeds from disposals of non-current assets	**168**	229
Payments for and proceeds from acquisition and disposals of subsidiaries, net	**(156)**	(240)
Payment for acquisition of associates	**(111)**	(555)
Proceeds from disposal of associates	**71**	302
Payment for purchases of equity investments designated at FVTOCI	**—**	(1,028)
Proceeds from disposals of equity investments designated at FVTOCI	**7**	—
Payment for purchases of financial assets measured at amortised cost and financial assets at FVTPL	**(16,050)**	(11,956)
Proceeds from disposals of financial assets measured at amortised cost and financial assets at FVTPL	**8,068**	11,846
Dividends received from associates	**684**	523
Dividends and interest received from equity investment designated at FVTOCI, financial assets measured at amortised cost and financial assets at FVTPL	**141**	163
Net cash used in investing activities	**(17,085)**	(8,925)
Cash flows from financing activities		
Proceed from issue of share	**—**	940
Repurchases of shares	**(1,802)**	(2,012)
Proceeds from borrowings	**19,958**	18,380
Repayments of borrowings	**(18,423)**	(14,763)
Repayment of convertible bond	**—**	(5)
Dividends paid to shareholders	**(5,254)**	(4,297)
Dividends paid to non-controlling interests	**(24)**	(35)
Lease payments	**(1,138)**	(959)
Interest paid for borrowings	**(1,946)**	(821)
Capital contribution from non-controlling interest	**910**	46
Other financing cash flows	**(122)**	(374)
Net cash used in financing activities	**(7,841)**	(3,900)

	2023 RMB'M	2022 RMB'M (Restated)
Net increase in cash and cash equivalents	**336**	7,430
Cash and cash equivalents at beginning of the year	**53,392**	45,202
Effect of foreign exchange rate changes, net	**249**	760
Cash and cash equivalents at end of the year	**53,977**	53,392
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged cash and bank balances	**29,570**	26,247
Time deposits	**24,407**	27,145
Cash and cash equivalents as stated in the Statement of financial position	**53,977**	53,392

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 reorganization 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 2021 respectively.

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

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 is 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 of 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.

1. GENERAL INFORMATION OF THE GROUP (continued)

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December 2023		2022		Principal activities	Type of legal status	Note
			Direct	Indirect	Direct	Indirect			
Wonder Global (BVI) Investment Limited	British virgin Islands ("**BVI**")/BVI	RMB18,596	–	100	–	100	Manufacture and sale of household appliances and logistics service	Limited liability company	(i)
Haier U.S. Appliance Solutions, Inc.	USA/USA	United States Dollars ("**USD**") 2,307	–	100	–	100	Home appliances production and distribution business	Limited liability company	(i)
Haier Singapore Investment Holding Co., Ltd	Singapore/Singapore	USD1,708	–	100	–	100	Home appliances production and distribution business	Limited liability company	(ii)
Haier New Zealand Limited Investment Holding Company	New Zealand/New Zealand	New Zealand Dollars ("**NZD**") 596	–	100	–	100	Home appliances production and distribution business	Limited liability company	(ii)
Candy S.p.A.	Italy/Italy	Euro ("**EUR**") 42	–	100	–	100	Home appliances production and distribution business	Limited liability company	(iv)
Fisher & Paykel Appliances Limited	New Zealand/New Zealand	NSD246	–	100	–	100	Research, development, manufacture, sale and distribution of home appliance business	Limited liability company	(ii)
Haier Electronic Group Co., Ltd.	Bermuda/Mainland China	Hong Kong Dollar ("**HKD**") 3,107	100	–	100	–	Investment holding	Limited liability company	(iii)
Qingdao Haier Air Conditioner Gen. Corp., Ltd	Mainland China/Mainland China	RMB918	92.37	–	100	–	Manufacture and sale of household air-conditioners	Limited liability company	(iii)
Guizhou Haier Electronics Co., Ltd.	Mainland China/Mainland China	RMB141	59	–	59	–	Manufacture and sale of refrigerator	Limited liability company	(iii)
Hefei Haier Air-conditioning Co., Limited.	Mainland China/Mainland China	RMB12	100	–	100	–	Manufacture and sale of air-conditioners	Limited liability company	(iii)
Wuhan Haier. Electronics Co., Ltd.	Mainland/China	RMB62	59.86	–	60	–	Manufacture and sale of air-conditioners	Limited liability company	(iii)
Qingdao Haier Air-Conditioner Electronics Co.,	Mainland China/Mainland China	RMB958	97.43	–	100	–	Manufacture and sale of air-conditioners	Limited liability company	(iii)
Qingdao Haier Information Plastic Development Co., Ltd.	Mainland China/Mainland China	RMB78	100	–	100	–	Manufacturing of plastic products	Limited liability	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect	Principal activities	Type of legal status	Note
Dalian Haier Precision Products Co., Ltd.	Mainland China/Mainland China	RMB48	**100**	**–**	90	–	Manufacture and sale of precise plastics	Limited liability company	(iii)
Hefei Haier Plastic Co., Ltd.	Mainland China/Mainland China	RMB41	**95.17**	**4.83**	95.17	4.83	Manufacture and sale of plastic parts	Limited liability company	(iii)
Qingdao Meier Plastic Powder Co., Ltd.	Mainland China/Mainland China	RMB12	**40**	**60**	40	60	Manufacture of plastic powder, plastic sheet and high-performance coatings	Limited liability company	(iii)
Chongqing Haier Precision Plastic Co., Ltd.	Mainland China/Mainland China	RMB65	**90**	**10**	90	10	Plastic products, sheet metal work, electronics and hardware	Limited liability company	(iii)
Qingdao Haier Refrigerator Co., Ltd.	Mainland China/Mainland China	RMB207	**97.91**	**–**	100	–	Manufacture and production of fluorine-free refrigerators	Limited liability company	(iii)
Qingdao Haier Refrigerator (International) Co., Ltd.	Mainland China/Mainland China	RMB260	**100**	**–**	100	–	Manufacture of refrigerators	Limited liability company	(iii)
Qingdao Household Appliance Technology and Equipment Research Institute	Mainland China/Mainland China	RMB67	**100**	**–**	100	–	Research and development of home appliances mold and technological equipment	Limited liability company	(iii)
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Mainland China/Mainland China	RMB120	**98.33**	**–**	98.33	–	Research, development and sales of health-related small home appliance	Limited liability company	(iii)
Qingdao Haier Special Refrigerator Co., Ltd.	Mainland China/Mainland China	RMB166	**100**	**–**	100	–	Manufacture and sales of fluorine-free refrigerators	Limited liability company	(iii)
Qingdao Haier Dishwasher Co., Ltd.	Mainland China/Mainland China	RMB180	**99.59**	**–**	100	–	Manufacture of dish washing machine and gas stove	Limited liability company	(iii)
Qingdao Haier Special Freezer Co., Ltd.	Mainland China/Mainland China	RMB388	**96.78**	**–**	100	–	Research, manufacture and sales of freezer and other refrigeration products	Limited liability company	(iii)
Dalian Haier Air-Conditioning Co., Ltd.	Mainland China/Mainland China	RMB110	**90**	**–**	90	–	Air conditioner processing and manufacturing	Limited liability company	(iii)
Dalian Haier Refrigerator Co., Ltd.	Mainland China/Mainland China	RMB110	**100**	**–**	100	–	Refrigerator processing and manufacturing	Limited liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect	Principal activities	Type of legal status	Note
Qingdao Haier Electronic Plastic Co., Ltd	Mainland China/Mainland China	RMB60	**100**	**–**	100	–	Development, assembling and sales of plastics, electronics and product	Limited liability company	(iii)
Wuhan Haier Freezer Co., Ltd.	Mainland China/Mainland Chain	RMB57	**82.93**	**4.36**	95	5	Research, manufacture and sales of freezer and other refrigeration products	Limited liability company	(iii)
Qingdao Haidarui Procurement Service Co., Ltd	Mainland China/Mainland Chain	RMB110	**98**	**2**	98	2	Develop, purchase and sell electrical products and components	Limited liability company	(iii)
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	Mainland China/Mainland China	RMB357	**91.46**	**1.01**	91.46	1.01	Development and application of home appliances, communication, electronics and network engineering technology	Limited liability company	(iii)
Chongqing Haier Air-conditioning Co., Ltd.	Mainland China/Mainland China	RMB130	**76.92**	**23.08**	76.92	23.08	Manufacture and sales of air conditioners	Limited liability company	(iii)
Qingdao Haier Precision Products Co., Ltd	Mainland China/Mainland China	RMB10	**–**	**70**	–	70	Development and manufacture of precise plastic, metal plate, mould and electronic products for home appliances	Limited liability company	(iii)
Qingdao Haier Air Conditioning Equipment Co., Ltd	Mainland China/Mainland China	RMB20	**–**	**70**	–	100	Manufacture of home appliances and electronics	Limited liability company	(iii)
Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd.	Mainland China/Mainland China	RMB1	**–**	**100**	–	100	Domestic trade	Limited liability company	(iii)
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	Mainland China/Mainland China	RMB1	**–**	**100**	–	100	Domestic trade	Limited liability company	(iii)
Chongqing Haier Electronics Sales Co., Ltd.	Mainland China/Mainland China	RMB10	**95**	**5**	95	5	Sales of home appliances	Limited liability company	(iii)
Chongqing Haier Refrigeration Appliance Co., Ltd.	Mainland China/Mainland China	RMB108	**84.95**	**15.05**	84.95	15.05	Processing and manufacturing of refrigerator	Limited liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December 2023		2022		Principal activities	Type of legal status	Note
			Direct	Indirect	Direct	Indirect			
Hefei Haier Refrigerator Co., Ltd.	Mainland China/Mainland China	RMB49	**100**	**–**	100	–	Processing and manufacturing of refrigerator	Limited liability company	(iii)
Qingdao Haier Intelligent Building Technology Co., Ltd.	Mainland China/Mainland China	RMB100	**–**	**100**	–	100	Air-conditioning engineer	Limited liability company	(iii)
Chongqing Lianmai Electric Appliance Sales Co., Ltd.	Mainland China/Mainland China	RMB5	**–**	**51**	–	51	Sales of home appliances and electronics	Limited liability company	(iii)
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	Mainland China/Mainland China	RMB119	**–**	**100**	–	100	Manufacture and sale of air-conditioners	Limited liability company	(iii)
Qingdao Haier Component Co., Ltd.	Mainland China/Mainland China	RMB80	**–**	**100**	–	100	Manufacture and sale of plastic and precise sheet metal products	Limited liability company	(iii)
Shenyang Haier Refrigerator Co., Ltd	Mainland China/Mainland Chain	RMB100	**100**	**–**	100	–	Manufacture and sales of refrigerator	Limited liability company	(iii)
Foshan Haier Freezer Co., Ltd.	Mainland China/Mainland China	RMB100	**100**	**–**	100	–	Manufacture and sales of freezer	Limited liability company	(iii)
Zhengzhou Haier Air-conditioning Co., Ltd.	Mainland China/Mainland China	RMB100	**100**	**–**	100	–	Manufacture and sales of air conditioner	Limited liability company	(iii)
Qingdao Haidayuan Procurement Service Co., Ltd	Mainland China/Mainland China	RMB20	**100**	**–**	100	–	Develop, purchase and sell electrical products and components	Limited liability company	(iii)
Qingdao Haier Intelligent Technology Development Co., Ltd.	Mainland China/Mainland China	RMB130	**100**	**–**	100	–	Development and research of home appliance products	Limited liability company	(iii)
Qingdao Hairi High-Tech Model Co., Ltd.	Mainland China/Mainland China	RMB7	**–**	**100**	–	100	Design, manufacture and sales of product model and mould	Limited liability company	(iii)
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Mainland China/Mainland China	RMB1	**–**	**75**	–	75	Industrial design and prototype production	Limited liability company	(iii)
Beijing Haier Guangke Digital Technology Co., Ltd.	Mainland China/Mainland China	RMB6	**–**	**55**	–	55	Development, promotion and transfer of technology	Limited liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect	Principal activities	Type of legal status	Note
Shanghai Haier Medical Technology Co., Ltd.	Mainland China/Mainland China	RMB38	**–**	**66.87**	–	66.87	Wholesale and retail of medical facility	Limited liability company	(iii)
Qingdao Haier Technology Co., Ltd.	Mainland China/Mainland China	RMB80	**100**	**–**	100	–	Development and sales of software and information product	Limited liability company	(iii)
Qingdao Haier Technology Investment Co., Ltd.	Mainland China/Mainland China	RMB410	**100**	**–**	100	–	Entrepreneurship investment and consulting	Limited liability company	(iii)
Qingdao Casarte Smart Living Appliances Co., Ltd.	Mainland China/Mainland China	RMB50	**–**	**100**	–	100	Development, production and sales of appliances	Limited liability company	(iii)
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Mainland China/Mainland China	RMB10	**–**	**100**	–	100	Sales of home appliances and digital products	Limited liability company	(iii)
Haier Overseas Electric Appliance Co., Ltd.	Mainland China/Mainland China	RMB500	**100**	**–**	100	–	Sales of home appliances, international freight forwarding	Limited liability company	(iii)
Haier Group (Dalina) Electrical Appliances Industry Co., Ltd	Mainland China/Mainland China	RMB5	**100**	**–**	100	–	Sales of home appliances, international freight forwarding	Limited liability company	(iii)
Qingdao Haier Central Air Conditioning Co., Ltd.	Mainland China/Mainland China	RMB110	**–**	**100**	–	100	Production and sales of air-conditioning and refrigeration equipment	Limited liability company	(iii)
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Mainland China/Mainland China	RMB5	**–**	**100**	–	100	Sales of home appliances	Limited liability company	(iii)
Qingdao Weixi Smart Technology Co., Ltd.	Mainland China/Mainland China	RMB4	**–**	**85**	–	71.43	Intelligent sanitary ware	Limited liability company	(iii)
Haier U+smart Technology (Beijing) Co., Ltd.	Mainland China/Mainland China	RMB143	**100**	**–**	100	–	Software development	Limited liability company	(iii)
Haier (Shanghai) Electronic Co., Ltd.	Mainland China/Mainland China	RMB13	**100**	**–**	100	–	Sale, research and development of home appliances	Limited liability company	(iii)
Shanghai Haier Zhongzhi Fang Chuang Ke Management Co., Ltd.	Mainland China/Mainland China	RMB2	**100**	**–**	100	–	Business management consulting chuangke management	Limited liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status	Note
			2023		2022				
			Direct	Indirect	Direct	Indirect			
Qingdao Haier Smart Kitchen Appliances Co., Ltd.	Mainland China/Mainland China	RMB180	**–**	**85.82**	–	100	Production and sales of kitchen smart home appliances	Limited liability company	(iii)
GE Appliance (Shanghai) Co., Ltd.	Mainland China/Mainland China	RMB10	**–**	**100**	–	100	Sales of home appliances	Limited liability company	(iii)
Qingdao Haier Special Cooling Appliance Co., Ltd.	Mainland China/Mainland China	RMB100	**–**	**100**	–	100	Production and sales of home appliances	Limited liability company	(iii)
Shanghai Zhihan Technology Co., Ltd.	Mainland China/Mainland China	RMB27	**–**	**100**	–	55	Promotion of technological development	Limited liability company	(iii)
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	Mainland China/Mainland China	RMB100	**–**	**100**	–	100	Production and sales of home appliances	Limited liability company	(iii)
Hefei Haier Air Conditioning Electronics Co., Ltd.	Mainland China/Mainland China	RMB100	**–**	**100**	–	100	Production and sales of home appliances	Limited liability company	(iii)
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.	Mainland China/Mainland China	RMB5	**–**	**100**	–	100	Research and development of home appliances	Limited liability company	(iii)
Haier (Shenzhen) R&D Co., Ltd.	Mainland China/Mainland China	RMB15	**–**	**100**	–	100	Development, research and technical services of household and commercial electronics	Limited liability company	(iii)
Guangzhou Haier Air Conditioner Co., Ltd.	Mainland China/Mainland China	RMB200	**–**	**100**	–	100	Manufacturing of refrigeration and air conditioning equipment	Limited liability company	(iii)
Qingdao Yunshang Yuyi IOT Technology Co., Ltd.	Mainland China/Mainland China	RMB20	**–**	**60**	–	60	IoT technology research and development	Limited liability company	(iii)
Qingdao Jija Cloud Intelligent Technology Co., Ltd.	Mainland China/Mainland China	RMB1	**–**	**80**	–	80	R&D and sales of lighting appliances	Limited liability company	(iii)
Qingdao Haimeihui Management Consulting Co., Ltd.	Mainland China/Mainland China	RMB5	**–**	**100**	–	100	Leasing and business services	Limited liability company	(iii)
Wuxi Yunshang Internet of Clothing Technology Co., Ltd.	Mainland China/Mainland China	RMB3	**–**	**100**	–	100	Internet of Things technology R&D	Limited liability company	(iii)
Qingdao Haidacheng Procurement Service Co., Ltd.	Mainland China/Mainland China	RMB100	**100**	**–**	100	–	Develop, purchase and sell electrical products and components	Limited liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect	Principal activities	Type of legal status	Note
Guangdong Heilong Intelligent Technology Co. Ltd	Mainland China/Mainland China	RMB33	–	76.72	–	76.72	Scientific research and technology service sector	Limited liability company	(iii)
Beijing Haixianghui Technology Co., Ltd.	Mainland China/Mainland China	RMB8	–	100	–	100	Scientific research and technology service sector	Limited liability company	(iii)
Haier Smart Home Experience Cloud Ecological Technology Co., Ltd.	Mainland China/Mainland China	RMB100	100	–	100	–	Technology development of smart home products, whole furniture customization, etc.	Limited liability company	(iii)
Haier Smart Home (Qingdao) Network Co., Ltd.	Mainland China/Mainland China	RMB100	–	100	–	100	Technical services, development, consulting, transfer, etc.	Limited liability company	(iii)
Haier Smart Home (Qingdao) Network Operation Co., Ltd.	Mainland China/Mainland China	RMB100	–	100	–	100	Residential interior decoration, professional construction operation, special equipment installation, upgrading and repair, etc.	Limited liability company	(iii)
Qingdao Internet of Wine Technology Co., Ltd	Mainland China/Mainland China	RMB70	–	100	–	100	Urban distribution and transportation services, import and export of goods, technology import and export and food business, etc.	Limited liability company	(iii)
Qingdao Linghai Air Conditioning Equipment Co., Ltd.	Mainland China/Mainland China	RMB10	–	100	–	100	Manufacture and production of air conditioners and refrigeration equipment	Limited liability company	(iii)
Shenzhen Yunshang Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB1	–	100	–	100	Import and export business, Internet, Internet of things, big data, AI, AR and technical services operation	Limited liability company	(iii)
Qingdao Haixiangxue Human Resources Co., Ltd.	Mainland China/Mainland China	RMB5	100	–	100	–	Professional intermediary activities	Limited liability company	(iii)
Jiangxi Haier Medical Technology Co., Ltd.	Mainland China/Mainland China	RMB5	–	100	–	100	Wholesale and retail of medical equipment	Limited liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect	Principal activities	Type of legal status	Note
Qingdao Haizhi Shenlan Technology Co., Ltd.	Mainland China/Mainland China	RMB10	**–**	**100**	–	100	Technical service development	Limited liability company	(iii)
Qingdao Haishengze Technology Co., Ltd.	Mainland China/Mainland China	RMB1	**–**	**100**	–	100	Air conditioning equipment technical services	Limited liability company	(iii)
Qingdao Hailvyuan Recycling Technology Co., Ltd.	Mainland China/Mainland China	RMB55	**–**	**100**	–	100	Electrical and electronic products waste treatment	Limited liability company	(iii)
Qingdao Haier HVAC Equipment Co., Ltd.	Mainland China/Mainland China	RMB400	**75**	**25**	75	25	Manufacture and sale of air-conditioners	Limited liability company	(iii)
Qingdao Haier Home AI Industry Innovation Center Co., Ltd.	Mainland China/Mainland China	RMB100	**–**	**100**	–	100	Integrated service of AI industry application system	Limited liability company	(iii)
Zhejiang Weixi IoT Technology Co., Ltd.	Mainland China/Mainland China	RMB10	**–**	**100**	–	100	IoT application service	Limited liability company	(iii)
Qingdao Haier Quality Inspection Co., Ltd.	Mainland China/Mainland China	RMB1	**100**	**–**	100	–	Inspection and testing of home appliance	Limited liability company	(iii)
Qingdao Haiyongcheng Certification Service Co., Ltd.	Mainland China/Mainland China	RMB1	**–**	**100**	–	100	Production certification service	Limited liability company	(iii)
Qingdao Zhonghai Borui Testing Technology Service Co., Ltd.	Mainland China/Mainland China	RMB5	**–**	**100**	–	100	Home appliance testing and technology consulting	Limited liability company	(iii)
Qingdao Haier Special Plastic Development Co., Ltd.	Mainland China/Mainland China	RMB86	**–**	**100**	–	100	Manufacture and sale of refrigerator doors	Limited liability company	(iii)
Qingdao Haizhiling Air Conditioning Engineering Co., Ltd.	Mainland China/Mainland China	RMB8	**–**	**100**	–	100	Software development and sale of daily necessities	Limited liability company	(iii)
Haier Smart Home (Xiongan, Hebei) Technology Co., Ltd.	Mainland China/Mainland China	RMB50	**–**	**100**	–	100	Promotion of energy-saving technology	Limited liability company	(iii)
Qingdao Ruibo Ecological Environmental Technology Co., Ltd.	Mainland China/Mainland China	RMB55	**89.13**	**–**	100	–	Environmental and AI technology consulting	Limited liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect	Principal activities	Type of legal status	Note
Qingdao Sanyiniao Technology Co., Ltd.	Mainland China/Mainland China	RMB100	–	100	–	100	Technology service and advertisement design	Limited liability company	(iii)
Qingdao Jingzhi Recycle Environmental Technology Co., Ltd.	Mainland China/Mainland China	RMB30	–	100	–	100	Operation of dangerous waste	Limited liability company	(iii)
Qingdao Yunshang Jieshen Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB4	–	51	–	51	Professional cleaning and sale of daily necessities	Limited liability company	(iii)
Shanghai Yunshang Yuyi IoT Technology Co., Ltd.	Mainland China/Mainland China	RMB3	–	100	–	100	Professional cleaning and sale of daily necessities	Limited liability company	(iii)
Shijiazhuang Yunshang Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB1	–	51	–	51	Professional cleaning and sale of daily necessities	Limited liability company	(iii)
Nanjing Yunshang Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB5	–	80	–	80	Professional cleaning and sale of daily necessities	Limited liability company	(iii)
Shanxi Yunshang Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB2	–	51	–	51	Professional cleaning and sale of daily necessities	Limited liability company	(iii)
Tianjin Yunshang Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB5	–	51	–	51	Professional cleaning and sale of daily necessities	Limited liability company	(iii)
Chongqing Yunshang Haihong Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB2	–	51	–	51	Professional cleaning and sale of daily necessities	Limited liability company	(iii)
Chengdu Yunshang Meier Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB12	–	80	–	80	Professional cleaning and sale of daily necessities	Limited liability company	(iii)
Beijing Yunshang Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB1	–	51	–	51	Professional cleaning and sale of daily necessities	Limited liability company	(iii)
Chengdu Yunshang Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB10	–	100	–	100	Professional cleaning and sale of daily necessities	Limited liability company	(iii)
Qingdao Haixiangmian Technology Co., Ltd.	Mainland China/Mainland China	RMB30	–	100	–	100	Sale of food and daily necessities	Limited liability	(iii)
Qingdao Haier Kitchen IoT Technology Co., Ltd.	Mainland China/Mainland China	RMB2	–	100	–	100	Technology service and sale of daily necessities	Limited liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect	Principal activities	Type of legal status	Note
Tibet Haifeng Intelligent Innovation Technology Co., Ltd.	Mainland China/Mainland China	RMB5	–	**100**	–	100	Development of software and medical equipment	Limited liability company	(iii)
Qingdao Haixiangzhi Technology Co., Ltd.	Mainland China/Mainland China	RMB5	–	**100**	–	100	Manufacturing of home appliances	Limited liability company	(iii)
Qingdao Haier Refrigeration Appliances Co., Ltd.	Mainland China/Mainland China	RMB300	–	**100**	–	100	Manufacturing of home appliances	Limited liability company	(iii)
Chongqing Haier Washing Appliance Co., Ltd.	Mainland China/Mainland China	RMB135	–	**100**	–	100	Manufacturing of home appliances	Limited liability company	(iii)
Tongfang Energy Technology Development Co., Ltd	Mainland China/Mainland China	RMB183	–	**84.32**	–	84.32	Technology development service	Limited liability company	(iii)
Qingdao Haier Youyang Technology Co., Ltd	Mainland China/Mainland China	RMB50	–	**51**	–	51	Technology development service	Limited liability company	(iii)
Qingdao Haier Yikang Technology Co., Ltd	Mainland China/Mainland China	RMB100	–	**100**	–	100	Technology development service	Limited liability company	(iii)

* The English names of Mainland China companies referred to above in this note represent management's best efforts in translating these names into English as no English names have been registered or available.

** The above table is a list of principal subsidiaries of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in excessive length.

Notes:

(i) The statutory financial statements for the years ended 31 December 2023 and 2022 prepared in accordance with International Financial Reporting standards have been audited by Mazars LLP, a certified public accounting firm registered in USA.

(ii) The statutory financial statements for the years ended 31 December 2023 and 2022 prepared in accordance with International Financial Reporting standards have been audited by PricewaterhouseCoopers New Zealand, a certified public accounting firm registered in New Zealand.

(iii) The statutory financial statements for the years ended 31 December 2023 and 2022 prepared in accordance with Chinese accounting standards have been audited by Hexin Certified Public Accountants LLP, registered in Mainland China.

(iv) The statutory financial statements for the years ended 31 December 2023 and 2022 prepared in accordance with International Financial Reporting standards have been audited by Mazars Italia S.p.A, a certified public accounting firm registered in Italy.

The Company and all its subsidiaries have adopted December 31, as their financial year end.

2.1 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised both the deferred tax assets and deferred tax liabilities on a gross basis but it has no material impact on the retained earnings at the earliest period presented.

2.1 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform — Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 12 "International Tax Reform — Pillar Two Model Rules" were issued on 23 May 2023 which are effective upon issuance and require retrospective application. The Group applied the temporary exception to deferred tax accounting for Pillar Two top-up taxes immediately upon the release of the amendments in May 2023, and provided new disclosures about its exposure to these taxes, the details of which are described in Note 10.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

2.1 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Suppliers Finance Arrangement[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

2.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by 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.

Merger accounting for business combination involving business under common control

In January 2023, Qingdao Haier Intelligent Household Appliances Co., Ltd. ("**Intelligent Household**"), a subsidiary of the Company, entered into the equity transfer agreement of Shanghai Haier Intelligent Technology Co., Ltd. ("**Intelligent Technology**") with Fuzhou Qinghai Enterprise Management Co., Ltd. ("**Qinghai Enterprise**"), a subsidiary of Haier Group, pursuant to which Intelligent Household agreed to acquire and Qinghai Enterprise agreed to sell 100% of the equity interest in Intelligent Technology at a consideration approximately of RMB70 million. As at the end of the reporting period, the transaction has been completed.

2.2 BASIS OF PREPARATION (continued)

Merger accounting for business combination involving business under common control (continued)

In December 2023, Zhengzhou Haier New Energy Technology Co., Ltd. ("**New Energy Technology**"), a subsidiary of the Company, entered into the equity transfer agreement of Zhengzhou Haiyongxin Enterprise Management Co., Ltd. ("**Haiyongxin Enterprise**") with Qingdao Haier Industrial Development Co., Ltd. ("**Haier Industrial**"), a subsidiary of Haier Group, pursuant to which New Energy Technology agreed to acquire and Haier Industrial agreed to sell 100% of the equity interest in Haiyongxin Enterprise at a consideration approximately of RMB25 million. As at the end of the reporting period, the transaction has been completed.

Since the Company and Intelligent Technology and Haiyongxin Enterprise were ultimately controlled by Haier Group both before and after the completion of the transfer agreements, the acquisition of the Intelligent Technology and Haiyongxin Enterprise 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 years ended 31 December 2023 and 2022 include the results, changes in equity and cash flows of all companies then comprising the Group, Intelligent Technology and Haiyongxin Enterprise, as if the corporate structure of the Group immediately after the completion of the equity transfer had been in existence throughout the years ended 31 December 2023 and 2022, 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 2022 has been prepared to present the state of affairs of the Group, Intelligent Technology and Haiyongxin Enterprise 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 2022.

There are no significant adjustments made to the revenue, profit before tax, profit for the year attributable to owners of the Company, net assets, reserves and total equity previously reported by the Group as a consequence on the merger accounting for business combination involving businesses under common control.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combinations (continued)

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") except for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC-Int 21 Levies, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Goodwill (continued)

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments in associates (continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)
For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation
Output method
The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method
The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers (continued)

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using (a) the expected value method or (b) the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notwithstanding the above criteria, the Group shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sales with a right-of-return

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers (continued)

Existence of significant financing component
In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent
When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers (continued)

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Sales rebates

Retrospective sales rebates may be provided to certain customers once the value of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-threshold and the expected value method for contracts with more than one threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases

Definition of a lease
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee
Allocation of consideration to components of a contract
For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to leases of land and buildings, machinery and equipment, motor vehicles and furniture, fixtures that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as lessee (continued)
Right-of-use assets
The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within “Investment properties”.

Refundable rental deposits
Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as lessee (continued)

Lease liabilities (continued)

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as a lessor (continued)

Classification and measurement of leases (continued)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange differences on translation of financial statements reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other gains or losses".

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Government grants (continued)

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Pension schemes

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme (the "**PRC Pension Scheme**") operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the PRC Pension Scheme. Under the PRC Pension Scheme, no forfeited contributions will be used by the Group to reduce its existing level of contributions during the years ended 31 December 2023 and 2022.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Employee benefits (continued)

Retirement benefit costs (continued)

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Employee benefits (continued)

Retirement benefit costs (continued)

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to capital reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

When shares granted are vested, the amount will recognised in share-based payments reserve.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands and construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment (continued)

The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	2% to 19%
Leasehold improvements	10% to 50%
Machinery and equipment	5% to 50%
Furniture, fixtures and equipment	5% to 33%
Motor vehicles	9% to 35%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination (continued)
The following useful lives are used in the calculation of amortisation as follows:

Proprietary technology	10 years
Patents and licences	40 years
Trademarks	Indefinite
Software & Others	not exceeding than 10 years

Proprietary technology
Accordance with the contractual agreements and the Company historical experience, proprietary technology with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Patents and licences
Accordance with the contractual agreements and the Company historical experience, purchase patents and licences with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 40 years.

Trademarks
The trademark has different legal life at different jurisdiction, and can renewable at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Software & Others
Accordance with the contractual agreements and the Company historical experience, Software & Others are amortised on a straight-line basis over an estimate useful life of not exceeding than 10 years. The useful of the software is estimated based on the expected usage of the software and its authorised periods for use.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is — indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 27.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other gains or losses" line item in profit or loss.

(iii) Financial assets measured at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other gains or losses" line item.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and bills receivables, other receivables and contract assets), which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full without taking into account any collaterals held by the Group.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade and bills receivables, deposits and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities measured at amortised cost

Financial liabilities including borrowings, trade payables, other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

The component parts of the convertible loan notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains or losses' line item.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to consolidated financial statements.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2.3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. No impairment losses were recognised during the years ended 31 December 2023 and 2022. As at 31 December 2023, the carrying amount of goodwill was approximately RMB24,290 million (2022: RMB23,644 million). Further details are given in note 17 to the consolidated financial statements.

Provision of inventories

Write-down of inventories to net realisable value is made based on the aging and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed. As at 31 December 2023, the net carrying amounts of inventories (after impairment provision) were approximately RMB39,524 million (2022: RMB41,588 million (restated)).

Product warranty provisions

Product warranty provisions are made with reference to the retail volume and the expected unit cost for warranties. The assessment of the provision amount involves management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying amount of the product warranty provisions and the provision amount charged/reversed in the period in which such estimate has been changed. As at 31 December 2023, the product warranty amounted to approximately RMB3,809 million (2022: RMB3,502 million). Further details are included in note 32 to consolidated financial statements.

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.

During the year ended 31 December 2023, the Group's segment reports have been updated to integrate domestic and overseas businesses to reflect the Group's management goals of globalization as a global home appliance enterprise. The management of the Group began to review business information under the new structure, and segment reports were updated based on how the Group manages and monitors segment performance. The comparative figures for the year ended 31 December 2022 have been reclassified accordingly.

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

(a) Household Food Storage and Cooking Solutions

- manufacturing and selling refrigerators/freezers;
- manufacturing and selling kitchen appliances;

(b) Air Solutions

- manufacturing and selling air conditioner;

(c) Household Laundry Management Solutions

- manufacturing and selling washing machines and dryers;

(d) Household Water Solutions

- manufacturing and selling water heaters and water purifiers; and

(e) Other Business

- comprising distribution services, parts and components, small home appliances and others.

4. OPERATING SEGMENT INFORMATION (continued)

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

All liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising of interests-bearing borrowings, and deferred tax liabilities).

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:

For the year ended 31 December 2023

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Segment revenue							
Segment revenue from external customers	81,731	41,594	45,810	61,312	15,170	15,805	261,422
Inter-segment revenue	179	60	294	180	166	80,913	81,792
Total	81,910	41,654	46,104	61,492	15,336	96,718	343,214
Reconciliation:							
Inter-segment eliminations							(81,792)
Total							261,422
Segments results	5,026	2,943	1,863	5,600	1,818	49	17,299
Reconciliation:							
Elimination of inter-segment results							80
							17,379
Corporate and other unallocated income and gains or losses							2,998
Corporate and other unallocated expenses							(341)
Finance costs							(2,111)
Share of profits and losses of associates							1,787
Profit before taxation							19,712

4. OPERATING SEGMENT INFORMATION (continued)

For the year ended 31 December 2022 (Restated)

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Segment revenue							
Segment revenue from external customers	77,660	38,900	40,455	57,820	14,010	14,705	243,550
Inter-segment revenue	182	53	303	89	124	76,461	77,212
Total	77,842	38,953	40,758	57,909	14,134	91,166	320,762
Reconciliation:							
Inter-segment eliminations							(77,212)
Total							243,550
Segments results	4,244	2,707	1,087	5,174	1,590	44	14,846
Reconciliation:							
Elimination of inter-segment results							45
							14,891
Corporate and other unallocated income and gains or losses							2,610
Corporate and other unallocated expenses							(295)
Finance costs							(997)
Share of profits and losses of associates							1,582
Profit before taxation							17,791

4. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2023

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Segment assets	46,387	21,182	23,095	31,083	6,974	72,346	201,067
Reconciliation:							
Elimination of segment assets							(74,984)
Goodwill							24,290
Interests in associates							25,547
Equity investments designated at FVTOCI							6,404
Deferred tax assets							1,806
Financial assets measured at FVTPL							954
Financial assets measured at amortised cost							10,722
Derivative financial instruments							68
Pledged deposits							448
Other deposits with limited use							61
Cash and cash equivalents							53,977
Other receivables							3,020
Total assets							253,380
Segment liabilities	61,738	12,928	22,560	18,456	5,952	67,123	188,757
Reconciliation:							
Elimination of segment liabilities							(74,838)
Tax payable							1,556
Other payable							1,286
Derivative financial instruments							169
Interest-bearing borrowings							28,396
Deferred tax liabilities							2,028
Other non-current liabilities							114
Total liabilities							147,468

4. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2022 (Restated)

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Segment assets	32,213	18,635	21,055	28,587	6,706	52,027	159,223
Reconciliation:							
Elimination of segment assets							(39,851)
Goodwill							23,644
Interests in associates							24,528
Equity investments designated at FVTOCI							5,852
Deferred tax assets							1,724
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							53,392
Other receivables							3,052
Total assets							236,018
Segment liabilities	44,000	11,068	13,916	16,655	5,418	58,231	149,288
Reconciliation:							
Elimination of segment liabilities							(39,618)
Tax payable							1,706
Other payable							1,172
Derivative financial instruments							122
Interest-bearing borrowings							26,141
Deferred tax liabilities							2,359
Other non-current liabilities							98
Total liabilities							141,268

4. OPERATING SEGMENT INFORMATION (continued)

For the year ended 31 December 2023

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Other segment information:							
Product warranty provisions	**2,201**	**650**	**1,244**	**1,608**	**641**	**–**	**6,344**
Provision for obsolete and slow-moving inventories, net	**300**	**262**	**78**	**202**	**80**	**169**	**1,091**
Allowance for/(reversal of) expected credit loss in respect of trade and bills receivable, net	**111**	**(1)**	**114**	**122**	**30**	**(87)**	**289**
Allowance for/(reversal of) expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	**155**	**4**	**(12)**	**(45)**	**53**	**124**	**279**
Loss/(gain) on disposal/write off of non-current assets, net	**38**	**44**	**(2)**	**35**	**1**	**(4)**	**112**
Depreciation and amortisation	**1,945**	**1,375**	**640**	**1,550**	**311**	**978**	**6,799**

For the year ended 31 December 2022 (Restated)

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Other segment information:							
Product warranty provisions	2,077	588	1,038	1,616	626	–	5,945
Provision for obsolete and slow-moving inventories, net	366	96	284	212	81	106	1,145
Allowance for/(reversal of) expected credit loss in respect of trade and bills receivable, net	2	32	305	25	(7)	62	419
Allowance for/(reversal of) expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	165	10	117	1	(1)	1	293
(Gain)/loss on disposal/write off of non-current assets, net	(87)	13	13	7	1	(129)	(182)
Depreciation and amortisation	1,857	1,311	597	1,414	242	630	6,051

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2023 RMB'M	2022 RMB'M (Restated)
Mainland China	**125,010**	116,791
North America	**79,751**	76,630
Europe	**28,544**	23,031
South Asia	**9,521**	8,284
Australia and New Zealand	**6,142**	6,962
Southeast Asia	**5,780**	5,180
Japan	**3,662**	3,569
Middle East and Africa	**1,935**	1,970
Other countries/regions	**1,077**	1,133
	261,422	243,550

The revenue information 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.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2023 RMB'M	2022 RMB'M (Restated)
Mainland China	**22,368**	19,433
Other countries/regions	**31,152**	29,019
	53,520	48,452
Interests in associates	**25,547**	24,528
Goodwill	**24,290**	23,644
Equity investments designated at FVTOCI	**6,404**	5,852
Financial assets measured at amortised cost	**9,192**	1,339
Deferred tax assets	**1,806**	1,724
	120,759	105,539

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, financial assets measured at amortised cost 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 2023 and 2022.

5. REVENUE AND OTHER GAINS, NET

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

	2023 RMB'M	2022 RMB'M (Restated)
Sale of goods	**261,243**	243,274
Rendering of services	**179**	276
	261,422	243,550

	2023 RMB'M	2022 RMB'M (Restated)
Sale of goods		
— Point in time	**261,243**	243,274
Rendering of service		
— Point in time	**65**	107
— Over time	**114**	169
	261,422	243,550

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.

5. REVENUE AND OTHER GAINS, NET (continued)

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. As permitted under practical expedient of IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of other gains, net is as follows:

	2023 RMB'M	2022 RMB'M (Restated)
Treasury and investment income:		
Interest income from		
Bank	**1,447**	826
Wealth management products	**50**	93
Other	**39**	30
Purchase payment discounts	**124**	143
Dividend income from equity investment designated at FVTOCI	**59**	32
	1,719	1,124
Compensation received from suppliers	**35**	47
(Loss)/gain on disposal of		
Non-current assets, net	**(112)**	182
Financial assets/liabilities measured at FVTPL, net	**1**	99
Associates and subsidiaries	**14**	27
Government grants (Note (a))	**1,559**	1,070
Rental income from investment properties (Note (b))	**6**	29
Net fair value gain/(loss) on financial assets/liabilities measured at FVTPL	**20**	(122)
Net foreign exchange gains	**135**	371
Sundry income	**86**	86
	3,463	2,913

Notes:

(a) Various government grants have been received for investments in certain regions in Mainland China in which the Company's subsidiaries operate as well as for the Group's technology advancements. There are no unfulfilled conditions or contingencies relating to these grants.

(b) The rental income from investment properties less direct outgoings for the years ended 31 December 2023 and 2022 amounted to approximately RMB6 million and RMB29 million (restated) respectively.

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2023 RMB'M	2022 RMB'M (Restated)
Cost of inventories sold	**179,501**	167,603
Provision for obsolete and slow-moving inventories, net (Note (a))	**1,091**	1,145
Cost of services	**127**	212
	180,719	168,960
Depreciation of property, plant and equipment	**4,422**	4,026
Depreciation of right-of-use assets and investment properties	**1,108**	933
Amortisation of other intangible assets	**1,208**	1,044
Amortisation of other non-current assets	**61**	48
	6,799	6,051
Employee benefit expense: (including directors', chief executive and supervisors' remuneration — Note 8):		
Salaries, bonuses, allowances and benefits in kind	**29,177**	25,948
Pension scheme contributions	**1,933**	1,664
Equity-settled share-based expense	**611**	912
	31,721	28,524

6. PROFIT BEFORE TAX (continued)

Profit before tax has been arrived at after charging:

	2023 RMB'M	2022 RMB'M (Restated)
Impairment of trade and bills receivables, net (Note (b))	**289**	419
Impairment of prepayments, deposits and other receivables and long term prepayments, net (Note (b))	**279**	293
Impairment of property, plant and equipment, interest in associates, other intangible assets and contract assets, net (Note (b))	**88**	74
	656	786
Research and development costs	**10,221**	9,507
Auditors' remuneration	**13**	13
Expenses relating to short-term leases and low value leases	**262**	194
Variable lease payments not included in the measurement of lease liabilities	**177**	163
Product warranty provisions	**6,344**	5,945

Notes:

(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.

(b) Included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'M	2022 RMB'M (Restated)
Interest on borrowings	**1,444**	607
Interest on convertible bond	**—**	6
Interest on lease liabilities	**138**	97
Other finance costs	**529**	287
	2,111	997

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**1,920**	2,182
Other emoluments:		
Salaries, allowances and benefits in kind	**2,150**	2,998
Discretionary bonuses	**3,053**	3,172
Equity-settled share-based expense (Note)	**16,268**	21,264
Pension scheme contributions	**533**	628
	22,004	28,062
	23,924	30,244

Note:

During the year, certain directors were granted share award/options, in respect of their services to the Group under the share award/option of the Company. Details of the share award/option are set out in note 36 to the consolidated financial statements.

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

The remuneration of independent non-executive directors during the years ended 31 December 2023 and 2022 is as follows:

2023

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
CHIEN Da-chun	**320**	**–**	**–**	**–**	**–**	**320**
WONG Hak Kun	**320**	**–**	**–**	**–**	**–**	**320**
LI Shipeng	**320**	**–**	**–**	**–**	**–**	**320**
WU Qi	**320**	**–**	**–**	**–**	**–**	**320**
	1,280	**–**	**–**	**–**	**–**	**1,280**

2022

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
CHIEN Da-chun	306	–	–	–	–	306
WONG Hak Kun	306	–	–	–	–	306
LI Shipeng	306	–	–	–	–	306
WU Qi	306	–	–	–	–	306
	1,224	–	–	–	–	1,224

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and the chief executive

The remuneration of executive directors and the chief executive during the years ended 31 December 2023 and 2022 are as follows:

2023

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
LI Huagang (chief executive)	(i)	–	900	1,666	8,728	148	11,442
GONG Wei	(ii)	–	650	1,300	4,643	148	6,741
		–	1,550	2,966	13,371	296	18,183

2022

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
LIANG Haishan	(iii)	–	484	287	4,648	68	5,487
LI Huagang (chief executive)	(i)	–	900	1,562	8,078	138	10,678
GONG Wei	(ii)	–	650	776	4,560	138	6,124
XIE Juzhi	(iv)	–	364	457	3,013	68	3,902
		–	2,398	3,082	20,299	412	26,191

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(c) Non-executive directors

The remuneration of non-executive directors during the years ended 31 December 2023 and 2022 are as follows:

2023

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
SHAO Xinzhi	(v)	–	–	–	1,447	–	1,447
YU Hon To, David		320	–	–	–	–	320
Eva LI Kam Fun		320	–	–	–	–	320
		640	–	–	1,447	–	2,087

2022

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
SHAO Xinzhi	(v)	–	–	–	–	–	–
WU Changqi	(vi)	173	–	–	–	–	173
LIN Sui	(vii)	173	–	–	–	–	173
YU Hon To, David		306	–	–	–	–	306
Eva LI Kam Fun		306	–	–	–	–	306
		958	–	–	–	–	958

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(d) Supervisors

The remuneration of supervisors during the years ended 31 December 2023 and 2022 are as follows:

2023

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
YU Miao	–	350	55	226	115	746
LIU Dalin	–	–	–	995	–	995
MA Yingjie	–	250	32	229	122	633
	–	600	87	1,450	237	2,374

2022

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
YU Miao	–	350	13	125	98	586
LIU Dalin	–	–	–	680	–	680
MA Yingjie	–	250	77	160	118	605
	–	600	90	965	216	1,871

Notes:

(i) LI Huagang appointed as chief executive on 28 June 2022.

(ii) GONG Wei appointed on 28 June 2022.

(iii) LIANG Haishan resigned on 28 June 2022.

(iv) XIE Juzhi appointed on 5 March 2021 and resigned on 28 June 2022.

(v) SHAO Xinzhi appointed on 28 June 2022.

(vi) WU Changqi resigned on 28 June 2022.

(vii) LIN Sui resigned on 28 June 2022.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2022: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid non-director employee who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**4,451**	17,262
Discretionary bonuses	**5,057**	1,083
Equity-settled share-based expense	**21,771**	24,978
Pension scheme contributions	**568**	549
	31,847	43,872

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$7,500,001 to HK$8,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	**2**	–
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,000,001 to HK$9,500,000	**–**	1
HK$9,500,001 to HK$10,000,000	**1**	–
HK$15,000,001 to HK$15,500,000	**–**	1
HK$18,000,001 to HK$18,500,000	**–**	1
Total	**4**	4

For share award/option were granted to these non-director and non-chief executive highest paid employees in respect of their services to the Group under the share award/option scheme of the Group. The fair values of share award/option, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the consolidated financial statements for the years ended 31 December 2023 and 2022 are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSES

	2023 RMB'M	2022 RMB'M
Current tax		
Charge for the year	**3,552**	2,752
Deferred income tax (Note 34)	**(572)**	306
Total tax charge for the year	**2,980**	3,058

Under the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25%. Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise subject to a preferential corporate income tax rate of 15% during the years ended 31 December 2023 and 2022.

Overseas tax is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the respective jurisdictions.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2023 RMB'M	2022 RMB'M (Restated)
Profit before tax	**19,712**	17,791
Tax at the statutory tax rate	**4,928**	4,448
Lower tax rates enacted by local authorities	**(1,087)**	(832)
Adjustments in respect of current tax of previous periods	**(171)**	(215)
Tax effect of share of profits or losses to associates	**(411)**	(308)
Tax effect of income not taxable for tax purpose	**(45)**	(185)
Tax effect of expenses not deductible for tax purpose	**306**	199
Tax effect of temporary differences not recognised	**(215)**	226
Other amounts	**(325)**	(275)
Total tax charge for the year	**2,980**	3,058

10. INCOME TAX EXPENSES (continued)

OECD Pillar Two model rules

The Organisation for Economic Co-operation and Development ("**OECD**") published Pillar Two model rules in December 2021, with the effect that a jurisdiction may enact domestic tax laws ("**Pillar Two legislation**") to implement the Pillar Two model rules on a globally agreed common approach. Pillar Two legislation applies to a member of a multinational group within the scope of the Pillar Two model rules, which the Group is reasonably expected to fall into. It imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate determined by the Pillar Two model rules on a jurisdictional basis is below a minimum rate of 15%.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two model rules in various jurisdictions and engaged external tax specialists in assessing its tax exposure. As at 31 December 2023, the Group mainly operates in the Mainland of China, in which exposures to Pillar Two income taxes might exist in the future although the legislation is not yet substantively enacted or enacted. Besides, certain subsidiaries of the Company are located in jurisdictions where Pillar Two legislation had been enacted or substantively enacted, but not yet in effect; it is estimated that the Group's income tax would not be materially different should those legislation had been in effect for the year ended 31 December 2023.

Since none of the Pillar Two legislation relevant to the Group has come into effect, the Group does not recognise any relevant current tax or deferred tax for the year ended 31 December 2023.

11. DIVIDENDS

	2023 RMB'M	2022 RMB'M
Proposed final dividend	**7,471**	5,298
Dividend paid during the year	**5,254**	4,297

	2023 RMB	2022 RMB
Dividend proposed per share*	**0.804**	0.566

* The amount represents RMB8.04 for every 10 shares in 2023 (2022: RMB5.66 for every 10 shares). With regards to the payment of final dividend for the year ended 31 December 2022, as the total share capital of the Company changed before the registration date on 28 July 2023 and the Company maintained the total distribution of RMB5,298 million (tax inclusive) unchanged, the Company adjusted the distribution ratio per share from RMB5.66 (tax inclusive) per 10 shares to RMB5.6692 (tax inclusive) per 10 shares accordingly.

12. 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 year attributable to Owners of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to exclude the repurchased share.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company, adjusted to reflect the interest and effect of the convertible bond. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the years ended 31 December 2023 and 2022, 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.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

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

	2023 RMB'M	2022 RMB'M (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**16,597**	14,712
Effect of dilutive potential ordinary shares:		
Interest on convertible bond, net of tax	**–**	6
Earnings for the purpose of diluted earnings per share	**16,597**	14,718

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

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**9,272,589,918**	9,316,804,514
Effect of dilutive potential ordinary shares:		
Convertible bond	**–**	12,499,928
Share award	**62,441,014**	44,188,061
Share options	**–**	1,513,588
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**9,335,030,932**	9,375,006,091

Note:

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. The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares in 2023.

13. RELATED PARTY TRANSACTIONS

(a) During the year, in addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with the Group's related parties (and their affiliates):

Relationship	Nature of transactions	2023 RMB'M	2022 RMB'M (Restated)
Associates	Sale of goods and services	**2,689**	1,917
	Purchase of goods and services	**18,940**	16,800
	Interest income	**766**	570
	Interest expenses	**—**	5
Haier Affiliates (Note (i))	Sale of goods and services	**1,042**	1,496
	Purchase of goods and services	**18,599**	21,101
	Other service fee expenses	**99**	97

The above transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

Note:

(i) Haier Affiliates include Haier Group's subsidiaries.

(b) Compensation of key management personnel (including the directors, chief executive and supervisors of the Company) of the Group.

	2023 RMB'000	2022 RMB'000
Short term employee benefits	**15,295**	19,545
Post-employment benefits	**1,259**	1,750
Share-based payment	**39,104**	61,020
Total compensation paid to key management personnel	**55,658**	82,315

Further details of directors' and chief executive's emoluments are included in Note 8 to consolidated financial statements.

13. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel (including the directors, chief executive and supervisors of the Company) of the Group. (continued)

The number of non-director and non-chief executive key management personnel whose remuneration fell within the following bands is as follows:

	Number of key management personnel	
	2023	2022
Number of individuals within the band of		
HK$1,000,001–HK$1,500,000	**1**	1
HK$2,000,001–HK$2,500,000	**–**	1
HK$3,500,001–HK$4,000,000	**–**	1
HK$4,500,001–HK$5,000,000	**–**	1
HK$5,500,001–HK$6,000,000	**1**	1
HK$6,000,001–HK$6,500,000	**–**	1
HK$6,500,001–HK$7,000,000	**2**	3
HK$7,500,001–HK$8,000,000	**1**	1
HK$8,000,001–HK$8,500,000	**3**	1
HK$8,500,001–HK$9,000,000	**1**	–
Total	**9**	11

(c) For the transactions constituting connected transactions under Listing Rules, please refer to "Connected Transactions" under "Report of the Directors".

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'M	Leasehold improvement RMB'M	Machinery and equipment RMB'M	Motor vehicles RMB'M	Furniture fixture and equipment RMB'M	Construction in progress RMB'M	Total RMB'M
Cost:							
As at 1 January 2022	10,942	924	25,797	161	2,617	4,184	44,625
Additions	102	469	1,188	2	146	6,026	7,933
Acquisition of subsidiaries	1	–	1	–	1	–	3
Disposals of subsidiaries	–	–	–	(1)	–	–	(1)
Disposal/write-off	(46)	(3)	(629)	(9)	(170)	–	(857)
Transfer from construction in progress	2,891	–	2,743	21	589	(6,244)	–
Exchange realignment	336	6	1,447	1	180	129	2,099
As at 31 December 2022 and 1 January 2023	**14,226**	**1,396**	**30,547**	**175**	**3,363**	**4,095**	**53,802**
Additions	**126**	**331**	**1,483**	**5**	**115**	**5,950**	**8,010**
Acquisition of subsidiaries	**–**	**–**	**28**	**–**	**1**	**33**	**62**
Disposal/write-off	**(115)**	**(13)**	**(891)**	**(13)**	**(172)**	**–**	**(1,204)**
Transfer from construction in progress	**1,062**	**–**	**3,012**	**26**	**479**	**(4,579)**	**–**
Exchange realignment	**72**	**2**	**447**	**(4)**	**60**	**(73)**	**504**
As at 31 December 2023	**15,371**	**1,716**	**34,626**	**189**	**3,846**	**5,426**	**61,174**
Accumulated depreciation and impairment:							
As at 1 January 2022	3,541	427	12,474	90	1,110	1	17,643
Depreciation provided for the year	543	363	2,588	20	512	–	4,026
Disposal of subsidiaries	–	–	–	(1)	–	–	(1)
Disposals/write-off	(23)	(3)	(493)	(9)	(87)	–	(615)
Impairment provided for the year	–	–	2	–	1	–	3
Exchange realignment	95	3	704	1	86	–	889
As at 31 December 2022 and 1 January 2023	**4,156**	**790**	**15,275**	**101**	**1,622**	**1**	**21,945**
Depreciation provided for the year	**681**	**448**	**2,777**	**23**	**493**	**–**	**4,422**
Acquisition of subsidiaries	**–**	**–**	**2**	**–**	**1**	**–**	**3**
Disposals/write-off	**(37)**	**(13)**	**(746)**	**(8)**	**(157)**	**–**	**(961)**
Impairment provided for the year	**–**	**–**	**3**	**–**	**–**	**22**	**25**
Exchange realignment	**42**	**1**	**139**	**–**	**63**	**–**	**245**
As at 31 December 2023	**4,842**	**1,226**	**17,450**	**116**	**2,022**	**23**	**25,679**
Carrying amounts							
As at 31 December 2023	**10,529**	**490**	**17,176**	**73**	**1,824**	**5,403**	**35,495**
As at 31 December 2022	10,070	606	15,272	74	1,741	4,094	31,857

14. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2023, the Group was still in the process of obtaining ownership certificates for certain land and buildings it owns, the net book value of which was RMB408 million (2022: RMB2,037 million). At the same date, certain of these land and buildings with net book value of RMB408 million had been put into use as, in the opinion of the directors, the Group can legally occupy and operate these properties while the related ownership certificates are being processed.

15. INVESTMENT PROPERTIES

	RMB'M (Restated)
Cost:	
As at 1 January 2022	119
Addition	1
Exchange realignment	3
As at 31 December 2022 and 1 January 2023	**123**
Exchange realignment	**1**
As at 31 December 2023	**124**
Accumulated depreciation:	
As at 1 January 2022	13
Depreciation provided for the year	6
Exchange realignment	1
As at 31 December 2022 and 1 January 2023	**20**
Depreciation provided for the year	**5**
As at 31 December 2023	**25**
Carrying amounts	
As at 31 December 2023	**99**
As at 31 December 2022	103

The Group's investment properties consist of one commercial property in Hong Kong and three industrial properties in Mainland China as at 31 December 2023 (2022: one commercial property in Hong Kong and three industrial properties in Mainland China (restated)).

15. INVESTMENT PROPERTIES (continued)

The fair value of the Group's investment properties as at 31 December 2023 has been arrived at on the basis of a valuation carried out on the respective dates by Shanghai Orient Appraisal Co. Ltd., independent qualified professional valuers not connected to the Group.

The valuation technique is the income approach and the significant inputs used in the fair value measurement are the estimated rental value, rent growth and discount rate for investment properties in Hong Kong.

The fair value of the industrial properties in Mainland China was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Mainland China and adjusted to take into account the market expectation form property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2023		2022	
	Carrying amount RMB'M	**Fair value at Level 3 hierarchy RMB'M**	Carrying amount RMB'M (Restated)	Fair value at Level 3 hierarchy RMB'M (Restated)
Investment properties in Hong Kong	**17**	**18**	17	19
Investment properties outside Hong Kong	**82**	**131**	86	133

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Investment property	2.0% to 5.0%

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of land use rights, buildings, machinery and equipment, furniture, fixtures and equipment and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings and plant and machinery generally have lease terms between one and ten years, while machinery and equipment, furniture, fixtures and equipment and motor vehicles generally have lease terms of twelve months or less and/or are individually of low value.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'M	Land and building RMB'M	Machinery and equipment RMB'M	Motor vehicles RMB'M	Furniture, fixtures and equipment RMB'M	Total RMB'M
As at 1 January 2022	1,052	2,378	24	101	231	3,786
Additions	350	1,644	7	44	158	2,203
Disposals	—	(43)	—	(2)	—	(45)
Depreciation provided for the year	(32)	(723)	(7)	(63)	(102)	(927)
Exchange realignment	1	134	(6)	8	12	149
As at 31 December 2022 and 1 January 2023	**1,371**	**3,390**	**18**	**88**	**299**	**5,166**
Acquisition of subsidiaries	**—**	**7**	**—**	**—**	**—**	**7**
Additions	**565**	**884**	**283**	**115**	**524**	**2,371**
Disposal	**—**	**(209)**	**—**	**(1)**	**—**	**(210)**
Depreciation provided for the year	**(39)**	**(821)**	**(31)**	**(73)**	**(139)**	**(1,103)**
Exchange realignment	**9**	**13**	**(8)**	**10**	**18**	**42**
As at 31 December 2023	**1,906**	**3,264**	**262**	**139**	**702**	**6,273**

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	RMB'M
Carrying amount as at 1 January 2022	2,649
New leases	1,853
Interest expenses recognised during the year	97
Payments	(959)
Disposal of subsidiaries	(1)
Early Termination	(77)
Exchange realignment	165
Carrying amount as at 31 December 2022 and 1 January 2023	**3,727**
Acquisition of subsidiaries	**7**
New leases	**1,806**
Interest expenses recognised during the year	**138**
Payments	**(1,138)**
Early Termination	**(249)**
Exchange realignment	**36**
Carrying amount as at 31 December 2023	**4,327**
Analysed into:	
As at 31 December 2023	
Current portion	**1,040**
Non-current portion	**3,287**
	4,327
As at 31 December 2022	
Current portion	903
Non-current portion	2,824
	3,727

The maturity analysis of lease liabilities is disclosed in note 42 to consolidated financial statements.

16. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'M	2022 RMB'M
Interest on lease liabilities	**138**	97
Depreciation charge of right-of-use assets	**1,064**	895
Expense relating to:		
Short-term leases	**218**	182
Lease of low value assets	**44**	12
Variable lease payments not included in the measurement of lease liabilities	**177**	163
Total amount recognised in profit or loss	**1,641**	1,349

(d) The total cash outflow for leases is disclosed in note 38(c) to consolidated financial statements.

	2023 RMB'M	2022 RMB'M
Lease liabilities payable:		
Within one year	**1,141**	1,023
Within a period of more than one year but not exceeding two years	**877**	837
Within a period more than two years but not exceeding five years	**1,587**	1,357
Within a period of more than five years	**1,155**	872
Total minimum lease payment	**4,760**	4,089
Less: total future interest expenses	**(433)**	(362)
	4,327	3,727
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,040)**	(903)
Amount due for settlement after 12 months shown under non-current liabilities	**3,287**	2,824

The weighted average incremental borrowing rates applied to lease liabilities range from 0.01% to 13.64% (2022: 0.01% to 12.28%).

16. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (Note 15) consisting of one commercial property in Hong Kong, two industrial properties in Dalian, the Mainland China and one industrial property in Zhengzhou, the Mainland China, under operating lease arrangements as at 31 December 2023 (2022: one commercial property in Hong Kong, two industrial properties in Dalian, the Mainland China and one industrial property in Zhengzhou, the Mainland China (restated)). Rental income recognised by the Group was approximately RMB6 million (2022: RMB29 million) for the years ended 31 December 2023, details of which are included in note 5 to consolidated financial statements.

At the end of the reporting period, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'M	2022 RMB'M (Restated)
Within one year	5	4
In the second to fifth years, inclusive	3	11
	8	15

17. GOODWILL

	2023 RMB'M	2022 RMB'M
Cost:		
At 1 January	23,644	21,827
Acquisition of subsidiaries	173	14
Exchange realignment	473	1,803
At 31 December	24,290	23,644
Net carrying amount	24,290	23,644

17. GOODWILL (continued)

Goodwill acquired through business combinations are allocated to the following cash-generating units for impairment testing:

- GE Appliances;
- Haier New Zealand Investment Holding Company Limited ("**HNZ**");
- Haier Europe Appliance Solutions S.P.A ("**Candy**"); and
- Qingdao Gooday Lejia IOT Technology Co., Ltd. ("**Lejia IOT**")

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2023 **RMB'M**	2022 RMB'M
GE Appliances (Note)	**21,047**	20,696
HNZ (Note)	**487**	478
Candy (Note)	**2,043**	1,930
Lejia IOT (Note)	**448**	448
Other	**265**	92
Net carrying amount	**24,290**	23,644

Note: The recoverable amounts of GE Appliances, HNZ, Candy and Lejia IOT have been determined by using cash flow projections based on financial budgets approved by senior management.

Assumptions were used in the value-in-use or fair value less cost of disposal calculation of the above cash-generating units as at 31 December 2023 and 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill. The annual growth rates of each CGUs are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash flows which include budgeted sales and gross margin; such estimation is based on the unit's past performance and management's expectations for the market development.

17. GOODWILL (continued)

Key assumptions used in the calculation the recoverable amount of GE Appliances are as follows:

	Pre-tax discount rate	Annual growth rate	Terminal growth rate	Recoverable amount (in million)	Headroom amount (in million)
As at 31 December 2023	**12.79%**	**2.33%**	**2%**	**RMB46,746**	**RMB11,693**
As at 31 December 2022	11.69%	2.29%	2%	RMB54,701	RMB20,063

Key assumptions used in the calculation the recoverable amount of HNZ are as follows:

	Pre-tax discount rate	Annual growth rate	Terminal growth rate	Recoverable amount (in million)	Headroom amount (in million)
As at 31 December 2023	**15%**	**4.24%**	**2%**	**RMB2,933**	**RMB421**
As at 31 December 2022	16.25%	4.5%	2%	RMB3,220	RMB757

Key assumptions used in the calculation the recoverable amount of Candy are as follows:

	Pre-tax discount rate	Annual growth rate	Terminal growth rate	Recoverable amount (in million)	Headroom amount (in million)
As at 31 December 2023	**10.64%**	**5.32%**	**1%**	**RMB11,172**	**RMB2,693**
As at 31 December 2022	10.2%	6.68%	2%	RMB8,225	RMB1,764

17. GOODWILL (continued)

Sensitivity analysis of the recoverable amount are disclosed as below:

	GE Appliances	HNZ	Candy
1% (increase)/decrease in pre-tax discount rate would result in recoverable amount (decrease)/increase by:			
31 December 2023 (in million)	**RMB(4,794)/6,051**	**RMB(320)/375**	**RMB(1,526)/4,306**
31 December 2022 (in million)	RMB(5,927)/7,357	RMB(303)/351	RMB(1,652)/2,250
1% increase/(decrease) in annual growth rate would result in recoverable amount increase/(decrease) by:			
31 December 2023 (in million)	**RMB7,382/(7,245)**	**RMB43/(43)**	**RMB679/(669)**
31 December 2022 (in million)	RMB8,676/(8,736)	RMB39/(39)	RMB465/(448)
1% increase/(decrease) in terminal growth rate would result in recoverable amount increase/(decrease) by:			
31 December 2023 (in million)	**RMB5,482/(4,115)**	**RMB260/(222)**	**RMB1,202/(976)**
31 December 2022 (in million)	RMB9,094/(6,875)	RMB231/(200)	RMB1,653/(1,218)

Discount rates — The discount rates used are before tax and reflect specific risks relating to similar industries and geographical locations.

Annual growth rate — The basis used to determine the annual growth rate is the average growth rate achieved in the years immediately before the budget year, increased for expected market development.

Terminal growth rate — The constant rate that the Company is expected to grow indefinitely.

During the years ended 31 December 2023 and 2022, the impairment assessment is based on a valuation by an independent professional valuer. The directors and management have considered and assessed reasonably possible changes for key assumptions that there is no impairment loss and have not identified any instances that could cause the carrying amount exceed its recoverable amount.

18. OTHER INTANGIBLE ASSETS

	Proprietary technology RMB'M	Patents and licences RMB'M	Trademarks RMB'M	Software & Others RMB'M	Total RMB'M
As at 1 January 2022	906	3,419	2,476	1,698	8,499
Additions	126	37	—	965	1,128
Acquisition of subsidiaries	—	—	—	10	10
Disposals	—	(3)	—	(4)	(7)
Amortisation provided for the year	(200)	(147)	—	(697)	(1,044)
Exchange realignment	36	323	107	83	549
As at 31 December 2022 and 1 January 2023	**868**	**3,629**	**2,583**	**2,055**	**9,135**
Additions	**127**	**10**	**—**	**843**	**980**
Acquisition of subsidiaries	**—**	**104**	**—**	**9**	**113**
Disposals	**—**	**(28)**	**—**	**(64)**	**(92)**
Amortisation provided for the year	**(197)**	**(158)**	**—**	**(853)**	**(1,208)**
Impairment loss	**—**	**(66)**	**—**	**—**	**(66)**
Exchange realignment	**15**	**195**	**105**	**(76)**	**239**
As at 31 December 2023	**813**	**3,686**	**2,688**	**1,914**	**9,101**

The carrying amounts of trademarks allocated to each of cash generating units of the Group is estimated individually for impairment testing as follows:

	2023 RMB'M	2022 RMB'M
GE Appliances	**673**	662
HNZ	**559**	548
Candy	**1,456**	1,373
Net carrying amount	**2,688**	2,583

The trademark held represented the exclusive right to use of registered trademarks, including Fisher & Paykel, DCS and ELBA for HNZ business. GE Appliances operates under several key brands, including General Electric series (all product lines), Monogram (refrigerator and cooking), and Hotpoint (laundry and cooking), etc. Candy business operates under several key brands, including Candy (mainly oriented to the low-to-mid-end kitchen and bathroom appliances) and Hoover (mainly oriented to the mid-to-high-end kitchen and bathroom appliances and the floor care appliances).

18. OTHER INTANGIBLE ASSETS (continued)

In estimating the fair value of trademark, a variation of the income approach, the Relief from Royalty ("**RfR**") Method, was applied. In the RfR method, the fair value of the intangible asset is estimated to be the present value of the royalties saved because the Company owns the intangible asset. In other words, the owner of the intangible asset realises a benefit from owning the intangible asset rather than pay a rent or royalty for the use of the intangible asset.

Set out below are details of the value of inputs used in the value-in-use calculation under IAS 36. The calculation uses cash flow projections based on financial budgets approved by management, and key parameters adopted by the valuer for performing the impairment assessment of the intangible assets belong to GE Appliances, HNZ and Candy, being the cash generating unit of the Group with indefinite useful lives (i.e. trademark, brand name) as at 31 December 2023 and 2022 are as follows:

		GE Appliances	HNZ	Candy
	Key Parameters on valuation:			
(a)	Annual growth rate			
	31 December 2023	**3.63%**	**6.92%**	**10.53%**
	31 December 2022	2.29%	4.50%	6.68%
(b)	Pre-tax discount rate			
	31 December 2023	**12.55%**	**21.50%**	**11.14%**
	31 December 2022	11.56%	19.71%	11.05%
(c)	Terminal growth rate			
	31 December 2023	**2.00%**	**2.00%**	**1.00%**
	31 December 2022	2.00%	2.00%	2.00%
(d)	Royalty rate			
	31 December 2023	**1.25%**	**2.60%**	**1.25%**
	31 December 2022	1.25%	2.60%	1.25%

Annual growth rate — The basis used to determine the annual growth rate is the average growth rate achieved in the years immediately before the budget year, increased for expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to similar industries and geographical locations.

Terminal growth rate — The constant rate that the Company is expected to grow indefinitely.

Royalty rate — The royalty rate used to determine the royalty fee received for the right to use the subject intangible asset.

There was no impairment loss recognised during the years ended 31 December 2023 and 2022.

18. OTHER INTANGIBLE ASSETS (continued)

Sensitivity analysis of the recoverable amount are disclosed as below:

	GE Appliances	HNZ	Candy
Sensitivity analysis			
1% increase/(decrease) in annual growth rate would result in recoverable amount increase/(decrease) by:			
31 December 2023 (in million)	**RMB10/(10)**	**RMB4/(4)**	**RMB68/(66)**
31 December 2022 (in million)	RMB11/(11)	RMB8/(8)	RMB115/(111)
1% (increase)/decrease in the pre-tax discount rate would result in recoverable amount (decrease)/increase by:			
31 December 2023 (in million)	**RMB(86)/105**	**RMB(39)/43**	**RMB(246)/313**
31 December 2022 (in million)	RMB(131)/169	RMB(40)/44	RMB(372)/495
1% increase/(decrease) in terminal growth rate would result in recoverable amount increase/(decrease) by:			
31 December 2023 (in million)	**RMB62/(49)**	**RMB24/(21)**	**RMB219/(174)**
31 December 2022 (in million)	RMB83/(65)	RMB25/(22)	RMB358/(275)
Headroom amount			
31 December 2023 (in million)	**RMB331**	**RMB251**	**RMB749**
31 December 2022 (in million)	RMB474	RMB266	RMB1,559
Recoverable amount			
31 December 2023 (in million)	**RMB1,004**	**RMB810**	**RMB2,205**
31 December 2022 (in million)	RMB1,136	RMB814	RMB2,932

During the years ended 31 December 2023 and 2022, the impairment assessment is based on a valuation by an independent professional valuer and the directors and management have considered and assessed reasonably possible changes for key assumptions that there is no impairment loss and have not identified any instances that could cause the carrying amount exceed its recoverable amount.

19. INTERESTS IN ASSOCIATES

Details of interests in associates of the Group is as follow:

	2023 RMB'M	2022 RMB'M
Cost of investments in associates	**18,945**	18,915
Share of post-acquisition profits and other comprehensive income, net of dividends received	**6,713**	5,738
Impairments loss	**(111)**	(125)
	25,547	24,528

Particulars of the material associates of the Group are as follows:

Name	Place of incorporation/ registration of business	Paid-up capital or registered capital '000	Percentage of equity attributable to the Company as at 31 December 2023	2022	Principal activity	Type of legal activity
Haier Group Finance Co., Ltd	Mainland China/ Mainland China	RMB7,000	**42%**	42%	Financing	Limited liability company

19. INTERESTS IN ASSOCIATES (continued)

The following table illustrates summarised financial position of Haier Group Finance Co., Ltd information as at 31 December 2023 and 2022 and summarised financial performance information for the years ended 31 December 2023 and 2022 adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

Haier Group Finance Co., Ltd. ("Haier Finance")

	2023 **RMB'M**	2022 RMB'M
Current assets	**58,472**	62,368
Non-Current assets, excluding goodwill	**17,216**	12,623
Current liabilities	**(56,268)**	(56,510)
Non-current liabilities	**(583)**	(480)
Net assets, excluding goodwill	**18,837**	18,001
Proportion of the Group's ownership	**42.00%**	42.00%
The Group's share of net assets of Haier Finance	**7,912**	7,561
Revenue	**1,699**	2,037
Profit for the year	**1,418**	1,585
Other comprehensive (loss)/income	**(23)**	10
Total comprehensive income for the year	**1,395**	1,595
Reconciliation of net assets of Hair Finance:		
Opening net assets 1 January	**7,561**	7,109
Dividends declared	**(235)**	(218)
Share of results of Haier Finance	**586**	670
Closing net assets 31 December	**7,912**	7,561

19. INTERESTS IN ASSOCIATES (continued)

Haier Group Finance Co., Ltd. ("Haier Finance") (continued)

The following table illustrates the aggregate financial information of the Group's and the Company's associates that are not individually material:

	2023 RMB'M	2022 RMB'M
Share of results of the associates for the year	**1,179**	918
Share of the associates' other comprehensive (loss)/income	**(99)**	96

	2023 RMB'M	2022 RMB'M
Aggregate carrying amount of the Group's investments in the associates	**17,746**	17,092

The Group's trade receivables, payable balance and financial assets measured at amortised cost with the associates are disclosed in note 22, 25 and 28 to consolidated financial statements, respectively.

20. EQUITY INVESTMENTS DESIGNATED AT FVTOCI

	2023 RMB'M	2022 RMB'M
Listed equity investments, at fair value:		
— Qingdao East soft Communication Technology Co., Ltd	**12**	9
— Other	**8**	7
Unlisted equity investments, at fair value:		
— SINOPEC Fuel Oil Sales Corporation Limited	**1,986**	1,235
— Haier COSMO IOT Ecosystem Technology Co., Ltd. ("**COSMO**")	**2,817**	2,817
— Other	**1,581**	1,784
	6,404	5,852

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature. Details of valuation techniques used to estimate the fair values of the above equity investments are set out in note 41 to consolidated financial statements.

During the year ended 31 December 2023, the Group received dividends in the amount of approximately RMB59 million (2022: RMB32 million) from the above investments.

21. FINANCIAL ASSETS MEASURED AT FVTPL

	2023 **RMB'M**	2022 RMB'M
Current		
Wealth management products	**488**	15
Marketable securities	**223**	168
Investment in other equity instruments	**243**	337
	954	520

As at 31 December 2023 and 2022, included in the Group's wealth management products were products with floating returns which were measured at FVTPL.

22. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2023 **RMB'M**	2022 RMB'M
Current		
Wealth management products	**1,530**	1,642
Non-current		
Time deposits	**8,841**	1,034
Long-term receivables	**351**	305
	9,192	1,339
	10,722	2,981

As at 31 December 2023 and 2022, included in the Group's wealth management products were products with fixed returns which were stated at amortised cost. All wealth management products are principal protected. The time deposits with carrying amounts of RMB6,950 million are placed with Haier Finance as at 31 December 2023. The amounts are unsecured, interest on 3.4% per annum and recoverable more than one year. The expected credit losses for the financial assets measured at amortised cost are immaterial to the Group.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 RMB'M	2022 RMB'M
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Current assets		
Foreign currency forward contracts	**68**	179
Forward commodity contract	**–**	4
	68	183
Non-current liabilities		
Put option liabilities	**–**	17
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Current liabilities		
Foreign currency forward contracts	**167**	93
Forward commodity contract	**2**	12
	169	105
	169	122

24. INVENTORIES

	2023 RMB'M	2022 RMB'M (Restated)
Raw material	**5,665**	6,049
Work in progress	**48**	74
Finished goods	**33,811**	35,465
	39,524	41,588

25. TRADE AND BILLS RECEIVABLES

	2023 RMB'M	2022 RMB'M (Restated)
Trade receivables	**21,677**	17,092
Less: Allowance for expected credit losses ("**ECL**")	**(1,408)**	(1,205)
Trade receivables, net	**20,269**	15,887
Bills receivables	**8,626**	9,628
Less: Allowance for ECL	**(5)**	(4)
Bills receivables, net	**8,621**	9,624
Total	**28,890**	25,511

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 (net of ECL) as at the end of the reporting period, based on the invoice date, is as follows:

	2023 RMB'M	2022 RMB'M (Restated)
1 to 3 months	**17,882**	13,578
3 months to 1 year	**1,805**	1,714
1 to 2 years	**405**	416
2 to 3 years	**120**	144
Over 3 years	**57**	35
	20,269	15,887

25. TRADE AND BILLS RECEIVABLES (continued)

The movements in the ECL allowance of trade and bills receivables are as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**1,209**	821
Acquisition of subsidiaries	**4**	—
Impairment losses, net (Note 6)	**289**	419
Amount written off as uncollectible	**(82)**	(36)
Exchange realignment	**(7)**	5
As at 31 December	**1,413**	1,209

As at 31 December 2023 and 2022, impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The ECL rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type).

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Individual assessment	Total
Average loss rate	**1.45%**	**13.17%**	**37.82%**	**67.98%**	**99.77%**	**6.50%**
Gross carrying amount (RMB'M)	**19,977**	**463**	**193**	**178**	**866**	**21,677**
Expected credit loss (RMB'M)	**289**	**61**	**73**	**121**	**864**	**1,408**

As at 31 December 2022 (Restated)

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Individual assessment	Total
Average loss rate	2.18%	7.64%	38.79%	70.34%	98.36%	7.05%
Gross carrying amount (RMB'M)	15,628	445	232	118	669	17,092
Expected credit loss (RMB'M)	340	34	90	83	658	1,205

Included in the Group's trade and bills receivables are amounts due from Haier Affiliates approximately RMB687 million (2022: RMB663 million (restated)) and amounts due from associates approximately RMB1,241 million (2022: RMB1,169 million (restated)) as at 31 December 2023. All of these amounts are repayable on credit terms similar to those offered to the major customers of the Group. Further details of the sales to these related parties are set out in note 13 to consolidated financial statements.

25. TRADE AND BILLS RECEIVABLES (continued)

As at 31 December 2023, the Group's bills receivables of approximately RMB4,357 million (2022: RMB8,715 million) were pledged to secure the Group's bills payable. The Groups' bills receivables of approximately RM33 million (2022: RMB1 million) and trade receivables of approximately RMB1 million (2022: RMB79 million) were pledged to secured of the Group's loan.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'M	2022 RMB'M (Restated)
Current		
Interest receivables (Note a)	**748**	513
Taxes recoverable (Note a)	**2,611**	2,710
Prepayments (Note a)	**1,238**	1,110
Deposits (Note a)	**85**	81
Other receivables (Note a)	**1,968**	2,022
Miscellaneous receivables (Note a)	**671**	563
	7,321	6,999
Less: Allowance for ECL	**(413)**	(436)
	6,908	6,563
Non-current		
Long-term prepayments (Note b)	**1,747**	1,672
	8,655	8,235

Notes:

(a) Included in the Group's prepayments, deposits and other receivables are amounts due from Haier Affiliates of approximately RMB748 million (2022: RMB569 million (restated)) and amounts due from associates of approximately RMB23 million (2022: RMB126 million (restated)) as at 31 December 2023. All of these amounts are unsecured, interest-free and recoverable on demand.

Prepayments, deposits and other receivables mainly represent prepayments and the deposits with suppliers and other parties. The ECL are estimated by applying a general approach with reference to the historical loss record of the Group and is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The average loss rate applied as at the 31 December 2023 was 5.64% (2022: 6.23% (restated)). The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

(b) Included in the Group's long-term prepayments are advances made to Haier Affiliates relating to the Group's property, plant and equipment with an aggregate amount of approximately RMB9 million (2022: RMB4 million) as at 31 December 2023. The amounts are unsecured, interest-free and recoverable on demand.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in the ECL of deposits and other receivables are as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**436**	519
Impairment losses, net (Note 6)	**279**	293
Amount written off as uncollectible	**(303)**	(385)
Exchange realignment	**1**	9
As at 31 December	**413**	436

27. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0.30% to 3.50% per annum (2022: 0.30% to 3.90% per annum) for the year ended 31 December 2023. The pledged deposits carry an interest rate which ranges from 0.39% to 3.4% per annum (2022: 0.39% to 3.50% per annum) for the year ended 31 December 2023. The pledged bank deposits will be released upon the settlement of relevant bills payables (Note 28).

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB407 million (2022: RMB642 million) have been pledged to secure bills payables (Note 28) as at 31 December 2023 and are therefore classified as current assets.

	2023 RMB'M	2022 RMB'M (Restated)
Cash and bank balances	**30,079**	27,017
Time deposits	**24,407**	27,145
	54,486	54,162
Less: Cash and bank balances and time deposits pledged for:		
Bills payable (Note 28)	**(407)**	(642)
Bank guarantees	**(41)**	(23)
Pledged deposits	**(448)**	(665)
Other deposit with limited use	**(61)**	(105)
Cash and cash equivalents	**53,977**	53,392

27. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (continued)

As at 31 December 2023, the cash and bank balances and time deposits of the Group, denominated in RMB, amounted to approximately RMB38,086 million (2022: RMB41,458 million (restated)). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for within three months depending on the immediate cash requirements of the Group, and earn interest at the deposit rates of the respective periods. The bank balances and pledged deposits are deposited with creditworthy banks or financial institutions with no recent history of default.

Included in the Group's cash and cash equivalents are deposits of approximately RMB26,277 million (2022: RMB31,433 million (restated)) placed with Haier Finance as at 31 December 2023 which is an associate of the Group and is a financial institution approved by the People's Bank of China. The interest rate on these deposits ranges from 0.00012% to 5.32% per annum (2022: 0.39% to 3.50% per annum) for the year ended 31 December 2023. Further details of the interest income attributable to the deposits placed with Haier Finance are set out in note 13 to consolidated financial statements.

28. TRADE AND BILLS PAYABLES

	2023 **RMB'M**	2022 RMB'M (Restated)
Trade payables	**47,062**	41,885
Bills payables	**22,216**	25,099
	69,278	66,984

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:

	2023 **RMB'M**	2022 RMB'M (Restated)
Within 1 year	**68,726**	66,489
1 to 2 years	**279**	285
2 to 3 years	**114**	89
Over 3 years	**159**	121
	69,278	66,984

28. TRADE AND BILLS PAYABLES (continued)

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

Included in the Group's trade and bills payables are amounts due to Haier Affiliates of approximately RMB1,847 million (2022: RMB3,571 million (restated)) and amounts due to an associate of approximately RMB1,457 million (2022: RMB1,492 million) as at 31 December 2023. Further details of the purchases from these related parties are set out in note 13 to consolidated financial statements.

As at 31 December 2023, the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to approximately RMB407 million (2022: RMB642 million) (Note 27) and the Group's bills receivable amounting to approximately RMB4,357 million (2022: RMB8,715 million) (Note 25).

29. OTHER PAYABLES AND ACCRUALS

	2023 RMB'M	2022 RMB'M (Restated)
Other payables and accruals	**25,003**	22,580
Refund liabilities:		
Volume rebate	**1,683**	1,465
Sales return	**580**	625
Deferred income (Note 33)	**102**	114
	27,368	24,784

Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables and accruals are amounts due to Haier Affiliates of approximately RMB1,531 million (2022: RMB1,164 million (restated)), amounts due to associates of approximately RMB45 million (2022: RMB65 million) as at 31 December 2023. All of these amounts are unsecured, interest-free and repayable on demand.

30. CONTRACT ASSETS/CONTRACT LIABILITIES

(a) Contract assets

	2023 RMB'M	2022 RMB'M
Retention for rendering service	**328**	380
Impairment loss	**(67)**	(70)
	261	310

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group also typically agrees to a retention for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional at the end of warranty period.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

(b) Contract liabilities

The Group's sale of products and provision of after-sales and logistics services and other value-added customer services contracts include payment schedules which require stage payments over the services period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 20% of total contract sum as part of its credit risk management policies. The Group typically require 10% of total contract sum for credit risk management.

30. CONTRACT ASSETS/CONTRACT LIABILITIES (continued)

(b) Contract liabilities (continued)

The Group's contract liabilities are analysed as follows:

	2023 RMB'M	2022 RMB'M (Restated)
Receipt in advance/contract liabilities		
Sale of goods	**7,724**	9,344
Rendering of services	**8**	9
As at 31 December	**7,732**	9,353

Contract liabilities mainly include short-term advances received from customers for sales of products and provision of after-sales and logistics services and other value-added customer services.

	2023 RMB'M	2022 RMB'M (Restated)
Contract liabilities		
As at 1 January	**9,353**	10,051
Consideration received from customers over the amounts of revenue recognised	**7,210**	9,086
Less: Revenue recognised during the year	**(8,831)**	(9,784)
As at 31 December	**7,732**	9,353

31. INTEREST-BEARING BORROWINGS

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

	2023 RMB'M	2022 RMB'M (Restated)
Current		
Bank loans — unsecured	**10,360**	12,330
Bank loans — secured	**48**	184
	10,408	12,514
Non-current		
Bank loans — unsecured	**17,973**	13,603
Bank loans — secured	**15**	24
	17,988	13,627
	28,396	26,141
Unsecured	**28,333**	25,933
Secured	**63**	208
	28,396	26,141
Analysed into:		
Loans repayable:		
Within one year or on demand	**10,408**	12,514
In the second year	**13,014**	992
In the third to fifth years, inclusive	**4,876**	12,598
Over five years	**98**	37
	28,396	26,141
Effective interest rate		
Current		
Bank loans — unsecured	**0.70% to 9.20%**	0.85% to 8.00%
Bank loans — secured	**1.70% to 4.70%**	2.00% to 4.50%
Non-current		
Bank loans — unsecured	**1.20% to 7.00%**	1.50% to 5.31%
Bank loans — secured	**4.30% to 4.60%**	1.19%

31. INTEREST-BEARING BORROWINGS (continued)

As at 31 December 2023 and 2022, the Group's interest-bearing borrowings were denominated in the following currencies:

	2023 RMB'M	2022 RMB'M (Restated)
USD	**11,618**	10,006
EUR	**7,292**	9,503
RMB	**4,669**	2,625
Other currencies	**4,817**	4,007
	28,396	26,141

Included in the Group's interest-bearing borrowings are borrowings of approximately RMBNil million (2022: RMB60 million) from Haier Finance, which is an associate of the Group and is a financial institution approved by the People's Bank of China. The interest rate on these loans ranges from Nil% to Nil% per annum (2022: 1.8% to 4.5% per annum) for the years ended 31 December 2023. Further details of the interest expense to these related parties are set out in note 13 to consolidated financial statement.

The Group's loans are guaranteed by:

(i) Haier Group, the controlling shareholder of the Company, to the extent of approximately RMBNil million as at 31 December 2023 (2022: RMB60 million); and

The Group's loans are secured by:

(i) the pledge of the Group's trade and bills receivables with carrying amount of approximately RMB34 million as at 31 December 2023 (2022: RMB80 million (restated)).

32. PROVISIONS

	2023 RMB'M	2022 RMB'M
Product warranties	**3,809**	3,502
Legal claim	**242**	307
Others	**416**	339
	4,467	4,148
Portion classified as current liabilities	**(2,532)**	(2,537)
Non-current portion	**1,935**	1,611

The movements in product warranties are as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**3,502**	3,681
Additional provision (Note 6)	**6,344**	5,945
Acquisition of subsidiaries	**71**	—
Amounts utilised during the year	**(6,135)**	(6,178)
Exchange realignment	**27**	54
As at 31 December	**3,809**	3,502

The Group provides installation services and warranties of three to eight years to its customers for refrigerators, freezers, kitchen conditioners, air-appliances, laundry appliances, water appliances and smart home business overseas under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on retail volume and past experience of the level of installation services rendered, repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

33. DEFERRED INCOME

The movement of deferred income is set out below:

	2023 RMB'M	2022 RMB'M (Restated)
As at 1 January	**949**	823
Compensation received during the year	**230**	263
Credit to profit or loss	**(129)**	(137)
As at 31 December	**1,050**	949
Less: Current portion included in other payables and accruals (Note 29)	**(102)**	(114)
Non-current portion	**948**	835

Government grants mainly include subsidies income received by a subsidiary of the Group which operates in the Mainland China in accordance with the subsidy policies of local government authorities. Subsidies income received by a subsidiary of the Group is recognised in the consolidated statement of profit or loss and other comprehensive income when received and no specific conditions are required. Those government grants recognised are included in other income. There are no unfulfilled conditions or contingencies relating to these government grants.

34. DEFERRED TAX

The movements in deferred tax assets and deferred tax liabilities during the years ended 31 December 2023 and 2022 are as follows:

Deferred tax assets

	Provision for impairment RMB'M	Lease liabilities and payables RMB'M	Unrealised profits RMB'M	Loss uncovered RMB'M	Research and development costs RMB'M	Other RMB'M	Total RMB'M
As at 1 January 2022 (restated)	355	2,275	619	817	57	392	4,515
Deferred tax credited/(charged) to the statement of profit or loss during the year, net	126	37	229	(609)	539	(36)	286
Deferred tax charged to the statement of other comprehensive income during the year	–	–	–	–	–	25	25
Exchange realignment	4	82	1	9	19	(34)	81
As at 31 December 2022 and 1 January 2023 (restated)	**485**	**2,394**	**849**	**217**	**615**	**347**	**4,907**
Deferred tax (charged)/credited to the statement of profit or loss during the year, net	**(8)**	**234**	**(141)**	**10**	**542**	**43**	**680**
Acquisition of subsidiaries	**1**	**1**	**–**	**–**	**–**	**–**	**2**
Exchange realignment	**(5)**	**18**	**–**	**4**	**14**	**(98)**	**(67)**
As at 31 December 2023	**473**	**2,647**	**708**	**231**	**1,171**	**292**	**5,522**

34. DEFERRED TAX (continued)

Deferred tax liabilities

	Withholding taxes RMB'M	Right of use assets, depreciation and amortisation RMB'M	Remeasurement of fair value of the remaining equity on the date of loss of control RMB'M	Change in fair value of other equity instrument investment RMB'M	Other RMB'M	Total RMB'M
As at 1 January 2022 (restated)	94	3,187	879	292	328	4,780
Deferred tax charged to the statement of profit or loss during the year, net	–	518	–	–	74	592
Deferred tax charged to the statement of other comprehensive income during the year	–	–	–	1	7	8
Exchange realignment	–	170	–	–	(8)	162
As at 31 December 2022 and 1 January 2023 (restated)	**94**	**3,875**	**879**	**293**	**401**	**5,542**
Deferred tax charged/(credited) to the statement of profit or loss during the year, net	**–**	**165**	**–**	**–**	**(57)**	**108**
Deferred tax charged to the statement of other comprehensive income during the year	**–**	**–**	**–**	**13**	**65**	**78**
Acquisition of subsidiaries	**–**	**9**	**–**	**–**	**–**	**9**
Exchange realignment	**–**	**18**	**–**	**–**	**(11)**	**7**
As at 31 December 2023	**94**	**4,067**	**879**	**306**	**398**	**5,744**

34. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

For presentation purpose, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balance of the Group for financial reporting purpose:

	2023 RMB'M	2022 RMB'M (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**1,806**	1,724
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,028)**	(2,359)
Net deferred tax liabilities	**(222)**	(635)

35. SHARE CAPITAL

The movements of the Company's issued share capital during the years ended 31 December 2023 and 2022 are as follows:

	H Shares 'M	D Shares 'M	A Shares 'M	Total number of shares 'M	Share capital RMB'M
As at 1 January 2022	2,819	271	6,309	9,399	9,399
Issue of share (Note a)	22	—	—	22	22
Share repurchased and cancelled (Note b)	(15)	—	—	(15)	(15)
Placing of shares (Note c)	41	—	—	41	41
As at 31 December 2022 and 1 January 2023	**2,867**	**271**	**6,309**	**9,447**	**9,447**
Share repurchased and cancelled (Note d)	**(9)**	**—**	**—**	**(9)**	**(9)**
As at 31 December 2023	**2,858**	**271**	**6,309**	**9,438**	**9,438**

35. SHARE CAPITAL (continued)

Notes:

(a) Upon conversion of convertible bond during year ended 31 December 2022, a total of 21,450,563 H Shares were issued.

(b) During the year ended 31 December 2022, the Company repurchased a total of 14,970,200 H shares at a consideration of approximately HKD362 million which were subsequently cancelled.

(c) 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.

(d) During the year ended 31 December 2023, the Company repurchased a total of 8,483,600 H shares at a consideration of approximately HKD199 million which were subsequently cancelled.

(e) All shares issued are at par value of RMB1.

36. SHARE-BASED PAYMENTS TRANSACTIONS

The Company adopted the A Share Core Employee Stock Ownership Plan (ESOP) (2021–2025), the H Share Core Employee Stock Ownership Plan (ESOP) (2021–2025) and the H Share Restricted Share Unit Scheme (RSU) at the 2020 annual general meeting held on 25 June 2021.

It is expected that relevant employees of the Group ordinarily reside within Mainland China will mainly be covered by the A Share ESOP and H Share ESOP, while relevant employees of the Group ordinarily reside outside Mainland China will mainly be covered by the RSU Scheme.

The A Share and H Share ESOP and RSU Scheme are designed to provide incentive to middle and senior management and core employees with the Company's two to three-year profit target, and business unit and individual performance target as the main appraisal benchmarks. There is no consideration to be paid by the participants for the shares awarded under the A Share and H Share ESOPs and RSU Scheme, which aligns with the purpose of the share aware scheme to attract and retain the services of directors and employees.

The ESOP for each year shall be independent of each other, but the total number of shares held by each established and existing ESOP (including A Share ESOP and H Share ESOP) shall not exceed 10% of the total share capital of the Company, and the total number of shares corresponding to a single employee's share in the existing ESOPs shall not exceed 1% of the total amount of the Company's share capital.

36. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

(a) A and H Share ESOP

A Share ESOP

Particulars and movements of A Share ESOP during the year ended 31 December 2023 and 2022 were as follows:

	2023		2022	
	Weighted average grant date fair value per share RMB	Number of awarded shares	Weighted average grant date fair value per share RMB	Number of awarded shares
At 1 January	**23.5**	**44,637,782**	24.9	25,440,807
Grant during the year	**24.5**	**25,117,000**	22.6	26,814,055
Vested during the year	**23.9**	**(14,854,383)**	24.9	(7,617,080)
Cancelled during the year	**24.9**	**(9,250,790)**	—	—
Outstanding as at 31 December	**23.6**	**45,649,609**	23.5	44,637,782

During the year ended 31 December 2023, the Company granted A Share ESOP on 28 July 2023 (2022: 10 August 2022) with an estimated fair value of RMB614 million (2022: RMB607 million).

The fair value of the A Share ESOP was calculated based on the market closing price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

36. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

(a) A and H Share ESOP (continued)

H Share ESOP

Particulars and movements of H Share ESOP during the year ended 31 December 2023 and 2022 were as follows:

	2023		2022	
	Weighted average grant date fair value per share RMB	Number of awarded shares	Weighted average grant date fair value per share RMB	Number of awarded shares
At 1 January	**20.7**	**5,117,851**	21.6	3,757,000
Grant during the year	**22.7**	**3,230,400**	19.7	2,653,200
Vested during the year	**20.8**	**(1,469,399)**	21.6	(1,292,349)
Cancelled during the year	**21.6**	**(1,630,368)**	—	—
Outstanding as at 31 December	**21.5**	**5,248,484**	20.7	5,117,851

During the year ended 31 December 2023, the Company granted H Share ESOP on 28 July 2023 (2022: 10 August 2022) with an estimated fair value of RMB73 million (2022: RMB52 million).

The Group recognised a total expense of RMB407 million (2022: RMB567 million) for the year ended 31 December 2023 in relation to A and H Share ESOP granted by the Company.

The fair value of the H Share ESOP was calculated based on the market closing price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

36. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

(b) H Share Restricted Share Unit Scheme

Particulars and movements of H Share RSU during the year ended 31 December 2023 and 2022 were as follows:

	2023		2022	
	Weighted average grant date fair value per share RMB	**Number of awarded shares**	Weighted average grant date fair value per share RMB	Number of awarded shares
At 1 January	**22.0**	**8,765,875**	21.6	4,438,027
Grant during the year	**21.4**	**6,158,959**	22.2	5,636,959
Vested during the year	**22.0**	**(536,428)**	21.6	(309,451)
Cancelled during the year	**21.6**	**(23,427)**	—	—
Lapsed during the year	**22.5**	**(279,430)**	21.6	(999,660)
Outstanding as at 31 December	**21.7**	**14,085,549**	22.0	8,765,875

During the year ended 31 December 2023, H Share RSU were granted on 23 June 2023 and 1 November 2023. The estimated fair values of the H Share RSU granted on those dates are RMB131 million and RMB1 million respectively.

During the year ended 31 December 2022, H Share RSU were granted on 25 May 2022, 23 June 2022 and 9 September 2022. The estimated fair values of the H Share RSU granted on those dates are RMB1 million, RMB123 million and RMB1 million respectively.

The Group recognised a total expense of RMB43 million (2022: RMB30 million) for the year ended 31 December 2023 in relation to H Share RSU granted by the Company.

The fair value of the H Share RSU was calculated based on the market closing price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

(c) A-Share Option Scheme

The total number shares of the Company to be granted under the A Share Option Incentive schemes within the validity period to any participants will not exceed 1% of the total number of shares of the Company. The total underlying shares of the Company involved under fully effective share option incentive schemes shall not exceed 10% of the total number of shares of the Company.

36. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

(c) A-Share Option Scheme (continued)

2022 A Share Option Incentive Scheme

The Company adopted a 2022 A Share Option Incentive Scheme (the "**2022 A Share Option Incentive Scheme**") at the annual general meeting held on 28 June 2022.

On 28 June 2022, the Company had resolved to grant 104,756,896 A share options to 1,834 participants.

The share options granted in 2022 will be valid for a maximum period of 60 months commencing from the grant date to the date of full exercise or cancellation of all share options granted to the participants. Upon the expiry of the 12-month period from the grant date of share options granted under the 2022 A Share Option Incentive Scheme, and subject to the satisfaction of the exercise conditions, the participants may exercise the options in four yearly phases of 25% of the granted options each. The vesting period of the share options is from the date of grant until the respective vesting dates.

Particulars and movements of share options during the year ended 31 December 2023 and 2022 were as follows:

	2023		2022	
	Weighted average exercise price per share RMB	**Number of options**	Weighted average exercise price per share RMB	Number of options
At 1 January	**24.4**	**155,282,110**	25.6	50,525,214
Grant during the year	**—**	**—**	23.9	104,756,896
Cancelled during the year	**24.6**	**(45,132,648)**	—	—
Lapsed during the year	**24.6**	**(4,101,442)**	—	—
Outstanding as at 31 December	**24.3**	**106,048,020**	24.4	155,282,110

The weighted average remaining contract life for outstanding share options was 2.6 years in 2023 (2022: 2.9 years).

During the year ended 31 December 2022, options were granted on 28 June 2022. The estimated fair values of the option granted on this date is RMB777 million.

36. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

(c) A-Share Option Scheme (continued)

In determining the value of the share options granted, the Black-Scholes option pricing model (the "**Black-Scholes Model**") has been used. The Black-Scholes Model is one of the most generally accepted methodologies used to calculate the value of options. The variables of the Black-Scholes Model include share price, exercise price, expected volatility, expected life, risk-free rate and expected dividend yield of the shares of the Company.

These fair values of share options granted during the year 31 December 2022 were calculated using the Black-Scholes Model. The inputs into the model were as follows:

	2022
Share price (RMB)	27.01
Exercise price (RMB)	23.86
Expected volatility	36.77% to 40.16%
Expected life	1–4 years
Risk-free rate	2% to 2.56%
Expected dividend yield	1.7%

The above variables were determined as follows:

(i) The expected volatility represents the annualised standard deviation of the return on the daily share price of the Company over the period commensurate to the expected life of the options (taking into account the remaining contractual life of the option and the effect of the expected early exercise of the option).

(ii) The expected life is estimated to be 1 year to 4 years after the end of the respective vesting period.

(iii) The risk-free rate represents the yield of the China Government Bonds corresponding to the expected life of the option as at the measurement date.

The Black-Scholes Model applied for the determination of the estimated value of the options granted under 2022 A Share Option Incentive Scheme requires inputs of highly subjective assumptions, including the expected stock volatility. As the Company's share options have characteristics significantly different from those of traded options, changes in subjective inputs may materially affect the estimated fair value of the options granted.

The Group recognises the fair value of share options as an expense in the income statement over the vesting period, or as an asset, if the cost qualifies for recognition as an asset. The fair value of the share options is measured at the date of grant. The Group recognised a total expense of RMB161 million (2022: RMB315 million) for the year ended 31 December 2023 in relation to share options granted by the Company.

37. RESERVES

Reserves

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2023 and 2022 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

(i) According to the relevant rules and regulations in the People's Republic of China ("**PRC**"), subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the reserve fund until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Reserve fund can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

(ii) Convertible bond reserve represent the value of the unexercised equity component of convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible bond. If the convertible bond are not converted at the maturity date, the convertible bond reserves will not be reclassified subsequently to profit or loss.

(iii) Exchange differences on translation of financial statements reserve comprises all foreign exchange differences arising from the translation of the financial statement of operations.

(iv) The cash flow hedge reserve represent the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

(v) Fair value reserve comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income ("**FVTOCI**") under IFRS 9 that are held at the end of the reporting period.

(vi) Treasury shares reserve comprises the value of those ordinary shares repurchased and cancelled.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets of approximately RMB2,371 million (2022: RMB2,203 million) and lease liabilities of approximately RMB1,806 million (2022: RMB1,853 million), in respect of lease arrangements for land and building, machinery and equipment, motor vehicles and furniture, fixtures and equipment.

(b) Changes in liabilities arising from financing activities

	Other payables and accruals in relation to financing activities RMB'M	Interest-bearing borrowings RMB'M	Lease liabilities RMB'M	Convertible bond RMB'M
As at 1 January 2022 (restated)	124	21,074	2,649	335
Changes from financing cash flows	(5,135)	3,741	(959)	—
Foreign exchange movement	(47)	1,326	165	25
New leases	—	—	1,853	—
Early Termination	—	—	(77)	—
Interest paid and payable	881	—	97	6
Redemption of bond	—	—	—	(5)
Disposal of subsidiaries	—	—	(1)	—
Conversion of convertible bond	—	—	—	(361)
Dividends payable to the shareholders	4,297	—	—	—
Dividends payable to non-controlling interests	19	—	—	—
As at 31 December 2022 and 1 January 2023 (restated)	**139**	**26,141**	**3,727**	**—**
Changes from financing cash flows	**(7,224)**	**1,535**	**(1,138)**	**—**
Foreign exchange movement	**27**	**702**	**36**	**—**
New leases	**—**	**—**	**1,806**	**—**
Acquisition of subsidiaries	**—**	**18**	**7**	**—**
Early Termination	**—**	**—**	**(249)**	**—**
Interest paid and payable	**1,972**	**—**	**138**	**—**
Dividends payable to the shareholders	**5,254**	**—**	**—**	**—**
Dividends payable to non-controlling interests	**25**	**—**	**—**	**—**
As at 31 December 2023	**193**	**28,396**	**4,327**	**—**

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

	2023 RMB'M	2022 RMB'M
Within operating activities	**(439)**	(357)
Within financing activities	**(1,138)**	(959)
	(1,577)	(1,316)

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the interest-bearing borrowings and lease liabilities disclosed in notes 31 and 16(b) respectively, net assets of the Group, comprising issued share capital, retained profits and other reserves.

The gearing ratio at the end of the reporting period was as follows:

	2023 RMB'M	2022 RMB'M (Restated)
Debt (i)	**32,723**	29,868
Equity (ii)	**105,912**	94,750
Net debt to equity ratio	**30.9%**	31.5%

(i) Debt is defined as long and short-term interest-bearing borrowings and lease liabilities as detailed in notes 31 and 16(b).

(ii) Equity includes all capital and reserves of the Group.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments are as follows:

Financial assets

31 December 2023

	Financial assets measured at FVTPL RMB'M	Financial assets measured at FVTOCI RMB'M	Derivative designated as hedges RMB'M	Financial assets measured at amortised cost RMB'M	Total RMB'M
Equity investments designated at FVTOCI	–	6,404	–	–	6,404
Trade and bills receivables	–	–	–	28,890	28,890
Financial assets included in deposit and other receivables	–	–	–	4,914	4,914
Financial assets measured at FVTPL	954	–	–	–	954
Financial assets measured at amortised cost	–	–	–	10,722	10,722
Derivative financial instruments	–	–	68	–	68
Pledged deposits	–	–	–	448	448
Other deposits with limited use	–	–	–	61	61
Cash and cash equivalents	–	–	–	53,977	53,977
	954	6,404	68	99,012	106,438

31 December 2022 (Restated)

	Financial assets measured at FVTPL RMB'M	Financial assets measured at FVTOCI RMB'M	Derivative designated as hedges RMB'M	Financial assets measured at amortised cost RMB'M	Total RMB'M
Equity investments designated at FVTOCI	–	5,852	–	–	5,852
Trade and bills receivables	–	–	–	25,511	25,511
Financial assets included in deposit and other receivables	–	–	–	4,809	4,809
Financial assets measured at FVTPL	520	–	–	–	520
Financial assets measured at amortised cost	–	–	–	2,981	2,981
Derivative financial instruments	–	–	183	–	183
Pledged deposits	–	–	–	665	665
Other deposits with limited use	–	–	–	105	105
Cash and cash equivalents	–	–	–	53,392	53,392
	520	5,852	183	87,463	94,018

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

31 December 2023

	Financial liabilities measured at FVTPL RMB'M	Derivative designated as hedges RMB'M	Financial liabilities measured at amortised cost RMB'M	Total RMB'M
Trade and bills payables	—	—	69,278	69,278
Financial liabilities included other payables and accruals	—	—	25,092	25,092
Derivative financial instruments	—	169	—	169
Interest-bearing borrowings	—	—	28,396	28,396
Other non-current liabilities	—	—	114	114
Lease liabilities	—	—	4,327	4,327
	—	169	127,207	127,376

31 December 2022 (Restated)

	Financial liabilities measured at FVTPL RMB'M	Derivative designated as hedges RMB'M	Financial liabilities measured at amortised cost RMB'M	Total RMB'M
Trade and bills payables	—	—	66,984	66,984
Financial liabilities included other payables and accruals	—	—	22,414	22,414
Derivative financial instruments	17	105	—	122
Interest-bearing borrowings	—	—	26,141	26,141
Other non-current liabilities	—	—	98	98
Lease liabilities	—	—	3,727	3,727
	17	105	119,364	119,486

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. As at each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the those charged with governance twice a year for interim and annual financial reporting.

The management estimates that the amount of financial instruments carried at amortised cost Approximates its fair value.

The management has assessed that the fair values of cash and cash equivalents, pledged deposits, other deposits with limited use, certain other financial assets measured at amortised cost, trade and bills receivables, other receivables, trade and bills payables and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments designated at FVTOCI have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires management to determine comparable public companies (peers) based on industry and place of business, and to calculate an appropriate price multiple, such as price to earnings ("**P/E**") multiple, and EV/Sales multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The fair values of the remaining unlisted equity investments designated at FVTOCI are determined with reference to their respective latest available transaction prices.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group invests in unlisted investments, which represent equity investments designated at FVTOCI and wealth management products included in financial assets measured at FVTPL issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of bills receivable and interest-bearing borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing borrowings was assessed to be insignificant. The carrying amount of the financial instrument reasonably approximate to fair value.

Below is a summary of significant unobservable inputs (level 3 inputs of fair value measurement) to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

31 December 2023

	Level 1 RMB'M	**Level 2 RMB'M**	**Level 3 RMB'M**	**Total RMB'M**
Equity investments designated at FVTOCI	**20**	**—**	**6,384**	**6,404**
Financial assets measured at FVTPL	**370**	**488**	**96**	**954**
Derivative financial instruments	**—**	**68**	**—**	**68**
	390	**556**	**6,480**	**7,426**

31 December 2022

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Equity investments designated at FVTOCI	16	1,028	4,808	5,852
Financial assets measured at FVTPL	396	15	109	520
Derivative financial instruments	—	183	—	183
	412	1,226	4,917	6,555

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value

31 December 2023

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Derivative financial instruments	**–**	**169**	**–**	**169**

31 December 2022

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Derivative financial instruments	–	105	17	122

Financial assets	Fair value as at 31/12/2023	Fair value as at 31/12/2022	Fair value hierarchy	Valuation technique	Range	Significant unobservable input(s)	Sensitivity of fair value
Equity Investment designated at FVTOCI – SINOPEC Fuel Oil Sales Corporation Limited	**RMB1,986 million**	RMB1,235 million	Level 3	Market approach	2023: 37.38–38.14 2022: 32.38–33.04	Average P/E multiple of peers	1% increase (decrease) in average P/E multiple of the comparable companies would result in increase (decrease) in fair value by 2023: RMB19.9 million (RMB19.9 million) 2022: RMB12.3 million (RMB12.3 million)
					2023: 25%–27% 2022: 28%–30%	Discount for lack of marketability	1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by 2023: RMB26.9 million (RMB26.9 million) 2022: RMB17.4 million (RMB17.4 million)
Equity Investment designated at FVTOCI – COSMO	**RMB2,817 million**	RMB2,817 million	Level 3	Market approach	2023: 2.93–2.99 2022: 1.46–1.48	EV/Sales multiple of peers	1% increase (decrease) in EV/Sales multiple of the comparable companies would result in increase (decrease) in fair value by 2023: RMB21.3 million (RMB21.3 million) 2022: RMB19.9 million (RMB19.9 million)
					2023: 27%–29% 2022: 19%–21%	Discount for lack of marketability	1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by 2023: RMB29.4 million (RMB29.4 million) 2022: RMB25.0 million (RMB25 million)

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value (continued)

Financial assets/ Financial liabilities	Fair value as at 31/12/2023	Fair value as at 31/12/2022	Value hierarchy	Valuation technique
Equity investment designated at FVTOCI	**N/A**	Assets — RMB1,028 million	Level 2	Recent market an equity financing transaction with independent parties
Financial assets measured at FVTPL — Wealth management products	**Assets — RMB488 million**	Assets — RMB15 million	Level 2	Discounted cash flow
Derivative financial Instruments — Foreign currency forward contracts	**Assets — RMB68 million** **Liabilities — RMB167 million**	Assets — RMB179 million Liabilities — RMB93 million	Level 2	Discounted cash flow
Derivative financial Instruments — Forwards commodity contract	**Liabilities — RMB2 million**	Assets — RMB4 million Liabilities — RMB12 million	Level 2	Discounted cash flow

Reconciliation of Level 3 fair value measurements

	Equity investments designated FVTOCI RMB'000	Financial assets measured at FVTPL RMB'000	Derivative financial instruments RMB'000	Total RMB'000
At 1 January 2022	2,019	106	47	2,172
Total gains or losses:				
— in profit or loss	—	3	(17)	(14)
— in other comprehensive income	(146)	—	—	(146)
Transfers out of level 3	—	—	(47)	(47)
Transfers into level 3 (Note 1)	2,812	—	—	2,812
Additions	123	—	—	123
At 31 December 2022 and 1 January 2023	**4,808**	**109**	**(17)**	**4,900**
Total gains or losses:				
— in profit or loss	**—**	**(12)**	**—**	**(12)**
— in other comprehensive income	**547**	**—**	**—**	**547**
Transfers into level 3 (Note 2)	**1,028**	**—**	**—**	**1,028**
Additions	**24**	**—**	**—**	**24**
Disposal	**(23)**	**(1)**	**17**	**(7)**
At 31 December 2023	**6,384**	**96**	**—**	**6,480**

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value measurements (continued)

Note 1: During the year ended 31 December 2022, COSMO is classified as equity investment designated at FVTOCI and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2022 was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

Note 2: During the year ended 31 December 2023, equity investment designated at FVTOCI and is measured at fair value at each reporting date. The fair value of equity investment as at 31 December 2022 was based on the quoted price of consideration and was classified as Level 2 of the fair value hierarchy. The fair value of the investment as at 31 December 2023 was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

There were no transfers between Level 1 and 2 during the period ended 31 December 2023, except for equity investment designated at FVTOCI measured at fair value at each reporting date.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. These exposures mainly arise from sales or purchases and borrowings by the Group's other than the units' functional currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Monetary Assets		Monetary Liabilities	
	31 Dec 2023 RMB'M	31 Dec 2022 RMB'M	**31 Dec 2023 RMB'M**	31 Dec 2022 RMB'M
USD	**20,156**	14,358	**26,168**	24,534
Japanese yen	**472**	371	**486**	508
HKD	**321**	578	**2,356**	2,323
EUR	**5,152**	3,924	**12,312**	14,535
Other	**7,251**	6,279	**6,885**	4,614

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in USD and EUR exchange rate, with all other variables held constant, of the Group's post-tax profit (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on other components of the Group's equity.

	2023		2022	
	Increase/ (decrease) in exchange rates	**Increase/ (decrease) in profit before tax**	Increase/ (decrease) in exchange rates	Increase/ (decrease) in profit before tax
	%	**RMB'M**	%	RMB'M
If RMB strengthens against USD	**5**	**286**	5	484
If RMB weakens against USD	**(5)**	**(286)**	(5)	(484)
If RMB strengthens against the EUR	**5**	**341**	5	505
If RMB weakens against the EUR	**(5)**	**(341)**	(5)	(505)

Credit risk

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, other deposits with limited use, and financial assets included in deposits and other receivables and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents and pledged deposits are held in major financial institutions, which management believes are of high credit quality and all classified as low credit risk from the management's assessment as at 31 December 2023 and 2022, which is mainly based on past due information unless other information is available without undue cost or effort. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy third parties and Haier Affiliates. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

The credit risk of the Group's trade and bills receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts and the Group applies the simplified approach in calculating ECLs of its trade and bills receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and other receivables are respectively disclosed in Notes 25 and 26 to consolidated financial statements.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits, fixed-rate bank borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The management assessed that if the interest rate increases/decreases by 1% (2022: 1%) (reasonably possible change), then the post-tax profit for the year ended 31 December 2023 would decrease/increase by RMB227 million (2022: RMB200 million). Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from bank balances is insignificant.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting period are as follows:

	2023 RMB'M	**% of total loans**	2022 RMB'M (Restated)	% of total loans (Restated)
Variable rate borrowings	**26,747**	**94%**	24,067	92%
Fixed rate borrowings	**1,649**	**6%**	2,074	8%
	28,396	**100%**	26,141	100%

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2023, the Group has available unutilised overdraft and short-term bank loan facilities of RMB101,493 million (2022: RMB103,803 million) in total. Details of which are set out in Note 31.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

31 December 2023

	No fixed terms of repayment RMB'M	Within one year RMB'M	Over one year RMB'M	Total undiscounted cash flows RMB'M	Carrying amount RMB'M
Trade and bills payables	–	69,278	–	69,278	69,278
Other payables and accruals	27,368	–	–	27,368	27,368
Interest-bearing borrowings	–	11,682	18,815	30,497	28,396
Derivative financial instruments	–	169	–	169	169
Other non-current liabilities	–	–	114	114	114
Lease liabilities	–	1,141	3,619	4,760	4,327
	27,368	82,270	22,548	132,186	129,652

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

31 December 2022 (Restated)

	No fixed terms of repayment RMB'M	Within one year RMB'M	Over one year RMB'M	Total undiscounted cash flows RMB'M	Carrying amount RMB'M
Trade and bills payables	–	66,984	–	66,984	66,984
Other payables and accruals	24,784	–	–	24,784	24,784
Interest-bearing borrowings	–	13,280	14,508	27,788	26,141
Derivative financial instruments	–	105	17	122	122
Other non-current liabilities	–	–	98	98	98
Lease liabilities	–	1,023	3,066	4,089	3,727
	24,784	81,392	17,689	123,865	121,856

43. DEFINED BENEFIT OBLIGATIONS

The Group sponsors a funded defined benefit plan for qualifying employees of its subsidiaries in the United States and Japan. The defined benefit plan is administered by a separate fund that is legally separated from the entity. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

The defined benefit plan requires contributions from employees. Contributions are in the following two forms; one is based on the number of years of service and the other one is based on a fixed percentage of salary of the employees. Employees can also make discretionary contributions to the plan.

The plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

43. DEFINED BENEFIT OBLIGATIONS (continued)

Investment risk — The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Interest rate risk — A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk — The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk — The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

	2023			2022		
	Current RMB'M	**Non-current RMB'M**	**Total RMB'M**	Current RMB'M	Non-current RMB'M	Total RMB'M
Defined pension benefit (Note (a))	**33**	**364**	**397**	36	417	453
Termination benefits	**—**	**575**	**575**	—	387	387
Provision for work-related injury compensation	**—**	**146**	**146**	—	207	207
Total	**33**	**1,085**	**1,118**	36	1,011	1,047

43. DEFINED BENEFIT OBLIGATIONS (continued)

Note:

(a) Defined pension benefit

The Group's major defined benefit plans are in Japan and the United States. The plans are either contributory final salary pension plans or contributory career average pay plans or non-contributory guaranteed return defined contribution plans.

Summary of the (net assets)/net liabilities of the defined pension obligations are as follows:

	2023 RMB'M	2022 RMB'M
Haier Asia Co., Ltd. Pension plans	**(76)**	(40)
Roper Corporation pension plans	**80**	124
Haier U.S. Appliances Solutions, Inc. post retirement plan	**166**	195
Haier U.S. Appliances Solutions, Inc. pension plans	**31**	35
Total net liabilities of the defined pension obligations in United States and Japan	**201**	314
Others	**196**	139
	397	453

The summary net liabilities of the defined pension obligations in United States and Japan are as follows:

	2023 RMB'M	2022 RMB'M
Presents value of defined benefit obligation	**572**	699
Fair value of plan assets	**(371)**	(385)
	201	314

The major amounts recognised in the consolidated statement of financial position and the movements in the net defined pension benefit over the years ended 31 December 2023 and 2022 are as follows:

(1) Haier Asia Co., Ltd pension plan

	2023 RMB'M	2022 RMB'M
Discount rates	**1.00%**	0.50%
Compensation increases	**2.00%**	2.00%

43. DEFINED BENEFIT OBLIGATIONS (continued)

(1) Haier Asia Co., Ltd pension plan (continued)

Movements in the present value of the defined benefit obligations during the years ended 31 December 2023 and 2022 were as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**253**	279
Current service cost	**7**	8
Interest cost	**1**	1
Actuarial gains	**(14)**	(2)
Exchange realignment	**(10)**	(16)
Benefits paid	**(19)**	(17)
As at 31 December	**218**	253

Movements in the fair value of the plan assets during the years ended 31 December 2023 and 2022 were as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**293**	337
Interest income	**6**	6
Remeasurement losses/(gains):		
Return on plan assets (excluding amounts included in net interest expense)	**15**	(24)
Contributions from the employer	**2**	2
Exchange realignment on foreign plans	**(12)**	(19)
Benefits paid	**(10)**	(9)
As at 31 December	**294**	293

43. DEFINED BENEFIT OBLIGATIONS (continued)

(1) Haier Asia Co., Ltd pension plan (continued)

The net assets of the defined benefit obligations are as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**(40)**	(58)
Components of defined benefit cost recognised in profit or loss	**2**	3
Components of defined benefit cost recognised in other comprehensive income	**(29)**	22
Other reconciling items	**(9)**	(7)
As at 31 December	**(76)**	(40)

The Group operated the pension plan in the Japan. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2023 by Mr. Tohru Shimada, Fellow of Institute of Actuaries of Japan and Sumitomo Life. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the benefit approach method. As at 31 December 2023, the actuarial value represented a funding level of 134.9% (2022: 115.8%) of the pension plan.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and compensation increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by 12% or increase by 12% (2022: decrease by 12% or increase by 12%).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the benefit approach method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

43. DEFINED BENEFIT OBLIGATIONS (continued)

(2) Roper Corporation pension plan

	2023 RMB'M	2022 RMB'M
Discount rates	**5.18%**	5.59%
Initial Trend Rate	**6.75%**	6.50%
Ultimate Trend Rate	**5.00%**	5.00%

Movements in the present value of the defined benefit obligations during the years ended 31 December 2023 and 2022 were as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**124**	129
Current service cost	**2**	7
Interest cost	**5**	4
Actuarial losses/(gains)	**2**	(30)
Plan amendment	**(47)**	10
Exchange realignment	**2**	11
Curtailment cost	**2**	—
Benefits paid	**(10)**	(7)
As at 31 December	**80**	124

The net liabilities of the defined benefit obligations are as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**124**	129
Components of defined benefit cost recognised in profit or loss	**7**	11
Components of defined benefit cost recognised in other comprehensive income	**2**	(30)
Other reconciling items	**(53)**	14
As at 31 December	**80**	124

43. DEFINED BENEFIT OBLIGATIONS (continued)

(2) Roper Corporation pension plan (continued)

The Group operated the pension plan in the United States and the employee retired after attainment of age 60 with 10 years of service eligible to participate the plan and applicable of benefit for Medicare. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2023 by John F. Stahl, a Fellow of the Society of Actuaries, and Mark A. Adams, a Fellow of the Society of Actuaries and an Enrolled Actuary, of Willis Towers Watson. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit cost method.

Significant actuarial assumption for the determination of the defined benefit obligation is discount rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by 5.3% or increase by 6.1% (2022: decrease by 7.9% or increase by 9.2%).

- If the initial trend rate is 1% higher or lower, the defined benefit obligation would increase by 1.7% or decrease by 1.6% (2022: increase by 4.1% or decrease by 3.9%).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit cost method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

43. DEFINED BENEFIT OBLIGATIONS (continued)

(3) Haier U.S. Appliance Solutions, Inc. post retirement plan

	2023 RMB'M	2022 RMB'M
Discount rates	**5.19%**	5.51%
Current Health Care Cost Trend Rate	**7.00%**	7.00%
Ultimate Health Care Cost Trend Rate	**5.00%**	5.00%

Movements in the present value of the defined benefit obligations during the years ended 31 December 2023 and 2022 were as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**195**	222
Interest cost	**9**	5
Actuarial gains	**(22)**	(24)
Exchange realignment	**3**	19
Benefits paid	**(19)**	(27)
As at 31 December	**166**	195

The net liabilities of the defined benefit obligations are as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**195**	222
Components of defined benefit cost recognised in profit or loss	**9**	5
Components of defined benefit cost recognised in other comprehensive income	**(22)**	(24)
Other reconciling items	**(16)**	(8)
As at 31 December	**166**	195

43. DEFINED BENEFIT OBLIGATIONS (continued)

(3) Haier U.S. Appliance Solutions, Inc. post retirement plan (continued)

The Group operated the pension plan in the United States and the employee retired after attainment of age 60 with 10 years of service eligible to participate the plan. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2023 by Jason Wilhite, a Fellow of the Society of Actuaries and an Enrolled Actuary, Justin Dietz, a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries and John D. Morrison, Jr., a Fellow of the Society of Actuaries and an Enrolled Actuary, of Willis Towers Watson. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Cost Method.

Significant actuarial assumption for the determination of the defined benefit obligation is discount rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by 5.3% or increase by 6% (2022: decrease by 5.2% or increase by 5.8%).

- If the current health care cost trend rate is 1% higher or lower, the defined benefit obligation would increase by 3.1% or decrease by 2.9% (2022: increase by 3.5% or decrease by 3.3%).

- If the ultimate health care cost trend rate is 1% higher or lower, the defined benefit obligation would increase by 0.1% or decrease by 0.1% (2022: increase by 0.2% or decrease by 0.2%).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit cost method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

43. DEFINED BENEFIT OBLIGATIONS (continued)

(4) Haier U.S. Appliance Solutions, Inc. pension plan

	2023 RMB'M	2022 RMB'M
Discount rates	**5.21%**	5.51%

Movements in the present value of the defined benefit obligations during the years ended 31 December 2023 and 2022 were as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**127**	166
Current service cost	**2**	—
Interest cost	**6**	4
Remeasurement losses/(gains):		
Return on plan assets (excluding amounts included in net interest expense)	**1**	(23)
Exchange realignment	**2**	14
Benefits paid	**(30)**	(34)
As at 31 December	**108**	127

Movements in the fair value of the plan assets during the years ended 31 December 2023 and 2022 were as follows:

	2023 RMB'M	2022 RMB'M
As at 1 January	**92**	126
Return on plan assets (excluding amounts included in net interest income and interest expense)	**4**	(11)
Contributions from the employer	**10**	3
Exchange realignment	**1**	10
Benefits paid	**(30)**	(36)
As at 31 December	**77**	92

43. DEFINED BENEFIT OBLIGATIONS (continued)

(4) Haier U.S. Appliance Solutions, Inc. pension plan (continued)

The net liabilities of the defined benefit obligations are as follows.

	2023 RMB'M	2022 RMB'M
As at 1 January	**35**	40
Components of defined benefit cost recognised in profit or loss	**8**	4
Components of defined benefit cost recognised in other comprehensive income	**(3)**	(12)
Other reconciling items	**(9)**	3
As at 31 December	**31**	35

The Group operated the pension plan in the United States and the plan allowed employees' retirement prior to age 60 who eligible to participate the plan. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2023 by Jason Wilhite, a Fellow of the Society of Actuaries and an Enrolled Actuary, and John D. Morrison, Jr., a Fellow of the Society of Actuaries and an Enrolled Actuary, of Willis Towers Watson. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using projected unit credit cost method. As at 31 December 2023, the actuarial value represented a funding level of 71.3% (2022: 72.5%) of the pension plan.

Significant actuarial assumption for the determination of the defined benefit obligation is discount rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by 4.9% or increase by 5.7% (2022: decrease by 4.5% or increase by 5.1%).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit cost method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

44. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

45. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2023 **RMB'M**	2022 RMB'M
Contracted, but not provided for:		
Property, plant and equipment	**3,225**	4,008

46. PLEDGE OF OR RESTRICTIONS ON ASSETS

Pledge of assets

The Group's borrowings and bill payables had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2023 **RMB'M**	2022 RMB'M
Trade and bills receivables	**4,391**	10,661
Pledged bank deposits	**448**	665

47. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the year ended are as follows:

	2023 RMB'M	2022 RMB'M
NON-CURRENT ASSETS		
Property, plant and equipment	**155**	170
Right-of-use assets	**2**	3
Other intangible assets	**39**	45
Interests in associates	**3,012**	3,119
Investments in subsidiaries	**52,817**	49,625
Equity investments designated at FVTOCI	**1,619**	1,619
Financial assets measured at amortised cost	**2,884**	1,034
Long-term prepayment	**3**	—
Other non-current assets	**1,503**	1,307
Total non-current assets	**62,034**	56,922
CURRENT ASSETS		
Inventories	**5**	9
Prepayments, deposits and other receivables	**6,800**	6,795
Amount due from subsidiaries	**18,479**	8,509
Financial assets measured at amortised cost	**1,530**	1,643
Cash and cash equivalents	**7,580**	5,747
Total current assets	**34,394**	22,703
CURRENT LIABILITIES		
Trade and bills payables	**—**	17
Other payables and accruals	**270**	330
Amount due to subsidiaries	**45,908**	32,864
Contract liabilities	**23**	13
Interest-bearing borrowings	**137**	—
Total current liabilities	**46,338**	33,224
NET CURRENT LIABILITIES	**(11,944)**	(10,521)
TOTAL ASSETS LESS CURRENT LIABILITIES	**50,090**	46,401

47. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (continued)

	2023 RMB'M	2022 RMB'M
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	**3,780**	2,197
Deferred income	**12**	4
Deferred tax liabilities	**420**	421
Total non-current liabilities	**4,212**	2,622
Net assets	**45,878**	43,779
EQUITY		
Share capital (Note 35)	**9,438**	9,447
Reserves (Note)	**36,440**	34,332
Total equity	**45,878**	43,779

Note: A summary of the Company's reserves is as follows:

	Contributed surplus RMB'M	Capital redemption reserve RMB'M	Reserve funds RMB'M	Retained profits RMB'M	Other comprehensive income RMB'M	Treasury share RMB'M	Total reserve RMB'M
As at 1 January 2022	25,263	538	2,833	4,470	621	(1,495)	32,230
Issue of shares	899	–	–	–	–	–	899
Issue of shares upon conversion of CB	339	–	–	–	(19)	–	320
Transfer to reserve fund	–	–	576	(576)	–	–	–
Total comprehensive income for the year	–	–	–	5,755	–	–	5,755
Purchase of treasury share	–	–	–	–	–	(1,143)	(1,143)
Cancellation of treasury share	(315)	–	–	–	–	330	15
Dividend payable	–	–	–	(4,320)	–	–	(4,320)
Other changes	(27)	603	–	–	–	–	576
As at 31 December 2022 and 1 January 2023	**26,159**	**1,141**	**3,409**	**5,329**	**602**	**(2,308)**	**34,332**
Transfer to reserve fund	**–**	**–**	**828**	**(828)**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**8,281**	**29**	**–**	**8,310**
Purchase of treasury share	**–**	**–**	**–**	**–**	**–**	**(1,050)**	**(1,050)**
Cancellation of treasury share	**(173)**	**–**	**–**	**–**	**–**	**182**	**9**
Dividend payable	**–**	**–**	**–**	**(5,298)**	**–**	**–**	**(5,298)**
Other changes	**137**	**–**	**–**	**–**	**–**	**–**	**137**
As at 31 December 2023	**26,123**	**1,141**	**4,237**	**7,484**	**631**	**(3,176)**	**36,440**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued.

48. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

49. EVENTS AFTER THE REPORTING PERIOD

According to the resolution of the 9th meeting of the 11th session of the Board of Directors of the Company held on 27 March 2024, 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. The Company declared cash dividend of RMB8.04 (including taxes) for every 10 shares to all shareholders.

The Company has no other significant event after the reporting period that needs to be disclosed.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December 2023

A summary of the results and of the assets, liabilities and non-controlling interests of the Group is set out below.

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
REVENUE	**261,422**	243,550	227,081	209,701	198,006
Cost of sales	**(180,719)**	(168,960)	(157,528)	(148,867)	(139,393)
Gross profit	**80,703**	74,590	69,553	60,834	58,613
Other gains or losses	**3,463**	2,913	2,059	3,994	3,324
Selling and distribution expenses	**(40,978)**	(38,601)	(36,584)	(33,641)	(33,843)
Administrative expenses	**(23,152)**	(21,696)	(20,265)	(17,924)	(17,165)
Finance costs	**(2,111)**	(997)	(714)	(1,321)	(1,732)
Share of profits and losses of associates	**1,787**	1,582	1,888	1,620	1,409
PROFIT BEFORE TAX	**19,712**	17,791	15,937	13,562	10,606
Income tax expenses	**(2,980)**	(3,058)	(2,705)	(2,233)	(1,584)
PROFIT FOR THE YEAR	**16,732**	14,733	13,232	11,329	9,022
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**—**	—	—	—	3,313
PROFIT FOR THE YEAR	**16,732**	14,733	13,232	11,329	12,335
Attributable to:					
Owners of the Company	**16,597**	14,712	13,079	8,883	8,206
Non-controlling interests	**135**	21	153	2,446	4,129
	16,732	14,733	13,232	11,329	12,335

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**253,380**	236,018	217,741	203,498	187,454
TOTAL LIABILITIES	**(147,468)**	(141,268)	(136,466)	(135,365)	(122,464)
NON-CONTROLLING INTERESTS	**(2,398)**	(1,291)	(1,290)	(1,295)	(17,103)
	103,514	93,459	79,985	66,838	47,887

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