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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 2021**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>2021</b>	2020	Change
	<i>RMB'M</i>	<i>RMB'M</i>	%
		(Restated)	
Revenue	<b>227,531</b>	209,701	8.5
Gross profit	<b>69,472</b>	60,834	14.2
Adjusted operating profit (as defined below)	<b>13,551</b>	9,893	37.0
Profit for the year	<b>13,217</b>	11,329	16.7
Attributable to:			
Owners of the Company	<b>13,067</b>	8,883	47.1
Non-controlling interests	<b>150</b>	2,446	(93.9)
	<b>13,217</b>	11,329	
Earnings per share attributable to ordinary equity holders of the Company			
Basic	<b>RMB1.41</b>	RMB1.34	5.2
Diluted	<b>RMB1.40</b>	RMB1.31	6.9
Proposed dividend per 10 shares	<b>RMB4.6</b>	RMB3.66	

\* 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 2021 together with comparative figures for the previous year as follows:

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

*Year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>RMB’M</i>	2020 <i>RMB’M</i> (Restated)
<b>REVENUE</b>	5	<b>227,531</b>	209,701
Cost of sales		<u>(158,059)</u>	<u>(148,867)</u>
<b>Gross profit</b>		<b>69,472</b>	60,834
Other gains or losses		<b>2,056</b>	3,994
Selling and distribution expenses		<b>(36,554)</b>	(33,641)
Administrative expenses		<b>(20,230)</b>	(17,924)
Finance costs		<b>(714)</b>	(1,321)
Share of profits and losses of associates		<u><b>1,886</b></u>	<u>1,620</u>
<b>PROFIT BEFORE TAX</b>	6	<b>15,916</b>	13,562
Income tax expenses	7	<u><b>(2,699)</b></u>	<u>(2,233)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>13,217</b></u>	<u>11,329</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
Items that may be reclassified to profit or loss in subsequently periods:			
Share of other comprehensive loss of associates		<b>(50)</b>	(342)
Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		<b>101</b>	(97)
Exchange differences on translating foreign operations		<u><b>(1,400)</b></u>	<u>(2,004)</u>
		<u><b>(1,349)</b></u>	<u>(2,443)</u>

	<i>Notes</i>	<b>2021</b> <b><i>RMB'M</i></b>	2020 <i>RMB'M</i> (Restated)
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes arising from re-measurement of defined benefit plans		<b>36</b>	(23)
Change in fair value of equity investments designated at fair value through other comprehensive income (“FVTOCI”), net of tax		<u><b>1,165</b></u>	<u>(110)</u>
		<u><b>1,201</b></u>	<u>(133)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<u><b>(148)</b></u>	<u>(2,576)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>13,069</b></u>	<u>8,753</u>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>13,067</b>	8,883
Non-controlling interests		<u><b>150</b></u>	<u>2,446</u>
		<u><b>13,217</b></u>	<u>11,329</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>12,935</b>	6,346
Non-controlling interests		<u><b>134</b></u>	<u>2,407</u>
		<u><b>13,069</b></u>	<u>8,753</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
— Basic ( <i>RMB per share</i> )	9	<u><b>1.41</b></u>	<u>1.34</u>
— Diluted ( <i>RMB per share</i> )	9	<u><b>1.40</b></u>	<u>1.31</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>RMB'M</b>	2020 <i>RMB'M</i> (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>26,981</b>	24,845
Investment properties		<b>25</b>	28
Right-of-use assets		<b>3,785</b>	3,901
Goodwill		<b>21,827</b>	22,518
Other intangible assets		<b>8,498</b>	8,957
Interests in associates		<b>23,232</b>	21,569
Equity investments designated at FVTOCI		<b>4,849</b>	2,659
Financial assets measured at amortised cost		<b>309</b>	331
Derivative financial instruments		<b>47</b>	47
Long-term prepayments		<b>1,860</b>	1,404
Deferred tax assets		<b>1,855</b>	2,208
Other non-current assets		<b>578</b>	760
		<hr/>	<hr/>
Total non-current assets		<b>93,846</b>	89,227
<b>CURRENT ASSETS</b>			
Inventories	10	<b>39,863</b>	29,447
Trade and bills receivables	11	<b>27,986</b>	30,066
Contract assets		<b>304</b>	263
Prepayments, deposits and other receivables		<b>6,415</b>	5,214
Financial assets measured at FVTPL		<b>2,786</b>	2,165
Financial assets measured at amortised cost		<b>317</b>	554
Derivative financial instruments		<b>80</b>	78
Pledged deposits		<b>755</b>	822
Other deposit with limited use		<b>145</b>	4
Cash and cash equivalents		<b>44,958</b>	45,641
		<hr/>	<hr/>
		<b>123,609</b>	114,254
Assets and disposal group held for sale		<b>5</b>	17
		<hr/>	<hr/>
Total current assets		<b>123,614</b>	114,271

	<i>Notes</i>	<b>2021</b> <b><i>RMB'M</i></b>	2020 <i>RMB'M</i> (Restated)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	<b>67,368</b>	57,545
Other payables and accruals		<b>25,305</b>	23,308
Contract liabilities		<b>10,017</b>	6,270
Interest-bearing borrowings	13	<b>17,968</b>	12,643
Lease liabilities		<b>687</b>	671
Tax payable		<b>1,305</b>	1,372
Bonds		—	5,535
Provisions		<b>2,190</b>	1,881
Derivative financial instruments		<b>80</b>	239
Financial liabilities measured at FVTPL		<b>6</b>	27
		<hr/>	<hr/>
Total current liabilities		<b>124,926</b>	109,491
		<hr/>	<hr/>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(1,312)</b>	4,780
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>92,534</b>	94,007
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	13	<b>3,075</b>	11,858
Lease liabilities		<b>1,961</b>	2,073
Convertible bonds		<b>335</b>	6,714
Deferred income		<b>723</b>	551
Deferred tax liabilities		<b>2,122</b>	1,900
Provisions for pensions and similar obligations		<b>1,173</b>	1,246
Provisions		<b>1,949</b>	1,443
Other non-current liabilities		<b>112</b>	89
		<hr/>	<hr/>
Total non-current liabilities		<b>11,450</b>	25,874
		<hr/>	<hr/>
Net assets		<b>81,084</b>	68,133
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	<b>2021</b> <b><i>RMB'M</i></b>	2020 <i>RMB'M</i> (Restated)
<b>EQUITY</b>			
Share capital	14	<b>9,399</b>	9,028
Reserves		<b>70,413</b>	57,810
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>79,812</b>	66,838
Non-controlling interests		<b>1,272</b>	1,295
		<hr/>	<hr/>
Total equity		<b>81,084</b>	68,133
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

### 1. GENERAL INFORMATION OF THE GROUP

The predecessor of Haier Smart Home Co., Ltd (hereinafter referred to as the “Company”) was Qingdao Refrigerator Factory, which was established in 1984. In 1989, based on the reconstruction of the original Qingdao Refrigerator Factory, a limited company was set up by directional fund raising of RMB150 million. In 1993, after converting to a public subscription company and issuing additional 50 million shares to the public, the A shares of the Company were listed on Shanghai Stock Exchange in November 1993. The D shares and H shares of the Company were listed on The Frankfurt Stock Exchange in December 2018 and The Stock Exchange of Hong Kong Limited in December 2020 respectively.

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

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

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

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

This announcement has been approved for issue by the Board on 30 March 2022.

## 2.1 BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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



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

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

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

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

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

IFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</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 IFRSs	Annual Improvements to IFRSs 2018–2020 <sup>2</sup>

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

<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 1 January 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

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 29 October 2021, for the purpose of increasing the Company's net profit attributable to owners of the Company, improving corporate governance standards, reducing daily connected transactions, streamlining the shareholding structure and enhancing the management efficiency of subsidiaries, the Company and Haier Group Corporation (together with its subsidiaries hereafter "**Haier Group**") entered into the equity transfer agreements, pursuant to which, the Company agreed to acquire and Haier Group agreed to sell 100% equity interest in Qingdao Haier Quality Testing Co., Ltd. ("**Quality Testing Company**") at a consideration of RMB36.3 million. As at the end of the reporting period, the transaction has been completed. Quality Testing Company is primarily engaged in the quality testing and inspection and product certification of electrical appliance and parts and components.

Since the Company and Quality Testing Company were ultimately controlled by Haier Group both before and after the completion of the equity transfer agreements, the acquisition of Quality Testing Company was accounted for using the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2021 and 2020 include the results, changes in equity and cash flows of all companies then comprising the Group and Quality Testing Company, as if the corporate structure of the Group immediately after the completion of the equity transfer had been in existence throughout the years ended 31 December 2021 and 2020, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2020 has been prepared to present the state of affairs of the Group and Quality Testing Company as if the corporate structure of the Group immediately after the completion of the equity transfer had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual company attributable to the Company as at 31 December 2020.

### 4. OPERATING SEGMENT INFORMATION

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

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

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

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

##### (i) Household Food Solutions

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

**(ii) Household Air Solutions**

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

**(iii) Household Clothing Solutions**

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

**(iv) Household Water Solutions**

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

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

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

**(c) Other Business**

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

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

(b) All liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising of interests-bearing borrowings, bonds and convertible 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 by reportable segments:

**2021**

	Smart Home Business in China							Total RMB'M
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home		Other Business	
					Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M		
<i>Segment revenue</i>								
Segment revenue from external customers	36,842	3,013	27,409	25,917	12,479	113,090	8,781	227,531
Inter-segment revenue	4,888	482	4,780	4,742	222	635	83,377	99,126
Total	<u>41,730</u>	<u>3,495</u>	<u>32,189</u>	<u>30,659</u>	<u>12,701</u>	<u>113,725</u>	<u>92,158</u>	326,657
<i>Reconciliation:</i>								
Inter-segment eliminations								(99,126)
Total								<u>227,531</u>
Segments results	2,976	53	245	2,707	1,458	5,926	(222)	13,143
<i>Reconciliation:</i>								
Elimination of inter-segment results								44
								13,187
Corporate and other unallocated income and gains or losses								1,817
Corporate and other unallocated expenses								(260)
Finance costs								(714)
Share of profits and losses of associates								1,886
Profit before taxation								<u>15,916</u>

2020 (Restated)

	Smart Home Business in China							Total
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air- conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M	Smart Home Business Overseas RMB'M	Other Business RMB'M	RMB'M
<i>Segment revenue</i>								
Segment revenue from external customers	30,562	2,636	21,861	22,483	9,833	100,044	22,282	209,701
Inter-segment revenue	3,821	136	3,645	3,502	384	579	70,419	82,486
Total	<u>34,383</u>	<u>2,772</u>	<u>25,506</u>	<u>25,985</u>	<u>10,217</u>	<u>100,623</u>	<u>92,701</u>	292,187
<i>Reconciliation:</i>								
Inter-segment eliminations								<u>(82,486)</u>
Total								<u>209,701</u>
Segments results	2,333	41	93	2,200	1,165	4,001	(5)	9,828
<i>Reconciliation:</i>								
Elimination of inter-segment results								<u>(3)</u>
								9,825
Corporate and other unallocated income and gains or losses								3,687
Corporate and other unallocated expenses								(249)
Finance costs								(1,321)
Share of profits and losses of associates								<u>1,620</u>
Profit before taxation								<u>13,562</u>

2021

	Smart Home Business in China							Total
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	Refrigerators/ Freezers <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>	Smart Home Business Overseas <i>RMB'M</i>	Other Business <i>RMB'M</i>	<i>RMB'M</i>
Segment assets	17,849	2,548	17,958	20,920	8,407	57,368	51,069	176,119
Reconciliation:								
Elimination of segment assets								(63,373)
Goodwill								21,827
Interests in associates								23,232
Equity investments designated at FVTOCI								4,849
Deferred tax assets								1,855
Financial assets measured at FVTPL								2,786
Financial assets measured at amortised cost								317
Derivative financial instruments								80
Pledged deposits								755
Other deposits with limited use								145
Cash and cash equivalents								44,958
Other receivables								3,601
Other non-current financial assets								309
Total assets								<u>217,460</u>
Segment liabilities	42,593	2,371	15,600	11,249	7,866	33,822	59,664	173,165
Reconciliation:								
Elimination of segment liabilities								(63,106)
Tax payable								1,305
Other payable								1,313
Derivative financial instruments								80
Financial liabilities at FVTPL								6
Interest-bearing borrowings								21,043
Deferred tax liabilities								2,122
Convertible bonds								335
Other non-current liabilities								113
Total liabilities								<u>136,376</u>

2020 (Restated)

	Smart Home Business in China							Total
	Household Solutions	Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business	
	Refrigerators/ Freezers <i>RMB'M</i>	Kitchen Appliances <i>RMB'M</i>	Air- conditioners <i>RMB'M</i>	Laundry Appliances <i>RMB'M</i>	Water Appliances <i>RMB'M</i>	<i>RMB'M</i>	<i>RMB'M</i>	<i>RMB'M</i>
<b>Segment assets</b>	11,689	2,533	20,925	10,136	4,137	50,763	57,018	157,201
Reconciliation:								
Elimination of segment assets								(54,986)
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								45,641
Other receivables								2,735
Other non-current financial assets								330
<b>Total assets</b>								<u>203,498</u>
<b>Segment liabilities</b>	29,206	1,539	13,439	8,219	5,108	31,107	60,188	148,806
Reconciliation:								
Elimination of segment liabilities								(54,848)
Tax payable								1,372
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
<b>Total liabilities</b>								<u>135,365</u>

## 2021

	Smart Home Business in China							Total RMB'M
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air- conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M	Smart Home Business Overseas RMB'M	Other Business RMB'M	
<b>Other segment information:</b>								
Product warranty provisions	1,422	109	889	1,075	620	1,365	—	5,480
Provision for obsolete and slow-moving inventories, net	222	39	171	142	87	244	153	1,058
Allowance for expected credit losses in respect of trade and bills receivable, net	3	10	245	1	7	54	98	418
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and other assets, net	204	9	22	50	44	103	(4)	428
(Gain)/loss on disposal of non-current assets, net	(109)	—	5	(1)	—	15	—	(90)
Depreciation and amortisation	572	139	400	448	244	3,019	238	5,060

## 2020 (Restated)

	Smart Home Business in China							Total RMB'M
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air- conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M	Smart Home Business Overseas RMB'M	Other Business RMB'M	
<b>Other segment information:</b>								
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	132	8	26	47	26	3	23	265
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	387	5,095



## Geographical information

### (a) Revenue from external customers

	2021 <i>RMB'M</i>	2020 <i>RMB'M</i> (Restated)
Mainland China	112,292	107,653
North America	70,277	63,705
Europe	19,737	16,513
South Asia	7,138	5,472
Australia and New Zealand	7,012	5,979
Southeast Asia	4,740	4,123
Japan	3,491	3,613
Middle East and Africa	1,479	1,205
Other country/regions	1,365	1,438
	<u>227,531</u>	<u>209,701</u>

The revenue information of 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

	2021 <i>RMB'M</i>	2020 <i>RMB'M</i> (Restated)
Mainland China	16,874	15,060
Other country/regions	25,209	25,213
	<u>42,083</u>	40,273
Interests in associates	23,232	21,569
Goodwill	21,827	22,518
Equity investments designated at FVTOCI	4,849	2,659
Deferred tax assets	1,855	2,208
	<u>93,846</u>	<u>89,227</u>

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

### Information about major customers

No single customer of the Group contributed 10% or more to the total revenue of the Group during the years ended 2021 and 2020.

## 5. REVENUE

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

	<b>2021</b> <i>RMB'M</i>	2020 <i>RMB'M</i> (Restated)
Sale of goods	<b>227,192</b>	209,371
Rendering of services	<b>339</b>	330
	<b>227,531</b>	209,701

  

	<b>2021</b> <i>RMB'M</i>	2020 <i>RMB'M</i> (Restated)
Sale of goods		
— Point in time	<b>227,192</b>	209,371
Rendering of service		
— Point in time	<b>177</b>	116
— Over time	<b>162</b>	214
	<b>227,531</b>	209,701

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

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

### **Sale of goods**

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

### **Rendering of services**

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

## 6. PROFIT BEFORE TAX

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

	<b>2021</b> <b>RMB'M</b>	2020 <i>RMB'M</i> (Restated)
Cost of inventories sold	<b>156,745</b>	147,628
Provision for obsolete and slow-moving inventories, net ( <i>Note (a)</i> )	<b>1,058</b>	1,015
Cost of services	<b>256</b>	224
	<b>158,059</b>	148,867
Employee benefit expense: (including directors', chief executive and supervisors' remuneration):		
Salaries, bonuses, allowances and benefits in kind	<b>23,773</b>	22,279
Pension scheme contributions	<b>1,594</b>	1,179
Equity-settled share-based expense	<b>262</b>	289
	<b>25,629</b>	23,747
Research and development costs	<b>8,357</b>	6,853
Auditors' remuneration	<b>14</b>	13
Expenses relating to short-term leases and low value leases	<b>200</b>	211
Variable lease payments not included in the measurement of lease liabilities	<b>361</b>	130
Product warranty provisions	<b>5,480</b>	4,724
Net foreign exchange loss	<b>577</b>	385
(Gain)/loss on disposal/write-off of non-current assets, net	<b>(90)</b>	111

*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

	2021 <i>RMB'M</i>	2020 <i>RMB'M</i> (Restated)
Current tax		
Charge for the year	2,501	2,117
Deferred tax	198	116
	<u>2,699</u>	<u>2,233</u>

## 8. DIVIDENDS

	2021 <i>RMB'M</i>	2020 <i>RMB'M</i>
Proposed final dividend	<u>4,320</u>	<u>3,400</u>
Dividend paid during the year	<u>3,411</u>	<u>2,467</u>
	2021 <i>RMB</i>	2020 <i>RMB</i>
Dividend proposed per share*	<u>0.46</u>	<u>0.366</u>

\* The amount represents RMB4.6 for every 10 shares in 2021 (2020: RMB3.66 for every 10 shares). Where the total share capital of the Company changes before the registration date for the implementation of the equity distribution, it is expected to maintain the total distribution unchanged and adjust the distribution ratio per share accordingly.

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

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

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

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

	<b>2021</b> <b>RMB'M</b>	2020 <i>RMB'M</i> (Restated)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	<b>13,067</b>	8,883
Effect of dilutive potential ordinary shares:		
Interest on convertible and exchangeable bonds, net of tax	<b>50</b>	177
Profit for the year attributable to convertible and exchangeable bonds holders	<u>—</u>	<u>(370)</u>
Earnings for the purpose of diluted earnings per share	<u><b>13,117</b></u>	<u>8,690</u>
	<b>2021</b>	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>9,275,992,161</b>	6,639,703,600
Effect of dilutive potential ordinary shares:		
Convertible bond	<b>107,788,092</b>	10,434,277
Share award	<b>14,253,946</b>	—
Share option	<u><b>966,956</b></u>	<u>—</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u><b>9,399,001,155</b></u>	<u>6,650,137,877</u>

*Notes:*

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

## 10. INVENTORIES

	2021 <i>RMB'M</i>	2020 <i>RMB'M</i>
Raw material	5,044	2,670
Work in progress	115	337
Finished goods	<u>34,704</u>	<u>26,440</u>
	<u><u>39,863</u></u>	<u><u>29,447</u></u>

## 11. TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'M</i>	2020 <i>RMB'M</i>
Trade receivables	15,373	16,371
Less: Allowance for expected credit losses (“ECL”)	<u>(742)</u>	<u>(442)</u>
Trade receivables, net	<u>14,631</u>	<u>15,929</u>
Bills receivables	13,422	14,148
Less: Allowance for ECL	<u>(67)</u>	<u>(11)</u>
Bills receivables, net	<u>13,355</u>	<u>14,137</u>
Total	<u><u>27,986</u></u>	<u><u>30,066</u></u>

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

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

	<b>2021</b> <i>RMB'M</i>	2020 <i>RMB'M</i>
1 to 3 months	<b>12,768</b>	14,097
3 months to 1 year	<b>1,517</b>	1,450
1 to 2 years	<b>238</b>	211
2 to 3 years	<b>53</b>	63
Over 3 years	<b>55</b>	108
	<u><b>14,631</b></u>	<u>15,929</u>

## 12. TRADE AND BILLS PAYABLES

	<b>2021</b> <i>RMB'M</i>	2020 <i>RMB'M</i> (Restated)
Trade payables	<b>42,345</b>	36,309
Bills payables	<b>25,023</b>	21,236
	<u><b>67,368</b></u>	<u>57,545</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>2021</b> <i>RMB'M</i>	2020 <i>RMB'M</i> (Restated)
Within 1 year	<b>66,967</b>	57,070
1 to 2 years	<b>170</b>	96
2 to 3 years	<b>84</b>	96
Over 3 years	<b>147</b>	283
	<u><b>67,368</b></u>	<u>57,545</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:

	<b>2021</b> <i>RMB'M</i>	2020 <i>RMB'M</i>
<b>Current</b>		
Bank loans — unsecured	<b>17,408</b>	12,171
Bank loans — secured	<b>560</b>	472
	<u><b>17,968</b></u>	<u>12,643</u>
<b>Non-current</b>		
Bank loans — unsecured	<u><b>3,075</b></u>	<u>11,858</u>
	<u><b>21,043</b></u>	<u>24,501</u>
Unsecured	<b>20,483</b>	24,029
Secured	<b>560</b>	472
	<u><b>21,043</b></u>	<u>24,501</u>
Analysed into:		
Loans repayable:		
Within one year or on demand	<b>17,968</b>	12,643
In the second year	<b>3,036</b>	6,814
In the third to fifth years, inclusive	<b>39</b>	5,044
	<u><b>21,043</b></u>	<u>24,501</u>

*Note:* As at 31 December 2021, the Group has available unutilised overdraft and short-term bank loan facilities of RMB91,563 million (2020: RMB82,202 million).



#### 14. SHARE CAPITAL

The movements of the Company's issued share capital during the years ended 31 December 2021 and 2020 are as follows:

	Number of shares 'M	Share capital RMB'M
As at 1 January 2020	6,580	6,580
Issue of shares ( <i>Note a</i> )	2,448	2,448
	<hr/>	<hr/>
As at 31 December 2020 and 1 January 2021	9,028	9,028
Issue of share ( <i>Note b</i> )	403	403
Share repurchased and cancelled ( <i>Note c</i> )	(32)	(32)
	<hr/>	<hr/>
As at 31 December 2021	<b>9,399</b>	<b>9,399</b>
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) The Company 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.
- (b) Upon conversion of convertible bonds during current year, a total of 403,210,889 H Shares were issued.
- (c) During the year ended 31 December 2021, the Company repurchased a total of 32,352,800 H shares which were subsequently cancelled. The shares were repurchased at total price of approximately HKD1,000 million.
- (d) All shares issued are at par value at RMB1.

## LETTER TO SHAREHOLDERS

2021 was no doubt another year full of challenges. The COVID-19 pandemic has changed life and work patterns. While consumption has yet to fully recover, the global supply chain was confronted by various factors such as the chip shortage and insufficient logistics capacity. 2021 was also the first fiscal year following the integration of Haier Electronics into Haier Smart Home. With unyielding dedication of 100,000 Haier Smart Home innovators around the world, we have delivered more than 110 million unit of home appliances to consumers worldwide and reported best business result ever, including all-time-high sales revenue and net profit. By upholding entrepreneurial spirit since day one, we have firmly implemented strategies of global brand creation, scenario-based innovation, and efficiency enhancement by digitalization. 2021 represents the year when Haier Smart Home made significant progress in fulfilling its mission to provided customized better living experience for families around the world.

### **Key Accomplishments:**

**Record-breaking revenue and profit:** In 2021, the Company delivered revenue of RMB227.531 billion, representing 15.8% growth of organic revenue (excluding impact from disposed businesses). Also in 2021, the Company achieved net profit of RMB13.217 billion, representing an increase of 16.7% as compared to 2020. Net profit attributable to the owner of the parent company was RMB13.067 billion, representing growth of 47.1% from 2020.

**Realizing synergy due to integration with Haier Electronics:** The Company's operational efficiency has been enhanced. In 2021, selling and distribution expense ratio was 16.1% and administrative expense ratio was 8.9%, representing optimization of 1.1 and 0.3 percentage points from 2020 on a comparable basis respectively.

**High quality growth:** In 2021, the Company's cash flow from operating activities was RMB23.130 billion, representing increase of RMB5.52 billion from 2020. Net cash flow from operation activities to net profit was 1.75.

**Efforts to grow overseas business yielding results:** Overseas business achieved record-high revenue and profitability: overseas revenue reached RMB113.725 billion, a growth of 13.0% from 2020; operating profit amounted to RMB5.926 billion, an increase of 48.1% from 2020.

**High-end brands achieved rapid growth:** (1) In China, Casarte's sales revenue crossed RMB10 billion mark and reached RMB12.9 billion, representing a year-on-year increase of more than 40%. (2) In United States, our high-end brands Monogram, Café and GE Profile achieved over 40% growth rate.

**Alignment of management and shareholder interests:** We for the first time established a global management and employee equity incentive scheme based on the Haier Smart Home listed company incentive platform, which comprised incentive tools such as restricted stock units and options. These performance-based schemes further align interests of our management and shareholders.

**Sustainable long-term development:** The Fortune Magazine published the Fortune Global 500 in 2021. Haier Smart Home was featured once again, moving up 30 places from 2020. In 2022, Fortune Magazine named Haier Smart Home as one of the 2022 World's Most Admired Companies. The Company was the only company outside the United States listed in the Home Equipment and Furnishings category.

**Harmonious employee relations:** Haier Smart Home made utmost effort to protect the health and safety of our employees in areas affected by COVID-19, while maintaining our pledge to deliver quality service to customers. In China, being Haier Smart Home's home market, not a single employee's living or health suffered due to the pandemic. In the United States, the largest overseas market of our company, GE Appliances was among the top 20 in the 2021 list of Healthiest 100 Workplaces in America and came second as The Employers with the Healthiest Work Environment of Kentucky in 2021.

**Remarkable results in technological progress:** Haier Smart Home Air Conditioning, together with other R&D institutes, won the "National Award for Science and Technology Progress Second Grade" prize in November 2021 for the development of the "Theory of Building Thermal Environment and related Key Technologies for Green Construction". As China's most acclaimed technology award, the National Award for Science and Technology Progress recognizes major technological breakthroughs and creative contributions by Chinese people and organizations in various fields.

According to the '2021 Global Smart Home Invention Patent Top100' released by IPRdaily, Haier Smart Home occupied the first place with 4,535 published patent applications in 2021. In the same year, GEA was named the 'Smart Home Appliance Company of the Year' by IoT Breakthrough for the fourth consecutive year in the United States.

### **Growth Opportunities and strategic initiatives**

Achievements of 2021 is behind us. In 2022, we may face challenges such as declining demand in China's real estate market, elevated international shipping costs and high commodity prices. However, the Company will remain proactive and fully committed to achieving rapid growth in 2022, with growth coming from capturing leadership positions in categories with high growth potential, as well as from innovating service models and creating new revenue stream surrounding Haier Smart Home's loyal user base.

The Company currently operates three main categories of products — 1) major home appliances including refrigerators, washing machines, kitchen appliances; 2) heating, ventilation, and air conditioning (HVAC) category including air conditioners, water heaters and water purifiers; and 3) small home appliances. Consumer preference and technological trends relating to these three categories are different. At this stage, Haier Smart Home's market positions and competitive edge also vary in these three areas. However, we will pool necessary resources, including talents and funds, to tackle our weakness and support high-quality sustainable development in the next three years.

Since the outbreak of the pandemic in 2020, consumers' expectations for home living experience have become higher and higher. Their demand for better health, food freshness preservation, nutrition and IoT have ceaselessly propelled the innovation of kitchen appliances. In 2021, the unit price of refrigerator and kitchen appliances has recorded material surge, exhibiting an increasingly obvious trend in product upgrade. Haier Smart Home's comprehensive brand portfolio and proactive innovation based on consumer insights have allowed us to deliver more competitive refrigerators and kitchen appliances, thereby to achieving growth rate double that of the worldwide industry. Global R&D platform of Haier's refrigerator has provided support to the rapid growth of refrigerators in the European and Australian markets, while the solid competitive edge of GEA and FPA kitchen appliances have continuously strengthened the competitiveness of kitchen appliances in the China market. All of these demonstrate Haier Smart Home's competitive edge in global product R&D and operation system.

In terms of clothing caring, the Company's product range and technologies portfolio are a long way ahead of our competitors. High-end products such as the Gemini two-in-one washing and drying machine have been highly recognized by the market, which enabled us to cement a leading position in the market segment. Great user reputation and strong R&D capabilities of Haier's washing machine have enabled us to make breakthrough in the dryer market in China in 2021, recording a revenue increase of 203% and topping the industry in terms of market share. In the United States, the sales volume of large volume front-loads washing machine which was created with our integrated global R&D resources has reached 550,000 units in 2021, representing growth exceeding 30% as compared to 2020.

Having established a leading market position in the categories of kitchen taste and clothing caring, Haier Smart Home's plan for the next three years is to further expand our leading edge, increase our market share and profit margins in various markets around the globe.

For the HVAC and water appliances businesses, such categories require professional interior finish installation and have a longer replacement cycle. The core competitive elements lie in whole supply chain cost competitiveness and technical consistency, as well as support by professional channel. In 2021, the Company achieved a market share of over 40% for electric water heaters, and the revenue of gas water heaters recorded a year-on-year increase of 51%. We have also gained further market share in the highly fragmented gas water heater market. Consistent investments in combustion technology, sterilization materials and energy efficiency technology have enabled us to have the largest market share in water heater business in China. In the United States, GEA's water heater plant in South Carolina is also going to deliver high-quality gas water heater products to American consumers.

The Company came in third place in China's domestic air conditioning market, with market share increased by more than 2 percentage points in 2021. In the commercial air conditioning market, with our magnetic bearing compressor technology solution which has the technological advantages of high energy efficiency, low operating costs and minimal noise, we have achieved 50% market share in this sub-segment. In 2022, the Company will ramp up investments in the core components of the air conditioning industry and develop distributor channels in collaboration with other internal businesses such as the water heater business, so as to realize large-scale and high-quality growth of our air conditioning business.

After preparation of half year, we announced in late 2021 the investment plan for launching a small home appliance business division to further invest in emerging categories of home appliances, such as cleaning appliances, small kitchen appliances, and personal care gadgets. The small home appliance industry is having three favorable growth drivers — technological upgrade, smart interconnection, and innovative experience. It is also becoming an industry with a global integrated supply chain, with majority of production based in China. Meanwhile, small home appliances are becoming smarter. For example, in the field of vacuuming robots, sensors, scenarios, and interactions produce wealth of data, which enable replacement of manual labor by automatic cleaning. Blending of innovative experience with technological breakthrough has redefined a new market for automatic vacuuming robots and automatic floor cleaners, ushering the industry into a stage of rapid growth.

Through focused investment in categories with high growth potential, I believe Haier Smart Home can become one of the key players in the thriving small home appliance market. This business line may potentially contribute 10% of the Company's revenue in the next three years and can become a crucial part of Haier Smart Home's smart home scenarios. The development of small home appliance business will ride on Haier's brand strength, global scale, in-depth user insight and product definition capabilities, and will take the form of a jointly built ecosystem alliance, accelerating its development through collaborations. Haier Smart Home will make full use of China's ample manufacturing capacity of small home appliances and pull together global technological resources to provide users around the world with healthy, smart, and joyful consumption experience with small home appliances.

Haier Smart Home will fully leverage the benefits of globalization. In China, we intend to further capture growth opportunities arising from market consolidation in all categories. In the United States, strong momentum in the real estate market and infrastructure construction will power home appliance consumption. In Europe and other markets, we have great potential to increase market shares in various product categories.

#### **Executorial Enablers : Leverage strength and attack weakness**

Growth does not come out of thin air. The realization of growth depends on the enduring pursuit of the Company's mission by all Haier makers as well as our forward-looking and sustainable business model. As a Fortune Global 500 company, Haier Smart Home is always ambitious. Our culture and management system encourage all management staff and employees to push through their own limits and take on challenges. Merely following market average growth demonstrates incompetence.

In 2022 and years to come, we may still live in an era when human co-exists with COVID-19 and global macro-economic environment becomes more volatile. The pandemic has had a significant impact on the home appliance industry. It has changed the operating environment of enterprises, people's mode of working, and consumers' shopping patterns. It has also accelerated technology advancement and application of information technology, and digitalization reshaped operation model of businesses. Enterprises that strive to adapt to this environment will become more resilient and capable of gaining the trust of broader users. Meanwhile, shareholders, employees, customers, communities and governments in both China and other regions expect enterprises to shoulder more social responsibilities and promote sustainable economic development. In my opinion, by adhering to our strategies of global brand creation, localized operations, hyper-focus on user experience, and persisting in process reengineering by digitalization, Haier Smart Home will become more resilient in coping with challenges due to volatile economic climate, while paving a solid foundation for sustainable growth.



Haier has implemented localized operations in major markets around the world with majority of products sold in regional markets coming from local production with the dedication of local employees and by encouraging continued investment in local communities. For larger markets such as the United States, Japan, and India, we are widely recognized as a local corporate citizen who have made significant contribution to the respective local community. GE Appliances, a wholly owned subsidiary of Haier in the United States, has been the largest investor in the local United States appliance industry for the past five years. Since Haier's acquisition of GE Appliances, we have supported its expansion of local supply chain, built new factory, and increased local investment. In the past five years, 3,000 new jobs have been created with new investment exceeding USD 2 billion. By bringing Haier's local brands closer to consumers and integrating them into the local community, while taking advantage of the parent company's technological and operating platforms, such a business model will help us avoid adverse impacts such as trade barriers and obtain more sustainable competitive advantages.

Haier Smart Home has implemented a global high-end brand creation strategy and strives to gain a prominent position in the high-end market. The reason why we maintain focus on the high-end market is our belief that fulfilling the ultimate experience of consumers is the driving force of our Company's progress. Home appliances are not only functional but could also be artistic, aesthetic, and technological. For example, we have launched a zero-distance built-in refrigerator in line with the trend of home appliance and home furnishing integration, and introduced novel product such as the "Zhongzihemei" (中子和美) laundry combo which can perform three functions of washing, drying and fabric caring within one machine. High-end brand strategy also enables us to generate greater user value to offset the adverse impacts from commodity and labor costs.

The Company's leading position in the field of major home appliances is not only measured by market share, but also its dedicated attention to customer experience, which creates one generation of exquisite and amazing products after another. The key lies in the coordination between the systems of product innovation and customer interaction. Since our establishment, we have been focusing on what our customers desire, creating standards for quality and services in China. Consumers' recognition is Haier's achievement. Such value system is not merely slogan but has deeply fused into the ideology of top management and front-line personnel. Going forward, more and more interactions will take place on e-commerce channels and online communities. In addition to humanized face-to-face channels, we will strengthen digital marketing and develop a big data interactive system for countless users.

Cloud computing, big data and IoT offer endless possibilities for more agile and intelligent enterprise operations in the future, and Haier Smart Home should also evolve to adapt. In 2022, we will strive to promote processes reengineering driven by digitalization and press forward with the optimization of operational efficiency from digitalization of R&D and design, logistics and service processes, and interconnected factories. Haier Smart Home's key process reengineering project in 2022 aims to realize digitalization of inventory management in the entire end-to-end supply chain process and optimize the allocation of working capital.

## **Entering 2022 with High Confidence**

The market often believes it will become increasingly difficult for leading enterprises to maintain relatively high growth in a mature industry such as home appliances. But I am optimistic that Haier Smart Home will enjoy unique growth opportunities. To begin with, our strategic planning and core competencies are highly aligned, with the management of Haier Smart Home adhering to the original vision of Haier's first-generation entrepreneurs like never before. In other words, all Haier makers are to promise global consumers a wonderful home life beyond their imagination, and to become their most reliable partner for designing and serving their home requirements and creating smart experiences.

Furthermore, technological advances are driving the home appliances industry to become an increasingly imaginative sector. All Haier team members around the world expect to participate in and influence this historic process of innovation. Mankind was first freed from chores by washing machine. Large refrigerators not only keep our food fresh, but also save the need for frequent shopping trips, then there is the ideal air environment that we can enjoy. Coming up next, the integration of technology and scenarios will become a stronger driving force. Oven and pre-prepared meal enable consumers to enjoy cuisine of master chef's quality at home, and consumer robots will take care of cleaning and food preparation. Technology will enrich our lives in ways beyond our expectations. Consumers be it Chinese, American or European will love and embrace the excitement brought by technologically advanced home appliances. Haier Smart Home's mission is to elevate to a whole new level through creating products and innovating services, providing consumers iterative upgrades of products and service experience that integrate technological innovation, personalized services, and smart home scenarios.

In 2022, we will rise to the future challenges and make our way through an ever-changing landscape. Ahead of us is a challenging, long-term, and fruitful journey, while our ride to the future gives all of us at Haier a chance to carry out our mission and contribute to the well-being of all stakeholders. Lastly, I would like to thank our users around the world for choosing Haier and all our shareholders for their trust in Haier Smart Home.

**Liang Haishan**  
*Chairman of the Board*  
**Haier Smart Home Co., Ltd.**



## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. BUSINESS REVIEW OF THE COMPANY IN 2021

In 2021, the Company realized sales revenue of RMB227.531 billion, representing an increase of 8.5% from 2020 and an increase of 14.9% from 2019. The Company disposed COSMOPlat in the third quarter of 2020 and RRS Logistics in the third quarter of 2019. Excluding the impact from the disposal, the Company's revenue growth in 2021 would have been 15.8% and 23.4% as compared to 2020 and 2019 respectively. Robust performance was driven by strengthened high-end market leadership and enhanced competitiveness in products and scenario-based solutions, while accelerated global coordination and growing online presence were vital to the expansion overseas, and we also benefited from continued distribution network expansion and increase in operation efficiency via end-to-end digital transformation.

In 2021, the Company achieved net profit of RMB13.217 billion, an increase of 16.7% from 2020, and an increase of 7.2% from 2019. Net profit attributable to the owner of the parent Company was RMB13.067 billion, an increase of 47.1% from 2020 and an increase of 59.2% from 2019. Faced with escalating raw material and components costs, the Company still managed to expand gross profit margin by 1.5 percentage points to 30.5% by leveraging strong high-end revenue, efficiency initiatives and disposal of low margin businesses.

Selling expense ratio was 16.1% and administrative expense ratio was 8.9%. Excluding revenue of COSMOPlat in 2020, selling and administrative expense ratio in 2021 would have decreased by 1.1 and 0.3 percentage points respectively as compared to 2020 (including COMSOPlat, selling expense ratio was 16.0% and administrative expense ratio was 8.5% in 2020). The cost reduction was mainly due to continued digital transformation in the Chinese market, rapid growth overseas and improvement in operational efficiency.

The Company's net cash flow from operating activities was RMB23.13 billion, an increase of RMB5.52 billion from 2020 and an increase of RMB8.047 billion from 2019, the growth was attributable to greater profitability and enhanced efficiency. Net cash flow to net profit ratio was 1.75 during the reporting period.

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

In 2021, sales revenue from smart home business in China amounted to RMB120.774 billion, representing an increase of 22.2% from 2020. Operating profit grew by 27.6% to RMB7.439 billion. The growth was attributable to increase in market share and 40% revenue growth of Casarte brand as well as distribution network expansion, accelerated digitalization and improved operational efficiency.

### **1. Household Food Storage and Cooking Solutions (Internet of Food)**

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

In 2021, refrigerator business achieved sales revenue of RMB41.73 billion, a year-on-year increase of 21.4%. According to CMM, Haier's market share increased by 2.1 percentage points to 41.3% offline; and market share online went up by 2.7 percentage points to 37.8%.

The refrigeration industry has entered into the next stage of development where volume starts to stabilize and growth driven primarily replacement demand. Users continue to look for larger storage space with better preservation technologies, so we doubled the drawer space by moving the refrigeration units from the back of machine to the bottom, we also introduced new hinge system to create the ultimate seamless appearance, Casarte's BCD-600 was an instant best seller contributing to the our market share reaching 46.7%, in other words, up 2.8 percentage points in units priced above RMB10,000; Casarte also made breakthrough on ecommerce platforms where 30,000 units were sold during 618 Festival on JD.com, the launch of Homey 505 and 506 series put us in no.1 in units priced above RMB10,000 online.

During the reporting period, the Company implemented Super Factory Project targeting capacity maximization, SKU concentration, global coordination and cost optimization, and we also introduced 3A Engineers Programme and trained 100 cost management specialists.

In addition, enhanced competitiveness of large capacity T-door and French-style refrigerators contributed to rapid growth in export revenue of units priced over US\$1,000 and €1,000.

## *(2) Kitchen Appliance Business*

In 2021, revenue of kitchen appliance segment reached RMB3.495 billion, an increase of 26.1% year-on-year, amongst which, Casarte's revenue surged 95.1%, and its revenue contribution increased by 7.4 percentage points to 22%. According to CMM, the Company's market share grew 1.1 percentage point offline to 7.1% and stayed flat at 5.2% online.

The Company remained committed to implementing high-end brand strategy with fast product pipelines, introducing kitchen solution packages and improving store experience, while actively developed partners from home improvement markets.

Meanwhile, dedicated effort was made to promote global coordination. R&D team in China worked closely with FPA and GEA to develop new motor control technology that could deliver constant volume of air flow using big data and algorithms. The new 12- square range hood could sense pressure, unclog pipe and prevent blockage, the Five Ring stove could heat up the entire pan surface to the same temperature, and built-in steamer ovens led the industry in revenue growth with 300°C heating temperature, precise control and dual water circulation system. Casarte's Asian style built-in dishwashers were equipped with 7X cleaning system to provide 360° water coverage at 70°C for effective grease removal. In 2021, dishwasher sales revenue grew 90% while Casarte's dishwasher grew by 137.9%.

During the reporting period, kitchen appliances segment prioritized efficiency improvement and cost reductions in equipment, quality and production, realizing 35% increase in production capacity on pre-processing lines without additional manpower. The Company gradually increased the proportion of self-manufactured large metal parts in range hoods, stoves and ovens to 100%, contributing to increased profitability.

*(3) Internet of Food: integration of appliance and services to add value*

Based on Smart Home cloud platform and Three-Winged Bird smart kitchen scenarios, the Internet of Food integrated smart oven, digital cooking program and standardized pre-prepared dishes to provide users with brand new experience where they can buy grocery from the oven screen and recreate master chef's dishes at home with just a simple click. Together with partners including Mengniu and Shuanghui, the Company launched Alphesh, the industry's first IoT-based platform specializing in pre-prepared dishes, since then, a total of 387,000 roast ducks and 200,000 sets of Chinese New Year dinner have been sold, realizing a 67% growth year-on-year. New application scenarios featuring B&Bs and offices were also created.

**2. Household Laundry Management Solutions (Internet of Clothing)**

*(1) Washing machine business*

During the reporting period, the Company's washing machine business achieved sales revenue of RMB30.659 billion, representing a year-on-year increase of 18.0%. According to CMM, the Company's market share reached 43.1% offline, up 2.9 percentage points while market share grew by 0.5 percentage points to 40.4% online.

In 2021, the Company consolidated high end leadership through continued innovation and captured growth opportunities from new categories with Casarte's Zhongzihemei (中子和美) washer & dryer combo, whose market share grew to 96.5% in top washer + bottom dryer category. The Company's tumble dryer revenue grew by 203% and led the market with 32.9% share offline and 24.5% shares online, growth of 14.8 percentage points offline and 5.8 percentage points online respectively.

Despite pandemic resurgence, shipping constraints, rising commodity prices and currency fluctuation, the Company remained committed to brand premiumization and mix upgrade in order to maintain solid growth overseas.

## *(2) Internet of Clothing*

The Internet of Clothing business started from simple washing machines, now it offers a full cycle of smart scenario solutions including washing, fabric storages, and styling. During the reporting period, in order to tackle stubborn stains, residual detergent and fabric discoloration, together with leading detergent manufacturers, the Internet of Clothing team introduced washing machines featuring ink cartridge type detergent dispenser in an attempt to create brand new experience of healthy and smart colour care, a total of 160,000 units were sold in 2021.

## **3. Air Solutions**

During the reporting period, the overall air conditioning business achieved sales revenue of RMB32.189 billion, an increase of 26.2% from 2020.

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

The Company adopted an efficient retail model and strived to breakthrough in the mid-to high-end air conditioning market. We continued to accelerate channel integration, network expansion and scenario experience upgrade. According to CMM, the Company's market share increased 2.5 percentage points to 16.8% offline in 2021, while the share online increased 2.4 percentage points to 13.6%. Meanwhile, share in the high-end market (wall-mounted units priced above RMB4,000 and standing units priced above RMB10,000) reached 20.2%, an increase of 5.2 percentage points.

By leveraging on multi-brand portfolio and strengthening technological innovation, the Company filed 2,597 patents in 2021. Casarte launched Galaxy series equipped with the industry's first full-space constant-temperature air technology that enabled 360° coverage and speedy temperature adjustment, contributing to the brand's 56.7% revenue growth. Inspired by high-speed engines from aviation industry, Haier launched air conditioners that could cleanse air at home with high-speed centrifugal waterfall and multi-layer water spray technologies. The household multi-split units specialized in customized solutions for different user scenarios in the bedroom, kitchen and the basement, providing users with fresh and healthy air at home.

During the reporting period, 620 new franchise stores specializing in air solutions were developed with particular efforts made to increase presence in HVAC channels, the Company also capture the new growth opportunities in lower-tier markets with the addition of 30,000 village sales outlets.

The export revenue maintained steady growth driven by speedy product iterations including health-boosting air conditioner equipped with a LED-UVC module, Texcell in France verified its 99.998% inhibitory effect on the novel coronavirus. Featuring a separated air supply system, the new 'X' split-type air conditioner could be disassembled in 28 seconds, making cleaning and maintenance much easier, and this was recognized by SGS with the Easy-to-Clean 5-star rating certificate.

In addition, efficiency of product platform increased by 20% driven by greater production concentration and manufacturing optimization, while specialized design, installation and service network was fundamental to drive strong growth online.

## *(2) Commercial air conditioning business*

The Company accelerated development of user-oriented scenario solutions. According to China IoL, the Company's market share increased 0.9 percentage points to 10.7% offline in 2021.

Commercial air conditioner focused on product and technology innovations in IoT applications, alternative source of energy and refrigerant. 1. IoT based multi-splits units received wide market recognition from National Speed Skating Oval and projects in Shigatse prefecture of Tibet for remarkable energy-saving performance and advanced warning system. 2. With 50% market share (information from China IoL), the Company has been leading the industry in maglev air conditioners since its first introduction in 2006. Our latest energy efficiency, low-cost and low-noise maglev chiller was widely used in projects including National Supercomputing Centre, Business Service Centre in Xiong'an, Underground Line 4 in Chongqing, People's Hospital in Shenzhen, and Shandong Energy Group. 3. The Company was the first in the industry to introduce full-spectrum air conditioning unit which was widely used in scenarios with complications such as hospitals in-patient wards, emergency rooms, operating theatres and negative pressure isolation wards. This technology was also chosen by excavation site of Sanxingdui for air disinfection and micro management of temperature and humidity level.

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

The water heater and water purifier businesses achieved breakthrough with high-end differentiated products in 2021 as revenue amounted to RMB12.701 billion, a year-on-year growth of 24.3%.

##### *(1) Water heaters*

During the reporting period, the Company's water heater business focused on providing safe, and smart household water solutions. According to CMM, our market share grew 3.5 percentage points to 28.1% offline and market share online amounted to 30.7%, with a rise of 3.4 percentage points year-on-year. Revenue of Casarte water heaters grew 42.4%, with market share increase of 4.1 percentage points.

Gas water heater revenue grew by 51% leveraging on innovations in technology and expansion in distribution network. According to CMM, the Company's market share in electric water heaters was 41.7% online and 40.2% offline, representing increases of 4.0 and 3.7 percentage points year-on-year. We launched Casarte Crystal Tank Galaxy series — the industry's first water heater without magnesium rod, significantly reduce limescale, leakage, rust and corrosions. Casarte's revenue was 1.8 times the runner-up in unit priced above RMB8,000, partly driven by the best-selling mineral springs bath specifically designed for skin care.

According to CMM, our market share in gas water heaters grew 4.3 percentage points to 20.6% online, while market share went up by 4.1 percentage points reaching 19.7% offline. The rapid growth was attributable to innovation including gas-electric hybrid technology with optimal energy usages, contributing to our no.1 position in water heater units priced RMB8,000–10,000; dedicated efforts were made to enhance presence in home improvement channels and building material markets while developing partnerships with interior designers to capture growth opportunities from new houses and HVAC channels.

During the reporting period, Haier's air-powered heat pump water heater accelerated R&D of health-oriented products specializing in high water temperature and water disinfection and we continued to lead the industry 64% market share offline and 58% online respectively; the Company also made breakthrough by developing 7 out of 10 best-selling units priced above RMB10,000.



*(2) Water purifiers*

According to CMM, the Company's market share grew 1.7 percentage points to 11.6%, ranking up one place to number four.

During the reporting period, the Company adopted innovative RO+ mineral water system which facilitates Casarte's Yunzun (雲鱒) series in providing strontium-rich water solutions. Supply chain capability was enhanced with the ramping up of new smart water purifier factory in April, since then the Company has been manufacturing its own filter, water circuit board and moulding modules, laying down solid foundations for future growth.

***5. Strengthening network presence to expand user base; leveraging Casarte's leadership to increase user value***

During the reporting period, the Company adhered to retail transformation, network expansion and user value enhancement leveraging on Casarte's high-end leadership. According to CMM, our overall market share in China grew 2.3 percentage points to 25.1%.

*(1) Unlock growth potential with sales network expansion and omni-channel integration*

Together with new national and regional partners from home improvement providers and building material industries, 723 sales outlets were added to capture increasing traffic in home improvement stores; the Company also promoted community-based micro stores that could offer laundry and appliance repair services at users' doorstep, thus building long lasting relationship at zero distance, making our products and services packages a natural choice when users are looking to replace an aging refrigerator or renovating the entire kitchen. On the other hand, 78,000 part-time sales representatives were developed in the rural markets in order to raise our profile and promote consumption upgrade, all of which increased our competitiveness, and contributed to revenue growth of over 20% in franchised stores.



According to AVC, Company led the industry with online revenue growing by 28.8% reaching RMB67.2 billion in 2021, during which time, we actively worked with new partners including TikTok and Kuaishou, to capture young users' attention through innovative video clips and live streaming, this helped us become number one in major home appliance on TikTok with the largest the number of fans and GMV. Over 90 million users were identified as brand interest population, and membership from flagship store online exceeded 30 million. In addition, 10,000 new sales outlets were added in lower-tier markets in order to boost traffic and average ticket price.

*(2) Casarte maintained strong momentum with record revenue*

After 16 years of development, Casarte has successfully established itself as a leading brand of cutting-edge technologies, outstanding quality and sophisticated taste. In 2021, its revenue grew by over 40% reaching RMB12.9 billion. It also had 73.9% market share of washing machines priced above RMB10,000; 36.2% market share of refrigerators priced above RMB10,000, and 30.3% market share of air conditioners priced above RMB15,000.

**6. *Three-Winged Bird scenario brand creates smart home solutions that integrate appliances with home improvements to grow user value***

During the reporting period, 1,317 scenario-based stores were added, covering more than 1,100 building material markets in tier one and tier two cities, the Company also upgraded Three-Winged Bird APP, for example, users could place orders online while tracking the progress of their new kitchen, the new hassle-free experience during the entire project was only made possible with Haier's commitment to create standardized comprehensive service and fulfilment practices.

During the reporting period, Three-Winged Bird focus on promoting comprehensive solution packages, sales volume of high-end sets grew 62%, with its contribution increased 10.6 percentage points to 37%; and sales volume of smart sets grew 15%, and its contribution up 2 percentage points to 17%.

**7. *Focusing on the development of a user-centred digital enterprise, the Company promoted whole-process digital transformation to build a highly-efficient operation system.***

In 2021, the Company focused on accelerating end-to-end digitalization in order to improve the experience of distributors and users while enhancing internal operational efficiency. On one hand, the entire user interaction process was consolidated on smart operating platform which then facilitated user identification, interaction and maintenance throughout the life cycle. As a result, registered user increased by 31 million to 204 million during the reporting period.

On the other hand, greater efforts were made to speed up the transition from ‘managing distributors’ to ‘helping distributors managing user data’. Online contract system was launched to shorten the time required from new distributions when opening accounts and developing stores, they also had digital tools to manage membership, logistics and services; sales representatives were also able to promote products and maintain close user interaction through digital middle platform, this resulted in 12.5% increase in average ticket size. In addition, 99% of personnel managed their services online.

The Company enhanced operational efficiency and user experience by digitalization in production planning, inventory and operation management. 50% of the factories were capable of applying advanced algorithms and optimize turnovers, decision making significantly reduced to enhance flexibility in production; physical boundaries removed with virtual management of inventory and services for optimal user experience and enhanced efficiency.

**8. *Ongoing promotion of smart manufacturing***

By the end of 2021, the Company has built 18 smart factories. Haier’s third light house factory — Tianjin Washing Machine Smart Factory was recognized as the industry’s first end-to-end lighthouse factory in 2021 for precision in capturing user demand, flexible and efficient logistics and distribution system, and decarbonization energy management system.

The Company remained committed to integrating new-generation information technologies of 5G, artificial intelligence and digital twin with smart manufacturing, and was selected twice in a row by the Ministry of Industry and Information Technology as ‘5G+ Industrial Internet’ model application scenarios. In September 2021, the Sino-German washing machine factory, the central air conditioning factory, Hefei refrigerator and washing machine factory passed the WEF Smart Industry Readiness Index

(SIRI) assessment and were chosen to represent home appliance industry in the ‘Smart Industry Readiness Index Certification White Paper’. In December, the Sino-German washing machine factory received 2021 Asia Communication Awards in recognition of its efforts in combining smart manufacturing with 5G+MEC.

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

During the reporting period, the Company delivered record revenue and profit from overseas business. Sales revenue reached RMB113.725 billion, an increase of 13.0%; operating profit amounted to RMB5.926 billion, a rise of 48.1%; operating profit margin reached 5.2%, a growth of 1.2 percentage points from 2020.

The robust revenue and profit margin growth were attributable to fulfilling the needs of different user groups with multiple brand portfolio, and continued iteration of user experience with innovative products, where the proportion of high-end sales in the North America grew 2.6 percentage points, and the proportion of high-end sales in Europe rose 5 percentage points. By using digital marketing tools, the Company was able to seize the growth opportunities online while enhancing global supply chain capabilities to boost manufacturing efficiency. In 2021, the refrigerator factory in Romania, the air conditioning factory in Egypt, and the washing machine factory in India were put into production. In addition, leveraging on global integration and collaboration, the Company managed to reduce the cost impact from port congestion and chip shortages with initiatives including joint negotiations, resource allocation optimization and strategic procurement.

### ***1. The North American market***

With dedicated efforts made by the entire team, the Company’s revenue reached a record level of RMB70.277 billion in the North American market, representing a growth of 10.3% in RMB and 18.0% denominated in USD. The growth was driven by the Company’s effort in product, brand and channel innovations, acceleration of new businesses, and supply chain upgrade.

Market share and profitability were reinforced with successful new product launches including large multi-door refrigerators, large size front-load washing machines, tall tub dish washers, professional oven ranges and Café Wine Cabinets, contributing to over 40% revenue growth from our high-end Monogram, Café and GE Profile brands. Specialists in Air and Water Team worked closely with colleagues in China, and won Marriott Hotel contract in Austin, Texas Airport with Haier MRV5 units; and DFS team signed serviced apartments project contract in Chicago. Small kitchen appliances

revenue doubled, driven by successful launches of several new series including Opal ice maker, which was named Amazon's Choice and Best sellers.

On the distribution front, the Company strengthened partnership with commitment and dedication. We developed five new retail partners including Macy's and were named Partner of the Year by Home Depot, achieved steady revenue growth with buying groups, strengthened leadership in contractor channel with double digit revenue growth; renewed contract with the largest property developer for another three years; developed new partners from HVAC channel and established life style department to cater for RV manufacturers. Revenue continued to double online in channels including Amazon. A new zero distance channel was launched aiming to explore growth potential by creating seamless and wholesome service that can be rewarded with lifelong user loyalty. The Company started building Stamford Co-Creation Centre in September 2021 and plans to finish construction by second half this year, by which time it will be the place for users to enjoy interactive, multi-dimensional and immersive brand experience.

## **2. *The European market***

During the reporting period, the Company's European business achieved sales revenue of RMB19.737 billion, an increase of 19.5% year-on-year.

In 2021, Haier brand continued to grow in price index and constantly outperformed the industry in market share growth. The Company also optimized its product mix, with the launch of a variety of high-end refrigerators and the 979 series large-diameter washing machines, the latter became No. 1 best seller on Amazon Prime Day and Black Friday. In the meantime, the Company also accelerated online growth, showcased high-end brand image and promoting brand stores and store-within-stores in Germany.

In Romania, the Company completed the construction of the new factory which specializes in manufacturing high end refrigerators and it is designed to facilitate speedy response to local market demand.

In addition, breakthrough was also made in building scenario-based ecosystem. The number of registered users on hOn APP reached 4.5 million.

## **3. *The Australian and New Zealand market***

In Australia and New Zealand, the Company's revenue grew by 17.3%, reaching 7.012 billion in 2021 and concentrated efforted continued to be made on product premiumization and network expansion.

During the reporting period, several new products include induction cooktops, insert ventilations were introduced by FPA, contributing to 33% revenue growth in kitchen appliances; we upgraded washing machines with low temperate UV disinfection module and launched new tumble dryers, grew market share by 1.6 percentage points; built-in refrigerator revenue grew by 60% thanks to the introduction of Column series and new four-door series, particular efforts were made with comprehensive built-in range to capture opportunities in construction channel.

#### **4. *The South Asian market***

During the reporting period, sales revenue grew 30.5% to RMB7.138 billion.

In India, the Company seized opportunities from consumption upgrade towards large-capacity and health-oriented products, taking the lead in launching high-end side-by-side refrigerators and large-capacity front-load washing machines, and the proportion of high-end revenue rose to 34%. Meanwhile, the Company actively expanded the distribution network, realizing 94% coverage in franchised channels, 100% coverage in 5 national and 50 regional chain retailer and 82% coverage of rural markets. Installation and equipment adjustment were carried out via video links to ensure the timely completion of construction in Northern Industrial Park.

In Pakistan, the Company remained number one by taking a number of initiatives including the launch of T3 air conditioner that could work under temperature as high as 56°C, introduction of the electric frequency-conversion refrigerator focusing on saving energy and advanced food preservation, exactly what the users were looking for during the pandemic; meanwhile, sales revenue grew 150% online with combination of Haier brand and newly introduced Candy brand.

#### **5. *The Southeast Asian market***

During the reporting period, sales revenue grew by 15.0% to RMB4.74 billion.

The Company continued to strengthen technological and product leadership by launching large-diameter washing machines and T-door refrigerators, the latter contributed to 4.7 percentage points market share gain in Vietnam where distribution network coverage also increased to 100%, and the Company introduced Candy brand in order to drive growth online in Thailand.

## **6. *The Japanese market***

In 2021, the Company realized sales revenue of RMB3.491 billion, representing a year-on-year decrease of 3.4% in RMB and a 6.3% growth in denominated in Japanese Yen. The aggregated market share of refrigerators, freezers and washing machines reached 14.1%, and continued to be lead the refrigeration segment with combined market share of 16.7% from refrigerators and freezer.

During the reporting period, the Company launched AQUA brand ultra-large TZ refrigerators and upgraded Delie refrigerator series while renovated variable-frequency washing machines with ultrasonic technology and introduced best-selling high-end front-load washer-dryer combo whose revenue contributed reached 25% in December.

In addition, community-based laundry business continued to lead the industry with market share of 70%, the Company worked closely with partners including FamilyMart, P&G, ENEOS petrol stations and MUJI, to add over 100 scenario-based stores specializing in laundry, clothing, food, and transportation solutions.

### **(III) Establish incentive mechanism to unlock individual's potential**

In 2021, a new incentive system was established to unlock the fullest potential of our people, while aligning long-term and short-term interest with shareholders. The Company successively launched the A-share Core Employee Stock Ownership Plan, the H-share Core Employee Stock Ownership Plan, the H-share Restricted Share Unit Scheme and the long-term A-share Options Incentive Scheme, in order to provide complete coverage of core employees home and abroad over different vesting periods including short, medium and long term, in order to accelerate the implementation of smart home strategies, attract and retain talents thus creating greater value for shareholders with sustainable development in the long term.

## **2. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD**

The Company has established a solid strategic presence and competitive advantage in China and overseas markets. In China's major home appliance market, the Company has long maintained a leading position across all product categories. According to CMM's report, the Company has established a continued leading market position in key major home appliance categories in 2021. In overseas markets, the Company has adhered to its high-end brand creation strategy, building capacity to create leading sustainable growth, which has continuously improved its market share. Building on this foundation, the Company will further consolidate its leadership position in the



industry by leveraging integrated synergies of its global unified platforms, through efficiency transformation driven by digitalization, and by leveraging its technological strength and innovative capabilities. As cornerstone for sustainable development, our ‘Rendanheyi (人單合一)’ Model also provided management guidance to the Company, and enabled us to replicate successful experiences. It is believed that the following advantages will help the Company to continue to strengthen its leading position:

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

Riding the trend of consumption upgrade in China, the Company has started to develop the high-end brand Casarte in the Chinese market more than 10 years ago. The creation of high-end brands required not only focus, experience and patience, but also continuous innovation of technological standards and differentiated service capabilities to fulfil user demand for high-quality experiences. The Casarte brand combined the Company’s global technological strengths, product development capabilities and manufacturing craftsmanship, as well as privilege marketing and differentiation services, and has gradually won the trust of users in China’s high-end market. According to data from CMM, the Casarte brand has assumed a definitive leading position in China’s high-end major home appliance market in 2021, ranking first in the retail sales of refrigerator, washing machine and air conditioner categories in the high-end segment. Specifically, in terms of offline retail sales, shares of the Casarte brand of washing machines and refrigerators reached 73.9% and 36.2% respectively in the market with product price above RMB10,000 in China, while its share of air conditioners priced above RMB15,000 in the China’s market reached 30.3%. Our overall average price for Casarte refrigerators, air conditioners and washing machines is two to three times the average price of the industry.

In the North American market, the Company owns high-end brands such as Monogram, Café, and GE Profile. The Company has enhanced its high-end brand profile through launch of trending products such as high-end professional gas range, large multi-door refrigerators, ultra-fresh dishwashers with stainless steel interior, Opal ice makers, and automatic espresso machines. For instance, the Monogram high-end professional gas range earned recognitions such as the ‘2021 Design Excellence Award’ (from the reputable magazine Architectural Design), GE Profile’s smart induction oven range equipped with interior-facing camera CookCam™ was named ‘Applause-Worthy Appliances’ by Good Housekeeping’s Kitchen Appliance Awards in 2021. Through the creation of luxurious, customizable and smart technology-enabled user experience, our high-end brands Monogram, Café and GE Profile have grown rapidly. In 2021, these three high-end brands have increased their revenue in the US market by more than 40% year-on-year.

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

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

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

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

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

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



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

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

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

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

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

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

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

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

- **Global collaborative R&D:** The Company has a global collaborative R&D system and has established global technology R&D mechanisms to share common modules, utilize common technologies, and share patents within the scope of compliance. For example, ① the Company successfully applied the direct-drive motor technology developed by Fisher&Paykel to the Casarte brand of washing machines and achieved satisfactory results; ② integrating global R&D platform resources and leveraging technologies around the globe, such as China's product structures and hydraulic technology, Japan's functional design technology, New Zealand's driver system, and the American control system, we launched the GEA brand's large-volume front-load washers in the U.S. market, which has led to increases in both the market share and average price of washing machine products in the U.S. market.
- **Global collaborative product development:** The Company has established a global product development mechanism to coordinate global collaborative product development, which can enable regional collaboration and supplementation across product categories. For example, the Company successfully supported GE Appliances to relaunch water heater business: the development teams in North America and China are highly integrated, benchmarking the differences in standards between Haier and products in North America. Haier's R&D advantages were combined with GE Appliance's quality assurance system to jointly develop the product. The resulting electric water heater product has achieved industry leadership in terms of design, manufacturing and inspection, with annual sales of more than 50,000 units, thus providing solid support for GEA brand's water heaters to successfully enter the North American market.
- **Global collaborative procurement:** The Company's global procurement activities are coordinated by its global procurement guidance committee. By leveraging the Company's global procurement operations platform, the Company's operating divisions in different regions can share global procurement resources, thereby achieving economies of scale.

- **Global collaborative supply chain:** The Company has a visualizable and digitalized global supply chain management system, which has enabled flexible deployment of global production capacity, and sharing and collaboration in the development of smart manufacturing technologies.
- **Global collaborative marketing and brand promotion:** the Company operates a multi-level brand portfolio on a global scale, which can realize global collaborative brand promotion. The Company also promotes and introduces successful marketing strategies among regional markets around the world. For example, the Company successfully replicated its sales and marketing model from third and fourth-tier markets in China, in markets such as India, Pakistan, and Thailand, which have strengthened the Company's brand image and its regional market competitiveness.

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

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

- **The State Science and Technology Progress Award:** In 2021, Haier Smart Home received another State Science and Technology Progress Award, ranking first in the industry with a total of 16 awards.
- **Leadership in terms of patent quality:** As of December 2021, Haier Smart Home has accumulated more than 75,000 patents applications globally, of which invention patents accounted for more than 63%. The number of overseas invention patents exceeded 14,000, making us the Chinese home appliance enterprise with the largest number of overseas patents. The Company also accumulated 10 state patent gold awards, ranking first in the domestic market. In the 'Global Smart Home Invention Patent Ranking' in 2021, Haier Smart Home once again topped the list, ranking first in the world for six consecutive times.
- **Leadership in terms of international standards:** As of December 2021, Haier Smart Home has cumulatively led and participated in formulation of 82 international standards and 602 state industrial standards. It is the only company in the industry to obtain comprehensive coverage in the five major international standard organizations, namely the IEC, ISO, IEEE, OCF and Matter. It is also the only enterprise in the world to serve on the IEC Board and the IEC Market Strategy Board at the same time, which have enabled the Company to stay actively involved in international standardization work and have a voice in the formulation of standards.

- Leadership in terms of original technologies: In 2021, the Company has innovated a range of solutions that exceeded users' expectations, such as the launch of the Casarte's 'simultaneous five-ring fire' gas stove, which enlarged the pot heating area by 40% through the use of multi-ring uniform combustion system, ingredients in the pot could therefore be more evenly and comprehensively heated. The Company also introduced the Casarte's Zhongzihemei all-in-one laundry machine that could perform the three functions of washing, fabric-caring and drying in the same machine; through continuous iteration of original technologies, it solved the three major pain points of high-end washing, drying and fabric-caring. We therefore created a new product category in the laundry industry and has continued to increase our market share of high-end washing machines.
- Leadership in terms of innovative ecosystem: In 2021, with approval of the Ministry of Industry and Information Technology, Haier spearheaded the establishment of the National High-end Intelligent Household Appliances Innovation Centre, which is the only national-level manufacturing innovation centre in the field of home appliances. By centring on the development direction of high-end, smart and scenario-based home appliances, the Centre focuses on breaking through a number of critical common technologies in the technological fields of ontology, intelligence, security and scenario application, so as to enhance the technological innovation level and product competitiveness of China's high-end smart home appliance industry.

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

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

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

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

### **3. INDUSTRY OVERVIEW FOR 2021**

**(i) The Chinese Market**

In the face of a complex and volatile domestic and international environment in 2021, China’s economy continued to steer development towards high-quality growth. In terms of the home appliance industry, it has entered the development stage focusing on replacement. Overall sales demand became stable, and the average product price was enhanced due to product upgrade. Aggregated data from CMM showed that the retail sales of China’s major home appliance market reached RMB481.8 billion in 2021, a year-on-year growth of 8.5% from 2020; the retail sales of the kitchen appliance market was RMB231.9 billion, a year-on-year increase of 8.7%.

By category:

- (1) The refrigerator and washing machine industries have benefited from average price increase brought about by continuous product upgrade, retail revenue continued to grow. According to data from CMM, retail sales of the refrigerator and washing machine industries reached RMB98.1 billion and RMB73.5 billion respectively in 2021, representing growth of 7.6% and 7.3% respectively as compared to 2020.
- (2) Impacted by factors including the real estate slowing down and the summer temperature lower than previous years, retail sales of the air conditioning industry reached RMB157.6 billion with a slight growth of 0.5%.

- (3) With increasing popularity of integrated stoves, which has substitution effects on traditional kitchen appliance products such as range hoods and gas stoves, and as data from CMM showed, retail sales of the range hood industry in 2021 amounted to RMB38.2 billion, representing a growth of 7.0% as compared to 2020; retail sales of the integrated stove industry reached RMB26.7 billion, representing a surge of 43.5% from 2020.
- (4) The water heater industry's overall performance was stable, with retail sales amounted to RMB60.8 billion, up 0.8% from 2020.
- (5) Emerging categories such as clothes dryers and dishwashers have entered a stage of rapid growth after years of incubation: according to CMM's statistics, the retail sales of dishwashers reached RMB11.3 billion in 2021, a rise of 20.2% from 2020; the retail sales of clothes dryers amounted to RMB7.6 billion in 2021, a jump of 123.5% compared to that of 2020.
- (6) The pandemic has caused people to stay home for extended period of time, alongside product innovation, user demand for cleaning appliances and emerging small kitchen appliances have been stimulated. For instance, according to data from CMM, retail sales of cleaning appliances reached RMB27.8 billion in 2021, an increase of 23% year-on-year. According to statistics from Euromonitor, the sales volume of air fryers in the Chinese market recorded a year-on-year growth of 37% in 2021.

As the market as a whole entered the development stage focusing on replacement, users' concerns and industry trends have displayed new characteristics.

- (1) When purchasing products, users shifted their focus solely on functionalities and cost-effectiveness to a comprehensive consideration of brand identity, diversity of experience, design originality of products.



(2) In terms of industry development trends:

Firstly, against the backdrop of quality-of-life improvements, especially under the influence of the pandemic, users' health awareness has greatly enhanced, leading to increased sales opportunities for health-conscious and smart home appliances. For instance, smart large-sized refrigerators, freshness preserving refrigerators and T door refrigerators have fulfilled user's needs for healthy diets, product intelligence, and refined storage space. Products such as washers with health-boosting sterilization features, washer dryer combos and smart washing machines have offered enhanced laundry and garment-wearing experience. Air conditioning products have also transitioned from simple temperature adjustments to provision of a healthy and comfortable environment. Products featuring fresh air, sterilization, air purification, and self-cleaning functions were favoured by the public.

Secondly, consumption upgrade continued: CMM data showed that in the offline market, the share of retail sales of refrigerators with unit price above RMB15,000 has grown from 8% in 2020 to 13% in 2021.

Thirdly, suite-oriented and scenario-based integration of home appliances and household space has become an established trend. The industry has gradually transitioned from single product retailing to the sales of scenario-based solutions. In terms of product experience, home appliance product suites offered a unified design style, enabling product appearances to be more in line with modern aesthetics and texture. In terms of sales and services, compared to purchasing single products from different brands, purchasing product suites from the same brand could save time and hassle in product delivery, installations and after-sales services, which is in line with the trend of efficient and convenient consumption. In the context of continuous pursuit of quality of life, users of home appliances, in addition to functional needs, look for overall integration of home appliances and home environment, which could bring forth the experience of improved home aesthetics and enhanced space utilization. From enterprise's point of view, product suites could increase the average order value, avoid losing customers, and achieve synergies between strong and weak product categories. Enterprises equipped with product suite competitiveness would have an edge in future competition. However, the development trend of product suites has raised the bar for companies in the industry in terms of cross-category design, planning and scenario development capabilities. It requires companies to conduct resource allocations across different product categories.

In terms of channel development trends:

- (a) Livestreaming e-commerce as part of online channel has developed rapidly. According to the information of AVC, transaction value from livestreaming e-commerce has exceeded RMB1.09 trillion in the first half of 2021. Compared to traditional e-commerce which mainly displays product information through text and images, livestreaming e-commerce is clearly advantageous in terms of interaction and user experience, making it easier to motivate users. At the same time, introduction and product comparisons offered by KOLs can also save users' time in decision making.
- (b) The continuous increase in user demand for personalization, household customization and improvement in indoor space utilization has driven the development of integrated sales of complementary home appliances and home furnishing via offline channels. In particular, the building material channel is highly suitable for the promotion of the sales of high-end and smart product suites of home appliances in the form of scenario-based solutions. Home appliance enterprises have proactively strengthened sales networks in household building material outlets, so as to attract users at the early stage when they are still designing and planning for home renovation, and maximize average revenue per user through the sales of product suites.

Export markets: due to recovery of the global market as well as continuous stability of the production and supply capacity of China's home appliance industry chain, China's home appliance exports have continued to grow in 2021. According to data of Industry Online (產業在線), the annual export volume of household air conditioners, refrigerators and washing machines in 2021 have increased by 9.7%, 4.8% and 9.9% year-on-year respectively. However, challenges such as rising raw material prices and surging shipping costs remained in 2021, which have placed pressure on export profitability.



## **(ii) Overseas markets**

The global economy has gradually recovered in 2021. The global GDP was expected to grow 5.9% in 2021 according to the forecast by the International Monetary Fund. Based on the information from GfK, the global retail market for home appliances (including major white goods, small home appliances and consumer electronics) was expected to reach USD 560 billion in 2021, with retail sales increased by 10% year-on-year. Specifically, the retail sales of major white goods have increased 13% year-on-year due to product upgrades and average price hikes, whereas small home appliances have increased 6%.

By market:

### **(1) *The U.S.***

User demand for appliances remained robust throughout the year in the U.S. because of easing economic uncertainties, stimulus packages, and increased time at home. Major appliances market resumed to 4.3% volume growth after two consecutive years of decline in sales volume. On the other hand, the industry was under constant challenges from sharp increase in raw materials, Covid related labour shortages, and port congestion.

### **(2) *Europe:***

The pandemic has led to a continuous increase in user demand for home appliances in the large-capacity and healthy-living categories. Overall industry performed well. According to statistics from GfK, the sales volume and sales revenue for major home appliances in 25 major European countries in 2021 have increased by 3.9% and 9.5% year-on-year respectively.

### **(3) *South Asia***

- ① India: As the pandemic developed to a later stage, users increasingly favoured products with large-capacity and health-conscious features. E-commerce has developed rapidly in the past two years, with the proportion of online sales of home appliances steadily increased.
- ② Pakistan: Despite depreciation of the rupee and the pandemic's impacts on residents' willingness to consume, health-boosting and smart products were gradually recognized by users. For example, energy-saving variable-frequency refrigerator series and large-volume freshness preservation refrigerator series have gradually become mainstream products.

**(4) Southeast Asia:**

As the pandemic has impacted the local tourism industry and affected consumption, performance in major markets were sluggish. According to data from GfK, the sales volume of refrigerators in the Thai market increased 1%, the sales volume of household air-conditioners dropped 1.7%, and the sales volume of washing machines rose 1.1%. In Indonesia, the pandemic has led to increased unemployment and stagnant or declining wages, thus affecting the purchasing power of the society.

**(5) Australia & New Zealand:**

- ① Australia: The industry maintained its growth momentum in the first half of the year. However, channel sales of home appliances were greatly hampered in the second half of the year due to pandemic related lockdown. The size of the industry in 2021 remained the same as 2020.
- ② New Zealand: The pandemic has led to prolonged home office hours for local residents, which stimulated the demand for home renovation and refurbishment, and drove the development of the real estate market. User demand for home appliances increased accordingly. According to the home appliance import data from local customs, home appliance imports grew 11.9% in 2021.

**(6) Japan:**

Affected by the withdrawal of government subsidies, multiple state of emergencies caused by the pandemic, negative economic growth and other factors, the white goods industry experienced sluggish growth: sales volume of the refrigerator industry has dropped for two consecutive years, and sales revenue in 2021 has tumbled 4.3%; for the freezer industry, due to pull-forward demand in 2020, growth in 2021 has lowered to 1.8%. The washing machine industry was benefited from the continuous optimization of product mix, and proportion of front-load and variable-frequency products continued to grow. Although sales volume dropped 3%, sales revenue rose 3% year-on-year.

## 4. INDUSTRY OUTLOOK FOR 2022

### (i) The Chinese market:

In the medium to long term, with the acceleration of the new urbanization, the steady increase of residents' income, the continued expansion of the middle-income group and the improvement in social welfare in China, the purchasing power and consumption willingness of residents grows stronger. The home appliance market still has great upside potential. Changing user attitudes will drive the continuous upgrade of product mix, bringing growth opportunities to high-end, high-quality home appliances. For products such as small kitchen appliances and range hoods, there are significant gap in the penetration rate between rural and urban areas. Room for growth is huge as driven by improvements in users' quality of life and the expansion of product categories.

Looking ahead to 2022, the home appliance industry faces both challenges and opportunities: seeking progress while maintaining stability, strategic initiatives to expand domestic consumption will stimulate further demand, increased uncertainty in commodity prices due to global impact. According to CMM's forecast, the size of China's major home appliance retail market will reach RMB492.4 billion in 2022, representing an increase of 2.2% year-on-year; the retail size of the kitchen appliance market will grow 6% to RMB246.4 billion. Product mix enhancement and product iterations triggered by consumption upgrade will continue to bring positive impact. User demand will become more segmented. Sub-categories of home appliances such as products that improve quality-of-life will enter a period of rapid growth.

Export markets: From 2020 to 2021, the global home appliance market was affected by the pandemic and the supply chain of overseas markets was impacted. China's home appliance industry has filled the supply gap in the global home appliance market with its efficient supply chain system, home appliance exports from China has grown strongly. It is expected that in 2022, the export market will face certain pressure due to factors such as the recovery of supply chains in overseas markets and increase in overseas production capacity.

**(ii) The global market:**

According to the International Monetary Fund's GDP growth forecast for major economies in 2022, major economies and countries around the world will continue the trend of recovery but at a slower pace. Global growth is expected to be at 4.4%. Meanwhile, international trade barriers, supply chain disruptions and the impact of the pandemic will continue to have profound impacts on the global home appliance industry in 2022.

According to GfK's forecast, the size of the global home appliance industry will reach USD 575.2 billion in 2022, with an expected growth of 3%. From the perspective of industry development trends, quality consumption will further drive product upgrades, product innovation and expansion of product intelligence; users will prefer products with higher energy efficiency in the context of climate change and energy shortages; as the impact of the pandemic weakens and vaccination rate further improves, markets in countries that are previously heavily affected by the pandemic will further recover. On the other hand, there are unfavourable market factors at play. The outbreak of war in some region will have impacts on regions and countries as well as posing certain challenges to upstream costs and supply chains of the global home appliance industry.

**5. PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD**

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

- Global leader of the major home appliance industry: According to data from Euromonitor — an authoritative market researcher, the Company ranked first in terms of sales volume in global major appliance market for 13 consecutive years. The Company has a global portfolio of brands, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. From 2008 to 2021, Haier brand refrigeration and laundry appliances ranked first among major home appliance brands in sales volume for 14 and 13 consecutive years respectively.

- Pioneer of global smart home solutions: Capitalizing on our full-range home appliances products, the Company is recognized by Euromonitor as one of the first in the industry to introduce smart home solutions. Leveraging our connected home appliance products and partners, supported by Haier Smart Home APP, Three-Winged Bird APP and Haier Smart Home Experiential Cloud Platform, with integration of experience centres and franchised stores, the Company provides users with smart home solutions for a variety of application scenarios, satisfying their pursuit for a better life.

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

### **Smart Home Business in China**

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

- Household Food Storage and Cooking Solutions (Internet of Food): Through selling in domestic market and exporting products such as refrigerators, freezers, kitchen appliances and value-added services, including smart cooking and nutrition planning, the Company fully addresses users' need for convenient, healthy and tasteful gourmet experiences.
- Household Laundry Solutions (Internet of Clothing): Through selling in domestic market and exporting products such as washing machines, dryers and value-added laundry services solution such as smart dispense of laundry detergent, the Company satisfies users' demand for washing and caring of apparels in a comprehensive manner.
- Air Solutions (Internet of Air): Through domestic sales in China and exports, the Company provides home air-conditioners, commercial air-conditioners, purifiers, fresh air systems, as well as comprehensive range of solutions including coordination of multiple air-conditioners and purifiers, adaptive air flow, air quality monitoring and air disinfection.

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

### **Overseas Home Appliance and Smart Home Business**

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

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

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

### **Other Businesses**

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

During the reporting period, the Company was once again listed among the Top 500 World's Companies by the Fortune Magazine, up 30 places as compared to 2020. We are named as the '2021 World's Most Admired Companies' by the Fortune Magazine. We are the only company being selected in Europe and Asia in the home appliances industry, and are the only selected company incorporated outside the US. Meanwhile, the Company is also the world's only Internet-of-Things (IoT) ecosystem brand being named again as BrandZ™ Top 100 Most Valuable Global Brands in 2021.

## **6. DEVELOPMENT STRATEGY OF THE COMPANY**

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

The Company will continue to consolidated its leadership in refrigerators, washing machines and water heaters; enhance the performance of kitchen appliances and air conditioners; accelerate growth in tumble dryers and dishwashers, and capture opportunities of lifestyle appliances and cleaning appliances while developing Three-Winged Bird scenario brand in order to stay ahead in this competitive industry.

In 2022, the Company will take the following measures to generate sustainable growth:

In the domestic market, the Company will accelerate the transition of 'high-end brand → scenario brand → ecosystem brand', and expand Casarte's market leadership from product to scenario applications while increase user value with initiatives targeting outstanding quality, comprehensive solution, smart scenario, ecosystem platform and lifelong user loyalty. On the other hand, Three-Winged Bird brand will remain focused on improving user experience with accelerated introduction of solution packages that combine smart appliances with home improvement offerings, thus become lifelong partners in users' pursuit of a better life.

In the overseas markets, guided by 'RenDanHeYi (人單合一)' principles, the Company will make dedicated efforts to become No. 1 globally by leveraging well-established localized operations to speed up product development pipeline, expanding online & offline presence; optimizing global supply chain integration and manufacturing upgrade, thus promoting deeper integration of brands, R&D, procurement, supply chain and human resource management.



On digital transformation front, the Company will remain committed to promote the digitalization of logistics, services, marketing, and supply chain management so as to establish an end-to-end operation system that creates first class user experience, facilitates distributors' development and improves network efficiency, while building long lasting partnership with users in assisting them building and serving a home through accelerated implementation of Three-Winged Bird platform and Experience Cloud platform.

## 7. POSSIBLE RISKS

- (i) **Risk of decreasing market demand due to slowdown in macroeconomic growth.** Sales of white goods as durable consumer appliances are subject to users' income level and their expectations of future income growth which would have a certain impact on their willingness to purchase products. A slowdown in macroeconomic growth causing a decline in users' purchasing power would have a negative impact on industry growth. In addition, a slowdown in real estate market would also have a negative impact on market demand, which would indirectly affect end-user demand for home appliances.
- (ii) **Risk of price war caused by intensified industry competitions.** The white goods industry is highly competitive with a high degree of product homogeneity, industry concentration has increased in recent years. Increase in inventory in individual sub-sectors due to imbalance between supply and demand may lead to risks such as price war. Furthermore, due to rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation, it is becoming increasingly difficult to profit. New products, services and technologies are often associated with higher selling prices, and it has become necessary for the Company to invest more in research and development in order to achieve that. The Company will actively invest in research and development to attract users through continuous innovation in products and services, and establish a lasting brand influence.
- (iii) **Risk of fluctuations in raw material prices.** The Company's products and core components mainly use metal such as steel, aluminum, and copper as raw materials, as well as bulk commodity such as plastics and foam. If the prices of raw materials continue to rise, it will put certain pressure on the Company's production and operations. In addition, the Company relies on third party suppliers for key raw materials, components and manufacturing equipment, as well as OEM suppliers, and any disruption in supply or significant price increases by these suppliers will have a negative impact on the Company's businesses. As a leader in the industry, the Company will take measures to reduce the risk of raw material fluctuations on its operations such as by using value adjustment mechanism on volume and price with suppliers and hedging.



- (iv) **Operational risk in overseas business.** The Company has steadily developed its global business and has established production bases, research and development centers and marketing centers in many parts of the world, with the proportion of overseas revenue increasing year by year. Overseas markets are subject to political and economic situations (events such as military conflicts and wars), legal systems and regulatory regimes of those countries and regions, and significant changes in these factors may pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impact, including active collaborations with suppliers and distributors, improving production efficiency to offset the impact on the Company's overall cost of sales, potentially expanding the Company's supply resources to other countries, and taking measures to ensure safety of its people and assets.
- (v) **Risk of exchange rate fluctuations.** As the Company expands its global footprint, the import and export of the Company's products involve the uses of foreign currencies such as the U.S. dollar, the Euro and the Japanese yen. If the exchange rates of relevant currencies fluctuate, it will have a certain impact on the Company's financial position and increase its financial costs. In addition, the Company's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of their primary economic environment in which the entity operates, and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.
- (vi) **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, consumption investment policies, real estate policies and relevant laws and regulations will affect distributors' demand for products, which in turn will affect product sales of the Company. The Company will closely monitor changes in policies, laws and regulations, and anticipate market changes to safeguard the Company's further development.
- (vii) **Risk of uncertainties resulted from COVID-19 outbreak.** The COVID-19 outbreak, which gradually spread around the end of 2019, could lead to a further weakening of consumer demand for home appliances, which could in turn affect the Company's product sales. Firstly, lockdowns, social distancing measures and travel restrictions could reduce user mobility and result in the closure of retail sales network, thereby reducing consumer demand for home appliances. Secondly, the pandemic may also cause disruptions to the operations of distributors, such as logistical disruptions in the delivery of products, resulting in distributors' dissatisfaction with the Company's services and consequently reduced demand for the Company's products. The Company will leverage its anti-pandemic experience in the Chinese market and make best use of its global resource synergies to mitigate the impact of the pandemic on its businesses.

- (viii) **Credit risk.** The Company may not be able to collect all trade receivables from its distributors, or distributors may not be able to settle the Company's trade receivables in a timely manner, in which case the Company's business, financial status and operation performance may be adversely affected. In relation to this risk, the Company will maintain flexibility to offer a credit period of 30 to 90 days to certain distributors based on their credit history and their transaction volume.
- (ix) **Inventory risk.** Since the Company cannot always accurately predict trends and events and maintain appropriate inventory levels, there may be excess inventory as a result, for which the Company may be forced to offer discounts or offer promotions to tackle the slow-moving inventory issue. On the other hand, a shortage of inventory may occur, which may lead to loss of sales opportunities for the Company. However, the Company will manage its inventory and make adjustment according to market situation. It will also regularly assess if impairment of inventory is needed.

## **FINANCIAL REVIEW**

In 2021, the Group's revenue amounted to approximately RMB227,531 million, representing an increase of 8.5% from RMB209,701 million (restated) in 2020 (increase of 15.8% on the same basis as compared to last year after considering the deconsolidation of COSMO business in September 2020 and excluding the COSMO's revenue contribution to the Group in 2020). The profit attributable to shareholders of the Company was RMB13,067 million, representing an increase of 47.1% from approximately RMB8,883 million (restated) in 2020.

## 1. Analysis of Revenue and Profit

Items	2021 <i>RMB'M</i>	2020 <i>RMB'M</i> (restated)	Change %
<b>Revenue</b>			
Smart Home Business in China	120,774	98,863	22.2
Refrigerator/Freezers	41,730	34,383	21.4
Kitchen Appliances	3,495	2,772	26.1
Air-conditioners	32,189	25,506	26.2
Laundry Appliances	30,659	25,985	18.0
Water Appliances	12,701	10,217	24.3
Smart Home Business Overseas	113,725	100,623	13.0
Other Businesses	92,158	92,701	(0.6)
Inter-segment eliminations	(99,126)	(82,486)	20.2
Consolidated revenue	227,531	209,701	8.5
Adjusted operation profit*	13,551	9,893	37.0
Profit for the year attributable to owners of the Company	13,067	8,883	47.1
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
— Profit for the year	<u>RMB1.41</u>	<u>RMB1.34</u>	<u>5.2</u>
Diluted			
— Profit for the year	<u>RMB1.40</u>	<u>RMB1.31</u>	<u>6.9</u>

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

	2021 <i>RMB'M</i>	2020 <i>RMB'M</i> (restated)	Change %
China	112,292	107,653	4.3
Other countries/regions	115,239	102,048	12.9
Total	<u>227,531</u>	<u>209,701</u>	<u>8.5</u>

\* Adjusted operation profit is defined as profit before taxation less interest income and expenses, exchange gains or losses, investment gains or losses, gains or losses from changes in fair value of other non-current financial assets, government incentives and share of profits or losses of associates.

In 2021, the Group's revenue increased by 8.5% from approximately RMB209,701 million (restated) to RMB227,531 million. The Group also continued to expand overseas market shares by adhering to a global business presence, and improved customer acquisition capability and transaction conversion efficiency at end market through the promotion of strategic digital transformation.

Revenue from the Smart Home Business in China increased by 22.2% from approximately RMB98,863 million in 2020 to approximately 120,774 million in 2021. Benefiting from the strong growth of high-end brands, process restructuring from digitization, and the scenario ecosystem that led into the future, the Smart Home Business in China achieved rapid and high-quality growth across all product lines.

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

Revenue from the refrigerator/freezers increased by 21.4% from approximately RMB34,383 million in 2020 to approximately RMB41,730 million in 2021. The refrigerator/freezer business continued to strengthen its global leadership position and spearheaded the industry's consumption upgrade. Specifically, Casarte's refrigerator/freezer products achieved an annual revenue growth of 36.4%.

Revenue from the kitchen appliances increased by 26.1% from approximately RMB2,772 million in 2020 to approximately RMB3,495 million in 2021. The Group focused on the Casarte strategic brand as its main product line, while Three-Winged Bird facilitated the implementation of smart kitchen scenario solutions. The Group captured sales volume increment opportunities in lower-tier channels and building material channels, and paid attention to product iterations, thereby achieved a breakthrough in industry status with Casarte's kitchen appliance products recorded a skyrocket growth of 95.1% for the year.

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

Revenue from the air-conditioners increased by 26.2% from approximately RMB25,506 million in 2020 to approximately RMB32,189 million in 2021. Under fierce market competition, the Group's air conditioner business focused on the main line of smart and health-boosting products to create the best air solutions for users. It adopted a highly-efficient retail model and strived to breakthrough from the mid-range to high-end route, which enhanced business competitiveness, intensified retail transformation, and resulted in growth of the Company's offline and online shares against a downward trend. In particular, Casarte brand's household air conditioners achieved a rapid growth of 56.7%.

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

Revenue from the laundry appliances increased by 18.0% from approximately RMB25,985 million in 2020 to approximately RMB30,659 million in 2021. The Group's washing machine business continued to lead the industry, it consolidated its position in the high-end market and achieved high-end leadership through relentless innovation. It also upgraded emerging categories such as clothes dryers to create business growth points. In particular, the Casarte brand achieved a growth of 31.5% in revenue.

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

Revenue from the water appliances increased by 24.3% from approximately RMB10,217 million in 2020 to approximately RMB12,701 million in 2021. The Group's water heater and water purifier business adhered to independent innovation and continuously performed iterative upgrades of product functions to create the best user experience, leading to an ongoing expansion of leading edge and a rapid rise in market share. Specifically, the Casarte brand achieved a revenue growth of 51.6%, with revenue share rapidly increased, and product mix continued to be optimized.

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

Revenue from smart home business overseas increased by 13.0% from approximately RMB100,623 million to RMB113,725 million. The growth in overseas markets was mainly due to the Group's high-end brand creation strategy, the three-in-one localized deployment, and the global system of R&D and supply chain. The high-end product lineup continued to iterate user experience, resulting in an increasing share of revenue from high-end products. By seizing the trend of online channels and digital marketing, the Group's overseas home appliances and smart home businesses continued to increase the proportion of online sales and established a differentiated competitive advantage. By focusing on the development of localized operation systems, the Group enhanced its global supply chain presence and boosted manufacturing efficiency, which accelerated its expansion of advantages and uncovered new growth opportunities. It also made full use of its global resource advantages, and leveraged its integration and collaboration capabilities.

In particular, revenue from the American region increased from RMB63,705 million in 2020 to RMB70,277 million in 2021, representing a growth of 10.3%, as compared to the increase of 18.0% in US dollar. This was mainly due to the Group's dedication in the strategy of high-end brand creation, its focus on high-end transformation and scenario ecosystem to achieve breakthroughs, continuous

upgrades of products and channels, and by taking advantage of global synergies, and coping with a series of challenges such as raw material sourcing and sea freight charges.

Specifically, revenue from Europe rose from RMB16,513 million in 2020 to RMB19,737 million in 2021, a growth of 19.5%. This was mainly attributable to the Group's intensified high-end brand building in the European market, market channel upgrades and concerted efforts on online and offline channels, the upholding of the "three-in-one" rationale of deployment, acceleration of supply chain localization, and by getting closer to end-users and meeting users' differentiated needs.

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

In 2021, the profit attributable to shareholders of the Company was approximately RMB13,067 million, representing an increase of 47.1% from approximately RMB8,883 million (restated) in 2020.

### **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 2021, the adjusted operating profit of the Group was RMB13,551 million, representing an increase of 37.0% as compared to RMB9,893 million (restated) in 2020. 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 2021 and 2020:

	<b>2021</b> <b>RMB'M</b>	2020 <i>RMB'M</i> (restated)
Profit before tax	<b>15,916</b>	13,562
Adjustments:		
Bank interest income	<b>(538)</b>	(470)
Foreign exchange gains or losses	<b>577</b>	385
Government grants	<b>(718)</b>	(845)
Return on investments in other financial assets	<b>(453)</b>	(158)
Dividend income from an equity investment designated at fair value through other comprehensive income	<b>(59)</b>	(21)
Gain on disposal of subsidiaries	<b>(2)</b>	(2,261)
Finance costs	<b>714</b>	1,321
Share of profits or losses of associates	<b>(1,886)</b>	(1,620)
Adjusted operating profit	<b><u>13,551</u></b>	<b><u>9,893</u></b>

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

In 2021, the overall gross profit margin of the Group was 30.5%, representing an increase of 1.5 percentage points from 29.0% in 2020. The increase in gross profit margin was primarily due to the increase in share of high-end products which absorbed cost pressure, enhanced efficiency from ongoing supply chain optimization, and the disposal of low-margin businesses.

In 2021, the gross profit margin of the Smart Home Business in China increased by 3 percentage points year-on-year. This was mainly due to the Group's continuous optimization of product structure and further increase in the proportion of high-end products during the period, which boosted product gross margin, as well as the disposal of business with low gross profit.

Gross profit margin of Overseas Smart Home Business increased by 0.2 percentage points year-on-year, mainly due to the strategy of high-end brand creation of the Group and further increase in the proportion of high-end products.



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

The ratio of selling and distribution expenses of the Group to its revenue was 16.1% in 2021, excluding the revenue generated from the COSMOPlat business for 2020 and calculated on the same basis, this was a decrease of 1.1 percentage point from 2020 (if not excluding the Company's revenue generated from the COSMOPlat business for 2020, the ratio of selling and distribution expenses of the Group to its revenue was 16.0% in 2020). Among which, the ratio of selling and distribution expenses in the PRC to its segment revenue was 18.6%, excluding the revenue generated from the COSMOPlat business for 2020 and calculated on the same basis, this was a decrease of 1.7 percentage points from 2020 (if not excluding the Company's revenue generated from the COSMOPlat business for 2020, the ratio of selling and distribution expenses in the PRC to its segment revenue was 17.8% in 2020). This was mainly attributable to the continuous digital transformation in the Chinese market which optimized organization operational efficiency and cost allocation efficiency. The ratio of selling and distribution expenses of the overseas home appliances and smart home business to its segment revenue dropped 0.7 percentage points from 14.2% in 2020 to 13.5%, which was mainly due to the rapid growth in overseas market scale and improved operational efficiency.

### ***Administrative Expenses***

The ratio of administrative expenses of the Group to its revenue was 8.9% in 2021, excluding the revenue generated from the COSMOPlat business for 2020 and calculated on the same basis, this was a decrease of 0.3 percentage points from 2020 (if not excluding the Company's revenue generated from the COSMOPlat business for 2020, the ratio of administrative expenses of the Group to its revenue was 8.5% in 2020). On one hand, the Group increased its investment in new products and scenario ecosystem to enhance product competitiveness, resulting in an increase of 0.4% in R&D expenses. On the other hand, the Group continued to promote digital transformation and improve operational efficiency, resulting in a decrease of 0.4% in other administrative expenses.



## 2. FINANCIAL POSITION

Items	2021 <i>RMB'M</i>	2020 <i>RMB'M</i> (restated)
Non-current assets	93,846	89,227
Current assets	123,614	114,271
Current liabilities	124,926	109,491
Non-current liabilities	11,450	25,874
Net assets	<u>81,084</u>	<u>68,133</u>

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

As at 31 December 2021, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets decreased by 1.3% from RMB48,057 million (restated) as at 31 December 2020 to RMB47,444 million as at 31 December 2021. The decrease was mainly due to the fact that net cash inflow from operating activities partially offset by net cash outflow from investing activities and financing activities.

Items	2021 <i>RMB'M</i>	2020 <i>RMB'M</i> (restated)
Cash and cash equivalents	44,958	45,641
Wealth management products from other financial assets		
— Current portion	<u>2,486</u>	<u>2,416</u>
Total	<u>47,444</u>	<u>48,057</u>

### *Net Assets*

The Group's net assets increased by 19.0% from RMB68,133 million (restated) as at 31 December 2020 to RMB81,084 million as at 31 December 2021. The increase in net assets was mainly attributable to the increase in profit for the year.

## ***Working Capital***

### *Trade and Bills Receivables Turnover Days*

The trade and bills receivables turnover days of the Group was 47 days as at the end of 2021, remains basically the same as the end of 2020.

### *Inventory Turnover Days*

The Group's inventory turnover days at the end of 2021 was 80 days, representing an increase of 9 day as compared to the corresponding period, which was mainly due to delays arising from logistic turnover and advance stocking to prevent out of stock as a results of the pandemic.

### *Trade and Bills Payable Turnover Days*

The Group's settlement policy with suppliers remained stable. As at the end of 2021, trade payables turnover days were 144 days, representing an increase of 8 days as compared to the end of 2020, which was mainly attributable to the increase in our purchase of raw materials.

## **3. CASH FLOW ANALYSIS**

<b>Items</b>	<b>Note</b>	<b>2021 RMB'M</b>	<b>2020 RMB'M (restated)</b>
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the year		<b>45,641</b>	34,969
Net cash flow from operating activities		<b>23,130</b>	17,609
Net cash flow used in investing activities	(a)	<b>(8,067)</b>	(5,274)
Net cash flow used in financing activities	(b)	<b>(15,641)</b>	(1,026)
Effect of foreign exchange rate changes, net		<b>(105)</b>	(637)
Cash and cash equivalents as stated in the statement of cash flows at the end of the year		<b><u>44,958</u></b>	<b><u>45,641</u></b>

Net cash inflow from operating activities for the year amounted to RMB23,130 million, representing an increase of 31.4% as compared to last year. This was mainly due to rapid growth in net profit and improved operational efficiency.

- (a) Net cash outflow from investing activities for the year amounted to RMB8,067 million, representing an increase of 53.0% as compared to last year, with the details as follows:

<b>Items</b>	<b>2021</b> <b><i>RMB'M</i></b>	2020 <i>RMB'M</i> (restated)
Payment for purchases of non-current assets (Purchase)/redemption of wealth management products	<b>(7,372)</b>	(7,602)
Acquisition of subsidiaries	—	1,163 (323)
Cash (outflow)/inflow from disposal of subsidiaries and assets held for sale	<b>(220)</b>	861
Cash from disposal of fixed assets and leasehold land	<b>290</b>	324
Dividend from an associate	<b>549</b>	485
Interest received from wealth management products	<b>4</b>	16
Acquisition of minority interest in a subsidiary	<b>(263)</b>	—
Purchase of equity investments designated as at fair value through other comprehensive income	<b>(740)</b>	(5)
Net cash outflow from other investing activities	<b>(78)</b>	(193)
Net cash flow used in investing activities	<b><u>(8,067)</u></b>	<b><u>(5,274)</u></b>

- (b) Net cash outflow in financing activities for the year amounted to RMB15,641 million, representing a increase of 1,424.5% as compared to last year, with details as follows:

<b>Items</b>	<b>2021</b> <i><b>RMB'M</b></i>	2020 <i>RMB'M</i> (restated)
Proceeds from borrowings	<b>12,053</b>	28,732
Repayment of borrowings	<b>(19,550)</b>	(23,509)
Repurchase of shares	<b>(3,221)</b>	—
Dividend distribution to shareholders and minority shareholders	<b>(3,462)</b>	(5,800)
Borrowings interest	<b>(555)</b>	(989)
Changes in ownership interests in subsidiaries	<b>41</b>	1,299
Lease payment*	<b>(769)</b>	(728)
Stock issuance costs	<b>(178)</b>	(49)
Net cash outflow from other financing activities	<u>—</u>	<u>18</u>
Net cash flow used in financing activities	<u><b>(15,641)</b></u>	<u><b>(1,026)</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 2021, the Group had a current ratio of 0.99 (31 December 2020: 1.04).

Items	2021 <i>RMB'M</i>	2020 <i>RMB'M</i> (restated)
Cash and cash equivalents	<b>44,958</b>	45,641
Wealth management products from other financial assets	<b>2,486</b>	2,416
	<b>47,444</b>	48,057
Less:		
Interest-bearing borrowings and bonds	<b>(21,043)</b>	(30,036)
Net balance of cash and cash equivalents and wealth management products from other financial assets	<b>26,401</b>	18,021

As at 31 December 2021, the wealth management products from other financial assets amounted to RMB2,486 million (31 December 2020: RMB2,416 million).

As at 31 December 2021, the Group's net balance of cash and cash equivalents and wealth management products from other financial assets amounted to RMB26,401 million (31 December 2020: RMB18,021 million (restated)), representing an increase of 46.5% as compared to 2020, mainly due to the increase of cash inflow from operating activities.

In 2021, financial return of cash and cash equivalents and the return on wealth management products from other financial assets amounted to RMB598 million, representing a increase of 7.2% as compared to RMB558 million in 2020, which was mainly due to the enhancement of capital management efficiency.

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

## **CAPITAL EXPENDITURE**

The Company assesses its capital expenditure and investments in each business segment of the Group in China and the overseas home appliances and smart home business from time to time. The capital expenditure during the year was RMB7,372 million (2020: RMB7,602 million (restated)), in which RMB3,430 million and RMB3,942 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 2021, 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 29.6%, while it was 58.0% for 2020, mainly due to the repayment of ultra-short-term financing notes, the repayment of loans and the conversion of convertible 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 RMB3,159 million as at 31 December 2021 (31 December 2020: RMB3,009 million), which were mainly related to the Group's domestic and overseas factories construction projects.

## **CHARGE OF ASSETS**

As at 31 December 2021, the Group's trade and bills receivables with a net carrying value of RMB263 million (31 December 2020: RMB552 million) were pledged to secure certain of the Group's bank loans.

In addition, as at 31 December 2021, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB744 million (31 December 2020: RMB720 million) and the Group's bills receivable amounting to RMB12,449 million (31 December 2020: RMB12,562 million).

## **CONTINGENT LIABILITIES**

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

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

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 increased by 5.6% to 104,874 as at 31 December 2021 from 99,299 as at 31 December 2020.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

In order to increase the Company's net profit attributable to the parent company, improve the standard of corporate governance, reduce daily connected transactions, streamline the shareholding structure of the target company and enhance the management efficiency of its subsidiaries, the 10th session of the Board of the Company approved on 29 October 2021 that, the Company acquired 10.00% equity interest in Dalian Haier Refrigerator Co., Ltd. (大連海爾電冰箱有限公司), 3.94% equity interest in Qingdao Haier Special Freezer Co., Ltd. (青島海爾特種電冰櫃有限公司) and 100% equity interest in Qingdao Haier Quality Testing Co., Ltd. (青島海爾質量檢測有限公司), all of which are held by the Haier Group, for a total consideration of RMB39.6 million, RMB28.85 million and RMB36.3 million, respectively, amounting to RMB104.75 million in cash. As at the end of the reporting period, the transaction has been completed.

## **EVENTS AFTER THE REPORTING PERIOD**

1. Subsequent to the end of the reporting period, the directors of the Company proposed to declare a cash dividend of RMB4.60 per 10 shares for the year ended 31 December 2021, amounting to a total of approximately RMB4,320 million, subject to the approval of the shareholders at the annual general meeting.
2. On 11 January 2022, the Company entered into a placing agreement with the placing agent for the issue of 41,413,600 H Shares. On January 21, 2022, the Company completed the placing agreement and received net proceeds of approximately HK\$1,149.98 million from the shareholders.
3. The Company has subsidiaries in Russia engaged in the production and sales of home appliances. As of the date of this report, the Russia-Ukraine conflict has not yet had a material impact on the Company's production and sales in Russia. The financial impact of the incident on the Company is uncertain, but the Company will continue to assess the impact of the incident in the future as it unfolds.

## **DIVIDENDS**

The Board proposes the distribution of the final dividend for the year ended 31 December 2021 of RMB4.60 in cash for every 10 shares (inclusive of tax), totaling approximately RMB4.32 billion based on the current total issued capital, net of repurchased shares but not yet cancelled. This dividend represented approximately 33.1% of the profit attributable to the owners of the Company. Where the total share capital of the Company changes before the registration date for the implementation of the equity distribution, it is expected to maintain the total distribution unchanged and adjust the distribution ratio per share accordingly.

This dividend distribution proposal shall be subject to the consideration and approval at the Company's 2021 annual general meeting, and the final dividend is expected to be distributed to shareholders in two months from the 2021 annual general meeting.



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

Notice of the 2021 annual general meeting will announce the date of the 2021 annual meeting of the Company and details of relevant book closure of H Shares, as well as the arrangement of book closure of H Shares for the final dividend.

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

### **Repurchase of H-Share**

During the year ended 31 December 2021, the Company repurchased certain of its ordinary H-Share on The Stock Exchange of Hong Kong Limited and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

<b>Months</b>	<b>Number of H-Share repurchased</b>	<b>Price per share</b>		<b>Total price paid HK\$'M</b>
		<b>Highest HK\$</b>	<b>Lowest HK\$</b>	
May 2021	11,908,000	33.20	29.55	378
June 2021	20,444,800	33.00	27.40	622
	<u>32,352,800</u>			<u>1,000</u>

The issued capital H-Share of the Company was reduced by the par value thereof. The premium paid on the repurchases of the Company's H-Share of RMB794 million has been charged to the share premium account of the Company. The repurchase of the Company's H-Share during the year was effected by the directors, pursuant to the mandate from shareholders sought at the extraordinary general meeting and the class meetings held on 5 March 2021 regarding the repurchases of H-Shares. The total amounts to be repurchased within one year from the effective date of the repurchase mandate would not be less than HK\$1 billion, and such plan of repurchase of H-Share has been completed by June 2021.

## Repurchase of A-Share

During the year ended 31 December 2021, the Company repurchased certain of its ordinary A-Share on The Shanghai Stock Exchange. The summary details of those transactions are as follows:

Months	Number of A-Share repurchased	Price per share		Total price paid RMB'M
		Highest RMB	Lowest RMB	
March 2021	2,715,800	30.09	28.79	81
April 2021	1,398,900	32.34	31.12	44
May 2021	16,470,517	32.80	28.15	489
June 2021	42,491,349	30.00	25.45	1,153
July 2021	8,762,400	27.10	24.89	227
November 2021	7,653,400	27.74	25.39	208
	<u>79,492,366</u>			<u>2,202</u>

The repurchases of the Company's A-Share during the year was effected by the directors, pursuant to a board resolution passed on 5 March 2021 regarding the repurchase of A-Share.

A total of 79,492,366 A-Shares were repurchased during the year but not yet cancelled, of which 25,440,807 A-Shares has been transferred to the A-Share Core Employee Stock Ownership Plan during July 2021. The balance of A-Shares repurchased but not yet cancelled as at end of year is 54,051,559 shares, and will be used in other share incentive plans of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2021.

## 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 2021 Annual Report which will be dispatched to the Company's shareholders in due course.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a model code for Securities Transactions by Directors and supervisors (the “**Model Code**”) on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all Directors and supervisors of the Company have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

## **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 2021, 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 2021. 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 2021 Annual Report of the Company.

## **PUBLICATION ANNUAL REPORT**

This results announcement will be published on the Company's website (<http://smart-home.haier.com>) and the HKExnews website (<http://www.hkexnews.hk>) of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The 2021 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 2022

*As at the date of this announcement, the executive Directors of the Company are Mr. LIANG Haishan, Mr. LI Huagang and Mr. XIE Juzhi; the non-executive Directors are 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. CHIEN Da-Chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi.*

\* *For identification purpose only*