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

**海爾智家股份有限公司**

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

**Stock Code: 6690**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>2020</b> <i>RMB'M</i>	<b>2019</b> <i>RMB'M</i>	<b>Change</b> %
Revenue	<b>209,703</b>	198,006	5.9
Gross profit	<b>60,833</b>	58,613	3.8
Adjusted operating profit (as defined below)	<b>9,886</b>	8,971	10.2
Profit for the year	<b>11,323</b>	12,335	(8.2)
Attributable to:			
Owners of the Company	<b>8,877</b>	8,206	8.2
Non-controlling interests	<b>2,446</b>	4,129	(40.8)
	<b>11,323</b>	<b>12,335</b>	
Earnings per share attributable to ordinary equity holders of the Company			
Basic	<b>RMB1.34</b>	RMB1.29	3.9
Diluted	<b>RMB1.31</b>	RMB1.19	10.1
Proposed dividend per 10 shares	<b>RMB3.66</b>	RMB3.75	

\* For identification purpose only

## ANNUAL RESULTS

The board of directors (the “**Board**”) of Haier Smart Home Co., Ltd. (the “**Company**”) hereby announces the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 together with comparative figures for the previous year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>RMB'M</i>	2019 <i>RMB'M</i>
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	5	<b>209,703</b>	198,006
Cost of sales		<u>(148,870)</u>	<u>(139,393)</u>
<b>Gross profit</b>		<b>60,833</b>	58,613
Other gains or losses		<b>3,994</b>	3,324
Selling and distribution expenses		<b>(33,641)</b>	(33,843)
Administrative expenses		<b>(17,930)</b>	(17,165)
Finance costs		<b>(1,321)</b>	(1,732)
Share of profits and losses of associates		<u><b>1,620</b></u>	<u>1,409</u>
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	6	<b>13,555</b>	10,606
Income tax expenses	7	<u><b>(2,232)</b></u>	<u>(1,584)</u>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>11,323</b>	9,022
<b>DISCONTINUED OPERATION</b>			
Profit for the year from discontinued operation		<u>—</u>	<u>3,313</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>11,323</b></u>	<u>12,335</u>

	<b>2020</b> <b>RMB'M</b>	2019 <b>RMB'M</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Items that may be reclassified to profit or loss in subsequently periods:		
Share of other comprehensive (loss)/income of associates	(342)	103
Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax	(97)	(21)
Exchange differences on translating foreign operations	<u>(2,004)</u>	<u>500</u>
	<u>(2,443)</u>	<u>582</u>
Items that will not be reclassified to profit or loss in subsequent periods:		
Changes arising from re-measurement of defined benefit plans	(23)	(10)
Change in fair value of equity investments designated at fair value through other comprehensive income ("FVTOCI"), net of tax	<u>(110)</u>	<u>(3)</u>
	<u>(133)</u>	<u>(13)</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<u>(2,576)</u>	<u>569</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>8,747</u></u>	<u><u>12,904</u></u>

	<b>2020</b> <b><i>RMB'M</i></b>	2019 <i>RMB'M</i>
<b>Profit for the year attributable to owners of the Company</b>		
— from continuing operations	<b>8,877</b>	6,715
— from discontinued operations	<u>—</u>	<u>1,491</u>
	<u><b>8,877</b></u>	<u>8,206</u>
<b>Profit for the year attributable to non-controlling interests</b>		
— from continuing operations	<b>2,446</b>	2,307
— from discontinued operations	<u>—</u>	<u>1,822</u>
	<u><b>2,446</b></u>	<u>4,129</u>
	<u><b>11,323</b></u>	<u><u>12,335</u></u>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>6,340</b>	8,751
Non-controlling interests	<u><b>2,407</b></u>	<u>4,153</u>
	<u><b>8,747</b></u>	<u><u>12,904</u></u>

	<i>Notes</i>	<b>2020</b> <b><i>RMB'M</i></b>	2019 <i>RMB'M</i>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
From continuing and discontinued operations			
— Basic ( <i>RMB per share</i> )	9	<b><u>1.34</u></b>	<u>1.29</u>
— Diluted ( <i>RMB per share</i> )	9	<b><u>1.31</u></b>	<u>1.19</u>
From continuing operations			
— Basic ( <i>RMB per share</i> )	9	<b><u>1.34</u></b>	<u>1.05</u>
— Diluted ( <i>RMB per share</i> )	9	<b><u>1.31</u></b>	<u>0.96</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'M</b>	2019 <i>RMB'M</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>24,815</b>	23,919
Investment properties		<b>28</b>	29
Right-of-use assets		<b>3,901</b>	3,802
Goodwill		<b>22,518</b>	23,352
Other intangible assets		<b>8,957</b>	9,640
Interests in associates		<b>21,569</b>	20,461
Equity investments designated at FVTOCI		<b>2,659</b>	1,396
Financial assets measured at fair value through profit or loss		—	295
Financial assets measured at amortised cost		<b>331</b>	332
Derivative financial instruments		<b>47</b>	77
Long-term prepayments		<b>1,404</b>	1,423
Deferred tax assets		<b>2,208</b>	1,579
Other non-current assets		<b>759</b>	581
		<hr/>	<hr/>
Total non-current assets		<b>89,196</b>	86,886
<b>CURRENT ASSETS</b>			
Inventories	10	<b>29,447</b>	28,229
Trade and bills receivables	11	<b>30,066</b>	24,967
Contract assets		<b>263</b>	423
Prepayments, deposits and other receivables		<b>5,212</b>	6,441
Financial assets measured at FVTPL		<b>2,165</b>	308
Financial assets measured at amortised cost		<b>554</b>	3,981
Derivative financial instruments		<b>78</b>	19
Pledged deposits		<b>822</b>	1,211
Other deposit with limited use		<b>4</b>	5
Cash and cash equivalents		<b>45,635</b>	34,963
		<hr/>	<hr/>
		<b>114,246</b>	100,547
Assets and disposal group held for sale		<b>17</b>	21
		<hr/>	<hr/>
Total current assets		<b>114,263</b>	100,568

		2020	2019
	<i>Notes</i>	<i>RMB'M</i>	<i>RMB'M</i>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	57,539	53,059
Other payables and accruals		22,519	19,726
Contract liabilities		7,049	5,583
Interest-bearing borrowings	13	12,643	13,315
Lease liabilities		671	595
Tax payable		1,371	1,278
Bonds		5,535	—
Provisions		1,881	1,992
Derivative financial instruments		239	99
Financial liabilities measured at FVTPL		27	43
		<hr/>	<hr/>
Total current liabilities		109,474	95,690
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		4,789	4,878
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		93,985	91,764
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	13	11,858	13,370
Lease liabilities		2,073	1,980
Convertible and exchangeable bonds		6,714	7,005
Deferred income		551	628
Deferred tax liabilities		1,900	1,154
Provisions for pensions and similar obligations		1,246	1,122
Provisions		1,443	1,399
Put option liabilities		—	55
Other non-current liabilities		89	61
		<hr/>	<hr/>
Total non-current liabilities		25,874	26,774
		<hr/>	<hr/>
Net assets		68,111	64,990
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	<b>2020</b> <b><i>RMB'M</i></b>	2019 <i>RMB'M</i>
<b>EQUITY</b>			
Share capital	14	<b>9,028</b>	6,580
Reserves		<b>57,788</b>	41,307
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>66,816</b>	47,887
Non-controlling interests		<b>1,295</b>	17,103
		<hr/>	<hr/>
Total equity		<b>68,111</b>	64,990
		<hr/> <hr/>	<hr/> <hr/>



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 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. As permitted to offering by People’s Bank of China, Qingdao Branch on 16 December 1989, with the document of Qing TiGai 1989 No.3 issued on 24 March 1989, based on the reconstruction of the original Qingdao Refrigerator Factory, a limited company was set up by directional fund raising of RMB150 million. In March and September 1993, as approved by the document of Qing Gu Ling Zi 1993 No. 2 and No. 9 issued by the pilot leading team of Qingdao joint stock company, the Company was converted from a directional offering company to a public subscription company and issued additional 50 million shares to the public and listed with trading on Shanghai Stock Exchange in November 1993.

Besides, D Shares of the Company were listed on the China Europe International Exchange (CEINEX D-Share Market) through admission to trading on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) for the year ended 31 December 2018.

The H shares of the Company are listed on The Stock Exchange of Hong Kong Limited in December 2020. The addresses of the registered office are located at the Haier Industrial Park, Laoshan District, Qingdao, Shandong Province, PRC.

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

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

1. Manufacturing and sales of household electrical appliances, electronic products, communication equipment, electronic computers and accessories, general machinery, kitchen utensils and industrial robots;
2. Business wholesale and retail; import and export business (see foreign trade enterprise certification);
3. Provision of logistics services, which have been classified as a discontinued operation during the year end 31 December 2019.

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

This announcement has been approved for issue by the Board on 30 March 2021.

## 2.1 BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs, that have been issued but are not yet effective, in the consolidated financial statements

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to IFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>5</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

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

### 3 MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING BUSINESSES UNDER COMMON CONTROL

On 30 August 2018, Guanmei (Shanghai) Enterprise Management Co., Ltd. (“**Guanmei**”), an indirect wholly-owned subsidiary of the Company, and Haier Electric International Co., Ltd. (“**Haier International**”), an indirect non-wholly-owned subsidiary of Haier Group, entered into an asset swap agreement, pursuant to which Guanmei agreed to acquire and Haier International agreed to sell 51% equity interest in Qingdao Haishi Water Equipment Co., Ltd. (“**Qingdao Haishi**”) at a consideration of approximately RMB1,074 million to be satisfied by Guanmei by way of transfer of 55% of the equity interest in Bingji (Shanghai) Enterprise Management Co., Ltd. (“**Bingji**”), a direct wholly-owned subsidiary of Guanmei, from Guanmei to Haier International at the same consideration (the “**Asset Swap**”). Qingdao Haishi is principally engaged in the research and development and sale of household water purifying solutions, while Bingji is an investment holding company and its subsidiaries (collectively referred to as the “**Bingji Group**”) are principally engaged in the provision of logistics services.

Pursuant to the Asset Swap, the Company became an indirect holding company of Qingdao Haishi, and the Bingji Group was classified as a discontinued operation (Note 4). Since the Company and Qingdao Haishi were ultimately controlled by Haier Group both before and after the completion of the Asset Swap, the acquisition of Qingdao Haishi was accounted for using the principles of merger accounting.

On 9 September 2019, the Company acquired 100% equity interest in Qingdao Gooday Health Industry Development Co., Ltd (“**Gooday Health**”) at a cash consideration of RMB34 million (the “**Acquisition**”), which has been fully paid during the year ended 31 December 2019. Gooday Health was an indirect wholly-owned subsidiary of Haier Group and is currently principally engaged in manufacturing water treatment appliances. Pursuant to the Acquisition, the Company became an indirect holding company of Gooday Health. Since the Company and Gooday Health were ultimately controlled by Haier Group both before and after the completion of the Acquisition, the Acquisition was accounted for using the principles of merger accounting.

### 4. OPERATING SEGMENT INFORMATION

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

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

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

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

##### (i) Household Food Solutions

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

*(ii) Household Air Solutions*

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

*(iii) Household Clothing Solutions*

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

*(iv) Household Water Solutions*

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

**(b) Smart Home Business in Overseas**

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

**(c) Other Business**

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

Upon the completion of the Asset Swap as detailed in Note 3 the Bingji Group is regarded as an associate, an operating segment regarding the logistics business was classified as discontinued. The segment information reported on the next pages does not include any amounts for these discontinued operations.

- (a) All assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of goodwill, interests in associates and cash and cash equivalents); and
- (b) All liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising of interests-bearing borrowings, bonds, convertible and exchangeable bonds).

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 from continuing operations by reportable segments:

## 2020

### Continuing operations

	Smart Home Business in China							Total RMB'M
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas		
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air- conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M	Business Overseas RMB'M	Other Business RMB'M	
Segment revenue								
Segment revenue from external customers	30,562	2,636	21,861	22,483	9,833	100,044	22,284	209,703
Inter-segment revenue	3,821	136	3,645	3,502	384	579	70,340	82,407
Total	34,383	2,772	25,506	25,985	10,217	100,623	92,624	292,110
Reconciliation:								
Inter-segment eliminations								(82,407)
Total								209,703
Segments results	2,333	41	93	2,200	1,165	4,001	(13)	9,820
Reconciliation:								
Elimination of inter-segment results								(3)
								9,817
Corporate and other unallocated income and gains or losses								3,688
Corporate and other unallocated expenses								(249)
Finance costs								(1,321)
Share of profits and losses of associates								1,620
Profit before taxation								13,555

2019

Continuing operations

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas		Other Business
	Refrigerators/Freezers	Kitchen Appliances	Air-conditioners	Laundry Appliances	Water Appliances	Business Overseas	Other Business	Total
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Segment revenue								
Segment revenue from external customers	30,424	2,149	20,366	22,113	9,521	92,392	21,041	198,006
Inter-segment revenue	2,323	286	3,126	2,331	75	521	62,626	71,288
Total	32,747	2,435	23,492	24,444	9,596	92,913	83,667	269,294
Reconciliation:								
Inter-segment eliminations								(71,288)
Total								198,006
Segments results	2,109	18	12	2,119	1,117	3,155	47	8,577
Reconciliation:								
Elimination of inter-segment results								44
								8,621
Corporate and other unallocated income and gains or losses								2,544
Corporate and other unallocated expenses								(236)
Finance costs								(1,732)
Share of profits and losses of associates								1,409
Profit before taxation								10,606

## 2020

	Smart Home Business in China							
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home			
	Refrigerators/ Freezers <i>RMB'M</i>	Kitchen Appliances <i>RMB'M</i>	Air- conditioners <i>RMB'M</i>	Laundry Appliances <i>RMB'M</i>	Water Appliances <i>RMB'M</i>	Business Overseas <i>RMB'M</i>	Other Business <i>RMB'M</i>	Total <i>RMB'M</i>
Segment assets	11,689	2,533	20,925	10,136	4,137	50,763	56,984	157,167
Reconciliation:								
Elimination of segment assets								(54,985)
Goodwill								22,518
Interests in associates								21,569
Equity investments designated at FVTOCI								2,659
Deferred tax assets								2,208
Financial assets measured at FVTPL								2,165
Financial assets measured at amortised cost								554
Derivative financial instruments								78
Pledged deposits								822
Other deposits with limited use								4
Cash and cash equivalents								45,635
Other receivables								2,735
Other non-current financial assets								330
Total assets								203,459
Segment liabilities	29,206	1,539	13,439	8,219	5,108	31,107	60,169	148,787
Reconciliation:								
Elimination of segment liabilities								(54,845)
Tax payable								1,371
Other payable								1,030
Derivative financial instruments								239
Financial liabilities at FVTPL								27
Interest-bearing borrowings								24,501
Deferred tax liabilities								1,900
Convertible and exchangeable bonds								6,714
Other non-current liabilities								89
Bonds								5,535
Total liabilities								135,348



2019

	Smart Home Business in China							
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business	Total	
	Refrigerators/ Freezers <i>RMB'M</i>	Kitchen Appliances <i>RMB'M</i>	Air- conditioners <i>RMB'M</i>	Laundry Appliances <i>RMB'M</i>	Water Appliances <i>RMB'M</i>	Business Overseas <i>RMB'M</i>	Other Business <i>RMB'M</i>	<i>RMB'M</i>
<b>Segment assets</b>	10,183	1,601	16,081	9,675	3,322	45,754	48,932	135,548
Reconciliation:								
Elimination of segment assets								(38,980)
Goodwill								23,352
Interests in associates								20,461
Equity investments designated at FVTOCI								1,396
Deferred tax assets								1,579
Financial assets measured at FVTPL								308
Financial assets measured at amortised cost								3,981
Derivative financial instruments								19
Pledged deposits								1,211
Other deposits with limited use								5
Cash and cash equivalents								34,963
Other receivables								2,988
Assets and disposal group held for sale								21
Other non-current financial assets								602
<b>Total assets</b>								<b>187,454</b>
<b>Segment liabilities</b>	30,598	1,468	8,590	7,447	4,135	23,786	48,312	124,336
Reconciliation:								
Elimination of segment liabilities								(39,098)
Tax payable								1,278
Other payable								892
Derivative financial instruments								99
Financial liabilities at FVTPL								43
Interest-bearing borrowings								26,685
Deferred tax liabilities								1,154
Convertible and exchangeable bonds								7,005
Other non-current liabilities								15
Put option liabilities								55
<b>Total liabilities</b>								<b>122,464</b>

## 2020

	Smart Home Business in China					Smart Home Business Overseas	Other Business	Total
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions				
	Refrigerators/Freezers RMB'M	Kitchen Appliances RMB'M	Air-conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M			
Other segment information:								
Product warranty provisions	1,343	98	794	798	636	1,055	—	4,724
Provision for obsolete and slow-moving inventories, net	207	37	417	79	33	191	51	1,015
Allowance for expected credit losses in respect of trade and bills receivable, net	7	—	22	—	3	90	9	131
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and other assets, net	175	8	23	47	26	3	74	356
Loss/(gain) on disposal of non-current assets, net	9	—	2	—	(1)	96	5	111
Depreciation and amortisation	420	98	339	403	151	3,297	381	5,089

## 2019

	Smart Home Business in China					Smart Home Business Overseas	Other Business	Total
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions				
			Refrigerators/Freezers	Kitchen Appliances	Air-conditioners			
	<i>RMB'M</i>	<i>RMB'M</i>	<i>RMB'M</i>	<i>RMB'M</i>	<i>RMB'M</i>	<i>RMB'M</i>	<i>RMB'M</i>	<i>RMB'M</i>
Other segment information:								
Product warranty provisions	1,266	93	1,033	755	584	1,347	—	5,078
Provision for obsolete and slow-moving inventories, net	65	13	94	104	18	65	217	576
(Reversal of)/allowance for expected credit losses in respect of trade and bills receivable, net	(9)	3	15	(3)	2	87	36	131
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and other assets, net	133	6	64	—	—	20	81	304
Loss/(gain) on disposal of non-current assets, net	15	—	35	(487)	—	38	—	(399)
Depreciation and amortisation	350	39	308	176	98	3,053	347	4,371

## Geographical information

### (a) Revenue from external customers

	2020 RMB'M	2019 RMB'M
Mainland China	107,655	103,887
North America	63,705	57,922
Europe	16,513	15,195
South Asia	5,472	6,340
Australia and New Zealand	5,979	5,352
Southeast Asia	4,123	3,706
Japan	3,613	3,249
Middle East and Africa	1,205	1,118
Other country/regions	1,438	1,237
	<u>209,703</u>	<u>198,006</u>

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

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

### (b) Non-current assets

	2020 RMB'M	2019 RMB'M
Mainland China	15,029	14,237
Other country/regions	25,213	25,566
	<u>40,242</u>	<u>39,803</u>
Interests in associates	21,569	20,461
Goodwill	22,518	23,352
Equity investments designated at FVTOCI	2,659	1,396
Financial assets measured at FVTPL	—	295
Deferred tax assets	2,208	1,579
	<u>89,196</u>	<u>86,886</u>

The non-current asset information above is based on the locations of the assets and excludes interests in associates, goodwill, equity investments designated at FVTOCI, financial assets measured at FVTPL 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 2020 and 2019.

## 5. REVENUE

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

	<b>2020</b> <b>RMB'M</b>	2019 <i>RMB'M</i>
Sale of goods	<b>209,373</b>	197,746
Rendering of services	<b>330</b>	260
	<b>209,703</b>	198,006

	<b>2020</b> <b>RMB'M</b>	2019 <i>RMB'M</i>
Sale of goods		
— Point in time	<b>209,373</b>	197,746
Rendering of service		
— Point in time	<b>116</b>	77
— Over time	<b>214</b>	183
	<b>209,703</b>	198,006

The Group has no revenue contract that has an original expected duration more than one year, thus management applied practical expedient under IFRS 15 and are not disclosing the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied or partially satisfied as of the end of the reporting period.

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

### **Sale of goods**

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

### **Rendering of services**

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

## 6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2020 <i>RMB'M</i>	2019 <i>RMB'M</i>
Cost of inventories sold	147,631	138,666
Provision for obsolete and slow-moving inventories, net ( <i>Note (a)</i> )	1,015	576
Cost of services	224	151
	<u>148,870</u>	<u>139,393</u>
Employee benefit expense:		
(including directors', chief executive and supervisors' remuneration):		
Salaries, bonuses, allowances and benefits in kind	22,265	20,157
Pension scheme contributions	1,178	1,882
Equity-settled Restricted Share Award Scheme expense	289	477
	<u>23,732</u>	<u>22,516</u>
Research and development costs	6,860	6,221
Auditors' remuneration	13	10
Expenses relating to short-term leases and low value leases	212	356
Variable lease payments not included in the measurement of lease liabilities	130	93
Product warranty provisions	4,724	5,078
Net foreign exchange losses/(gains)	385	(276)
Loss/(gain) on disposal/write-off of non-current assets, net	111	(399)

*Note:*

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

## 7. INCOME TAX EXPENSES

	2020 <i>RMB'M</i>	2019 <i>RMB'M</i>
Current tax		
Charge/(credit) for the year	2,116	1,649
Deferred tax	<u>116</u>	<u>(65)</u>
Total tax charge for the year from continuing operations	<u><u>2,232</u></u>	<u><u>1,584</u></u>
Current tax		
Charge for the year		60
Deferred tax		<u>652</u>
Total tax charge for the year from a discontinuing operation		<u><u>712</u></u>

## 8. DIVIDENDS

	2020 <i>RMB'M</i>	2019 <i>RMB'M</i>
Proposed final dividend	<u><u>3,400</u></u>	<u><u>2,467</u></u>
Dividend paid during the year	<u><u>2,467</u></u>	<u><u>2,235</u></u>
	2020 <i>RMB</i>	2019 <i>RMB</i>
Dividend proposed per share*	<u><u>0.366</u></u>	<u><u>0.375</u></u>

\* The amount represents RMB3.66 for every 10 shares in 2020 (2019: RMB3.75 for every 10 shares)

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

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

The calculation of the diluted earnings per share amount is based on the profit attributable to ordinary equity holders of the Company, adjusted to reflect the interest and effect of the convertible and exchangeable bonds. 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 2020 and 2019, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	<b>2020</b> <b>RMB'M</b>	2019 <i>RMB'M</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation:		
From continuing operations	<b>8,877</b>	6,715
From a discontinued operation	<u>—</u>	<u>1,491</u>
	<b><u>8,877</u></b>	<b><u>8,206</u></b>
Earnings for the purpose of basic earnings per share from continuing operation	<b>8,877</b>	6,715
Effect of dilutive potential ordinary shares:		
Interest on convertible and exchangeable bonds, net of tax	<b>177</b>	259
Profit for the year attributable to convertible and exchangeable bonds holders	<u><b>(370)</b></u>	<u>(645)</u>
Earnings for the purpose of diluted earnings per share from continuing operations	<b><u>8,684</u></b>	<b><u>6,329</u></b>
	<b>2020</b>	2019
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>6,639,703,600</b>	6,381,003,276
Effect of dilutive potential ordinary shares:		
Convertible bond	<u><b>10,434,277</b></u>	<u>186,455,019</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<b><u>6,650,137,877</u></b>	<b><u>6,567,458,295</u></b>

*Notes:*

The weighted average number of ordinary shares as above are adjusted by the number of shares that would have been issued assuming the conversion of convertible bonds.

## 10. INVENTORIES

	2020 <i>RMB'M</i>	2019 <i>RMB'M</i>
Raw material	2,670	2,953
Work in progress	337	408
Finished goods	26,440	24,868
	<u>29,447</u>	<u>28,229</u>

## 11. TRADE AND BILLS RECEIVABLES

	2020 <i>RMB'M</i>	2019 <i>RMB'M</i>
Trade receivables	16,371	11,461
Less: Allowance for expected credit losses ("ECL")	(442)	(445)
Trade receivables, net	<u>15,929</u>	<u>11,016</u>
Bills receivables	14,148	13,966
Less: Allowance for ECL	(11)	(15)
Bills receivables, net	<u>14,137</u>	<u>13,951</u>
Total	<u>30,066</u>	<u>24,967</u>

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



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

	<b>2020</b> <b><i>RMB'M</i></b>	2019 <i>RMB'M</i>
1 to 3 months	<b>14,097</b>	9,247
3 months to 1 year	<b>1,450</b>	1,276
1 to 2 years	<b>211</b>	266
2 to 3 years	<b>63</b>	93
Over 3 years	<b>108</b>	134
	<u><b>15,929</b></u>	<u>11,016</u>

## 12. TRADE AND BILLS PAYABLES

	<b>2020</b> <b><i>RMB'M</i></b>	2019 <i>RMB'M</i>
Trade payables	<b>36,303</b>	33,751
Bills payables	<b>21,236</b>	19,308
	<u><b>57,539</b></u>	<u>53,059</u>

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

	<b>2020</b> <b><i>RMB'M</i></b>	2019 <i>RMB'M</i>
Within 1 year	<b>57,065</b>	52,492
1 to 2 years	<b>96</b>	169
2 to 3 years	<b>96</b>	156
Over 3 years	<b>282</b>	242
	<u><b>57,539</b></u>	<u>53,059</u>

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

### 13. INTEREST-BEARING BORROWINGS

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

	2020 <i>RMB'M</i>	2019 <i>RMB'M</i>
<b>Current</b>		
Bank loans — unsecured	12,171	5,286
Bank loans — secured	472	8,029
	<u>12,643</u>	<u>13,315</u>
<b>Non-current</b>		
Bank loans — unsecured	11,858	8,878
Bank loans — secured	—	4,492
	<u>11,858</u>	<u>13,370</u>
	<u>24,501</u>	<u>26,685</u>
Unsecured	24,029	14,164
Secured	472	12,521
	<u>24,501</u>	<u>26,685</u>
Analysed into:		
Loans repayable:		
Within one year or on demand	12,643	13,315
In the second year	6,814	6,599
In the third to fifth years, inclusive	5,044	6,723
Beyond five years	—	48
	<u>24,501</u>	<u>26,685</u>

#### 14. SHARE CAPITAL

The movements of the Company's issued share capital during the years ended 31 December 2020 and 2019 are as follows:

	Number of shares 'M	Share capital RMB'M
As at 1 January 2019	6,369	6,369
Converted convertible bonds to shares ( <i>Note a</i> )	211	211
As at 31 December 2019 and 1 January 2020	6,580	6,580
Issue of shares ( <i>Note b</i> )	2,448	2,448
As at 31 December 2020	<b>9,028</b>	<b>9,028</b>

*Notes:*

- (a) Upon conversion of convertible corporate bonds in December 2019, a total of 211,149,927 A Shares were converted.
- (b) The Company has applied to and approved by the Stock Exchange for the listing of, and permission to deal in, 2,448,279,814 H Shares on the Stock Exchange on 22 December 2020. Such number of H shares to be issued is based on the assumption that all Haier Smart Home Co., Ltd ("HSH") Exchangeable Bonds are converted into HSH Convertible Bonds pursuant to the EB-to-CB Proposal, and no shares are issued pursuant to the conversion of the HSH Convertible Bonds into new H Shares of the Company.
- (c) All shares issued are at par value at RMB1.

## LETTER TO SHAREHOLDERS

In 2020, a year like no other, with the resolve and dedication of 99,000 employees, Haier Smart Home weathered the storm of Covid-19 and came out stronger than ever — our sales revenue reached RMB209.7 billion, net profit attributable to owners of the company reached a record RMB8.88 billion, and operating cash flow went up to RMB17.6 billion.

2020 was also a milestone in Haier Smart Home's own history. With the overwhelming support from shareholders home and abroad, we successfully completed the privatization of Haier Electronics and the listing of H shares (stock code: 6690.HK), establishing ourselves as an integrated platform of people, capital, distribution networks, technologies and expertise with an eternal drive to create value for our users.

In the letter to shareholders from the H-share Prospectus, I reflected on how Haier rose from the verge of bankruptcy and became global appliance industry's most recognizable brand, gaining premium leadership and widespread consumer loyalty in the Chinese market while expanding global footprint by continuously embracing new members into the Haier family. Mitigating the global pandemic has once again reminded us of our inspirations and the culture instilled by Haier's founders from day one: to provide our users with innovative products by leveraging cutting edge technologies, through enhanced services and scenarios applications, infused with our digital capabilities and passion, and become the lifelong partner in our users' journey of making their home a greater and smarter place. With growing confidence, we are going to reinforce the strategic implementation of platforms integration, scenario-based user experiences enhancement, manufacturing optimization and comprehensive digitalization. In the next three years, we remain fully committed to outgrowing the appliance industry, improving our operational excellence, giving our users the ultimate experiences and creating long lasting value for our shareholders.

### **1. Well-established localized brand portfolio and globalized operation platform play an essential role in accelerating worldwide market share expansion and profitability enhancement.**

China does not only have the world's largest consumer population; it also produces the largest number of appliances every year through its comprehensive supply chain infrastructures. Originated in China, with organic growth and acquisitions in the past twenty years, Haier has completed the building of our global portfolio, unlike others, we chosen to serve global users directly from our localized facilities. 2020 was remarkable for our overseas business as we became the first in terms of market share in kitchen appliances, domestic air conditioner and top-load washing machine in the US; the first in washing machine in Australia & New Zealand and the first in freezer and large refrigerator in Japan; our total overseas revenue grew 8.3% to RMB100 billion.

It has become increasingly evident that our investment in our proprietary brands with a local touch and our endeavours to consolidate a globalized operating platform are bearing fruit. Ongoing integrations around the world have improved product and service offerings, more examples of multilateral collaborations that once created best-selling front loader and new water heater in the US are in the pipeline; secondly we stand ready to share decade-long experience of online operations with our colleagues abroad, where rapid e-commerce penetration is expected post pandemic; thirdly, pioneering the application of IoT technologies in China and the US gives us the opportunity to accumulate scenario and product innovations that are fundamental to strengthening our competitiveness in the rest of the world.

## **2. Leveraging on premium leadership, product innovation and scenario applications to realize quality growth**

Casarte also had another magnificent year in 2020. In China, it remains the undisputed No.1 in refrigerators, washing machines ASP over 10,000 & air conditioners ASP over RMB15,000, with 79% growth in kitchen appliances. We also see great potentials in new categories including tumble dryers, dish washers, small kitchen appliances and water purifiers.

More and more of the appliances we make are smart with connectivity, a feature we believe will be a prerequisite in the near future, where information can be gathered, analysed and processed to form user insights, so we could make products and provide services that cater to exactly what our users want. Haier's advances in IoT-based technologies and products have also received worldwide recognition. In the US, for the third consecutive year, IoT Breakthrough, a leading market intelligence agency, awarded GE Appliances (GEA) the Best Smart Home Appliances Company in appraising its continued innovations in IoT-based home appliances product and smart home solutions.

We have long been aware of our users' growing frustration with featureless shelf displays and obvious lack of real interaction. Our answer was to launch the brand-new scenario-based Three-Winged Bird Stores, with a built-in smart kitchen, smart living room, smart bedroom, smart bathroom, store visitors can explore integrated one-stop appliance & decoration solutions helped by our dedicated sales teams that are well trained by interior designers and food connoisseur; this revolutionary immersive experience is expected to form the foundation of a longer lasting relationship with our users that could enhance traffic conversion with increasing loyalty.

### 3 Create greater value through end-to-end digital reform

Haier's digital transformation has three focuses: digitalized user experience, digitalized operation process and digitalized business model. More and more users, younger generations in particular, favour the Internet for information, interaction and consumption, which means alliances with omni-channel partners including e-commerce platforms, social media, livestreaming businesses are critical for our growth; on the other hand, we ought to consolidate and streamline the backend operations in fulfilment, installation and after sales services so our omni-channel users can switch seamlessly without compromising Haier's product offerings, unique user insights, customized designs and comprehensive scenario applications. This is precisely why Haier Smart Home Cloud System was developed to mobilize and consolidate our operations in distribution, franchised stores, logistics and after sales services. With this enhanced interaction, our users receive the products and services they wish for while we become one-step closer to them, this whole process is our definition of consumer-oriented retail service transformation.

Several initiatives have also been made in renovating our factories, including identifying & prioritizing core activities and improving inventory turnover, with the aim to mitigate cost impact from escalating commodity prices; production was made leaner with reduction of SKUs, modularization of suppliers, and end to end inventory management. By aligning managerial KPI in PLM functions with the overall profit target, we were able to further streamlined SOP and enhance profitability management.

Haier's culture and maker spirit are pivotal to the success of our digital transformation, during this process, a sense of responsibility to our users and accountability to our own actions are essential in making constant adjustments with a more creative approach to capture the great possibilities from the age of online/offline integration; and Haier's RenDanHeYi (individual and goal combination) paradigm is what inspires our makers with an entrepreneurial spirit to sometimes step outside their comfort zone, often thrive in challenges and always look forward to life's new journeys.

#### ***Corporate social responsibilities and sustainable development***

Earlier this year, Haier Smart Home was amongst the five companies in China chosen by FORTUNE as the Most Admired Companies in 2021. Candidates are evaluated based on their attributes in social responsibilities to the community and the environment, quality of management, financial soundness, long-term investment value, talent retention, and effectiveness in doing business globally. We consider this a reminder of our greater responsibility in the global business community: Haier Smart Home will continue to dedicate ourselves to the protection and preservation of our environment for future generations; promote equality and invest in our people for future innovations; support our suppliers, distributors, and local community for future sustainability.

In March 2021, Haier Smart Home's ESG Committee was formed under the Board of Directors, demonstrating our long-term commitment to environment, social and governance. The board would very much like to guide the management and mobilize all stakeholders in Haier's ecosystem to take immediate action in the implementation of our long-term ESG road map including green products development, regular suppliers' audit system, recycling, and production optimization raise Haier's ESG standard.

At Haier Smart Home, we believe real life changing innovations begin when our brightest minds are encouraged to think outside the box and start to have beautiful imaginations about making the world a better place. With the full support of our global operational platform which prioritizes learning and sharing, GEA' well-established US market insight and network means we are always there when our users need us; while Haier's diversified product portfolio and supply chain infrastructures are integral to GEA's continued product innovation and market share expansion.

As we navigated the uncharted territory of a global pandemic, I often drew strength from ordinary people doing extraordinary things: when the virus struck the city of Wuhan in February, immediate actions were taken to form a team of 200 service specialists, many of whom volunteered, to deliver & install the first batch of the of refrigerators, water heaters and water purifiers we donated. Our team worked around the clock to make sure over 100 medical facilities were promptly equipped with our sanitizing air conditioners and they even stepped in to help installing units that were produced by our competitors, as we always choose to look at the bigger picture and prioritize social responsibility over economic gain; when Covid-19 first hit the US, we prioritized our people's health and safety and implemented a number of swift measures including mandatory temperature checks, flexible shifts and locations, cleaning and sanitization in all facilities, throughout the pandemic, 1,000 of our salaried employees volunteered a total of 150,000 hours on our factory assembly lines to make essential appliances for our users at a time when they needed us the most. Despite all the difficulties, GEA's production volume grew 10% over the same period in 2019, with 20% increase in the second half.

I wish Haier as a brand and everyone at Haier aspires to do good for our community and society. In May last year, Hu Yunchuan, a young engineer who was installing air conditioner in Zigong, Sichuan province at the time, rushed to the rescue of a five-year old girl without hesitation after onlookers noticed her being stranded outside a balcony six storeys up, heart-stopping footages showed him clinging onto railings grabbing hold of the terrified child and pushing her back inside, he was immediately hailed as a hero and we decided to award him with a new apartment, to show our utmost respect and recognition.

Extraordinary acts of selflessness and bravery from ordinary people that go above and beyond the call of duty define who we are and guide us in what we do. From sponsoring HOPE schools in underprivileged areas and donating to charitable organizations, to leading by example of our own code of conduct, I have always encouraged and supported Haier Smart Home, Haier's people and Haier's stakeholder to step up and do what we can when our community needs us. Small act of kindness from every individual will eventually become one big step in making the world we live in a better place.

### ***Strategic initiatives for the future***

Looking back at the year that was just behind us, I am grateful to the people that I have worked with in this day and age. Globalization make it possible for our products and services have remained undisrupted globally despite social distancing; our communication safeguarded by digital technologies, and more importantly, constant sharing of information and knowhow on managing containment measures, e-commerce operations and supply chain infrastructures, have given our colleagues in the US, Europe and the rest of the world a head start in preparation for the virus, we could therefore keep our promise in strengthening protection for employees, continuing innovation and providing consistent services to our users. This global pandemic has tested each individual and the society to its extreme. With creativity, solidarity and responsibility, we remained connected to the market and launched new products featuring well-being, environmental protection and smart technologies to helped our users in taking care for their families, making their food safe and clothes clean; we revamped go-to-market strategies to raise our profile and promote our products on new social networks; our logistics and services team worked day and night to ensure that every single order was delivered and installed on time. As we weathered the storm, the RenDanHeYi principle and the values we share as a company have never been so important.

In the next three years, we will remain committed to drive value from: 1. enhancing competitiveness and profitability of overseas businesses; 2. accelerating digital reform with a focus on scenario applications and user experience while improving operational efficiency; 3. leveraging innovation and IoT technologies to consolidate premium market leadership and increase profitability of all business units, thus accelerating the upgrade of our smart home solutions. With the solid cash flow generated from prior strategic initiatives, we can make consistent investments can be made in digital upgrade, talent retention and R&D with the future in mind.

We remain deeply grateful to the confidence from our shareholders home and abroad for the unanimous vote of support to the proposed privatization Haier Electronics. We also appreciate Haier Group's full backing in recognizing Haier Smart Home as the flagship listing platform. With new inspirations, more diversified board and aligned strategic targets, we are ready to embark upon another new journey as we capture greater synergies and continue to lead the industry.



This is the best of our times. My team and I are full of anticipations for the future and we are committed to the path we have chosen. With open mind and willingness to learn and embrace the total harmonization of technology, consumption and humanity at this revolutionary point, we remain dedicated to strengthen our operations on the globalized platform, so we can develop products that best serve our users and enhance their experience, ultimately creating long lasting values for our shareholders.

## **BUSINESS REVIEW**

### **Company Introduction**

Since our establishment in 1984, the Company is committed to being an enterprise of the times, continuing to innovate and iterate by continuously introducing new products that lead the market development, and grasping industry opportunities arising. After over 30 years of development, the Company has already become the global leader in large-format home appliance industry and also the pioneer of global smart home solution provider:

- Leading provider of the global large-format home appliance industry: According to data from Euromonitor, an authoritative market researcher, among the large-format home appliances brands, the Company has ranked 1st in the global market in terms of retail volume for 12 consecutive years. The Company has a global portfolio of home appliance brands consisting of Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. Among the large-format home appliance brands, our Haier brand refrigeration appliances and laundry appliances also ranked first in the global market in terms of retail volume for 13 and 12 consecutive years.
- Pioneer of global smart home solutions: Capitalising on our full-range home appliances products, according to Euromonitor, the Company is one of the first home appliance enterprises in the industry to launch smart home solutions. Centring on our interconnected home appliance products and resources from our partners, and supported by Haier Smart Home App and Haier Smart Home Experiential Cloud Platform as well as our physical experience stores and franchised stores, the Company provides smart home solutions suited for various lifestyle scenarios for users to satisfy their pursuit for a better life.

After years of development, the Company has established the following three business segments: smart home business in China, smart home business overseas and other businesses.

## Smart Home Business in China

The Company provides full range home appliances products to our customers in China. Through online Haier Smart Home App, as supplemented by physical experience stores, the Company also provides value-added services centering on home appliance products, which jointly form our smart home solutions to meet users' needs in different lifestyle scenarios. Specifically, our smart home solutions can be further categorised as Household Food Solutions (Internet of Food), Household Clothing Solutions (Internet of Clothing), Household Air Solutions (Internet of Air), and Household Water Solutions (Internet of Water).

- Household Food Solutions (Internet of Food): the Company provides users with refrigerators, freezers, kitchen appliances and other products through domestic market sales and exports under Household Food Solutions. Through our interconnected products, the Company can achieve interactions, for example, between stoves and range hoods, and between refrigerators and ovens. Through providing users with value-added food services featuring a combination of products and services, such as smart cooking and nutrition scheme formulation, the Company is able to meet their needs for convenience, health and delicious food.
- Household Clothing Solutions (Internet of Clothing): the Company provides users with washing machines, dryers and other products through domestic market sales and exports under Household Clothing Solutions. Through our interconnected products, the Company can achieve interactions, for example, between washing machines and dryers, and enable smart solution such as automatic use of laundry detergent. The Company provides users with value-added cleaning and caring services featuring a combination of products and services, so as to meet their needs related to cleaning and caring of apparels.
- Household Air Solutions (Internet of Air): the Company provides users with household air-conditioners, commercial air-conditioners, purifiers, fresh air systems and other products through domestic market sales and exports under Household Air Solutions. In particular, our interconnected products enable offerings of smart solutions such as interaction among air-conditioners in different rooms, interactions between air conditioners and purifiers, smart perception, adaptive air supply, air quality testing and smart sterilisation, so as to fully meet users' needs for healthy and comfortable experience with regards air temperature, humidity, cleanliness and freshness.
- Household Water Solutions (Internet of Water): the Company provides users with electric water heaters, gas water heaters, solar water heaters, heat pump water heaters, POE water purifiers, POU water purifiers, water softening equipment and other products through domestic market sales and exports under Household Water Solutions. In particular, our interconnected products can provide whole-house water solutions including interactions between water heaters and purifiers, and between heating appliances and water heaters, so as to meet the users' needs for water purification, softening and heating.

## **Smart Home Business Overseas**

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

In the overseas market, we manufacture and sell home appliance products of our own brands based on local consumer demands. The Company has more than 20 years of experience in overseas operations. The Company further expanded overseas business through cross-border acquisitions. The Company 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, General Electric Company's home appliances business in 2016, Fisher&Paykel in 2018, and Candy in 2019. The development of the Company's smart home business overseas has been fuelled by the synergies from both our organic growth as well as acquisitions of overseas business.

At present, the overseas smart home business of the Company has entered into a stage of stable development, having achieved multi-brand, cross-product and cross-region presence on a global basis. According to Euromonitor, in 2020, the Company ranked first in terms of retail volume in the Asia major home appliance market, with a market share of 18.6%; ranked second in North America, with a market share of 22.0%; ranked second in Australia and New Zealand, with a market share of 13.4%; ranked third in Middle East and Africa, with a market share of 8.4%; ranked fifth in Europe, with a market share of 7.2%.

## **Other Businesses**

Based on our established smart home business, the Company also expanded its business to cover, among others, parts and components, small home appliances and distribution services. Our parts and components business primarily involves procurement, manufacturing and sales of ancillary parts and components for home appliances. Small home appliances business primarily involves design, outsourced manufacturing and sales of various small home appliances under our brands, to supplement the Company's smart home solutions business. The distribution services business primarily involves distribution of televisions, consumer electronic and other products for Haier Group and other third parties, leveraging our extensive sales network.

During the period, the Company disposed of the 54.50% equity interest of 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') under Other Businesses segment. The Company still holds a total of 18.75% equity interest in COSMOPlat through direct and indirect shareholdings. COSMOPlat is no longer accounted for on a consolidated basis in the combined statements of the Company, and the business of COSMOPlat is no longer included in Other Businesses segment starting from the fourth quarter of 2020.

During the period, the Company was once again being listed among the Top 500 World's Companies by Fortune, moved up 13 places as compared with 2019. We are named as the "2021 World's Most Admired Companies" by Fortune, and are the only company in Europe and Asia in home appliances industry selected and the only company incorporated outside the USA. Meanwhile, the Company became the world's only Internet-of-Things (IoT) ecosystem brand, being named second time in a row as BrandZ™ Top 100 Most Valuable Global Brands in 2020.

## **Industry Summary for 2020**

### ***(1) The China market***

Due to the impact of the Covid-19 pandemic and the complex and volatile international environment, China's economic growth rate has declined. According to the National Bureau of Statistics, China's total GDP exceeded RMB101 trillion in 2020, an increase of 2.3% year-on-year, which was the lowest growth rate in the past five years. In the first quarter, the outbreak of the pandemic had strong impacts on the economy and enterprises. The drop in residents' average income led to more cautious consumer behavior. The home appliance market was being hit hard as overall consumer demand shrank. However, as the pandemic situation in the Mainland China was brought under control, work and production of industries were orderly resumed, and consumer demand also restored. Since the second quarter, the overall home appliance market has gradually shaken off the impact of the pandemic, and achieved significant quarter-on-quarter improvements. According to data from CMM, the annual domestic market size for white goods and kitchen appliances in terms of retail value was at RMB448.7 billion, a decrease of 11.9% year-on-year. In particular, retail sales for the refrigerator, washing machine, air conditioner and kitchen appliance categories have recorded negative growths of 3.3%, 6.5%, 22% and 5.4% respectively. However, the declines have significantly narrowed in the second half of the year with a retail market size reaching RMB232.9 billion, representing a year-on-year growth of negative 2.4%. Influenced by changes brewed during the post-pandemic era, the home appliance market continued to evolve towards health-conscious and smart upgrades, with encouraging developments in specific sub-categories and channels.

First of all, the pandemic as a “black swan” event did not only bring impacts to various sectors of the economy, it also reshaped people’s attitudes towards consumption. As people spent more time at home, they became more dependent on home appliances. For instance, the need to stock up on food has led to the pursuit of large-capacity refrigerators, and the increased frequency of home cleaning and laundry has brought favor to large-capacity washing machines and water heaters. At the same time, consumers’ pursuit for higher standards of quality living has driven the upgrading of product features. Quality and eco-friendly home appliances with disinfection and sterilization features have become hot selling product segments. Home appliances such as air conditioners with fresh air intake, self-cleaning and comfortable air blow features, washing machines equipped with high-temperature sterilizing function, refrigerators that could maintain food freshness with odor control and anti-bacterial features, along with disinfection cabinets, water purifiers and air purifiers, have all achieved significant growths. According to CMM’s retail monitoring data survey for major market trends for the online home appliance market in January-November 2020, categories with health-boosting features have all achieved high rankings in terms of sales value among products including washing machines, rice cookers, humidifiers.

Secondly, the upgrading of home appliances’ features also further promoted the development of smart homes. Driven by technologies such as IoT, cloud computing, big data and artificial intelligence, smart homes have brought great convenience to home living with the characteristics of contactless dialogue systems, multi-product interactive linkages and self-learning capabilities. For example, robotic vacuum cleaners with higher level of intelligence can serve multiple purposes. They can master the room layout through AI learning and automatic recognition, and provide home security services, hence becoming a new center of connection for the living room. The proliferation of intelligence in single products also fueled the rise of whole-house intelligence. The development trend of the future home appliance industry has transformed from purchase of a single product to customization of product sets, and from individual network devices to application of smart scenarios. Many industry giants have already joined the field. Meanwhile, with the emergence of more and more open cloud platforms and reduction in hardware development costs, the smart home ecosystem value chain has become more mature. Users have gradually gained conviction on the uses of smart home products. The proportion of complete set purchases and scenario-based purchases have been on the rise.

Thirdly, as emerging consumer groups became more sophisticated and the concepts of healthy and quality living getting more ingrained into consumer mindset, small home appliances with the characteristics of low unit price, small size, installation-free and minimal service requirements have become a new market hotspot. Small home appliances have grown against the industry's downward trend especially during the pandemic outbreak, as they were more in line with the online sales model of live-streaming e-commerce. For instance, according to information from AVC, the online sales growth for categories such as high-speed blenders and composite devices with steam, microwave and roasting functions had reached 108.7% and 43.8% respectively in 2020. Against the backdrop of a slowdown in growth of conventional large-format appliances, small home appliances that offer both functionalities and enjoyment are capable of tapping into the market upside and provide opportunities for development of new categories.

Lastly, in terms of channels, as offline outlets were impacted by the pandemic prevention and control measures, online channels have become the main conduit for meeting consumer demands. According to AVC market data, the online market shares in terms of retail volumes for air conditioners, refrigerators and washing machines have all increased despite a fall in overall consumption, reaching 51.5%, 60.3% and 64.6% respectively, representing increases of 7.4, 8.0 and 9.3 percentage points. As more time is being spent at home, and the new generation of young people with preference on online shopping, e-commerce as a contactless cloud-experience sales medium has had huge influence on users' purchase preference and decision-making process. Through leveraging platform resources and technological advantages, live-streaming e-commerce improved the efficiency in dissemination and accelerated traffic conversions due to its mobile, social and scenario-driven characteristics, hence it has become one of the key modes of sales nowadays. In the future, online content platforms will be enriched by the rise of core user circles such as KOL and KOC, as well as the popularization of the 5G network and the increasingly mature VR technology. Live-streaming e-commerce has the potential to facilitate more in-depth and direct interactions between enterprises and users.

## **(2) Overseas markets**

The global home appliance market has been developing differently across regions. In developed countries and regions, the development momentum of home appliance market relied on new housing, diversified demands in sub-markets and the upgrading of home appliances. In developing countries, due to the relatively low home appliance ownership rate, the overall market still saw potential for rapid growth. On the other hand, as Covid-19 has broken out in many countries around the world, economic and social activities have been restricted, people's income has been reduced, and the real estate sector was facing pressure in sales and delivery. These series of factors have led to a decline in user demand for home appliances, bringing negative impacts to different regions in varying degrees.



In terms of channels, while offline channels remained dominant, online channels have been developing rapidly. The distribution channels for the global home appliance market were increasingly diversified. In view of the transformation of retail channels, the rapid development of online channels and their integration with offline sales channels have further enhanced the growth potential of online channels.

Breakdown by markets:

- (1) **The U.S. market:** Impacted by the pandemic, consumption in the U.S. market was sluggish in the first half of the year. However, with normalized pandemic prevention and control policies such as social distancing, according to Euromonitor International's statistics, the home appliance industry achieved double-digit growth in the second half of the year, with an annual growth rate of 5%. The recovery of the U.S. home appliance market was, first of all, benefited from the extension of the stay-at-home order, which has stimulated users' demand for home appliances, and shifted travel and entertainment spending into household consumption; secondly, their more mature e-commerce channels have facilitated a boost in household consumption; thirdly, a series of stimulus policies implemented by the government has effectively spurred the growth of household consumption; finally, mortgage rates were at record lows, leading to a surge in new home constructions, existing home sales were also maintaining at its highest level since 2006, which have further stimulated people's demand for home appliances.
- (2) **The European market:** With the impact of the pandemic in 2020, the growth of the large-format home appliance market recorded was 3.9%. This included a 3.9% growth for refrigerators, a 1% growth for washing machines, and a 4% growth for built-in kitchen appliances.
- (3) **The South Asian and Southeast Asian markets:** ① In response to the impact of the pandemic, the Indian government imposed a strict lockdown from late March to late June, essentially halted sales nationwide. According to estimates from local distributors, the industry has fallen by more than 25% year-on-year. ② Business activities in other regions have also been restricted by the government's quarantine rules. Retail sales and retail volume both declined before gradually recovering in May and June.
- (4) **The Australian and New Zealand markets:** ① The Australian home appliance and furniture market has experienced a strong short-term growth due to the stay-at-home order. Competition in the industry has become more intense. Enterprises have actively developed online platforms and continued to improve their offline shopping experience. ② The home appliance chain channels in New Zealand have become more concentrated, market shares of small and medium-sized channels continued to shrink; the proportion of online sales has increased to 5%.

- (5) **The Japanese Market:** The overall sales volume in the white goods industry has dropped 2.3% due to the impact of Covid-19. Specifically, the refrigerator category has experienced declines in both sales volume and sales value, whereas the washing machine category recorded a decrease of 2.9% in sales volume, and an increase of 2.4% in sales value. In addition, refrigerators have become a top-selling category during the pandemic, achieving year-on-year growths of 53.3% and 42.5% in terms of sales volume and sales value respectively (data from GFK).

### **(3) Industry Outlook for 2021**

**The Chinese Market:** Various industries are expected to show trends of recovery in 2021. ① Refrigerator: The industry is expected to increase in both volume and revenue. Replacement demand due to structural upgrades will further expand market size. The refrigerator market is expected to achieve single digit growth in retail sales in 2021. The export market is expected to grow at a slower rate due to a high base over the same period. ② Washing machine: The domestic retail market and the export market are both expected to show positive growths. The domestic washing machine market is still in the process of recovery while products continue to innovate towards the directions of healthy laundry and the integration of “laundry + garment care”. Meanwhile, emerging categories such as clothes dryers and tumble dryers are meeting users’ current pursuit of quality living and are therefore expanding rapidly. ③ Residential air-conditioner: Volume and sales revenue are both expected to increase. Due to the expected macroeconomic recovery in 2021 and the low base over the same period, coupled with the rise in the average price of products, the air-conditioner segment is expected to achieve double-digit growths in both retail volume and retail revenue; exports are expected to continue the growth trend since the second quarter of 2020. ④ In addition, the water heater market will see the dawn of recovery, the growth rate of the offline market is expected to be higher than that of the online market due to a low base over the same period, and growth in the online market is expected to slow down. ⑤ The overall size of the kitchen appliance market will rebound from 2020, on one hand, although the control policies for the real estate market are tightening, the proportion of second-hand housing transactions are on the rise, which will drive the volume as well as quality growth of the kitchen appliance category; on the other hand, emerging categories such as dishwashers, integrated cookers and built-in integrated cookers will continue to see fast-growing trends.

**The Global Market:** Looking ahead to 2021, the long-term demand for home appliances as necessity goods remains stable. As many countries around the world are gradually resuming economic and social activities, and the pandemic is expected to be contained with the widespread application of vaccines, growth shall pick up in the global retail market of home appliances. According to Euromonitor’s data forecast, the global market size for large-format home appliances (excluding 3C products) in 2021 will rebound to over RMB3 trillion, with a year-on-year increase of about 4%.



## Management Discussion and Analysis

In 2020, the Group pressed ahead with our IoT smart home strategy and continued to expand our leading position in the global market, achieving an annual total revenue of RMB209.70 billion, an increase of 5.9%. Revenue for the fourth quarter was at RMB55.3 billion, an increase of 9.5%. As COSMOPlat business was disposed at the end of September 2020, revenue of the fourth quarter of 2020 no longer consolidates the business. If excluding the disposed business on the fourth quarters of 2019, revenue should have grown 8.3% annually and 20% in the fourth quarter. The revenue growth was driven by progress in both our domestic and overseas businesses, among which, the smart home business in China achieved a revenue of RMB98.86 billion, an increase of 6.6%, while the second half of the year increased by 18.5%. The growth was due to the Group's ongoing development of leading set products, Casarte's efforts in continuously expanding its high-end market share, deepening retail transformation and optimizing efficiency. Oversea home appliance and smart home business achieved a revenue of over RMB100 billion, an increase of 8.3%, while the second half of the year increased by 15.8%. The growth was attributed to the Group's premiumization strategy as well as our focus on operational capacity enhancement for localized R&D, production and sales. Under the challenges of the pandemic, our "Rendanheyi Model (人單合一)" has ensured swift response from our micro entrepreneur in various regions. Relying on our global procurement, supply chain and R&D platforms, we have also fully leveraged our edge in global resource deployment and overcome the adverse impacts from external environment, hence resulting in the achievement of sustainable business development.

The Group achieved net profit from continuing operation of RMB11.3 billion with a growth rate of 25.5% and the net profit attributable to owner of the Company were RMB8.88 billion with a growth rate of 8.17%. The net profit attributable to the owners of the Company in the fourth quarter reached RMB2.58 billion, a record high over the same period in previous years. Profit growth for the year was driven by growth in revenue and optimization of expenses. Our gross profit margin was 29.01%, a decrease of 0.59 percentage points year-on-year. The decrease was driven by the impact from COVID 19, which resulted in a 1.7 percentage points lower gross profit margin in the first half. With the rapid recovery of topline growth, the increased proportion of Casarte as well as the product mix optimization in oversea market, the gross profit margin in the second half rebounded by 0.3 percentage points. Total sales and management expenses dropped 1.2 percentage points. In particular, China region has achieved an efficiency enhancement through four restructuring and six digital transformations. Overseas region has achieved expense ratio optimization by improving economies of scale and refining operations.

The Group's annual net cash flow from operating activities was RMB17.6 billion, an increase of 16.68%.

During the reporting period, the business operations of the Group's segments were as follows:

## **(I) Smart Home Business in China**

Under the dire challenge of a 11.9% retail sales decline in China's white goods and kitchen appliance industry, our smart home business in China has grown against the downward trend in 2020. Our competitiveness and industry-leading position have been further strengthened. Revenue from the **domestic** home appliance segment reached RMB98.863 billion, a year-on-year increase of 6.6%. Operating profit grew 8.5%. Our retail shares in various industries continued to rise. At the same time, our high-end brand Casarte achieved a net revenue of RMB8.7 billion, a year-on-year increase of 17%, among which the growth of the fourth quarter recorded 35%.

The Group's business growth has been driven by the introduction of smart set products that spearheaded innovations; the use of a unified warehousing and distribution system and the Yilihuo information tool that optimized inventory and improved channel efficiency; the active expansion of our high-end brand Casarte's product portfolio and market share; and the continuous deepening of our digital transformation efforts.

### **1. Household Food Solutions**

#### ***(1) Refrigerators and Freezers***

According to the retail data of CMM, the refrigerator industry had a retail volume of 32.57 million units in 2020, down 3.6% year-on-year; its retail value was at RMB91.2 billion, down 3.3% year-on-year. Looking back at the whole year, the refrigerator industry was heavily affected by the pandemic from the beginning of the year till May, and began to recover strongly in the second half of the year. Growth in retail sales has improved significantly in major domestic retail channels in the second half of the year. A surge in overseas orders also supported the rebound of domestic production. **Haier has continued to strengthen our position as a global leader in the refrigerator industry. Through continuous technology innovation and iteration of product features, we provided users with health-oriented, intelligent and stylish solutions for fresh food storage, thereby leading the consumption upgrades of the industry. In 2020, the Group's domestic refrigerator business achieved revenue of RMB34.383 billion, an increase of 5%;** During the period, according to CMM's report, the Group's shares of online and offline retail sales in the domestic market reached 36% and 39% respectively, representing increases of 2.2 and 1.9 percentage points; our shares of online and offline retail volume reached 30% and 36% respectively, representing increases of 3 and 3.6 percentage points.

Influenced by the pandemic, users have been increasingly conscious about healthy eating. At the same time, as users were spending more time at home, they had higher demands on the long-lasting freshness and storage capacity of refrigerators.

Based on researches on the storage and nutrition of all kinds of food ingredients, the refrigerator business has accumulated big data of more than 1,000 kinds of ingredients and formulated a smart fresh-keeping algorithm, which could automatically calculate and adjust the temperature of the refrigerator according to the types of ingredients recorded by the user, so as to maintain maximum freshness. At the same time, we have established a variety of ways to manage food ingredients. Through multiple channels such as the refrigerator screen, smart voice, the Smart Home APP, etc. Users could manage ingredients in the refrigerator according to their own habits, and check the status of the ingredients in the refrigerator anytime and anywhere to ensure the freshness and timely use.

In terms of capacity expansion, the refrigerator business has integrated cabinet design to enable the full opening of refrigerator doors at 90° angles, which has greatly expanded the capacity of the refrigerator. In particular, **Casarte's refrigerator** introduced a new “seamless built-in model” with the innovative design of heat dissipation across the bottom of the fridge. Users no longer had to reserve space for heat dissipation, thus enabling the seamless fitting of the refrigerator into a cabinet with 0cm clearance space. This effectively fulfilled users' demand for the integration of furniture and home appliances, and instilled elegance and imagination into the kitchen space. It also greatly boosted the storage capacity of the refrigerator in a given space. Casarte's “seamless built-in model” has won international design awards including the iF Design Award and the Red Dot Design Award. This design also helped Casarte's refrigerator to achieve a total annual share of 12.3% in retail sales, which was an increase of 2.1 percentage points year-on-year. Specifically, its market share above 10,000 RMB has reached 37%, representing an increase of 5.4 percentage points.

The refrigerator business has built on the advantages of the global supply chain to achieve rapid growth in the export business. As the overseas supply chains were more heavily impacted by the pandemic, recovery was rather slow, leading to a supply shortage in the market. This coupled with the closure of offline sales outlets and users' extended time at home, the demand for refrigerators and freezers from overseas users has continued to surge. The domestic supply chain on the other hand has recovered swiftly after the pandemic was brought under control in Mainland China, which has led to a rapid growth in the export of refrigerators. According to demand changes in major regions in the overseas market, we have promptly

adjusted channel strategies and partnership models as well as expanding collaboration channels, resulting in rapid growths in various regions. The refrigerator export business had an annual growth of close to 60%.

During the year, the Group has continued to push forward a global and efficient system for synergies between production and sales. In terms of procurement, we have intensified the collaborative relationships with local strategic partners and optimized our supply chain systems, thereby efficiently responded to local demands. In terms of manufacturing, we have implemented smart production scheduling and flexible manufacturing systems, so as to maximize capacity utilization through continuously improving our manufacturing efficiency.

## *(2) Kitchen appliances*

In 2020, China's kitchen appliance segment recorded a revenue of RMB2.772 billion, a year-on-year increase of 13.8%. Revenue from Casarte's kitchen appliances grew 79%, with the number doubling for four consecutive months from September to December, hence displaying strong momentum in development and growth potential. In terms of market share, our share of domestic retail sales reached 6% with an increase of 1 percentage point year-on-year; market share in the high-end segment (price range above RMB5,000) grew 0.9 percentage points.

**The Group has created “smart and healthy” kitchen and living experience through continuously developing global collaborations.** The kitchen appliance business has achieved market breakthrough with its original East meets West technology, bringing a variety of healthy cooking styles from around the world into Chinese kitchens, and building user reputation through experiential marketing. Leveraging our robust R&D capabilities and solid experience in kitchen appliances around the globe, the Group's kitchen appliance business has continued to integrate technology resources from GEA, Fisher & Paykel and Candy in the kitchen appliance field, and established the GFC global R&D alliance. During the period, the kitchen appliance business launched a series of smart kitchen appliance products that integrated leading technologies and modules from various regions around the world. **We released four pioneering standards**, including constant air volume, medical-grade disinfection technology, smart home and garbage disposal unit, which have effectively supported the rapid development of the smart air series of range hoods and the Casarte medical-grade disinfection cabinets.

At the same time, Casarte's kitchen appliances have achieved breakthrough in the high-end market, which has effectively strengthened the brand awareness for its kitchen appliances. By effectively solving users' pain

points, creating differentiated experience, and accumulating user reputation, the newly launched Casarte C5+ set products and the Haier “double defense” set products have raised the bar for the industry’s products and technologies. **Casarte C5+ Gourmet set products** have enhanced user experience through pioneering technologies in various product categories: ① The constant air volume range hood pioneers a smart 12-square technology, which is not restricted by the wind pressure in high-rise and is not affected by exhaust ducts, hence offering constant ventilation that creates a smoke-free cooking environment. ② Casarte’s three-burner stove accounted for half of the three-burner stove market. It is equipped with features that enable one key control rice cooking, smart temperature control, linkage between stove and range hood, etc., thus providing convenient cooking experience. ③ As the industry’s first medical-grade disinfection cabinet, the C5+ disinfection cabinet can kill 10 kinds of pathogenic bacteria with intelligent tracking and auto sterilization, thus exceeding the industry’s two-star standard which can only kill 2 kinds of pathogens. It has also won the annual disinfection technology leadership award. ④ Combining GE Appliances’ century-old dry-heat cooking technology and Fisher & Paykel’s moist-heat cooking technology, the C5+ oven can achieve dual control of temperature and humidity, so as to create culinary delicacies that are evenly roasted and tenderly braised. ⑤ Building on Candy’s water-steam separation technology, the C5+ steamer features an innovative water-steam dual-circulation system, which can achieve 110℃ high-temperature steaming and multi-layer steaming through pure steam, thereby preserving the freshness and flavor of ingredients, allowing users to eat fresh and healthy. ⑥ The C5+ integrated steam oven enables a fifth cooking method of simultaneous steaming and roasting, which can shorten cooking time and produce more tasteful dishes.

The Group’s kitchen appliances recorded an export revenue growth of 51%, which was mainly due to the strong growth in the Haier brand of kitchen appliances in markets such as Russia and the Philippines.

By adopting large-scale centralized production, encouraging module manufacturers to build local factories, and implementing lean production and refinement upgrades of technologies, the kitchen appliance factories have effectively reduced procurement costs, improved delivery speed and enhanced production efficiency during the period.

### *(3) The Food Ecosystem*

With the increasing consumer demand for food quality, convenience in cooking and food safety, the Food Ecosystem has built on its intelligent hardware platform and alliance resources, to provide users a healthy eating experience of pre-made products through IoT technologies, standardization

of culinary skills & dishes and digitization of cooking algorithms. The relationship between the Group and our users has gradually transformed from the previous one-off selling of tangible products to the high-frequency sharing of gourmet products. User loyalty has been greatly enhanced.

In terms of R&D of smart hardware products, the Food Network has upgraded the smart steam oven three times. The product is equipped with eight key functions such as dual temperature sensors and precise temperature control. It can take into account a variety of cooking modes and customization of ingredients. The smart cooking mode can be activated at the touch of a button. The smart refrigerator can offer recipe recommendation and purchase of ingredients. It can also be linked to the steam oven to bring out the genuine flavor of the food through digital precision in the cooking process.

In terms of alliance resources, the Group has partnered with partners including the Chinese Cuisine Association to set up the Haier Food Ecosystem Alliance. Together, we created a smart food ecosystem platform, turning recipes of famous chefs into “home cooked dishes”. The gourmet experience and user reputation gained from the platform also supported the sales of the Group’s smart products. For instance, the Group and resource partners have jointly developed the “Peking Roast Duck” recipe. After receiving the semi-finished product (duck embryo), users can scan the exclusive QR code to trace the breeding time, growth condition and quarantine status of the duck. All they have to do is to put the ingredients into the smart oven, and the oven would be automatically adjusted to the matching temperature and cooking time. No additional manual operation is required, and the resulting dish would be cooked to a higher standard. The duck embryos can also be purchased with a single click through the Smart Home App or the refrigerator screen. In response to the market demand from those who could not return home for New Year’s Eve dinner with family under the call for celebrating Chinese New Year in situ, the Group has launched the “Reunion Dinner” package, bringing together 18 dishes from six major cuisines, which has achieved retail sales of 15,000 package sets and 120,000 dishes during the Spring Festival.

## **2. Household Clothing Solutions**

### **(1) Washing Machine Business**

As impacted by Covid-19 as well as the complex and volatile international environment, China’s economy was put to severe tests in multiple aspects in 2020. According to the market research report published by CMM, the annual retail volume and retail value of China’s domestic washing machine market dropped 9.3% and 6.5% respectively. **In view of the sluggish**



**performance of the industry as a whole, the Group's washing machine business has reacted swiftly to market changes. By fully leveraging the strengths of our brand portfolio and actively pushing forward digital transformation throughout our entire process, we achieved strong growth against the downward trend and improved operational efficiency.** During the period, the Group's washing machine business achieved a net revenue of RMB25.985 billion, representing an increase of 6.3%. While maintaining our leading position, our market share continued to grow, reaching 40.22% in the offline market, representing a rise of 3.89 percentage points year-on-year; and a share of 39.9% in the online market, a year-on-year increase of 3.5 percentage points. According to statistics from Euromonitor International, Haier's washing machine has been the world's No. 1 brand for 12 consecutive years in terms of retail volume, which reached 16.3% of total market share, 1.2 percentage points higher than that of 2019. Casarte's domestic offline share reached 12.2%, an increase of 3 percentage points year-on-year, making it one of the top three brands in the washing machine market; Leader on the other hand reaped an online share of 5.1%, ranking among the top five washing machine brands in the online market.

**During the period, people's demand for washing machine products continued to develop towards the direction of health-conscious, personalized, smart and scenario-based. As an industry leader, Haier washing machine continued to focus on user needs, promoting industry upgrades through technological innovation and product iterations.**

**The growing health consciousness fueled by the pandemic has driven an accelerated upgrade and evolution of products in the washing machine industry.** Centered around health and care, partition washing products were favored by users and became one of the hottest trends in product upgrades; meanwhile, healthy laundry features with various sterilization methods such as high temperature, silver ions, ultraviolet rays and ozone also gained popularity rapidly. Haier washing machine continued to capture market share in partition washers through the Casarte Twin Tasker series. We also leveraged the trend of healthy laundry and developed the pioneering self-initiative disinfection technology. The Yunxi and Xianmu top-load washers would generate deep ultraviolet light automatically during the laundry process, thus achieving auto sterilization without additional electricity consumption. During the period, the shares of top-load and front-load washers in terms of offline retail volume have reached 43.5% and 39.4% respectively, representing increases of 3.3 and 4.3 percentage points year-on-year.

**In view of the trend of demand segmentation, the Group has performed deep dive analysis on the market demand of different user groups.** In response to the growing demand for care and color protection of high-end fabrics, the Group launched the BlingBling colored apparel washer, an innovative

product programmed with various modes of detergent usage to facilitate the restoration of the original color of clothing in just one click. Since the launch of the colored apparel washer, our online market sales have increased rapidly and successfully drove a 9% year-on-year increase in our market share of washers priced over RMB6,000. In addition, based on the waist protection needs of female users while doing housework, the washing machine business launched the Washer for mothers, which successfully led to a 2.9% year-on-year increase in the market share of top-load products in the price range of RMB2,700–4,000.

At the same time, **the washing machine business has spearheaded the growing trend of smart products.** The Casarte's Air Wash has upgraded from the initial variable-temperature steam Air Wash, to an Air Wash that integrated sterilization, wrinkle removal, odor removal, and humidity removal, as well as enhanced fluffiness in one machine. The Air Wash procedure could be customized precisely according to different fabric and needs, hence fulfilling user needs for high-end laundry in an intelligent way.

**In terms of overseas exports, the growth of the washing machine business has slowed in the first half of the year due to the impact of the pandemic. However, benefiting from the Group's global strength of the “three in one” localized deployment and our product competitiveness, our export revenue has achieved rapid growth in the second half of the year, thus leading to an annual revenue growth of 40% in overseas markets.** In the U.S. market, the healthy laundry product first launched in the region was favored by users due to its differentiated features, resulting in an increase of 4 percentage points in the market share of front-load washers and enhanced our market position. In Japan, the AQUA ultrasonic project focused on mid-range to high-end products in the variable-frequency series, which were highly effective in cleaning collars and cuffs and unlikely to damage clothing fibers. Although the industry declined 4%, our variable-frequency series achieved growth against the negative trend and recorded a gain of 4 percentage points in market share. In the European market, we continued to focus on high-end brands, featuring high-end front-load washers and highly profitable products, and has enhanced our market scale and overall profitability.

During the period, **the washing machine business has achieved double breakthroughs in terms of production capacity and efficiency,** and continued to push forward our super-factories project. Through betting with suppliers as well as centralizing product models, production modules and manufacturing sites, we raised the efficiency of product models and reduced the whole-machine cost. In addition, the washing machine business has advanced operational efficiency and optimized organizational structure through the digitization of channels. We also reduced labor costs and improved production efficiency through self-made equipment and



automation. With the implementation of the interconnected factories project, the automated, intelligent and visualized production capacities of our factories have been strengthened. Through the collection and modeling of big data from users, our production decision-making capability and efficiency have been further enhanced.

## *(2) Internet of Clothing*

Haier's Internet of Clothing has actively promoted cross-sectoral collaborations with laundry detergent, apparel and footwear manufacturers, so as to create an ecosystem for the laundry industry.

During the period, to address users' needs for personalized care of high-end clothing fabrics, the Internet of Clothing has joint hands with leading resource brands in the laundry detergent market to create the first ink cartridge washing machine. This ecological solution of ink cartridge laundry has won the recognition of users for its advanced technology including personalized laundry programs, precise and smart detergent dispensing and detergent smart purchase, coupled with convenient service experience.

Besides, as there is an increased awareness on household disinfection after the outbreak of Covid-19, timely and effective disinfection, sterilization and storage of footwear have become users' pain points. The Internet of Clothing has collaborated with resource partners in footwear laundry services, sporting goods chain brands and footwear brands to co-create a complete-scenario experience for the washing, caring, storage and customization of footwear.

During the outbreak of Covid-19, the Internet of Clothing has provided a complete scenario for household pandemic prevention solutions, covering the scenarios of going home, staying at home and on commute, hence offering users a one-stop solution for health protection, which have greatly boosted user demand for upgrading related smart home appliances, and generated enthusiasm for shopping with ecosystem resource partners such as laundry detergent.

### **3. Household Air Solutions**

#### **(1) Household air conditioners**

The residential air conditioning business has focused primarily on health-conscious and intelligent products. It has led the industry to transform from distribution-based to retail-based, actively expanded the integration of offline networks and online channels, and pushed forward the construction of engineering channels, which have effectively increased growth in our retail shares. In terms of market share, both offline and online shares have achieved growths against negative trends, with offline share of retail sales standing at 14.7%, an increase of 2.2 percentage points; and online share of retail sales standing at 11.2%, an increase of 2.4 percentage points. Meanwhile, we have continued to expand Casarte's air conditioning product portfolio to stimulate structural upgrades and growth of scale.

The household air conditioning business has formulated a number of health-boosting air conditioning standards, such as sterilization cabin and air purification, and has applied for a total of 4,881 invention patents and 609 international patents. The residential air conditioning business has successively launched the "Thor" self-cleaning air conditioner with 56℃ sterilization, the "3D sterilization cabin" series of whole-house healthy-air air conditioner, and the "New Species" air-washing air conditioner and purifier. In particular, the "sterilization cabin" series of air conditioners have adopted a triple sterilization technology with the use of water, heat and electricity. They provide a bacteria removal rate of 99%, thus completely solving the pain point of dirty air blow from air conditioners, and have received unanimous praise from users during the pandemic. The market share of sterilization air conditioners has reached 56.6%. Drawing on the principles of aero engines, the world's first air-washing air conditioner is installed with a high-speed centrifugal waterfall curtain system to achieve a differentiated experience of purification, humidification, oxygenation, sterilization, air blow positioning and voice interaction. It can achieve the effect of air washing once every hour, hence offering clean, fresh and healthy air to users. Since its launch in the market, the air-washing air conditioner has continuously captured the largest share in the price segment above RMB14,000.

Casarte's air conditioner has achieved revenue growth of 27% through expanding its product portfolio and touch-points. In 2020, set products for Casarte's residential air conditioner have increased the Galaxy series. In terms of market share, our share in the price segment above RMB15,000 has reached 46.9%, an increase of 6.27 percentage points year-on-year; our high-end market share of hanging machines priced above RMB4,000 and standing machines priced above RMB10,000 has reached 16.6%, representing an increase of 3.8 percentage points.

The Group's residential air conditioner had export revenue growth of 21%. In overseas markets, we have increased market share through continuous channel expansion and the launch of innovative products. We have also flexibly leveraged online marketing to propel enhancement of our localized competitiveness. At the same time, our domestic factories have resumed production in the first moments to ensure fulfillment of order demands in key markets as well as supporting the development of proprietary brand overseas.

## *(2) Commercial air conditioners*

Benefiting from the swift control of the pandemic and the resumption of work and production in Mainland China, the commercial air conditioning industry has shown gradual recovery, and we outperformed the industry with double digit revenue growth.

With 61% market share in magnetic levitation products, we continue to lead the industry in energy efficiency solutions, we also launched the industry's first smart and energy efficient solution using IoT based VRF units developed clean energy products in anticipation of the surge in demand association with the switch from coal towards electricity.

Our air conditioning business has focused on featuring products that are health-boosting, energy saving and intelligent, thereby offering healthy and convenient experience for users. During the period, in response to users' continuous concern on health, the commercial air conditioning business has launched the Healthy Air Conditioner, and introduced the industry's first central conditioner with sterilization cabinet while continued the iteration of maglev units with a large cooling capacity. We also made breakthrough in smart air solution for commercial properties, developed identification technology for central air conditioners, IoT based control system that could potentially save users' cost by over 50%.

The air conditioning segment in China has achieved revenue of RMB25.5 billion, an increase of 8.6%.

#### **4. Household Water Solutions**

##### **(1) Water heater business**

**The water heater and water purifier business has committed to providing users with safe, smart and comfortable whole-house water usage solutions.** In 2020, although the pandemic situation has suppressed some offline consumer demand, the stay-at-home economy driven by social distancing has stimulated the growth of online traffic which further unlocked demands from lower tier markets. Haier's water heater and water purifier business has seized the opportunity and embraced the trend for health-boosting and intelligent home appliances. We continued to upgrade product features, and achieved a revenue of RMB10.217billion, a growth of 6.5% year-on-year.

During the period, the water heater status in the industry has further enhanced, ranking first in the overall industry. Our market shares also further increased, reaching 23.9% and 27.3% for offline and online markets respectively, representing year-on-year growths of 3.4% and 3.2%. In the high-end market, Casarte achieved a revenue growth of 80%, its market share also further grew by 4.2%. The Leader brand developed momentum in both online and offline markets through the Yellow Duckling IP, which has successfully captured the hearts and minds of young users, and realized a substantial increase in market share.

As revenue grew rapidly, the water heater business has continued to optimize costs and expenses, including streamlining SKUs, focusing resources on projects with high input-output ratio, etc., so as to effectively improve profitability. During the period, although the level of profit margin was impacted by the pandemic in the first half of the year, it has shown significant improvement in the second half of the year.

**As an industry-leading brand, Haier electric water heater has committed to solving user pain points and meeting user needs.** According to information from CMM, the online and offline market shares of the Group's electric water heater in terms of retail value were 37.7% and 36.5% respectively, representing year-on-year growths of 4.7% and 8% respectively. During the period, Haier electric water heater launched three leading technologies: variable-frequency instantaneous heating technology, AI artificial intelligence technology and water purifying technology, thereby bringing users large-capacity, intelligent and healthy bathing experience. At present, products with water purification features have accounted for more than 70% of Haier's electric water heaters. In particular, Casarte's Tianmu SPA series even provided users with unlimited hot water and a relaxing bathing experience for the whole family. At the same time, backed by Haier's AI artificial intelligence technology and the U+ big data platform, Haier

electric water heaters not only provided users with smart water usage, they could also serve as smart network devices connecting with the bathroom or the entire house, hence bringing users a future living experience. Haier electric water heater's outstanding product innovation capabilities and stylish designs also received international recognitions, with Casarte's electric heater Tianquan SPA winning the AWE Outstanding Product Award.

**Haier gas water heaters also achieved exceptional performance during the period.** Retail sales of the Group's gas water heaters skyrocketed by nearly 100% during the 618 Festival, and rose over 60% during the Double 11 Festival. According to information from CMM, the online and offline market shares of the Group's gas water heater in terms of retail value in 2020 were 16.3% and 15.6% respectively, representing year-on-year increases of 1.7 and 4 percentage points. During the period, the newly launched double-booster zero-cold-water product TR7 has overturned users' concerns on gas heater products, such as poor at maintaining constant temperature, poor wind resistance and high safety concerns. The product has received unanimous praise from the industry and users upon its release, leading to a two-fold increase in our market share of products priced below RMB5,000. The closed and stable core combustion technology adopted by the product also received the China Patent Excellence Award, marking the only "Nobel-class" patent in the China's gas heating industry in the past 40 years. Besides, Haier formulated the "special requirements for domestic instantaneous gas water heater with preheating function", a group standard for zero-cold-water product, which has become the industry benchmark for zero-cold-water technology. On 8 June 2020, Haier gas water heater CX3 was selected and certified by the China Household Electric Appliance Research Institute as the industry's "seven-star smart" gas water heater. As driven by industry-leading zero-cold-water waterfall washing products in the Casarte CR6 series, growth of Casarte's gas heater products has doubled.

**During the period, Haier air power has accelerated the pace of R&D for products with health-boosting features such as high water temperature and sterilization.** Meanwhile, it has dominated the industry's offline retail with an annual cumulative share of over 55%, and ranked first in the industry's online market with a 48% share. Its market share in the high-end product segment priced above RMB10,000 has grown 25%. Among the TOP10 best-selling model rankings of air-powered water heaters, Haier owned nine of them, thus completely dominated the industry.

## *(2) Water purifier business*

According to CMM's retail monitoring report, growth in online retail sales for the overall industry has increased by 32.4%, Haier continued to lead the industry with an outperformed growth of 41.1%, which ranked first in the market and achieved a 0.8% year-on-year growth in market share; growth in offline retail sales for the overall industry has dropped by 22.8%, and Haier recorded a growth of 8.8% against the downward trend, which was the only brand among the five top-ranked brands to achieve positive retail growth, with a year-on-year increase of 3.8 percentage points in market share.

According to CMM, in terms of household point-of-use water purification, Haier water purification products recorded an online retail market share of 13.2% and took the first place in the industry; growth in offline market reached 7%, which was the only brand among the top five brands to achieve positive growth. In terms of whole-house water purification, through the provision of smart, differentiated set products of whole-house water solutions, Haier water purification achieved sales of over 11,000 sets of products under the whole-house centralized water purification and softening scenario, and over 46,000 sets of products under the living room water purification and drinking scenario. Meanwhile, building on BWT's brand reputation in the high-end whole-house water usage segment, the Haier and BWT joint venture company has successfully launched partnerships with renowned real estate developers in Mainland China on whole-house water usage engineering projects.

During the period, in response to users' demand for differentiated water quality, the water purification business has primarily focused on the promotion of high-end mineral water purifiers from the Casarte's Yunjing series. The product series provided solutions for mineral water that contains strontium to meet the health needs of users. The products have attracted widespread attention and user purchases once they were launched in the market.

## *(3) Water-related Ecosystem*

In an effort to fulfil customers' aspiration for better water usage in everyday lives, Haier's whole-house smart water usage solution integrated whole-house water purification, water softening, water heating and home heating into a one-stop solution. In addition, Casarte's home heaters can be controlled remotely to preheat the room before the user comes home, heating times can also be scheduled according to the life rhythm of the user to avoid overuse, which is more energy efficient and environmental-friendly.



## **5. *Operating Platform in China***

In the face of the challenges of the pandemic in 2020, the Group has strengthened collaborations with e-commerce platforms, upgraded our own Smart Home App, and intensified the integration of all channels. At the same time, we have integrated with multiple resources such as home furnishings and building materials to create the brand-new Smart Home experience store.

Smart Home experience stores offered displays and sales of complete sets of products that revolved around the scenarios of clothing, food, living and entertainment. The stores have evolved from focusing solely on product sales to one-stop shops that provide design services before sales, immersed experience during sales, and maintenance services after sales. Building on our increasingly strengthened capacities on smart scenario deployment, as well as the full integration of the above-mentioned resources, the Group has rolled out the new ecosystem scenario brand “Three-Winged Bird” during the year, which focuses on providing users whole-process smart home solutions, hence charting a new development path for the Group.

During the period, the Group has made significant progress in the following areas. In terms of e-commerce channel, the Group has responded to users’ growing demand for online consumption by actively expanding our product offerings on e-commerce channels and strengthening our brand-building strategies. At the same time, we have made use of digital tools to enhance content marketing and engage users in high-frequency interactions, which effectively improved user loyalty and conversions. During the period, the Group’s overall e-commerce retail sales have increased 39.2% to 52.2 billion, ranking first in the industry. Specifically, according to CMM’s monitoring data, Haier’s share of online retail sales has reached 22.4% during the Double 11 Shopping Festival, which ranked first in the large-format home appliance segment. In addition, the Group’s high-end products have attained an increasing proportion in the online market, user satisfaction also continued to improve, which maintained our leading standard in the market. In terms of commercial channel, the Group has focused on whole-house smart home projects and commercial projects. Building on our whole-process service capabilities, we established an operational system that ensured “zero missing demand, timely order delivery, and service without distance”, hence achieving rapid growths in multiple product categories. In particular, through the brand mix of Casarte and GEA, the kitchen appliance business has achieved rapid growth with project coverage in multiple price segments. In terms of franchise store channel, due to the impact of the pandemic in the overall consumer market, sales revenue dipped in the first half of the year with a clear rebound in the second half. Major categories such as freezer and refrigerator, washing machine and water heater have all achieved growth higher than the industry.

During the reporting period, the Group has continued the roll out of the “Three-Winged Bird” scenario brand, continuously enriched the Smart Home experience cloud, promoted the integration of online and offline channels, and enhanced our refined operational capabilities with the help of digital platforms.

**First of all, we provided one-stop customized services based on the “Three-Winged Bird” scenario brand.**

Building on our solid experience in the development of smart and high-end set products as well as our extensive network of ecosystem resources, the Group has redefined our consumption scenarios, and launched the new brand scenario “Three-Winged Bird” in September 2020 that revolved around the needs of a “home”, offering complete scenario-based smart home solutions to users for balconies, kitchens, living rooms, bathrooms and bedrooms. At the same time, through leveraging our extensive service network resources, we have established the 1+N service system. Through a single service steward and a project manager, the system enabled collaboration with numerous resource partners, including home appliance service personnel, set products service providers, distributors and home furnishing companies, hence providing an overall one-stop solution to users that covered the service needs of home appliances, home furnishings, HVAC and whole-house intelligence.

For example, the washing machine business has successfully developed 15 scenario-based solutions around the “theme of apparel wearing”, such as the smart balcony and smart walk-in closet, which have provided full life cycle garment solution services for users that integrated laundry, fabric caring, garment storage, fashion mix-and-match and apparel purchasing. Taking the construction of the smart balcony as an example, “Three Winged Bird” would provide personalized solutions of balcony scenarios based on the needs of different users, along with one-stop services that include design, construction, delivery and installations. The construction could be completed in as little as three days.

As of the end of the year, the Group has launched 325 Three-Winged Bird 001 stores by means of new construction or renovation, achieving full coverage in all core cities. The Three-Winged Bird scenario-based solutions has effectively stimulated the sales of the Group’s set products and achieved sales growth of 41% year-on-year, among which, the sales volume of high-end intelligent set products has growth of 63.2% year-on-year.



**Secondly, we created an experience cloud platform for the IoT era.**

Through bringing together a rich collection of online content, the Haier Smart Home App, an online e-commerce platform built and developed by Haier, has attracted users to watch live-streaming of comprehensive scenarios of clothing, food, living and entertainment. It also enabled interaction with users to identify their ideal solutions of home furnishing and living scenarios, and aroused their interests in purchasing home appliances and peripheral products.

During the period, the Smart Home App received an average of 1.206 million daily active users and 24.8 million monthly active users, representing skyrocket increases of 546% and 803% year-on-year respectively. In particular, the experience cloud crowd live-streaming has provided users with scenario-based solutions through live streaming upon its launch. Throughout the year it has delivered over 1,000 live streaming sessions with a total of over 50 million views. In the App, the newly launched Living Home section has offered an interactive platform for users to learn smart tips on home appliances' usage and home living. The "1+N Smart Home Renovation" section on the other hand has enabled integration with service resources in the ecosystem, which transformed pure home appliance service into comprehensive household services for home appliances, family and home living. Through the Smart Home App, the Group has helped 30,000 brick and mortar stores to go online, thus enhanced users' online and offline shopping experience for all types of scenarios.

The Group used the Haier Smart Home App as a digital medium to develop our experience cloud platform, which was created based on the data we accumulated from the above-mentioned live streaming sessions, user services and user interactions. Users could share their purchasing and product usage tips, manage their smart home appliances through the remote system, and apply for after-sales services on the platform. Through the experience cloud, the Group could also optimize the design and development of our own products and services, focusing on the continuous upgrade of user experience. At the same time, the Smart Home experience cloud has undergone timely iterations to improve the experience of smart product usage. For example, in terms of scenario development, we have provided templates to collaborating manufacturer brands to facilitate swift service implementation. In terms of smart voice products, our experience cloud has established an industry-leading whole-house distributed speech standard, which could achieve distributed recognition on five major appliances at home, hence driving the progress of smart products towards the goal of "speak anytime, able to understand, smartly recognized, know you better".

**Lastly, we fully integrated our information system to implement digital marketing and enhance capacities of our franchise stores.**

At present, the Group's Jushanghui platform has full coverage of all franchise stores' customers, which enabled real-time visualized management of customers' purchases, sales and inventories. At the same time, the Yilihuo platform has also achieved 100% coverage of township stores, thus offering a digital system for the execution of store policy, product delivery, incentives and training directly at township levels. Through the popularization of the digitized channel systems, township management has become more transparent, which has greatly enhanced the effectiveness of marketing efforts and incentives. In addition, with the strengthening of the Group's digital management capability and the extensive coverage of unified warehousing and distributions at township stores, the proportion of customer-to-manufacturer orders from township customers have increased significantly, thereby optimized the number of SKUs in sinking channels and accelerated inventory turnover, which has made significant contributions to the enhancements of productivity and sales efficiency.

Meanwhile, the Group has leveraged the experienced cloud platform to enhance the digitization of marketing resources. We also developed a digital platform that covered all channels and scenarios based on AI precision marketing techniques for identifying, outreaching, managing and tracking of users, which has substantially improved the efficiency of marketing operations. During the period, the "Potential Customer Radar" has identified around 2 million potential users through accurate analysis of data, thus effectively empowering user conversions.

## **6. *Smart manufacturing***

During the reporting period, the Group has spearheaded the industry with the implementation of the super-factories strategy, which has driven efficiency improvement throughout the whole process. First of all, the Group has deepened the application of cutting-edge technologies such as 5G and edge computing, and rolled out more than 200 projects for in-depth integration of advanced manufacturing technologies and new-generation artificial intelligence technologies. Secondly, we established a strategic operation system for super-factories to foster collaboration and interaction throughout the entire process before production, and to enable processes to be digitally driven during operation, so as to ensure the achievement of production goals. Smart manufacturing in super-factories could effectively improve production efficiency, and create opportunities for cost optimization.

During the period, the Group has constructed 16 interconnected factories. In September 2020, the Haier Sino-German Industrial Park won the world's only "Industry 4.0 Award" in Germany, which symbolized the transformation of

Haier's smart manufacturing from lighthouse factories to becoming a lighthouse base. In October, three factories, including one for central air conditioning, have passed the Ministry of Industry and Information Technology of the PRC's Intelligent Manufacturing Capability Maturity Level 4 certification. In December, Haier won the honor of the National Intelligent Manufacturing Benchmark Enterprise due to its central air conditioning interconnected factories, and was the only enterprise that has two factories being awarded under the National Intelligent Manufacturing Benchmark.

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

Faced with the pandemic in 2020, the Group relied on our "3-in-1" localized deployment in overseas markets, pressed ahead with our high-end brand strategy and scenario ecosystem transformation, and grew sales revenue to over RMB100 billion and profit to RMB4 billion against headwind with growth rate of 8% and 26.79% respectively. Market shares have increased across all product segments. The growth in business performance was mainly attributed to the following factors:

1. With comprehensive premium product line-ups, an extensive distribution network and direct to end user sales coverage, we achieved above market average growth across regions.
2. Localized operations supported by the global platform does not only safeguard new product launches, but also maintained steady supply throughout the period, contributing to overall resilience in our performance.
3. We made several breakthrough in the implementations of scenario brands strategy globally, including Randori community laundry in Japan, Wash pass ink cartridge laundry units in the UK, similar progress was made under eco brand strategy including hOn Experience Cloud Platform in Western Europe and Smart HQ platform in the US, all of accelerated our development in products, scenario based solutions and ecosystem applications with enhanced users experience.

### **1. US**

Despite the extraordinary challenges of pandemic outbreak, continued efforts have been made in user centric strategic implementation, brand premiumization, supply chain optimization and omni-channel integration, making 2020 one of the most remarkable years in our history. In north America, sales revenue grew by 10% reaching RMB63.7 billion, with over 30% growth in mass premium brands. Meanwhile, core appliance market share went up by 1.4 percentage points with expansion in all categories; we also launched new product lines in small appliances and water heaters. Furthermore, online presence has been strengthened and eco-system related revenue also increased significantly.

On manufacturing front, swift and assertive actions were taken to ensure the health and safety of our employees and maintain continued service to our consumers. Measures implemented including mandatory temperature check for all employees, flexibility shifts and locations, cleaning and sanitization in all facilities to ensure the safety of our service technicians, almost 1,000 of our salaried employees volunteered a total of 150,000 hours on our factory assembly lines to make essential appliances for our users at a time when they needed us the most. Despite all the difficulties, GEA's production volume grew by 10% over the same period in 2019, with 20% increase in the second half. The largest assembly line from our kitchen appliance factory in Roper completed software upgrade of Proficy system, accelerating its transformation towards lean production under Industrial 4.0 framework.

On R&D front, we work closer with colleagues in Singapore, Israel etc on HOPE innovation platform for more inspiration and solutions on projects including new impeller design in AC, temperature control units in microwave, data safety from smart home system; in the launch of new large size front load washing machine, global collaboration and unified platform helped reduce development time by 55% with 33% fewer people involved.

We fully understood the concern for protection and safety when consumers are using our appliances to store foods and medicine, make meals for the family and fight germs on their clothes and dishes, thus new front load washing machines are made with UltraFresh Vent System and Microban antimicrobial technology to eliminate excess moisture & odours. Meanwhile, the new multi door refrigerators are equipped with humidity control system to extend the freshness of vegetables. In addition, new lines of small appliances products have been successfully launched under GE, GE Profile and Cafe brands, with GE Profile Opal ice maker topped home appliance and ice maker categories on Amazon member's day. We have also re-entered water heater category by becoming Costco's exclusive partner and forming partnership with plumbing industries.

We stay focused on increasing the connectivity of our appliances. Through our SmartHQ digital platforms, our owners are able to control their environment, whether it's their home or office. Our advances in promoting connectivity and smart home also received recognition from the appliances industry and consumers, including 2020 IoT CyberSecurity Breakthrough Award for Device Security Solution of the Year; IoT Breakthrough Award Winner for Smart Appliance Company of the Year consecutively from 2019 to 2021; the First Household Appliance Brand to Achieve Golden Security Rating from UL and our UltraFresh Front Load Washers earned the Good Housekeeping Seal in 2020.

On distribution front, leveraging on the Group's prior experience of doing business online, swift actions were taken to capture new growth opportunities with ecommerce platforms. More importantly, the professionalism and commitment demonstrated by our people during the pandemic strengthened partnership with our most important distribution partners, which does not only contribute to our solid performance in 2020, but also to enhance trust and closer cooperation to our sustained growth in the future. We also set up a new business unit specializing in commercial clients with particular focus on air conditioners and water heaters.

## **2. *Europe***

During the reporting period, the European business of Haier achieved revenue of RMB16.5 billion, an increase of 8.7% year-on-year. The Group's above industry growth was driven by 1) Fully leverage on prior pandemic containment and prevention experience from China, the European team promptly accelerated our expansion on ecommerce platforms with raised profile on social media, followed by accelerated online/offline integration including opening flagship stores, brand walls and shop-in-shops, while setting up online specialty stores to enhance brand recognition. 2) In response to the demand generated by the pandemic, a series of products that brought convenience to everyday living were rolled out, including a full-space refrigerator with added capacity, washing machines with steam disinfection and sterilization features, large-capacity freezers, full range of smart kitchen appliances, and 56℃ air conditioners. 3) With early pandemic prevention measures that were in strict accordance with local government requirements, we took the lead in resuming work and production. 4) We also strengthened alliances with our partners, i.e., launched silence and steam cleansing washing machines together with detergent manufacturers; enhanced user choices and experiences of our ovens with grocers and online liquor platforms.

## **3. *Australia & New Zealand***

Australian and New Zealand's revenue was RMB5.98 billion, an increase of 11.71% year-on-year, and Haier brand grew by 69% by capturing new user demands for health and sterilization products with timely launch of new products including T-door refrigerator and dishwasher; while online revenue doubled with our initiatives in experience enhancement, product upgrade and premiumization.

Strict lockdown measures have affected consumption in the first half of 2020. During the period from March to May, retail sales offline in New Zealand tumbled by 70–80% on average; market momentum started to recover as the pandemic eased off in the second half, leveraging on global supply chain platform, the Group seized the growth opportunity from implementing comprehensive integration, strengthened collaboration with upstream and downstream partners, sufficient supply and flexible go to market strategies.

Covid-19 has generated demand for large storage, sterilization, and long-lasting fresh keeping. In response, the headquarters and local teams worked closely and accelerated the launch of upgraded HRF565 T-door refrigerators and innovative RF605 series. We promoted wellbeing scenarios in TGG/HNV channel, while launching the “Social Kitchen” dialogue on social media such as Facebook and Instagram, by sharing tips in new product, healthy living and cooking with users, who are drawn to the new features of our T-door refrigerator, including temperature controlled zones, separated storage, and smart freshness, all of which contributed to 5% revenue growth from refrigerator segment for the year.

#### **4. *South Asia***

During the reporting period, revenue reached RMB5.47 billion, down 13.69% year-on-year.

- (1) In India, the lockdown from the end of March to the end of June lasted through the traditional peak season for appliances sales, resulting in an industry decline of 25%. In response to the new demand from the pandemic, the Group focused on products with wellbeing and sterilization features, and enhanced the competitiveness with large sizes and capacities, while network coverage increased by 70% and we started to produce front load washing machines locally, further contributed to our brand and products competitiveness.
- (2) Amid industry wide decline in Pakistan, our revenue grew over 17% in local currency, this was mainly attributed ① the continuous expansion of offline network and the rapid development of e-commerce channels, which grew 300% during the year; ② enhancement of our product portfolio that catered to the demand at different consumption levels, in particular fully automatic washing machines continued to lead the market, while purifying air conditioner provided users with healthy air solutions and the share of smart products also increased; ③ our market share in refrigerator, household freezer, air conditioner and washing machine all reached No. 1.



## **5. *Southeast Asia***

During the reporting period, revenue of RMB4.12 billion was recorded, a year-on-year increase of 11.26%. The Group has focused on brand differentiation marketing, expanded network coverage, improve aftersales services and reduce call centre response time. We also implemented sales and PC management system to improve our go to market strategies while accelerating reforms towards mid to higher products on a more retail oriented network, leveraging on global supply chain, we continued to launch new products and upgrade existing products order to capture pandemic inspired demand, promote scenario based solutions and fulfil our users' demand.

## **6. *Japan***

Revenue was RMB3.61 billion, up 11.2% year-on-year, it was driven by 1) Ongoing high-end brand building and optimization of product mix including the successful launch of the AQUA full-cabinet Delie refrigerators and our unique ultrasonic washing machine. 2) in response to users' demand to keep food fresh form prolonged time at home, we promptly developed industry's largest 280L freezer and 3IN2 temperature adjusted refrigerators and gained premium market recognition; 3) Despite the difficulty, AQUA community laundry unit consolidated its 70% market share through collaborating with a variety of partners, making significant progress towards scenario and ecosystem market leadership.

## **Outlook**

In 2021, the Group will focus on the building of high-end, scenario and ecosystem brands, continuing to leverage our strengths in market-leading set products, global synergies, high-end brands and the Smart Home experience cloud platform. We will drive forward the whole process digital transformation to enhance efficiency, and continuously expand our smart home scenario-based solutions, thereby to maintain a strong development momentum.

- 1. The Chinese market:** (1) The Casarte brand will expand its competitive edge in the high-end market through continuous product innovation, press ahead with digital transformation to achieve whole process efficiency enhancement, and achieve breakthrough in the air conditioning business through product upgrade, channel development and marketing innovation. (2) We will accelerate the development of the "Three-Winged Bird" scenario brand through expanding our touch point network, upgrading the collection of scenarios, and building capacity for 1+N services. (3) By focusing on the development of ecosystem brands such as the Food Network and the Internet of Clothing, we will achieve breakthroughs in the number of platform users, GMV and ecosystem revenue. (4) In terms of smart home construction, through developing the smart home perception and decision-making system, we shall create a

Haier Smart Home brain system that can offer interactive, reliable, thoughtful home services that can be accessed anywhere. Through various gateways such as the Smart Home App, Three-Winged Bird App, distributed speech technology and the multi-screen feature, we will create a smart home interactive portal that attract users' attention.

2. **Overseas markets:** (1) create premium product portfolio, with comprehensive network and direct go to market approach in order to consolidate leadership in all markets; (2) improve the global supply chain infrastructure and provide immediate smart and healthy home solutions to our local users; (3) upgrade our hOn platform in Europe, EVO platform in Russia, Smart HQ platform in the US in order to provide users with superior experience leveraged on enhanced system capabilities.
3. We will construct fully digitalized operation systems for interconnected factories globally, aiming at maximum efficiency throughout the whole process, and focus on hitting the targets of precision, efficiency, balanced lines and full production capacity. Through the mega-factories projects, we strive to develop top-selling products that are most competitive in the market with the most cost-effective production methods.

#### **Potential Risk**

1. Risk of decreasing market demand due to slowdown in macroeconomic growth. As white goods are durable consumer appliances, the level of users income and their expectations of future income growth will have an impact on their willingness to purchase products. A slowdown in macroeconomic growth causing the decline in the purchasing power of users would have a negative impact on industry growth. In addition, a slowdown in real estate market would also have some negative impact on market demand, which will indirectly affect end-user demand for home appliances.
2. Risk of price war due to intensify industry competition. The white goods industry is highly competitive with a high degree of product homogeneity and industry concentration has increased in recent years. However, the increase in industry inventory capacity in individual sub-sectors due to the imbalance between supply and demand may lead to risks such as price wars. Furthermore, due to rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation, it is becoming increasingly difficult for us to take advantage of the higher selling prices typically associated with new products, services and technologies while having to invest more in research and development. The Group will actively invest in research and development to attract more users through continuous innovation in products and services, so as to build a lasting brand awareness.



3. Risk of fluctuations in raw material prices. The raw materials that we mainly use in our products and core components are metal raw materials such as steel, aluminium and copper, as well as commodities raw materials such as plastics and foam. If the prices of raw materials supply continue to rise, it will put pressure on the Group's production and operations. In addition, the Group relies on third party suppliers for key raw materials, components and manufacturing equipment, as well as OEM suppliers, and any disruption in supply or significant price increases from these suppliers would have a negative impact on the Group's business. As a leader in the industry, the Group will take steps to reduce the risk of raw material fluctuations on its operations by using valuation adjustment mechanism on volume and price with suppliers and hedging tools.
4. Operational risks in overseas business. The Group has steadily developed its global business and has established production bases, research and development centres and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year-on-year. The overseas markets are subject to political and economic situations, legal systems and regulatory regimes of those countries and regions, and significant changes in these factors may pose certain risks to the Group's local operations in these markets. The Group has taken various measures to mitigate the relevant impact, including actively discussing and working with suppliers and customers to mitigate the impact of additional tariffs imposed by the United States; improving production efficiency to offset the impact on the Group's overall cost of sales; and potentially expanding the Group's supply resources to other countries.
5. Risk of exchange rate fluctuations. As the Group's global footprint progresses, the import and export of the Group's products involves 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 Group's financial position and increase its financial costs. In addition, the Group's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of the primary economic environment in which the entity operates, and are therefore subject to currency exchange risk. In this regard, the Group 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 goods market and the real estate market. Changes in macroeconomic policies, consumer investment policies, real estate policies and relevant laws and regulations will affect customer demand for the Group's products, which in turn will affect the sales of the Group's products. The Group will closely monitor changes in the relevant policies and laws and regulations, and make forecasts of market changes to ensure the further development of the Group.

7. Risk of Uncertainties resulted from COVID-19 outbreak. The COVID-19 outbreak, which gradually spread by the end of 2019, could lead to a further weakening of consumer demand for home appliances, which could in turn affect the Group's product sales. Firstly, lockdowns, social distancing measures and travel restrictions will reduce customer mobility and result in the closure of the retail sales sites, thereby reducing consumer demand for home appliances. Secondly, the epidemic may also lead to operational disruptions for customers, such as logistical disruptions in product deliveries, resulting in customer dissatisfaction with the Group's service and consequently reduced demand for the Group's products. The Group will leverage on its experience in the China market and make best use of the synergy of global resources to mitigate the impact of the epidemic on our operations.
8. Credit risk. There is possibility that we will be unable to fully recover our trade receivables from our customers or that they cannot settle our trade receivables in a timely manner, our business, financial condition and results of operations may be adversely affected. As to this risk, depending on the credit history of our customers and their transaction amounts with us, we allow the flexibility by offering a credit period of 30 to 90 days to certain customers.

## **FINANCIAL REVIEW**

In 2020, the Group's revenue amounted to approximately RMB209,703 million, representing an increase of 5.9% from RMB198,006 million in 2019 (increase of 8.3% on the same basis as compared to last year after considering the deconsolidation of COSMO business in the end of September 2020 and excluding the COSMO's revenue contribution to the Group in the fourth quarter of 2019). The profit attributable to owners of the Group was RMB8,877 million, representing an increase of 8.2% (increase of 8% on the same basis as compared to the corresponding period of last year after excluding the one-off investment gains from deconsolidation of COSMO business and logistics in September 2020 and July 2019 respectively) from approximately RMB8,206 million in 2019.

## 1. Analysis of Revenue and Profit

Items	2020 <i>RMB'M</i>	2019 <i>RMB'M</i>	Change %
<b>Revenue</b>			
Smart Home Business in China	<b>98,863</b>	92,714	6.6
Refrigerator/Freezers	<b>34,383</b>	32,747	5.0
Kitchen Appliances	<b>2,772</b>	2,435	13.8
Air-conditioners	<b>25,506</b>	23,492	8.6
Laundry Appliances	<b>25,985</b>	24,444	6.3
Water Appliances	<b>10,217</b>	9,596	6.5
Smart Home Business Overseas	<b>100,623</b>	92,913	8.3
Other Businesses	<b>92,624</b>	83,667	10.7
Inter-segment eliminations	<b>(82,407)</b>	(71,288)	15.6
Consolidated revenue	<b>209,703</b>	198,006	5.9
Adjusted operation profit*	<b>9,886</b>	8,971	10.2
Profit for the year attributable to owners of the Company			
— from continuing operations	<b>8,877</b>	6,715	32.2
Profit attributable to owners of the Company	<b>8,877</b>	8,206	8.2
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
— Profit for the year	<b>RMB1.34</b>	RMB1.29	3.9
— Profit from continuing operations	<b>RMB1.34</b>	RMB1.05	27.6
Diluted			
— Profit for the year	<b>RMB1.31</b>	RMB1.19	10.1
— Profit from continuing operations	<b>RMB1.31</b>	RMB0.96	36.5

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

	2020 <i>RMB'M</i>	2019 <i>RMB'M</i>	Change %
China	<b>107,655</b>	103,887	3.6
Other countries/regions	<b>102,048</b>	94,119	8.4
Total	<b>209,703</b>	198,006	5.9

\* Adjusted operating profit is defined as profit before tax, net of interest income and expenses, net foreign exchange gains or losses, investment gains and losses, fair value gains and losses on other non-current financial assets, government grants and share of profits and losses of associates.

In 2020, the Group's revenue amounted to RMB209,703 million, representing an increase of 5.9% from approximately RMB198,006 million. Due to the impact of the epidemic, our revenue decreased by 1.6% year-on-year in the first half of 2020. In the second half of 2020, as the PRC was able to control the epidemic and the consumption of home appliances recovered gradually, the Group continued to launch market-leading set products, expanded the market share of high-end products constantly, deepened the transformation in retail, and insisted on the strategy of creating high-end brands and localized operations overseas, and therefore recorded significant increase of 13.2% year-on-year in revenue. If excluding the impact of deconsolidation of COSMOPlat business, the Group's revenue should have grown as high as 20% in the fourth quarter.

Revenue from the Smart Home Business in China increased by 6.6% from approximately RMB92,714 million to RMB98,863 million. All product lines of the Smart Home Business in China recorded stable growth attributable to smart package sales, Casarte's high-end brand strategy and the implementation of digital transformation.

#### **(1) Household Food Solutions**

Revenue from the refrigerator/freezers increased by 5.0% from approximately RMB32,747 million in 2019 to approximately RMB34,383 million in 2020. The refrigerator/freezers business was affected by the epidemic from the beginning of the year to May, but returned to a double-digit growth level since the beginning of the second half of the year, with refrigerator/freezer products under Casarte recording a growth of nearly 30% in the second half of the year.

Revenue from the kitchen appliances increased by 13.8% from approximately RMB2,435 million in 2019 to approximately RMB2,772 million in 2020, among which, revenue growth of the kitchen appliances of Casarte was 79%. This was mainly attributable to the fact that the kitchen appliance business continued to integrate the technical resources of GEA, Fisher&Paykel and Candy in kitchen appliances by leveraging the Group's strong research and development strength and experience in kitchen appliances across the globe, thereby increasing the proportion of high-end products significantly.

## **(2) Household Air Solutions**

Revenue from the air-conditioners increased by 8.6% from approximately RMB23,492 million in 2019 to approximately RMB25,506 million in 2020. Facing fierce market competition, the household air-conditioner business adhered to healthy and smart product lines, and increased the proportion of high-end products continuously. Notably revenue from air-conditioners under Casarte increased by 27%. Haier's commercial air-conditioner business also adhered to the main line of energy-saving, smart and healthy products, and its revenue recorded double-digit growth.

## **(3) Household Clothing Solutions**

Revenue from the laundry appliances increased by 6.3% from approximately RMB24,444 million in 2019 to approximately RMB25,985 million in 2020. In response to the weak performance of the overall industry, the Company's washing machine business adapted to market changes rapidly, and realized significant increase in market share by leveraging the advantages of the brand portfolio in full and promoting actively the digital transformation in the whole process. Although revenue declined in the first half of 2020, revenue increased by over 10% in the second half of 2020, resulting a full-year positive revenue growth. Specifically, the brand structure has become more balanced as the proportion of brands such as Casarte and Leader increased further.

## **(4) Household Water Solutions**

Revenue from the water appliances increased by 6.5% from approximately RMB9,596 million in 2019 to approximately RMB10,217 million in 2020. Following the trend of healthy and smart home appliances, Haier's water heater and water purifier business continued to upgrade products' function, and increased its market share rapidly. Although revenue declined in the first half of 2020, revenue increased by over 15% in the second half of 2020, resulting a full-year positive revenue growth. Specifically, the revenue of water heaters under Casarte, a high-end brand, increased by 80%, and the proportion of revenue contributed by Casarte increased rapidly.

## **(5) Smart Home Business Overseas**

Revenue from smart home business overseas increased by 8.3% from approximately RMB92,913 million to RMB100,623 million. The growth of overseas markets was mainly attributable to Haier's "3-in-1" localised layout and globalized R&D and supply chain system. During the spread of the global epidemic, Haier's overseas home appliances and smart home businesses seized opportunities in the markets with its leading capabilities in integrating supply chains, capabilities in resuming production and services, iteration rate of healthy home appliance products and capabilities in expanding online channels, resulting in increases in both sales and average unit prices.

Revenue from North America increased by 10.0% from RMB57,922 million in 2019 to RMB63,705 million in 2020. The increase was mainly attributable to the Company's insistence on treating users as the priority and unremitting efforts in upgrading of brands, refinement of supply chains and integration of all channels. The Company has launched new categories of products for small home appliances and water heaters in the US market, as well as accelerating the development of online business, with significant increase in ecological-related revenue.

Revenue from the European market increased by 8.7% from RMB15,195 million in 2019 to RMB16,513 million in 2020. Despite the impact of the epidemic, the Company recorded better performance in Europe as compared with the industry, which was mainly due to the following: a series of products that brought convenience to everyday living were launched in response to the needs induced by the epidemic; factories in European were well prepared by adopting the PRC's experience in fighting against the epidemic, and implemented epidemic prevention measures specifically in accordance with the requirements of the local government, as well as taking the lead in resuming work and production while ensuring safety, so as to meet the demands from the market.

### ***Profit Attributable to Owners of the Company***

In 2020, the profit attributable to owners of the Company was approximately RMB8,877 million, representing an increase of 8.2% from approximately RMB8,206 million in 2019. The profit attributable to owners of the Group from continuing operations was RMB8,877 million with an increase of 32.2% from RMB6,715 million in 2019. It was due to the fact that the one-off after-tax gain of RMB1,546 million from disposal of COSMO business was counted as the profit from continuing operations.

## 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/(losses) on disposal of subsidiaries, fair value gains or losses on other non-current financial assets, 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 2020, the adjusted operating profit of the Group was RMB9,886 million, representing an increase of 10.2% as compared to RMB8,971 million in 2019. The increase in the adjusted operating profit was mainly attributable to the increase in profit of each business segment of the Group in China and the overseas home appliances and smart home business.

The following table sets forth the reconciliation between the Group's adjusted operating profit and profit before tax from continuing operations prepared in accordance with IFRS in 2020 and 2019:

	<b>2020</b> <b>RMB'M</b>	<b>2019</b> <b>RMB'M</b>
Profit before tax	<b>13,555</b>	10,606
Adjustments:		
Bank interest income	<b>(470)</b>	(525)
Net foreign exchange losses/(gains)	<b>385</b>	(275)
Government grants	<b>(845)</b>	(964)
Return on investments in other financial assets	<b>(158)</b>	(172)
Dividend income from an equity investment designated at fair value through other comprehensive income	<b>(21)</b>	(39)
(Gain)/loss on disposal of subsidiaries	<b>(2,261)</b>	4
Finance costs	<b>1,321</b>	1,732
Share of profits or losses of associates*	<b>(1,620)</b>	(1,409)
Fair value losses on other non-current financial assets	<b>—</b>	13
Adjusted operating profit	<b>9,886</b>	<b>8,971</b>



The increase in share of profits and losses of associates is mainly due to the increase in profits of Controladora Mabe S.A.deC.V. There is no significant change in the remaining share of profit or losses of associates.

### ***Gross Profit Margins***

In 2020, the overall gross profit margin of the Group was 29.0%, representing a decrease of 0.6 percentage points from 29.6% in 2019. Specifically, the gross profit margin decreased by 1.7 percentage points year-on-year in the first half of 2020, which was mainly attributable to decrease in traffic of offline stores resulting from the epidemic, the significant decline in the retail of high-end products with relatively high gross profit margin, and decrease in efficiency of manufacturing cost resulting from low utilization of factory capacity during the epidemic. In the second half of 2020, the gross profit margin increased by 0.3 percentage points year-on-year, which was mainly attributable to the fact that the Group continued to introduce complete sets of intelligent products to lead innovation in the fierce market competition, actively expanded the product mix of Casarte, a high-end brand, and optimized the product structure.

In 2020, the gross profit margin of smart home business in China decreased by 1.2 percentage points year-on-year. On the one hand, the prices of bulk raw materials during the period were at a low level, and the Group continued to optimize the product structure and increase the proportion of high-end products, which boosted the gross profit margin of products. On the other hand, the average unit price of products has declined due to the impact of the epidemic and fierce price competition in the terminal market, which has lowered the gross profit margin.

The gross profit margin of smart home business overseas increased by 0.2 percentage points year-on-year, which was mainly attributable to the fact that Group seized the demand for healthy home appliances arising from the epidemic by adhering to the strategy of building brand with high-end products and transformation of scenario ecosystem, resulting in higher proportion of high-end products and average unit price.



### ***Selling and Distribution Expenses***

The ratio of selling and distribution expenses of the Group to its revenue decreased by 1.1 percentage points from 17.1% in 2019 to 16% in 2020. Specifically, the ratio of selling and distribution expenses in the PRC to its segment revenue decreased by 1.3 percentage points from 19.1% in 2019 to 17.8% in 2020, which was mainly attributable to significant improvement in efficiency of organization, operation and cost allocation derived from continuous digital transformation in the PRC. The ratio of selling and distribution expenses of overseas home appliances and smart home business to its segment revenue decreased by 0.6 percentage points from 14.8% in 2019 to 14.2% in 2020, which was mainly attributable to the improvement through economies of scale and fee utilization overseas.

### ***Administrative Expenses***

The ratio of administrative expenses of the Group to its revenue decreased by 0.1 percentage points from 8.7% in 2019 to 8.6% in 2020. On the one hand, the Company increased its R&D investment for new products and smart home ecosystems to improve its products' competitiveness, resulting in an increase of 0.1 percent in R&D expenses; on the other hand, the Company strengthened information management and improved the efficiency of organization and operation, resulting in a decrease of 0.2 percent in administrative expenses.

## **2. FINANCIAL POSITION**

<b>Items</b>	<b>2020</b> <b><i>RMB'M</i></b>	<b>2019</b> <b><i>RMB'M</i></b>
Non-current assets	<b>89,196</b>	86,886
Current assets	<b>114,263</b>	100,568
Current liabilities	<b>109,474</b>	95,690
Non-current liabilities	<b>25,874</b>	26,774
Net assets	<b>68,111</b>	64,990

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

As at 31 December 2020, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets increased by 21.8% from RMB39,437 million as at 31 December 2019 to RMB48,051 million as at 31 December 2020. The increase was mainly attributable to the contribution of net operating cash inflow during the period.

<b>Items</b>	<b>2020 RMB'M</b>	<b>2019 RMB'M</b>
Cash and cash equivalents	<b>45,635</b>	34,963
Wealth management products from other financial assets		
— Current portion	<b>2,416</b>	4,179
— Non-current portion	<u>—</u>	<u>295</u>
Total	<b><u>48,051</u></b>	<b><u>39,437</u></b>

### ***Net Assets***

The Group's net assets increased by 4.8% from RMB64,990 million as at 31 December 2019 to RMB68,111 million as at 31 December 2020. The increase in net assets was mainly attributable to the increase in profit for the year and partially offset by the decrease in the net assets as the COSMOPlat business was excluded from consolidation.

### ***Working Capital***

#### ***Trade and Bills Receivables Turnover Days***

The trade and bills receivables turnover days of the Group was 48 days as at the end of 2020, representing an increase of 2 days as compared to the end of 2019, which was mainly attributable to the decrease in the factoring arrangement of GE Appliances and its increase in revenue.

#### ***Inventory Turnover Days***

The Group's inventory turnover days at the end of 2020 was 71 days, representing a increase of 4 days as compared to the corresponding period, which was mainly attributable to the inventories of Candy did not included in the beginning of 2019 due to the acquisition of Candy was completed in January 2019. Apart from this factor, the inventory turnover days remaining relatively stable.

### *Trade and Bills Payable Turnover Days*

The Group's settlement policy with suppliers remained stable. As at the end of 2020, trade payables turnover days were 141 days, representing an increase of 9 days as compared to the end of 2019, which was mainly attributable to the increase in our purchase of raw materials because of the significant revenue growth in the second half of 2020 despite the impact of abovementioned acquisition of Candy.

### **3. CASH FLOW ANALYSIS**

<b>Items</b>	<b>Note</b>	<b>2020 RMB'M</b>	<b>2019 RMB'M</b>
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the year		<b>34,963</b>	36,561
Net cash flow from operating activities		<b>17,599</b>	15,083
Net cash flow used in investing activities	(a)	<b>(5,264)</b>	(10,960)
Net cash flow used in financing activities	(b)	<b>(1,026)</b>	(6,013)
Effect of foreign exchange rate changes, net		<b>(637)</b>	292
Cash and cash equivalents as stated in the statement of cash flows at the end of the year		<b>45,635</b>	34,963
Add: Pledged deposits and other deposits with limited use		<b>826</b>	1,216
Cash and cash equivalents as stated in the statement of financial position at the end of the year		<b>46,461</b>	36,179

Net cash inflow from operating activities for the year amounted to RMB17,599 million, representing an increase of 16.7% as compared to last year. Such increase in the cash inflow from operating activities for the period was mainly due to the growth of the operating profit and increase in receipts in advance.

- (a) Net cash outflow from investing activities for the year amounted to RMB5,264 million, representing a decrease of 52.0% as compared to last year, with the details as follows:

<b>Items</b>	<b>2020 RMB'M</b>	<b>2019 RMB'M</b>
Payment for purchases of non-current assets	(7,592)	(6,194)
Redemption/(purchase) of wealth management products	1,163	(1,782)
Acquisition of subsidiaries	(323)	(2,730)
Cash inflow/(outflow) from disposal of subsidiaries and assets held for sale	861	(952)
Cash from disposal of fixed assets and leasehold land	324	261
Dividend from an associate	485	348
Interest received from wealth management products	16	203
Net cash outflow from other investing activities	<u>(198)</u>	<u>(114)</u>
Net cash flow used in investing activities	<u><b>(5,264)</b></u>	<u><b>(10,960)</b></u>

- (b) Net cash outflow in financing activities for the year amounted to RMB1,026 million, representing a decrease of 82.9% as compared to last year, with details as follows:

<b>Items</b>	<b>2020 RMB'M</b>	<b>2019 RMB'M</b>
Proceeds from borrowings	28,732	18,468
Repayment of borrowings	(23,509)	(19,018)
Dividend distribution to shareholders and minority shareholders	(5,800)	(2,814)
Borrowings interest	(989)	(1,388)
Changes in ownership interests in subsidiaries	1,299	(358)
Lease payment*	(728)	(894)
Net cash outflow from other financing activities	<u>(31)</u>	<u>(9)</u>
Net cash flow used in financing activities	<u><b>(1,026)</b></u>	<u><b>(6,013)</b></u>

\* Pursuant to the requirements of the new standards, lessees are required to include the lease payment for leased assets and the interest accrued on lease liabilities into the cash flow of financing activities.

## 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 2020, the Group had a current ratio of 1.04% (31 December 2019: 1.05%).

Items	2020 <i>RMB'M</i>	2019 <i>RMB'M</i>
Cash and cash equivalents	45,635	34,963
Wealth management products from other financial assets	<u>2,416</u>	<u>4,474</u>
	48,051	39,437
Less:		
Interest-bearing borrowings and bonds	<u>(30,036)</u>	<u>(26,685)</u>
Net balance of cash and cash equivalents and wealth management products from other financial assets	<u>18,015</u>	<u>12,752</u>

As at 31 December 2020, the wealth management products from other financial assets amounted to RMB2,416 million (31 December 2019: RMB4,474 million).

As at 31 December 2020, the Group's net balance of cash and cash equivalents and wealth management products from other financial assets amounted to RMB18,015 million (31 December 2019: RMB12,752 million), representing an increase of 41.3% as compared to 2019.

In 2020, financial return of cash and cash equivalents and the return on wealth management products from other financial assets amounted to RMB558 million, representing a decrease of 14.8% as compared to RMB655 million in 2019. On the one hand, as the increase of cash balances was mainly generated during the second half of 2020 and these balances were kept liquid to repay the maturing bonds in the first quarter of 2021, the interest return of these balances was comparatively lower. On the other hand, the interest rate in overseas market declined a lot during the year, which also led to a decrease in interest return.

The Group will continue to maintain stable liquidity in its operations in 2021 to ensure meeting its working capital requirements in the coming year, and also for constructing super factory, as well as maintaining the financial flexibility for future strategic investment opportunities.

## **CAPITAL EXPENDITURE**

The Company assesses its capital expenditure and investments in each business segment of the Group in China and the overseas home appliances and smart home business from time to time. The capital expenditure during the year was RMB7,592 million (2019: RMB6,194 million), in which RMB3,475 million and RMB4,117 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 2020, the Group's gearing ratio (defined as total borrowings (including interest bearing borrowings, bonds, lease liabilities and convertible and exchangeable bonds) divided by net assets of the Group was 58.0%, representing an increase of 2.2% as compared to 2019, mainly due to the issuance of ultra-short-term financing bonds during the period.

## **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 RMB3,009 million as at 31 December 2020 (31 December 2019: RMB2,053 million), which were mainly related to the Group's domestic and overseas factories construction projects.

## **CHARGE OF ASSETS**

As at 31 December 2020, certain of the Group's buildings and leasehold land with a net carrying value of RMBNil (31 December 2019: RMB55 million) and trade receivables with a net carrying value of RMB552 million (31 December 2019: RMB212 million) were pledged to secure certain of the Group's bank loans.

In addition, as at 31 December 2020, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB720 million (31 December 2019: RMB1,204 million) and the Group's bills receivable amounting to RMB12,562 million (31 December 2019: RMB12,706 million).

## **CONTINGENT LIABILITIES**

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

## **ENVIRONMENTAL AND SOCIAL POLICIES AND PERFORMANCE**

The Group would closely focus on and implement the ESG concept of "Green, Life, and Care" and improve the ESG standard in terms of ESG governance, ESG disclosure, and ESG management. The Group would gradually incorporate impact of climate change into the Company's strategic considerations and risk management processes. In combination with the business development goals and previous annual emission level and resource usage, the Group would set clear short/medium/long-term quantitative emission and resource goals which are subject to regular review with improvement initiatives in place. The Group would integrate global user and supply chain resources to create and develop an environmental-friendly and society-harmonious green value chain. The Group would actively uphold corporate responsibility and protect employees' rights and interests, while giving back to the society, by carrying out public welfare activities and bringing warmth to the society.

We strive to minimise any material adverse impact on the environment resulting from our business activities and create a healthy and safe environment for our employees and communities. We have comprehensive environmental, health and safety management policies and systems, formulated with the involvement of our Directors, in respect of environmental protection and conservation and the safety and health of our employees and the communities in which we operate, to ensure that we meet compliance requirements on environment, social and governance.



We have established a corporate governance framework that ensures proper environmental management. We adhere to the core governance concept of “good faith management, standardized governance, and transparent information”. We constantly improve the modern enterprise governance structure, continue to standardise the internal governance structure and actively create a good external governance environment, and effectively safeguarded the interests of all shareholders.

Further discussions of these activities are in the Environmental, Social and Governance Report which will be issued separately within the period as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## **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.

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.

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 formed 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.

## **RELATIONSHIP WITH EMPLOYEES, REMUNERATION POLICY**

The Group is dedicated to offer employees a competitive remuneration mechanism (including short-, medium- and long-term incentives), all-rounded benefit plans, work-life balance and employee caring scheme. Under the management approach of “Integrating Order with Personnel”, it encourages every employee to integrate his/her personal development into the long-term development of the Company, for achieving a healthy development and progress between the Company and employees and thus creates a win-win situation.

The total number of employees of the Group decreased to 99,299 as at 31 December 2020 from 99,757 as at 31 December 2019, which basically remained stable. The Group is achieved 23% optimization of operational efficiency through whole process digital



transformation in China. Meanwhile, the Group further strengthened the construction of overseas markets, so the marketing personnel were increased by 49% as compared to the corresponding year.

## **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 retailers (being Suning, GOME and Wuxing), (iii) regional chain store retailers, 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.

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 retailers 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 retailers. We also sell our products through online channels. We have established stable business relationship with our retailers 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 retailers 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. We do not engage local distributors or wholesalers to distribute our products in Europe.

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 and technical capabilities, 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 30 July 2020, our Company entered into a share transfer agreement, pursuant to which our Company agrees to transfer 54.50% of its equity interests in Haier COSMO IoT Ecosystem Technology Co., Ltd. (海爾卡奧斯物聯生態科技有限公司) ("**COSMO**") to Qingdao Haier Ecological Investment Co., Ltd. ("**Haier Ecological Investment**"), a wholly-owned subsidiary of Haier Group, at the consideration of RMB4.06 billion. The consideration for the disposal has been fully settled in cash and the disposal has been completed on 29 September 2020.

## **DIVIDENDS**

The Board proposes the distribution of the final dividend for the year ended 31 December 2020 of RMB3.66 in cash for every 10 shares (inclusive of tax), totaling approximately RMB3.4 billion based on the current total issued capital, net of repurchased shares but not yet cancelled.

This dividend distribution proposal shall be subject to the consideration and approval at the Company's 2020 annual general meeting, and the final dividend is expected to be distributed to shareholders in two months from the 2020 annual general meeting.

This dividend represented approximately 38.3% of the profit attributable to the owners of the Company. The undistributed profits retained by the Company will be primarily used for project construction, investments, research and development, and routine operations related to the primary business of the Company, so as to maintain sustainable and stable development of the Company, and to maximize the returns for shareholders.

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 2020 annual general meeting will announce the date of the 2020 annual meeting of the Company and details of relevant book closure of H Shares, as well as the arrangement of book closure of H Shares for the final dividend.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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 2020.

## **COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES**

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules.

Further information on the Company's corporate governance practices and its applications of the Code will be set out in the Corporate Governance Report contained in the Company's 2020 Annual Report which will be dispatched to the Company's shareholders in due course.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a Model Code for Securities Transactions by Directors and supervisors on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all Directors and supervisors of the Company have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2020.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The Board of the Company has established an audit committee comprising two non-executive Directors and three independent non-executive Directors of the Company. The audit committee had reviewed, with no disagreement, with the management the accounting principles and practices adopted by the Group, and discussed financial reporting matters including the review of the consolidated annual financial statements of the Group for the year ended 31 December 2020, and discussed with internal audit department on risk management and internal controls.

The financial information in this announcement has been agreed by the Group's external auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement. As at the date of this announcement, to the best knowledge of the Board of the Company, information contained in this announcement is consistent with the information that will be contained in the 2020 Annual Report of the Company.

## PUBLICATION ANNUAL REPORT

This results announcement will be published on the Company's website (<http://smart-home.haier.com>) and the HKEXnews website (<http://www.hkexnews.hk>) The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2020 Annual Report will be despatched to the shareholders of the Company and will be made available on the website of the Company and the HKEXnews website of the Stock Exchange in due course.

By order of the Board of Directors  
**Haier Smart Home Co., Ltd.\***  
**LIANG Haishan**  
*Chairman*

Qingdao, the PRC  
30 March 2021

*As at the date of this announcement, the executive directors of the Company are Mr. LIANG Haishan, Mr. LI Huagang and Mr. XIE Ju Zhi, the non-executive directors are Ms. TAN Lixia, Mr. WU Changqi, Mr. LIN Sui, Mr. YU Hon To, David and Ms. Eva LI Kam Fun, and the independent non-executive directors are Mr. DAI Deming, Mr. CHIEN Da-Chun, Mr. WONG Hak Kun and Mr. LI Shipeng.*

\* For identification purpose only