Haier

海爾智家股份有限公司
Haier Smart Home Co., Ltd.

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

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

INTERIM REPORT 2022

This interim report is printed on environmental friendly paper

CORPORATE PROFILE

We are a leader in the global major home appliance industry. According to the data from Euromonitor, by year 2021, we ranked first in the major home appliance industry in the world in terms of retail volume of major home appliances for 13 consecutive years. We have a global portfolio of home appliance brands consisting of Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel and AQUA. Our Haier brand refrigeration appliances and laundry appliances also ranked first among major home appliance brands in the world in terms of retail volume for 14 and 13 consecutive years respectively. Currently, our business covered more than 160 countries and regions around the world including China, North America, Europe, South Asia and Southeast Asia, Australia and New Zealand, Japan, Middle East and Africa.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIANG Haishan
(retired with effect from 28 June 2022)
Mr. LI Huagang *(Chairman and Chief Executive Officer)*
Mr. GONG Wei
(appointed with effect from 28 June 2022)
Mr. XIE Juzhi
(retired with effect from 28 June 2022)

Non-executive Directors

Mr. WU Changqi
(retired with effect from 28 June 2022)
Mr. LIN Sui
(retired with effect from 28 June 2022)
Mr. YU Hon To, David
Ms. Eva LI Kam Fun
Ms. SHAO Xinzhi
(appointed with effect from 28 June 2022)

Independent Non-executive Directors

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

SUPERVISORS

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

BOARD SECRETARY

Ms. LIU Xiaomei

PRINCIPAL BOARD COMMITTEES

Audit Committee

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

Remuneration and Assessment Committee

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

Nomination Committee

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

Strategy Committee

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

Environmental, Social and Governance Committee

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

COMPANY SECRETARY
Mr. NG Chi Yin

LEGAL ADVISORS
As to PRC Law
Zhong Lun Law Firm

As to Hong Kong Law
Clifford Chance

PRINCIPAL BANKER
China Construction Bank Corporation

AUDITORS
Hexin Certified Public Accountants LLP
HLB Hodgson Impey Cheng Limited

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

REGISTERED OFFICE AND HEADQUARTERS
Haier Industrial Park
Laoshan District, Qingdao
Shandong Province, the PRC

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

WEBSITE
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INVESTOR RELATIONS CONTACT
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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Haier Smart Home Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 5 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 29 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June 2022 RMB'M (Unaudited)	 2021 RMB'M (Unaudited) (Restated)
REVENUE	5	**121,846**	111,722
Cost of sales		**(85,643)**	(78,764)
Gross profit		**36,203**	32,958
Other gains or losses	6	**1,373**	992
Selling and distribution expenses		**(17,606)**	(16,731)
Administrative expenses		**(10,557)**	(9,328)
Finance costs	8	**(352)**	(362)
Share of profits and losses of associates		**937**	943
PROFIT BEFORE TAX	7	**9,998**	8,472
Income tax expenses	9	**(2,001)**	(1,526)
PROFIT FOR THE PERIOD		**7,997**	6,946
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss in subsequently periods:			
Share of other comprehensive income of associates		**108**	56
Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		**31**	113
Exchange differences on translating foreign operations		**2,771**	(503)
		2,910	(334)
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes arising from re-measurement of defined benefit plans		**5**	(1)
Change in fair value of equity investments designated at fair value through other comprehensive income ("**FVTOCI**"), net of tax		**(50)**	39
		(45)	38
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**2,865**	(296)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**10,862**	6,650

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June 2022 RMB'M (Unaudited)	 2021 RMB'M (Unaudited) (Restated)
Profit for the period attributable to:			
— Owners of the Company		**7,949**	6,859
— Non-controlling interests		**48**	87
		7,997	6,946
Total comprehensive income attributable to:			
— Owners of the Company		**10,816**	6,565
— Non-controlling interests		**46**	85
		10,862	6,650
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic (RMB per share)	11	**0.85**	0.74
— Diluted (RMB per share)	11	**0.85**	0.73

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'M (Unaudited)	31 December 2021 RMB'M (Audited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**29,663**	26,981
Investment properties		**26**	25
Right-of-use assets		**4,686**	3,786
Goodwill		**22,747**	21,827
Other intangible assets		**8,556**	8,499
Interests in associates		**24,111**	23,201
Equity investments designated at FVTOCI		**4,852**	4,849
Financial assets measured at amortised cost		**306**	309
Derivative financial instruments		**47**	47
Long-term prepayments		**1,353**	1,860
Deferred tax assets		**1,399**	1,857
Other non-current assets		**697**	579
Total non-current assets		**98,443**	93,820
CURRENT ASSETS			
Inventories	14	**41,006**	39,901
Trade and bills receivables	15	**26,338**	27,997
Contract assets		**281**	304
Prepayments, deposits and other receivables		**5,989**	6,418
Financial assets measured at fair value through profit or loss ("**FVTPL**")		**2,560**	2,786
Financial assets measured at amortised cost		**1,552**	317
Derivative financial instruments		**163**	80
Pledged deposits		**944**	755
Other deposits with limited use		**107**	145
Cash and cash equivalents		**49,265**	45,071
		128,205	123,774
Assets of a disposal group held for sale		**5**	5
Total current assets		**128,210**	123,779
CURRENT LIABILITIES			
Trade and bills payables	16	**66,932**	67,419
Other payables and accruals		**28,348**	25,320
Contract liabilities		**5,397**	10,027
Interest-bearing borrowings	17	**22,471**	17,968
Lease liabilities		**830**	688
Tax payables		**1,359**	1,307
Convertible bond		**245**	—
Provisions		**2,094**	2,190
Derivative financial instruments		**77**	80
Financial liabilities measured at FVTPL		**79**	6
Total current liabilities		**127,832**	125,005

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	**30 June 2022 RMB'M (Unaudited)**	31 December 2021 RMB'M (Audited) (Restated)
NET CURRENT ASSETS/(LIABILITIES)		**378**	(1,226)
TOTAL ASSETS LESS CURRENT LIABILITIES		**98,821**	92,594
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	17	**2,156**	3,075
Lease liabilities		**2,764**	1,961
Convertible bond		**—**	335
Deferred income		**792**	723
Deferred tax liabilities		**2,517**	2,122
Provisions for pensions and similar obligations		**1,173**	1,173
Provisions		**1,777**	1,949
Other non-current liabilities		**66**	113
Total non-current liabilities		**11,245**	11,451
Net assets		**87,576**	81,143
EQUITY			
Share capital	18	**9,447**	9,399
Reserves		**76,804**	70,453
Equity attributable to owners of the Company		**86,251**	79,852
Non-controlling interests		**1,325**	1,291
Total equity		**87,576**	81,143

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2022 and signed on its behalf by:

Mr. Li Huagang
Chairman

Mr. Gong Wei
Executive Director

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company															
		Reserves														
	Issued equity RMB'M	Capital reserve RMB'M	Remeasurement of defined benefit plans reserve RMB'M	Cash flow hedges reserve RMB'M	FVTOCI reserve RMB'M	Equity method investments reserve RMB'M	Reserve funds RMB'M	Convertible and exchangeable bonds reserves RMB'M	Retained profits RMB'M	Exchange differences on translation of financial statements reserve RMB'M	Other reserves RMB'M	Treasury shares reserves RMB'M	Total reserves RMB'M	Total RMB'M	Non-controlling interests RMB'M	Total equity RMB'M
At 1 January 2021 (Audited)	9,028	14,236	37	(100)	(159)	(292)	3,044	2,365	38,470	(535)	773	(29)	57,810	66,838	1,295	68,133
Effect of business combination under common control (Note 3)	—	30	—	—	—	—	—	—	8	—	—	—	38	38	17	55
At 1 January 2021 (Restated)	9,028	14,266	37	(100)	(159)	(292)	3,044	2,365	38,478	(535)	773	(29)	57,848	66,876	1,312	68,188
Profit for the period	—	—	—	—	—	—	—	—	6,859	—	—	—	6,859	6,859	87	6,946
Other comprehensive income/(loss) for the year																
— Changes arising from re-measurement of defined benefit plan	—	—	(1)	—	—	—	—	—	—	—	—	—	(1)	(1)	—	(1)
— Share of other comprehensive income of associates	—	—	—	—	—	56	—	—	—	—	—	—	56	56	—	56
— Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax	—	—	—	113	—	—	—	—	—	—	—	—	113	113	—	113
— Exchange differences on translating foreign operations	—	—	—	—	—	—	—	—	—	(501)	—	—	(501)	(501)	(2)	(503)
— Change in fair value of equity investments designated at FVTOCI, net of tax	—	—	—	—	39	—	—	—	—	—	—	—	39	39	—	39
Total comprehensive income/(loss) for the period	—	—	(1)	113	39	56	—	—	6,859	(501)	—	—	6,565	6,565	85	6,650
Purchase of treasury shares	—	—	—	—	—	—	—	—	—	—	—	(2,594)	(2,594)	(2,594)	—	(2,594)
Cancellation of treasury shares	(32)	(794)	—	—	—	—	—	—	—	—	—	826	32	—	—	—
Dividend payables	—	—	—	—	—	—	—	—	(3,421)	—	—	—	(3,421)	(3,421)	—	(3,421)
Issue of shares upon conversion of convertible bond	397	8,096	—	—	—	—	—	(2,216)	—	—	—	—	5,880	6,277	—	6,277
Other changes	—	—	—	—	—	39	—	—	171	—	—	—	210	210	(25)	185
At 30 June 2021 (Unaudited)	9,393	21,568	36	13	(120)	(197)	3,044	149	42,087	(1,036)	773	(1,797)	64,520	73,913	1,372	75,285

Interim Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company																
		Reserves															
	Issued equity RMB'M	Capital reserve RMB'M	Share based payment reserve RMB'M	Remeasurement of defined benefit plans reserve RMB'M	Cash flow hedges reserve RMB'M	FVTOCI reserve RMB'M	Equity method investments reserve RMB'M	Reserve funds RMB'M	Convertible and exchangeable bonds reserves RMB'M	Retained profits RMB'M	Exchange differences on translation of financial statements reserve RMB'M	Other reserves RMB'M	Treasury shares reserves RMB'M	Total reserves RMB'M	Total RMB'M	Non-controlling interests RMB'M	Total equity RMB'M
At 1 January 2022 (Audited)	9,399	21,515	262	73	3	1,006	(341)	3,437	119	47,909	(1,919)	773	(2,424)	70,413	79,812	1,272	81,084
Effect of business combination under common control (Note 3)	—	30	—	—	—	—	—	—	—	10	—	—	—	40	40	19	59
At 1 January 2022 (Restated)	9,399	21,545	262	73	3	1,006	(341)	3,437	119	47,919	(1,919)	773	(2,424)	70,453	79,852	1,291	81,143
Profit for the period	—	—	—	—	—	—	—	—	—	7,949	—	—	—	7,949	7,949	48	7,997
Other comprehensive income/(loss) for the year																	
— Changes arising from re-measurement of defined benefit plan	—	—	—	5	—	—	—	—	—	—	—	—	—	5	5	—	5
— Share of other comprehensive income of associates	—	—	—	—	—	—	108	—	—	—	—	—	—	108	108	—	108
— Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax	—	—	—	—	27	—	—	—	—	—	—	—	—	27	27	4	31
— Exchange differences on translating foreign operations	—	—	—	—	—	—	—	—	—	—	2,777	—	—	2,777	2,777	(6)	2,771
— Change in fair value of equity investments designated at FVTOCI, net of tax	—	—	—	—	—	(50)	—	—	—	—	—	—	—	(50)	(50)	—	(50)
Total comprehensive income/(loss) for the period	—	—	—	5	27	(50)	108	—	—	7,949	2,777	—	—	10,816	10,816	46	10,862
Issue of shares	41	899	—	—	—	—	—	—	—	—	—	—	—	899	940	—	940
Purchase of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—	(1,539)	(1,539)	(1,539)	—	(1,539)
Recognition of equity settled share-based payments	—	—	333	—	—	—	—	—	—	—	—	—	—	333	333	—	333
Dividend payables to owners of the Company	—	—	—	—	—	—	—	—	—	(4,320)	—	—	—	(4,320)	(4,320)	—	(4,320)
Dividend payables to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Business combination under common control	—	(153)	—	—	—	—	—	—	—	—	—	—	—	(153)	(153)	—	(153)
Issue of shares upon conversion of convertible bond	7	134	—	—	—	—	—	—	(38)	—	—	—	—	96	103	—	103
Other changes	—	26	—	—	—	—	—	—	—	190	—	3	—	219	219	(11)	208
At 30 June 2022 (Unaudited)	9,447	22,451	595	78	30	956	(233)	3,437	81	51,738	858	776	(3,963)	76,804	86,251	1,325	87,576

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June 2022 RMB'M (Unaudited)	2021 RMB'M (Unaudited) (Restated)
Cash flows from operating activities			
Profit before tax		**9,998**	8,472
Adjustments for:			
Finance costs	8	**352**	362
Interest income	6	**(404)**	(292)
Share of profits and losses of associates		**(937)**	(943)
Gain on disposal of financial assets/liabilities measured at FVTPL, net	6	**(178)**	(165)
Gain on disposal of non-current assets, net	6	**(23)**	(135)
Fair value losses/(gains) on financial assets/liabilities at FVTPL, net	6	**119**	(64)
Depreciation of property, plant and equipment	7	**1,954**	1,870
Depreciation of right-of-use assets and investment properties	7	**428**	355
Amortisation of other intangible assets and other non-current assets	7	**455**	464
Provision for obsolete and slow-moving inventories, net	7	**372**	403
Allowance for expected credit losses in respect of trade and bills receivables, net	7	**254**	33
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	7	**339**	240
Impairment of non-current assets	7	**1**	22
Equity-settled share-based expenses		**333**	—
Operating cash inflow before movements in working capital		**13,063**	10,622
Increase in inventories		**(1,477)**	(3,760)
Decrease/(increase) in trade and bills receivables, prepayments, deposits and other receivables and contract assets		**1,926**	(2,217)
(Decrease)/increase in trade and bills payables, other payables and accruals and contract liabilities		**(6,657)**	4,605
Change in other working capital		**39**	(17)
Cash generated from operations		**6,894**	9,233
Interest received		**258**	273
Income tax paid		**(1,188)**	(1,064)
Net cash generated from operating activities		**5,964**	8,442

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June 2022 RMB'M (Unaudited)	2021 RMB'M (Unaudited) (Restated)
Cash flows from investing activities			
Payment for purchases of non-current assets		**(3,343)**	(3,156)
Proceeds from disposal of non-current assets		**75**	19
Dividends received from associates		**379**	272
Proceeds from disposal of financial assets measured at amortised cost and financial assets at FVTPL		**4,732**	2,869
Purchase of financial assets measured at amortised cost and financial assets at FVTPL		**(5,786)**	(3,070)
Interest received from financial assets measured at amortised cost and financial assets at FVTPL		**41**	31
Other investing cash flow		**(258)**	(203)
Net cash flows used in investing activities		**(4,160)**	(3,238)
Cash flows from financing activities			
Proceeds from issue of shares		**940**	—
Repurchase of shares		**(1,539)**	(2,594)
Proceeds from borrowings		**8,045**	4,920
Repayment of borrowings		**(4,668)**	(5,618)
Repayment of bond		**—**	(5,500)
Lease payments		**(333)**	(314)
Interest paid		**(318)**	(244)
Other financing cash flow		**33**	(258)
Net cash flows generated from/(used in) financing activities		**2,160**	(9,608)
Net increase/(decrease) in cash and cash equivalents		**3,964**	(4,404)
Cash and cash equivalents at beginning of the period		**45,071**	45,738
Effect of foreign exchange rate changes, net		**230**	(106)
Cash and cash equivalents at end of the period		**49,265**	41,228

	Notes	For the six months ended 30 June 2022 RMB'M (Unaudited)	2021 RMB'M (Unaudited) (Restated)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		**32,243**	23,759
Time deposits		**17,022**	17,469
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		**49,265**	41,228

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION OF THE GROUP

The predecessor of Haier Smart Home Co., Ltd (hereinafter referred to as the "**Company**") was Qingdao Refrigerator Factory, which was established in 1984. In 1989, based on the reorganisation of the original Qingdao Refrigerator Factory, a limited company was established 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**") incorporated in the People's Republic of China.

The interim condensed 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 ("**M**"), except when otherwise indicated.

This report has been approved for issue by the Board on 29 August 2022.

The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are described in note 4 "Operating segment information" to the interim condensed consolidated financial statements.

2.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2.2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to IFRSs

In the current interim period, 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 2022 for the preparation of the Group's condensed consolidated financial statements:

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

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

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

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

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

Since the Company and TAB and Ririshun Service were ultimately controlled by Haier Group both before and after the completion of the transfer agreements, the acquisition of the TAB and Ririshun Service were accounted for using the principles of merger accounting. The condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated statements of cash flows of the Group for the period ended 30 June 2022 and 2021 include the results, changes in equity and cash flows of all companies then comprising the Group and the TAB and Ririshun Service, as if the corporate structure of the Group immediately after the completion of the equity transfer had been in existence throughout the period ended 30 June 2022 and 2021, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

3. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING BUSINESSES UNDER COMMON CONTROL (continued)

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

There are no significant adjustments made to the revenue, profit before tax, profit for the period attributable to owners of the Company, net asset, reserves and total equity previously reported by the Group as a consequence on the merger accounting for business combination involving businesses under common control.

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 appliance 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 machine segment manufactures and sells washing machines within Mainland China ("**Laundry Appliances**");

(iv) Household Water Solutions

- the domestic water appliance business segment manufactures and sells water heaters, water purifiers and other water appliances within Mainland China ("**Water Appliances**");

4. OPERATING SEGMENT INFORMATION (continued)

(b) Smart Home Business Overseas

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

(c) Other Business

- other business comprises business that is below the quantitative threshold for determining a reportable segment ("**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.

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

All liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising of interests-bearing borrowings, other payables and accruals and deferred tax liabilities).

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

4. OPERATING SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2022

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air-conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	Total RMB'M (Unaudited)
Segment revenue								
Segment revenue from external customers	19,258	1,656	15,919	12,472	6,677	61,196	4,668	121,846
Inter-segment revenue	2,481	333	3,540	2,310	109	285	38,360	47,418
Total	21,739	1,989	19,459	14,782	6,786	61,481	43,028	169,264
Reconciliation:								
Inter-segment eliminations								(47,418)
Total								121,846
Segment results	2,296	46	454	1,294	848	3,634	(469)	8,103
Reconciliation:								
Elimination of inter-segment results								139
								8,242
Corporate and other unallocated income and gains or losses								1,261
Corporate and other unallocated expenses								(90)
Finance costs								(352)
Share of profits and losses of associates								937
Profit before tax								9,998

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2021 (Restated)

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air-conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	Total RMB'M (Unaudited)
Segment revenue								
Segment revenue from external customers	16,898	1,495	15,095	10,901	5,806	56,669	4,858	111,722
Inter-segment revenue	2,290	289	2,549	2,057	79	247	38,515	46,026
Total	19,188	1,784	17,644	12,958	5,885	56,916	43,373	157,748
Reconciliation:								
Inter-segment eliminations								(46,026)
Total								111,722
Segment results	2,029	38	228	847	727	3,217	(78)	7,008
Reconciliation:								
Elimination of inter-segment results								97
								7,105
Corporate and other unallocated income and gains or losses								898
Corporate and other unallocated expenses								(112)
Finance costs								(362)
Share of profits and losses of associates								943
Profit before tax								8,472

4. OPERATING SEGMENT INFORMATION (continued)

As at 30 June 2022

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air-conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	Total RMB'M (Unaudited)
Segment assets	13,948	2,336	18,575	12,119	4,697	68,392	44,009	164,076
Reconciliation:								
Elimination of segment assets								(48,393)
Goodwill								22,747
Interests in associates								24,111
Equity investments designated at FVTOCI								4,852
Deferred tax assets								1,399
Financial assets measured at FVTPL								2,560
Financial assets measured at amortised cost								1,552
Derivative financial instruments								163
Pledged deposits								944
Other deposits with limited use								107
Cash and cash equivalents								49,265
Prepayments, deposits and other receivables								2,964
Other non-current assets								306
Total assets								226,653
Segment liabilities	33,574	2,008	10,793	6,107	4,328	38,301	57,504	152,615
Reconciliation:								
Elimination of segment liabilities								(48,204)
Tax payables								1,359
Other payables and accruals								5,709
Derivative financial instruments								77
Financial liabilities measured at FVTPL								79
Interest-bearing borrowings								24,627
Deferred tax liabilities								2,517
Convertible bond								245
Other non-current liabilities								53
Total liabilities								139,077

4. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2021 (Restated)

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Audited)	Kitchen Appliances RMB'M (Audited)	Air-conditioners RMB'M (Audited)	Laundry Appliances RMB'M (Audited)	Water Appliances RMB'M (Audited)	Smart Home Business Overseas RMB'M (Audited)	Other Business RMB'M (Audited)	Total RMB'M (Audited)
Segment assets	17,849	2,548	17,958	20,920	8,407	57,368	51,143	176,193
Reconciliation:								
Elimination of segment assets								(63,393)
Goodwill								21,827
Interests in associates								23,201
Equity investments designated at FVTOCI								4,849
Deferred tax assets								1,857
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								45,071
Prepayments, deposits and other receivables								3,602
Other non-current assets								309
Total assets								217,599
Segment liabilities	42,593	2,371	15,600	11,249	7,866	33,822	59,763	173,264
Reconciliation:								
Elimination of segment liabilities								(63,127)
Tax payables								1,307
Other payables and accruals								1,313
Derivative financial instruments								80
Financial liabilities at FVTPL								6
Interest-bearing borrowings								21,043
Deferred tax liabilities								2,122
Convertible bond								335
Other non-current liabilities								113
Total liabilities								136,456

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2022

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air-conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	Total RMB'M (Unaudited)
Other segment information:								
Product warranty provisions	738	64	527	495	289	676	—	2,789
Provision for obsolete and slow-moving inventories, net	78	9	36	59	22	165	3	372
(Reversal of)/allowance for expected credit losses in respect of trade and bills receivable, net	(2)	11	151	(5)	1	43	55	254
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	200	7	19	46	60	2	5	339
(Gain)/loss on disposal of non-current assets, net	(32)	—	5	—	—	3	1	(23)
Depreciation and amortisation	350	77	208	243	107	1,717	135	2,837

For the six months ended 30 June 2021 (Restated)

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air-conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	Total RMB'M (Unaudited)
Other segment information:								
Product warranty provisions	749	63	507	591	370	650	—	2,930
Provision for obsolete and slow-moving inventories, net	61	9	55	53	34	181	10	403
(Reversal of)/allowance for expected credit losses in respect of trade and bills receivable, net	(1)	—	5	6	2	27	(6)	33
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	138	8	13	40	32	22	9	262
(Gain)/loss on disposal of non-current assets, net	(141)	—	(1)	(2)	—	8	1	(135)
Depreciation and amortisation	261	57	216	237	92	1,726	100	2,689

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2022	2021
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
		(Restated)
Mainland China	**59,346**	53,694
North America	**37,434**	35,325
Europe	**10,245**	9,094
South Asia	**4,823**	3,926
Australia and New Zealand	**3,490**	3,459
Southeast Asia	**2,922**	2,611
Japan	**1,837**	1,778
Middle East and Africa	**1,163**	909
Other country/regions	**586**	926
	121,846	111,722

The revenue information 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

	30 June	31 December
	2022	2021
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
		(Restated)
Mainland China	**17,790**	16,877
Other country/regions	**27,544**	25,209
	45,334	42,086
Interests in associates	**24,111**	23,201
Goodwill	**22,747**	21,827
Equity investments designated at FVTOCI	**4,852**	4,849
Deferred tax assets	**1,399**	1,857
	98,443	93,820

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.

4. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

5. REVENUE

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

	For the six months ended 30 June	
	2022	2021
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
		(Restated)
Sale of goods	**121,694**	111,535
Rendering of services	**152**	187
	121,846	111,722

	For the six months ended 30 June	
	2022	2021
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
		(Restated)
Sale of goods		
— Point in time	**121,694**	111,535
Rendering of services		
— Point in time	**69**	57
— Over time	**83**	130
	121,846	111,722

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. OTHER GAINS OR LOSSES

An analysis of other gains or losses is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
		(Restated)
Treasury and investment income:		
Interest income from		
bank	**348**	253
wealth management products	**42**	28
others	**14**	11
Cash discount income	**79**	83
	483	375
Compensation received from Suppliers	**26**	20
Gain on disposal of		
non-current assets, net	**23**	135
financial assets/liabilities measured at FVTPL, net	**178**	165
Government grants (Note)	**546**	378
Net fair value (losses)/gains on financial assets/liabilities at FVTPL	**(119)**	64
Net foreign exchange gains/(losses)	**168**	(211)
Sundry income	**68**	66
	1,373	992

Note:

Various government grants have been received for investments in certain regions in Mainland China in which the Company's subsidiaries operate as well as for the Group's technology advancements. There are no unfulfilled conditions or contingencies relating to these grants.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2022	2021
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
		(Restated)
Cost of inventories sold	**85,153**	78,259
Provision for obsolete and slow-moving inventories, net (Note (a))	**372**	403
Cost of services	**118**	102
	85,643	78,764
Depreciation of property, plant and equipment	**1,954**	1,870
Depreciation of right-of-use assets and investment properties	**428**	355
Amortisation of other intangible assets and other non-current assets	**455**	464
Allowance for expected credit losses in respect of trade and bills receivables, net (Note (b))	**254**	33
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net (Note (b))	**339**	240
Impairment of non-current assets (Note (b))	**1**	22
Research and development costs	**4,572**	3,738
Product warranty provisions	**2,789**	2,930

Notes:

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

(b) Included in "Administrative expenses" in the condensed consolidated statement of profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Interest on borrowings	**202**	176
Interest on bond	**—**	7
Interest on convertible bond	**4**	44
Interest on lease liabilities	**37**	51
Other finance costs	**109**	84
	352	362

9. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2022	2021
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
		(Restated)
Current tax		
Charge for the period	**1,241**	985
Deferred tax	**760**	541
Total tax charge for the period	**2,001**	1,526

Under the Law of the Mainland China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25%. Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise subject to a preferential corporate income tax rate of 15% during the period ended 30 June 2022 and 2021.

Overseas tax is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the respective jurisdictions.

10. DIVIDENDS

At the annual general meeting on 28 June 2022, the shareholders of the Company approved the payment of a final dividend of RMB4.6 per 10 shares (further adjusted to RMB4.61357 per 10 shares as per announcement of the Company dated 14 July 2022) for the year ended 31 December 2021. The final dividend of approximately RMB4,320 million in total was paid on 23 August 2022 to Shareholders whose names appeared on the register of members of the Company on 18 July 2022.

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

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

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

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

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

	For the six months ended 30 June	
	2022	2021
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**7,949**	6,859
Effect of dilutive potential ordinary shares:		
Interest on convertible bond, net of tax	**4**	44
Earnings for the purpose of diluted earnings per share	**7,953**	6,903

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**9,335,897,322**	9,239,342,890
Effect of dilutive potential ordinary shares:		
Convertible bond	**16,328,708**	194,958,288
Share award	**33,635,834**	—
Share options	**207,399**	—
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**9,386,069,263**	9,434,301,178

Notes:

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

12. RELATED PARTY TRANSACTIONS

(a) During the period, in addition to the transactions detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with the Group's related parties (and their affiliates):

		For the six months ended 30 June	
		2022	2021
Relationship	**Nature of transactions**	**RMB'M**	RMB'M
		(Unaudited)	(Unaudited)
			(Restated)
Associates	Sale of goods and services	**1,030**	922
	Purchase of goods and services	**8,793**	8,896
	Interest income	**261**	133
	Interest expense	**4**	6
Haier Affiliates (Note)	Sale of goods and services	**998**	1,166
	Purchase of goods and services	**11,183**	9,731
	Other service fee expenses	**60**	60

The above transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

12. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

As at 30 June 2022, included in the Group's cash and cash equivalents are deposits of approximately RMB31,997 million (31 December 2021: RMB28,744 million (restated)) placed with Haier Group Finance Co., Ltd. which is an associate of the Group and is a financial institution approved by the People's Bank of China.

Note:

Haier Affiliates include Haier Group's associates and subsidiaries and its respective associates.

(b) Compensation of key management personnel (including the directors, chief executive and supervisors of the Company) of the Group:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**8,970**	8,160
Post-employment benefits	**970**	692
Share-based payment	**—**	13,505
Total compensation paid to key management personnel	**9,940**	22,357

13. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired approximately RMB3,478 million (six months ended 30 June 2021: approximately RMB3,633 million) of property, plant and equipment.

14. INVENTORIES

	30 June 2022	31 December 2021
	RMB'M	RMB'M
	(Unaudited)	(Audited) (Restated)
Raw material	**5,375**	5,044
Work in progress	**148**	115
Finished goods	**35,483**	34,742
	41,006	39,901

15. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'M (Unaudited)	31 December 2021 RMB'M (Audited) (Restated)
Trade receivables	18,920	15,384
Less: Allowance for expected credit losses ("**ECL**")	(1,000)	(742)
Trade receivables, net	17,920	14,642
Bills receivables	8,483	13,422
Less: Allowance for ECL	(65)	(67)
Bills receivables, net	8,418	13,355
Total	26,338	27,997

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:

	30 June 2022 RMB'M (Unaudited)	31 December 2021 RMB'M (Audited) (Restated)
1 to 3 months	15,854	12,773
3 months to 1 year	1,552	1,523
1 to 2 years	429	238
2 to 3 years	54	53
Over 3 years	31	55
	17,920	14,642

15. TRADE AND BILLS RECEIVABLES (continued)

As at 30 June 2022, included in the Group's trade and bills receivables are amounts due from Haier Affiliates approximately RMB607 million (31 December 2021: RMB548 million) and amounts due from associates approximately RMB822 million (31 December 2021: RMB741 million).

As at 30 June 2022, certain of the Group's bills receivable of approximately RMB7,896 million (31 December 2021: RMB12,449 million) were pledged to secure certain of the Group's bills payables; certain of the Group's bills receivables of approximately RMB9 million (31 December 2021: RMB78 million) were pledged to secured certain of the Group loans.

As at 30 June 2022, certain of the Group's trade receivables with limited use were approximately RMB2,849 million (31 December 2021: RMB1,914 million) which included trade receivable of approximately RMB172 million (31 December 2021: RMB 185 million) were pledged to secure certain of the Group's loans.

16. TRADE AND BILLS PAYABLES

	30 June 2022 RMB'M (Unaudited)	31 December 2021 RMB'M (Audited) (Restated)
Trade payables	**38,977**	42,396
Bills payables	**27,955**	25,023
	66,932	67,419

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

	30 June 2022 RMB'M (Unaudited)	31 December 2021 RMB'M (Audited) (Restated)
Within 1 year	**66,401**	67,018
1 to 2 years	**272**	170
2 to 3 years	**78**	84
Over 3 years	**181**	147
	66,932	67,419

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

As at 30 June 2022, included in the Group's trade and bills payables are amounts due to Haier Affiliates of approximately RMB2,375 million (31 December 2021: RMB4,207 million) and amounts due from an associate of approximately RMB1,653 million (31 December 2021: RMB1,487 million).

16. TRADE AND BILLS PAYABLES (continued)

As at 30 June 2022, certain of the Group's bills payables are secured by the pledge of the Group's bank deposits amounting to approximately RMB925 million (31 December 2021: RMB744 million) and the Group's bills receivables amounting to approximately RMB7,896 million (31 December 2021: RMB12,449 million).

17. INTEREST-BEARING BORROWINGS

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

	30 June 2022 RMB'M (Unaudited)	31 December 2021 RMB'M (Audited)
Current		
Bank loans — unsecured	**22,051**	17,408
Bank loans — secured	**420**	560
	22,471	17,968
Non-current		
Bank loans — unsecured	**2,156**	3,075
	24,627	21,043
Unsecured	**24,207**	20,483
Secured	**420**	560
	24,627	21,043
Analysed into:		
Loans repayable:		
Within one year or on demand	**22,471**	17,968
In the second year	**215**	3,036
In the third to fifth years, inclusive	**1,941**	39
	24,627	21,043

As at 30 June 2022, included in the Group's interest-bearing borrowings of approximately RMB283 million (31 December 2021: RMB337 million) from Haier Finance Company Limited, which is an associate of the Group and is a financial institution approved by the People's Bank of China. The interest rate on these loans ranges from 1.8% to 2% (31 December 2021: 1.5% to 3.1% per annum) for the period ended 30 June 2022.

Certain of the Group's loans are secured by pledge of the Group's trade and bills receivables of approximately RMB181 million as at 30 June 2022 (31 December 2021: RMB263 million).

18. SHARE CAPITAL

The movements of the Company's issued share capital during the period ended 30 June 2022 and 31 December 2021 are as follows:

	Number of shares 'M	Share capital RMB'M (Note e)
As at 1 January 2021 (Audited)	9,028	9,028
Shares repurchased and cancelled (Note a)	(32)	(32)
Issue of shares (Note b)	403	403
As at 31 December 2021 and 1 January 2022 (Audited)	9,399	9,399
Placing of shares (Note c)	41	41
Issue of shares (Note d)	7	7
As at 30 June 2022 (Unaudited)	**9,447**	**9,447**

Notes:

(a) 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.

(b) Upon conversion of convertible bond during the year ended 31 December 2021, a total of 403,210,889 H Shares were issued.

(c) On 21 January 2022, the Company placed 41,413,600 shares to five placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and/or its connected persons at a placing price of HK$28 per share.

(d) Upon conversion of convertible bond during the period ended 30 June 2022, a total of 6,673,840 H Shares were issued.

(e) All shares are issued at par value of RMB1.

19. SHARE-BASED PAYMENT TRANSACTION

H Share Restricted Share Unit Scheme

During the period ended 30 June 2022, a total of 5,598,894 H Share restricted share unit ("**H Share RSU**") of the Company were granted to and accepted by 124 staff members of the Company (who are not directors, chief executive and supervisors of the Company) who play an important role in the overall performance and development of the Company.

	Period ended 30 June 2022		Year ended 31 December 2021	
	Weighted average grant date fair value RMB	**Number of shares**	Weighted average grant date fair value RMB	Number of shares
Outstanding at the beginning of the period/year	**21.6**	**4,438,027**	—	—
Granted during the period/year	**22.2**	**5,598,894**	21.6	4,438,027
Outstanding at the end of the period/year	**22.0**	**10,036,921**	21.6	4,438,027

During the period ended 30 June 2022, H Share RSU were granted on 25 May 2022 and 23 June 2022. The estimated fair values of the H Share RSU granted on those dates are RMB1 million and RMB123 million respectively.

The Group recognised a total expense of RMB9 million (31 December 2021: RMB17 million) for the period ended 30 June 2022 in relation to H Share RSU granted by the Company.

A-share option scheme

2022 A Share Option Incentive Scheme

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

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

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

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

19. SHARE-BASED PAYMENT TRANSACTION (continued)

For the 2022 A Share Option Incentive Scheme, the Company had resolved to grant 104,756,896 A Share options to 1,834 participants on 28 June 2022. Particulars and movements of share options during the six months ended 30 June 2022 and year ended 31 December 2021 were as follows:

A-share option scheme	Period ended 30 June 2022 Weighted average exercise price per share RMB	Period ended 30 June 2022 Number of options	Year ended 31 December 2021 Weighted average exercise price per share RMB	Year ended 31 December 2021 Number of options
Outstanding at the beginning of the period/year	**25.63**	**50,525,214**	—	—
Granted during the period/year	**23.86**	**104,756,896**	25.63	50,525,214
Outstanding at the end of the period/year	**24.44**	**155,282,110**	25.63	50,525,214

The weighted average remaining contract life for outstanding share options was 3.4 years as at 30 June 2022.

In determining the value of the share options granted during the six months ended 30 June 2022, the Black-Scholes option pricing model (the "**Black-Scholes Model**") has been used. The Black-Scholes Model is one of the most generally accepted methodologies used to calculate the value of options. The variables of the Black-Scholes Model include share price, exercise price, expected volatility, expected life, risk-free rate and expected dividend yield of the shares of the Company.

The estimated fair values of the options granted during the period is RMB777 million. These fair values were calculated using the Black-Scholes Model. The inputs into the model were as follows:

Measurement date	**28 June 2022**
Share price	**27.01**
Exercise price	**23.86**
Expected volatility	**36.77% to 40.16%**
Expected life	**1–4 years**
Risk-free rate	**2% to 2.56%**
Expected dividend yield	**1.7%**

19. SHARE-BASED PAYMENT TRANSACTION (continued)

The above variables were determined as follows:

(i) The expected volatility represents the annualised standard deviation of the return on the daily share price of the Company over the period commensurate to the expected life of the options (taking into account the remaining contractual life of the option and the effect of the expected early exercise of the option).

(ii) The expected life is estimated to be 1 year to 4 years after the end of the respective vesting period.

(iii) The risk-free rate represents the yield of the China Government Bonds corresponding to the expected life of the option as at the measurement date.

The Black-Scholes Model applied for the determination of the estimated value of the options granted under 2022 A Share Option Incentive Scheme requires inputs of highly subjective assumptions, including the expected stock volatility. As the Company's share options have characteristics significantly different from those of traded options, changes in subjective inputs may materially affect the estimated fair value of the options granted.

The Group recognises the fair value of share options as an expense in the income statement over the vesting period, or as an asset, if the cost qualifies for recognition as an asset. The fair value of the share options is measured at the date of grant. The Group recognised a total expense of RMB73 million (31 December 2021: RMB36 million) for the period ended 30 June 2022 in relation to share options granted by the Company.

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments are as follows:

Financial assets

As at 30 June 2022 (Unaudited)

	Financial assets at FVTPL RMB'M (Unaudited)	Financial assets at FVTOCI RMB'M (Unaudited)	Derivative designated as hedges RMB'M (Unaudited)	Financial assets measured at amortised cost RMB'M (Unaudited)	Total RMB'M (Unaudited)
Equity investments designated at FVTOCI	—	4,852	—	—	4,852
Trade and bills receivables	—	—	—	26,338	26,338
Financial assets included in deposit and other receivables	—	—	—	4,283	4,283
Financial assets measured at FVTPL	2,560	—	—	—	2,560
Financial assets measured at amortised cost	—	—	—	1,858	1,858
Derivative financial instruments	47	—	163	—	210
Pledged deposits	—	—	—	944	944
Other deposits with limited use	—	—	—	107	107
Cash and cash equivalents	—	—	—	49,265	49,265
	2,607	4,852	163	82,795	90,417

As at 31 December 2021 (Audited) (Restated)

	Financial assets at FVTPL RMB'M (Audited)	Financial assets at FVTOCI RMB'M (Audited)	Derivative designated as hedges RMB'M (Audited)	Financial assets measured at amortised cost RMB'M (Audited)	Total RMB'M (Audited)
Equity investments designated at FVTOCI	—	4,849	—	—	4,849
Trade and bills receivables	—	—	—	27,997	27,997
Financial assets included in deposit and other receivables	—	—	—	4,889	4,889
Financial assets measured at FVTPL	2,786	—	—	—	2,786
Financial assets measured at amortised cost	—	—	—	626	626
Derivative financial instruments	47	—	80	—	127
Pledged deposits	—	—	—	755	755
Other deposits with limited use	—	—	—	145	145
Cash and cash equivalents	—	—	—	45,071	45,071
	2,833	4,849	80	79,483	87,245

20. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

As at 30 June 2022 (Unaudited)

	Financial liabilities measured at FVTPL RMB'M (Unaudited)	Derivative designated as hedges RMB'M (Unaudited)	Financial liabilities measured at amortised cost RMB'M (Unaudited)	Total RMB'M (Unaudited)
Trade and bills payables	—	—	66,932	66,932
Financial liabilities included other payables and accruals	—	—	26,326	26,326
Financial liabilities measured at FVTPL	79	—	—	79
Derivative financial instruments	—	77	—	77
Interest-bearing borrowings	—	—	24,627	24,627
Convertible bond	—	—	245	245
Other non-current liabilities	—	—	66	66
Lease liabilities	—	—	3,594	3,594
	79	77	121,790	121,946

As at 31 December 2021 (Audited) (Restated)

	Financial liabilities measured at FVTPL RMB'M (Audited)	Derivative designated as hedges RMB'M (Audited)	Financial liabilities measured at amortised cost RMB'M (Audited)	Total RMB'M (Audited)
Trade and bills payables	—	—	67,419	67,419
Financial liabilities included other payables and accruals	—	—	22,453	22,453
Financial liabilities measured at FVTPL	6	—	—	6
Derivative financial instruments	—	80	—	80
Interest-bearing borrowings	—	—	21,043	21,043
Convertible bond	—	—	335	335
Other non-current liabilities	—	—	113	113
Lease liabilities	—	—	2,649	2,649
	6	80	114,012	114,098

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The management estimates the carrying amount financial instruments carried at amortised cost approximately its fair value.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, other deposits with limited use, certain other financial assets measured at amortised cost, trade receivables, other receivables, trade and bills payables and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. As at each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the those charged with governance twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The fair values of unlisted equity investments in which was designated at FVTOCI, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires management to determine comparable public companies (peers) based on industry and place of business, and to calculate an appropriate price multiple, such as price to earnings ("**P/E**") multiple, and price to book ("**P/B**") multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The fair values of the remaining unlisted equity investments designated at FVTOCI are determined with reference to their respective latest available transaction prices.

(b) The fair values of unlisted equity investments which was designated at FVTPL, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires management to determine comparable public companies (peers) based on industry and place of business, and to calculate an appropriate price multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group invests in unlisted investments, which represent wealth management products included in financial assets measured at FVTPL in Mainland China and Hong Kong. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of bills receivable and interest-bearing borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing borrowings was assessed to be insignificant.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 30 June 2022 (Unaudited)

	Level 1 RMB'M (Unaudited)	**Level 2 RMB'M (Unaudited)**	**Level 3 RMB'M (Unaudited)**	**Total RMB'M (Unaudited)**
Equity investments designated at FVTOCI	**21**	**2,812**	**2,019**	**4,852**
Financial assets measured at FVTPL	**158**	**2,296**	**106**	**2,560**
Derivative financial instruments	**—**	**163**	**47**	**210**
	179	**5,271**	**2,172**	**7,622**

As at 31 December 2021 (Audited)

	Level 1 RMB'M (Audited)	Level 2 RMB'M (Audited)	Level 3 RMB'M (Audited)	Total RMB'M (Audited)
Equity investments designated at FVTOCI	21	2,812	2,016	4,849
Financial assets measured at FVTPL	375	2,305	106	2,786
Derivative financial instruments	—	80	47	127
	396	5,197	2,169	7,762

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value

As at 30 June 2022 (Unaudited)

	Level 1 RMB'M (Unaudited)	**Level 2 RMB'M (Unaudited)**	**Level 3 RMB'M (Unaudited)**	**Total RMB'M (Unaudited)**
Financial liabilities measured at FVTPL	**—**	**79**	**—**	**79**
Derivative financial instruments	**—**	**77**	**—**	**77**
	—	**156**	**—**	**156**

As at 31 December 2021 (Audited)

	Level 1 RMB'M (Audited)	Level 2 RMB'M (Audited)	Level 3 RMB'M (Audited)	Total RMB'M (Audited)
Financial liabilities measured at FVTPL	—	6	—	6
Derivative financial instruments	—	80	—	80
	—	86	—	86

During the period/year ended 30 June 2022 and 31 December 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

22. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 RMB'M (Unaudited)	31 December 2021 RMB'M (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**4,310**	3,159

23. EVENT AFTER THE REPORTING PERIOD

There was no significant event took place subsequent to the end of the reporting period.

BUSINESS REVIEW

I. Industry overview for the first half of 2022

1. The Chinese market

In the first half of 2022, demand was sluggish in the domestic home appliance market due to economic slowdown, weakened consumer confidence, real estate market downturn, and pandemic containment measures which impacted offline sales, distribution, and installation. Data from CMM showed that the retail sales of the China's home appliance market (excluding 3C & digital products) in the first half of 2022 was RMB397.951 billion, down 9.89% year-on-year. At the same time, high commodity prices have dragged down industry's profit margins.

Retail sales declined year-on-year in refrigerators, washing machines and air conditioners, while emerging categories including tumble dryers continued to grow. (1) Retail sales of **the refrigerator and washing machine industries** reached RMB43.667 billion and RMB32.671 billion in the first half of 2022, down 5.26% and 8.34% year-on-year, respectively. Instead of competing over prices, leading players' focus on user experience and R&D-driven product innovation has contributed to a steady increase in average prices, in particular in offline channels. According to CMM, average retail price of refrigerator and washing machine across online and offline channels have surged 12.87% and 9.99% respectively. In addition, benefiting from the rise in consumer demand for food storage during the pandemic, retail sales of freezer increased 12.12% to RMB7.394 billion. (2) **Air conditioner industry** was impacted by the real estate market slowdown and lower temperature in May and June, retail sales reached RMB84.24 billion in the first half of 2022, down 14.09%. After the price war in 2019, competitions have become more rational, and average prices of the industry rose 7.46% year-on-year. (3) Traditional kitchen appliances such as range hoods and gas stoves recorded negative growths impacted by the cooling real estate market, increasing penetration and competition from integrated stoves. Data from CMM showed that in the first half of 2022, retail sales of range hood and gas stove dropped 14.95% and 9.41% year-on-year respectively to RMB16.754 billion and RMB10.999 billion. ② Retail sales of integrated stoves amounted to RMB11.783 billion, representing an increase of 6.54% year-on-year. (4) **The water heater industry** was impacted by the downturn of the real estate market, retail sales in the first half of the year amounted to RMB27.327 billion, down 13.90% compared to the same period in 2021. (5) Emerging categories such as **tumble dryers, dishwashers and residential central air conditioners** continued to grow. According to data from CMM, retail sales of dishwashers reached RMB5.567 billion in the first half of 2022, a growth of 7.43% year-on-year. Retail sales of tumble dryers amounted to RMB4.361 billion, a surge of 41.08% over the same period in 2021. (6) **Small kitchen appliances** are consumer discretionary in nature with high penetration, industry demand is cooling. According to AVC, retail sales of such products reached RMB26.38 billion in the first half of 2022, down 4.9% year-on-year.

Although demand remains suppressed in the short term, industry upgrade continues to happen on health, smart, and green energy. According to AVC, retail sales of refrigerators above RMB10,000 per unit, washing machines above RMB10,000 per unit and air conditioners above RMB15,000 per unit have grown against the headwind by 10%, 12% and 17% respectively in the first half of the year. For instance, (1) consumers increasingly favoured large-size refrigerators and "refrigerator + freezer" combos, with features of freshness preservation, sterilization, and odour control. According to CMM, for the first half of the year, 500 litre refrigerators accounted for 62.3% of the industry's total retail sales offline, up 7.5 percentage points year-on-year; and accounted for 41.6% of total retail sales online, a year-on-year increase of 5.7 percentage points. Market demand for self-cleaning, disinfection cabin and fresh air features of air conditioners were on the rise too. (2) Consumer demand for effective space utilization, consistency in design and smart technologies continued to grow, with increasing attention on design and installation of home appliances and decorations. On one hand, this has promoted the rapid growth of new categories such as "built-in refrigerators, built-in washing machines, residential central air conditioners" and according to statistics of China IoL, residential central air conditioners' output reached RMB18.853 billion in the first half of 2022, representing a year-on-year growth of 7.78%. On the other hand, this has contributed to the growth in suite products. In addition, young consumers in their twenties and thirties are less willing to engage in complicated home furnishing, resulting in a growing demand for one-stop solutions of home furnishing, home improvement and home appliances.

Leading player continued to capture market shares by leveraging technological innovation, brand, and extensive distribution network. Industry concentration continued to increase. According to AVC, the combined offline shares of the top three players in refrigerator, washing machine, air conditioner, water heater and range hood reached 70%, 80%, 84%, 60% and 65% respectively. Those equipped with superior R&D, design, and distribution capabilities for suite products were better positioned to acquire and convert user traffic, increase user value, and accumulate goodwill.

Online retail sales accounting for 53.8% of total sales. Offline chain retailors were challenged as foot traffic and store expansions were restricted by pandemic containment measures. Appliance sales in home improvement channels achieved rapid growth benefitting from user traffic during home renovation and the capability of providing one-stop solutions integrating appliances with home furnishing. As user's time is becoming increasingly fragmented, traffic has gradually migrated to content platforms such as TikTok, Kuaishou, Xiaohongshu, bilibili, and Zhihu, who have become vibrant sites for product promotion. In addition, consumption preferences continued to differ, high-end products gain significance offline while consumers tend to look for value-for-money items online, leading to faster growth in mid to low-end markets.

The government issued policies to promote home appliance consumption and upgrade. Incentive programmes targeting home appliance consumption have been launched by several municipal governments in the second quarter of 2022. In July 2022, the Ministry of Commerce issued the "Notice on Several Measures to Promote the Consumption of Green and Smart Home Appliances", which introduced measures to encourage consumption upgrade of green and smart home appliances, including launching a nationwide home appliances "trade-in" campaign, promoting green and smart home appliances in villages and townships, expanding consumption scenarios to enhance consumption experience, and optimizing the supply of green and smart home appliances.

According to statistics from General Administration of Customs, China's total exports of home appliances in the first half of 2022 amounted to RMB283.3 billion, down 8.2% year-on-year. Refrigerator exports amounted to RMB28.6 billion, down 11.8% year-on-year; washing machine exports reached RMB8.8 billion, down 13.2% year-on-year; air-conditioner exports totalled RMB34.1 billion, down 1.6% year-on-year. Such reduction was also due to an extent, the higher base of China's home appliances exports in the corresponding period in 2021.

2. Overseas markets

In the first half of 2022, consumption volume was weakened by high inflation with consumer confidence reduced by economic slowdown overseas. The University of Michigan's Consumer Sentiment Index dropped from 68.30 in December 2021 to 47.50 in June 2022. In the second quarter of 2022, shipment of core appliances in European and U.S. home appliance markets recorded a single-digit decline year-on-year. The rise of product prices has contributed to growth in the industry's retail sales.

(1) The U.S.: In the first half of 2022, the home appliance industry was challenged by supply chain shortages and high inflation. According to AHAM (Association of Home Appliance Manufacturers), the total shipment of the U.S. home appliance market fell 6.5% year-on-year in the first half of 2022, with the shipment of core appliances down 5.3%. However, total shipment value of home appliances increased 3.8% while core appliances' shipment value grew 4.2%.

(2) Europe: Influenced by inflation and rising energy prices, products with class A energy-efficiency were more favoured by consumers. Sales volume remained flat year-on-year as consumer confidence in Western Europe declined. According to GFK, to cover the cost inflation caused by rising commodity prices, average unit prices of white goods have increased by 9%, and retail revenue of the industry has grown 4.9% year-on-year. Record level temperatures this summer also contributed to the robust revenue growth of air conditioners.

(3) South Asia: In India, GDP began to rebound in the second quarter of 2022. Health-conscious and large-size products remained popular and high-end demand was robust. The overall retail sales in Pakistan have tumbled by 8% in the first half of the year, with sales volume dropped by more than 10%. Average prices have hiked 5%–10% to mitigate the pressure brought about by currency fluctuations and rising raw material costs.

(4) Southeast Asia: According to GFK: Thailand's home appliance industry was sluggish due to inflation and currency depreciation. Sales volume of refrigerator fell 9.3% in the first half of the year. Sales volume of residential air conditioner dropped 9.9% in the first half of the year due to economic downturn and an early monsoon season, which also resulted in 30% volume decline in second quarter. Market demand continued to polarize with mid to low-end consumers focused on meeting their basic needs, while mid-to high-end market opted for variable-frequency air conditioners, large-capacity refrigerators and washing machines. Retail volume in the Indonesian market grew 8.7% year-on-year.

(5) Australia & New Zealand: According to distributor's data, sales revenue of home appliance industry in Australia has grown 10% year-on-year. High inflation, escalating shipping cost and supply chain shortages caused the average unit price to surge 20%. GDP fell 0.2% in New Zealand in the first half of 2022; lower consumer confidence and rising food and fuel prices have forced consumers to cut back on big ticket items such as home appliances. Distributors' data estimated that industry sales revenue have dropped by 2.7%.

(6) Japan: The industry was challenged by the sharp depreciation of the yen, escalating prices of energy and food, and the decline in disposable income. According to GFK, the combined sales volume and sales revenue of freezer, refrigerator and washing machine increased by 1% and 4% respectively in the first half. Consumers have increased demand for large-size, health-conscious and energy-saving products, such as large refrigerators with outstanding freshness preservation performance, a second freezer, and large front-load washers with low noise level.

II. Industry Outlook for the second half of 2022

1. The Chinese Market:

In the second half of 2022, stabilizing economy and the implementation of policy incentives will help restore market confidence and propel recovery. Commodity prices have slumped since the second quarter, which is conducive to easing cost pressure and improving profitability. CMM forecasts retail revenue of China's major home appliance market will grow 3%, reaching RMB320 billion in the second half of 2022.

Looking ahead in the second half of 2022, although commodity and shipping costs continue to drop and foreign trade stabilization policies are gradually taking effect, given the high base volume in 2021, the trend of export market is projected to be neutral.

2. The Global Market:

In May 2022, the United Nation's World Economic Situation and Prospects Report lowered the projected growth rate of the global economy from 4% earlier in the year to 3.1%. Global inflation is expected to jump to 6.7% in 2022, which is twice the average in 2010–2020. However, there are new opportunities amid challenges. Energy-saving and environmentally friendly home appliances, along with alternative energy heat pumps, have become new growth drivers. The trend of smart connectivity is also catching on in the industry.

Chinese home appliance players with comprehensive brand portfolio, advanced R&D and manufacturing capabilities, extensive localized distribution networks, and efficient management are positioned to gain share globally.

III. Discussion and Analysis on Operations

Amid the challenging first half of 2022, the Company leveraged strengths in high-end brands, overseas proprietary brands while accelerating digital transformation, to deliver solid results.

In the first half of 2022, the Company realized sales revenue of **RMB121.846 billion**, representing an increase of **9.1%** year-on-year. The growth was driven by: (1) strengths of high-end brands, suite products and scenario-based solutions in the Chinese market which enhanced user value; (2) overseas market share gain supported by localized "R&D, manufacturing & sales" and global integration (3) expansion in distribution network and accelerated digitalization which improved customer acquisition and conversion.

In the first half of 2022, profit for the year attributable to owners of the Company reached **RMB7.949 billion**, representing an increase of **15.9%** compared to the same period of 2021.

(1) The Company's gross profit margin reached **29.7%**, up **0.2** percentage points year-on-year, driven by product mix upgrade with enhanced competitiveness, effective supply chain cost management, streamlined SKUs supported by integrating R&D and distribution; improved management of tier 2 & 3 suppliers, increased level of in-house produced components, all of which aimed at improving the Company's competitiveness of the entire value chain.

(2) The Company's selling and distribution expense ratio was **14.4%**, representing a reduction of **0.6** percentage points year-on-year. The optimization was due to digitalization aiming at improve marketing precision and efficiency; integrating manufacturing, distribution & logistics to improve fulfilment efficiency and optimize inventory turnover; replacing service dispatch centres with system's direct matching of user request and maintenance personnel; accurate prediction of manufacturing and storage of spare parts & components using algorithm to reduce spare parts expense ratio[1].

(3) The administrative expense ratio was **8.7%**, representing an increase of **0.4** percentage points year-on-year. On the one hand, the Group firmly pushed forward the transformation of digital operation, optimizing business processes and enhancing organizational efficiency by adopting the digital platform throughout the whole process, which contributed to the optimization of the administrative expense ratio by 0.1 percentage points; on the other hand, the Group increased its investment in the research and development of application software, voice control, image recognition, big data applications and related advanced research and development technologies, which enhanced its competitiveness in artificial intelligence and led to an increase in the administrative expense ratio by 0.5 percentage points.

1 Spare parts expense ratio: the costs of spare parts used for maintenance divided by revenue.

(4) In the first half of 2022, the Company's net cash inflow from operating activities was **RMB5.964 billion**, a drop of RMB2.478 billion year-on-year; in the second quarter, the Company's net cash inflow from operating activities amounted to RMB4.809 billion, a surge of 316.5% compared to the first quarter. ① In the first quarter, the Company's net cash inflow from operating activities decreased by RMB1.714 billion year-on-year, which was due to increase in commodity inventory and chips procurements in China, reduced payment collection amid pandemic, and increased stockpiling caused by overseas logistics constraints. ② The net cash flow generated from operating activities in the second quarter decreased by RMB764 million on a year-on-year basis, mainly due to the increase in cash expenditure for purchasing goods and services in overseas business due to the sharp rise in raw material prices and shipping fees, as well as the increase in product and raw material stock due to the growth of overseas business and the construction of new factories overseas.

(I) Smart Home Business in China

In the first half of 2022, smart home business in China achieved sales revenue of **RMB64.755 billion**, representing an increase of **12.7%** year-on-year. Operating profit grew by **27.6%** to **RMB4.938 billion**. The revenue growth was attributable to the Company's increase in market shares across the board, strong momentum of Casarte, network expansion and enhancement in customer acquisition and conversion.

1. Household Food Storage and Cooking Solutions

(1) Refrigerator and Freezer Business

In the first half of 2022, the refrigerator and freezer business achieved sales revenue of **RMB21.739 billion**, a year-on-year increase of **13.3%**, with market share gains and strengthened high-end leadership. According to CMM, Haier's offline market share increased 2.7 percentage points to 43.3%, online market share went up 0.4 percentage points to 39.2%, and offline market share of products above RMB15,000 per unit amounted to 53.1%, up 9.9 percentage points year-on-year.

Casarte focused on kitchen aesthetics and cell-level freshness preservation and introduced the seamless built-in series meetings consumers' demand for large capacity, appealing design, and combination of multiple units. Casarte's built-in products achieved revenue growth of 36% year-on-year, contributing to RMB1,000 increase in average price per unit.

The Company published Built-in Refrigerator Standards 3.0, which upgraded the standards for seamless built-in refrigerator and spearheaded the development of built-in products and kitchen aesthetics in the industry. During the reporting period, seamless built-in technology obtained 155 invention patents and passed the UL certification in the U.S., and consolidated the Company's advantages with its heat dissipation efficiency and flexibility in assembling.

Haier brand adhered to technological upgrades in precise cooling of storage zones, image recognition, and intelligent voice interaction, in order to drive the growth of high end products such as Boguan (博觀) series; according to CMM, Haier brand alone accounted for 9.5% of the retail share of products with price per unit above RMB10,000. During the reporting period, Haier brand pioneered the industry with the launch of a refrigerator containing a freezing capacity of 265 litres to meet users need for larger storage space.

The Company was chiefly responsible for the drafting of IEC International Refrigerator Preservation Standards and the "Level 1 Healthy Preservation" Standards 2.0, and led the development of preservation technologies based on international standard to address healthy diet concern. The Company has made technological breakthrough with the "bottom-based refrigeration system", featuring "zero-temperature-fluctuation, zero-air-blow, and zero-delay" to ensure the freshness of food. This technology has obtained 236 invention patents and passed the European VDE certification and the American UL certification.

During the reporting period, the Company focused on cell-level freezing and preservation technology to grasp the surge in demand for upright freezers. Sales revenue of freezers in the domestic market grew by **15%**.

The Company also catered to demands for additional refrigeration devices, with the introduction of fridge + freezer (ice bar) and fridge + wine cooler sets.

The Company continued to iterate high-end products, grasped the market opportunity for larger volume refrigerators, high-end T door refrigerators and French door refrigerators accounting for over 70% of total export revenue, which helped export business outperform the industry.

(2) Kitchen appliance business

During the reporting period, China's kitchen appliance recorded revenue of **RMB1.989 billion**, a year-on-year increase of **11.5%**. Revenue of Casarte's kitchen appliances grew 46.0% year-on-year, accounting for 27.1% of domestic kitchen appliance revenue, up 6 percentage points. Dishwasher grew 26.9% year-on-year, of which Casarte's dishwasher increased 54.4% year-on-year. According to CMM, the Company's offline retail share of kitchen appliances went up 1 percentage point, reaching 8% in the first half of the year, with Casarte's market share grew by 1.3 percentage points to 3.9%; overall online retail share amounted to 4%.

During the period, the Company focused on showcasing Casarte's best-selling scenarios to increase presence in home improvement channels, gaining ground in retail through forming designers' alliances, and fostering user conversion with cleaning and replacement services. The Company added 313 new Three-Winged Bird smart kitchen stores and entered 902 stores in villages and townships.

The Company continued to leverage technological expertise from GEA, FPA and Candy to establish differentiated competitiveness and gain user goodwill. (1) Casarte's range hood continued to upgrade its smart air technology, which solved the problem of poor smoke exhaust on upper floors and allowed customization of air flow volume according to users' environment. (2) The performance of built-in ovens, steamers and integrated steam ovens continued to improve. The precise and constant-temperature control technology enabled consistent baking quality and ensured similar colour and taste of every layer during multi-layer baking. (3) Casarte's Zhongzihemei (中子和美) dishwasher is equipped with FPA direct-drive motor on the upper drawer, and a sterilizer in the lower drawer with medical-grade light wave pasteurization addressing growing demands for cleansing and caring of fine tableware.

2. *Household Clothing Solutions*

During the reporting period, the Company's washing machine business achieved sales revenue of **RMB14.782 billion**, representing a year-on-year increase of **14.1%**. According to CMM, the washing machine business continued to lead the industry in terms of market share. Online and offline shares by retail revenue were 40.2% and 45.9% respectively, of which, the share of offline retail revenue grew 3.3 percentage points year-on-year.

During the period, the Company launched Casarte's Zhongzihemei (中子和美) washer and dryer combo, which integrated washing, drying and clothes caring functions while sharing real time data of each process, it was designed to reduce creases, wear & tear while using lower level of energy. Air Wash with negative ion was also used to enhance experience by removing wrinkles, odour, and bacteria. Zhongzi series adopted an all-flat design that perfectly blended in with the home environment. According to CMM, the Company has 75% of market share of washers above RMB10,000 per unit, demonstrating a leading advantage in the high-end market.

In addition, the Company continued to expand the tumble dryer business. In the first half of the year, domestic revenue of dryers grew 94% year-on-year. To solve the pain points of incomplete drying and tangled laundry, the Company pioneered the dual-engine heat pump technology, to keep the laundry untangled and evenly heated, thus greatly improved user experience. In addition, the Company has optimized its supply chain and started building a new dryer factory in Shanghai which is expected to add 2 million units in capacity. During the period, the Company's dryer business ranked No.1 with offline retail share of 37%, up 5 percentage points year-on-year. Online retail sales skyrocketed 108% year-on-year.

During the period, despite pandemic outbreak, rising shipping costs and currency fluctuations overseas, the washing machine business remained committed to brand premiumization and product mix upgrade, meeting the needs of overseas users with differentiated products. According to China IoL, the Company achieved growth despite declining revenue and volume in the sector. Export volume rose 11.5%, accounting for 26.2% of market share, and export revenue grew 2.7%, accounting for 23.9% of market share.

3. *Air Solutions*

During the reporting period, the Company's air conditioner business achieved revenue of **RMB19.459 billion**, an increase of **10.3%** from the same period in 2021.

(1) Residential air conditioner business

The residential air conditioner improved operational efficiency by accelerating network expansion. Online and offline domestic market shares continued to grow. According to CMM, the Company's offline retail share of air conditioners (standing & wall-mounted units) increased 3.96 percentage points to 19.84% in the first half of 2022, whereas online retail share rose 0.9 percentage points to 14.1%. Meanwhile, retail share in the offline high-end market (wall-mounted units priced above RMB4,000 per unit and standing units priced above RMB10,000 per unit) reached 25.5%, an increase of 6.3 percentage points. Residential central air conditioner continued to grow rapidly: according to China IoL, the Company's share of residential central air conditioners was 15.88%, an increase of 1.55 percentage points year-on-year. Overseas business also boomed, data from China IoL showed that the Company's export revenue increased 32.26% in the first half of 2022.

During the reporting period, the Company launched 'Haier polymerized ionic Air Wash' wall-mounted air conditioner with innovative air flow structure for improved experience, and it can remove seven types of air pollutants including PM2.5, while increasing humidity and negative ions.

During the reporting period, the Company's residential central air conditioner recorded revenue growth of 38%. The Company launched 'Tianfudishui' (天氟地水) series with ultra-low refrigerant noise and high cooling efficiency, the air conditioner, floor heating and ventilation system could be controlled on the same screen, making this product the focal point of air solutions at home.

The Company improved in-store product display, by demonstrating cooling & heating speed, low noise level and sterilization features while gaining goodwill by providing air conditioner cleaning services in the lower tier market. More than 2,800 new franchise outlets were added in the first half of the year. On the e-commerce channel, the Company concentrated on creating best-sellers such as 'Machinist' series to capture mid to high end markets opportunities. The Company also enhanced presence in lower-tier markets with 30% increase in the number of outlets.

In the first half of the year, Haier's residential air conditioner registered a growth of 32.6% in export revenue. The rapid growth was due to the Company's commitment to health-conscious products. The LED-UVC module in Haier's health-boosting air conditioners can emit ultraviolet rays, it was verified by Texcell in France for its 99.998% inhibitory effect on the COVID-19 virus. The Company also enhanced competitiveness of its export business by integrating product platforms and optimizing SKU portfolio.

Significant improvement in profitability of residential air conditioner was achieved by ① streamlining SKUs through platform integration, with 17% increase in revenue contribution per SKU. ② implementing supply chain forward integration to increase the in-house manufacturing of five modules including circuit boards, thus, reducing material cost by 5.5 percentage points. ③ establishing a full process cost committee, upgrading the databases of material suppliers, module suppliers, and technical suppliers, and building lean cost models to improve individual model's gross profit margin. Taking the components of tube modules as an example introducing, lean cost model has saved over RMB16 million.

(2) Commercial air conditioner business

The Company provided users with customized solutions to quickly grasp market opportunities, leading to a **26.1%** revenue increase in the domestic commercial air conditioner business. In the domestic market, the Company's share increased 0.9 percentage points year-on-year to 10.4% in the first half of the year. The Company ranked second in the export market with 16% market share, up 1.5 percentage points year-on-year.

During the reporting period, the Company continued to innovate IoT central air conditioners and spearheaded the industry development in energy efficiency performance. The Company also made breakthroughs in compressor and high-speed frequency invertor technologies. ① The Company's EVI MRV has undergone upgrade with low-temperature heating performance improved by 30% and stable performance under 56°C. The application of smart IoT technology not only realized remote control, centralized coordination, and separate billing, but also performed load prediction and real-time monitoring of refrigerant quantity through big data analysis. The 600,000-square-meter Shandong University Industry Science Park project in Jinan has a glass structure with high demand for heating and Haier's customized IoT-based VRF units perfectly solved the difficulties of significant difference in drop height and placement of outdoor units and fulfilled the needs for separate billing and intelligent energy-saving. ② The Company introduced the air-cooled modular chiller, with the room-temperature unit that can produce heat under the full-working condition of −15°C to 50°C to cater to the heating and cooling demand of offices, hotels, hospitals, schools and other scenarios, whereas the low ambient temperature unit can achieve a water discharge temperature of 45°C at −35°C, meeting heating demand under extremely cold conditions. ③ Luxshare ICT's production site required high precision in temperature and humidity, Haier provided a comprehensive energy-saving solution of 151 water-cooled magnetic bearing centrifugal chiller units, thus laying down foundations for long term strategic partnerships. ④ In response to the market opportunities from clean energy replacement initiated by the "carbon peaking and carbon zero" strategy, the Company introduced building energy saving, manufacturing engineering energy saving and waste heat recovery solutions, and grew this business by 26% in the first half of the year.

Export revenue of the Company's commercial air conditioners rose 32% in the first half of the year, attributable to: ① The implementation of carbon neutrality policy in the European Union has fuelled consumer demand for heat pumps, the Company quickly seized the market through its comprehensive HVAC channels and doubled its revenue. ② In the American market, the Company developed the market for multi-split products through its localized brands. ③ In the Southeast Asian market, the Company built a professional workforce to make headway in the water chiller market and established competitive edge with water-cooled magnetic bearing centrifugal chiller units in Thailand.

4. *Household Water Solutions*

During the period, the Company's water heater and water purifier business achieved revenue of **RMB6.786 billion**, an increase of **15.3%** year-on-year.

(1) Water heater

During the reporting period, the Company continued to strengthen its leading advantages. The offline retail share of the Company's water heater business was 30.6%, an increase of 3.5 percentage points year-on-year; online retail share was 33.7%, an increase of 3.4 percentage points year-on-year. Casarte consolidated its high-end market position through differentiated technologies such as crystal tank, seamless titanium tank and gas-electric hybrid system. It is one of the top three brands in the industry with market share of 13.4%.

Following the launch of the limescale-free, leakage-free, and rust-free Casarte Crystal Tank Galaxy series, the Company expanded its dual-tank product line-up meeting the user demand for small-size, appealing design, and large-capacity electric water heaters. During the period, the Company's retail share of electric water heaters reached 41.7%, an increase of 2.2 percentage points year-on-year. Casarte's retail share amounted to 15.5%, a growth of 1.8 percentage points year-on-year.

Gas water heater expanded its edge through technological innovation, with revenue increase of more than 20%. During the period, the online retail share of Haier's gas water heaters reached 23.3%, up 2.1 percentage points compared to the same period of last year; offline retail share reached 22.4%, representing a rise of 3.4 percentage points year-on-year. The Company pioneered the hybrid gas/electric constant temperature technology that alternates between gas and electricity to solve users' pain points of slow heat up and inconsistent temperature by providing water at constant temperature, and create enhanced bathing experience.

During the period, the Company's air-sourced heat pump water heater has accelerated the R&D of health-oriented products which featured high water temperature, disinfection, frequency conversion and energy saving. Haier brand has consolidated its leadership with a cumulative offline retail share of over 70%, and an online retail share of 65%. Haier dominated the industry with nine out of ten best-selling models.

(2) Water purifier

According to CMM, during the period, Haier's water purifier achieved a retail growth of 14.3% offline with retail share increased by 5 percentage points year-on-year and ranking the Company amongst the top three brands in the industry.

During the period, water purifiers strengthened its competitiveness through product innovation. Following the launch of Casarte's Yunzun (雲鱒) mineral water purifier series that solved users' pain point of lack of minerals in purified water, the Company iterated the product and introduced Yunlan (雲瀾) series with easy filter replacement, helping the Company ranking No. 1 in terms of market share of products above RMB5,000 per unit.

Water purifier concentrated on supply chain optimization and realized in-house manufacturing of filters, water circuit boards and injection mouldings to facilitate product development, scenario implementation and strong revenue growth.

5. *China operation: accelerating reform and taking the initiative to grow against the headwind.*

Facing industry downturn in the first half of the year, in particular multiple pandemic outbreaks in the second quarter, the Company managed to grow against the headwind by accelerated digitalization and distribution network expansion as well as capturing opportunities from government's consumption incentives. According to CMM, the market share of Haier's major home appliances reached 27.4% in the first half of 2022, up 2.4 percentage points year-on-year.

Selling expense ratio was optimized by 0.9 percentage points in China, leveraging reduction in cost redundancies and improvement in marketing efficiency driven by process reform and implementation of digital management tools; increase factory-to-DC fulfilment, while reducing inventory and warehousing handling to reduce logistics expenses.

Strengthening distribution network to enhance end-market competitiveness.

(1) **Revenue from franchised channel** grew **8%** driven by ① store digitalization, as of the end of June, more than 8,000 franchised stores were operating on the platform covering 90% of the entire network; digital marketing tools helped conversion rate reach 19% with total transaction value of RMB21.2 billion. ② unlocking the growth potential of weak areas through targeted deployment of staff, products, and marketing resources.

(2) In the first half of the year, retail sales grew by **25% online**, driven by: ① integrated multiple platforms online and offline, facilitating sharing of membership privileges to maximize user value. ② continued product mix optimization, during the reporting period, 22 new products were launched online by high-end Casarte brand, contributing to 12% increase in ASP. Tmall flagship store's revenue from suite products increased 11 percentage points year-on-year, reaching 56% of total. ③ implementing order management model using algorithm to improve accuracy of order forecasting and inventory turnover, the proportion of factory-to-DC delivery increased by 8 percentage points, realizing over RMB21 million reduction in expenses. ④ strengthened presence on new retail platforms including TikTok and Kuaishou, facilitating promotions with rich contents and increases in private domain traffic. The Company has become No.1 major home appliance brand on both TikTok and Kuaishou.

(3) In the first half of 2022, the Company's retail revenue from **home improvement channels** amounted to RMB5.1 billion, an increase of 66% year-on-year. During the reporting period, the Company formed strategic partnerships with leading players including Red Star Macalline and Easyhome Furnishing, to share marketing and user resources. The Company also established additional presence in 69 Red Star Macalline malls, 55 Easyhome Furnishing malls, 15 Yuexing Furnishing malls, 9 Ouyada malls and 185 local building materials malls.

Strengthening multi-brand strategy to meet diversified user demands

(1) **Casarte brand** continued to lead the high-end market with 38.6% and 75.2% share in refrigerators and washing machines above RMB10,000 per unit as well as 31.2% share in air conditioners above RMB15,000 per unit. In the first half of 2022, Casarte's revenue increased by **20.8%** with a growth of over 30% in the first quarter. Pandemic containment measures put pressure on sales and fulfilment offline in April and May, however momentum restored and growth resumed to **20%** in June as the outbreaks were gradually under control.

"Connoisseur series" and "Z series" were introduced targeting high-end and young consumers, while more efforts were made to enhance Casarte's comprehensive sets offerings, in the first half this year, revenue contribution of Casarte's product suites reached 38.6%, a year-on-year increase of 1.5 percentage points. The Company also focused on expanding home improvements related products, Casarte's tumble dryer and dishwasher grew over 50% in the first half of the year, the growth of residential central air conditioners exceeded 80%. The Company accelerated the development in home improvement channels to better meet the high-end users' needs for one-stop comprehensive sets.

(2) Positioned as "Gen Z's home appliances", **Leader** achieved 7.0% growth against the headwind. The breakthrough was made with renewed brand image and a collection of best sellers including "Bigger wind curtain" air conditioner that enjoying popularity with strong blow technology, soft wind blow and smart wind control.

6. *The Three-Winged Bird focused on "customizing smart home living" for users and continued to grow its capabilities in "scenario solutions, the Smart Home Brain, digital platforms and the 1+N system", to optimize scenario experience and enhance user value.*

The Company continued to iterate its scenario solutions. During the reporting period, the Company launched the "1+3+5+N" whole-house complete-scenario smart solution, leveraging Smart Home Brain and whole house connectivity to fulfil users' needs in various living scenarios. During the reporting period, sales volume of the Company's smart devices grew 14.5% year-on-year; daily active users of smart devices surged 63% year-on-year; daily active users of scenario solutions soared 88% year-on-year from 1.5 million to 2.83 million.

Leveraging scenario experience, 1+N capabilities and digital tools, the Company enhanced in-store scenario solutions with increased user value. During the reporting period, the Company added more than 200 new Three-Winged Bird touch points, sales per square metre has increased by 8.2% to RMB21,000/year. Sales of high-end products accounted for 39.74% in Three-Winged Bird stores, an increase of 4.65 percentage points year-on-year.

(II) Overseas home appliances and smart home businesses

During the reporting period, the Company's overseas business achieved revenue of **RMB61.481 billion**, up **8.0%** year-on-year. Operating profit grew **13.0%** year-on-year to **RMB3.634 billion** operating profit margin reached **5.9%**, a growth of **0.2** percentage points year-on-year. The robust performance exceeding the industry was contributed by the Company's swift action to grasp high end market opportunity under the "Rendanheyi (人單合一)" Model, and high-end brands' revenue growth of over 40% in North America. The Company also accelerated channel expansion, in particular in HVAC channel; strengthened local manufacturing capabilities by leveraging global supply chain platform; while mitigating the impact from escalating sea freight and chip shortages with global procurement negotiation, resources optimization and joint procurement.

1. *America*

In the first half, sales revenue reached **RMB37.434 billion** in the American market, a growth of **6.0%**. High-end brands recorded 40% sales increase and continued the success in the marketplace.

The Company's growth in a negative industry is attributable to long term commitment of product innovation and consumer satisfaction. The successful new launches in the marketplace include Monogram 36 inch integrated panel-ready Column refrigerator, GE Profile™ smart top load and front load washing machine, the first washer with latest Alexa built-in, GE Profile™ UltraFresh™ System Dishwasher with Microban® Antimicrobial Technology, premium brand pro-range, and GE Profile™ ClearView™ Energy Star certified window air conditioner, all of which effectively capturing consumers' demand for improved experience at home.

In the meantime, the Company dedicated to being agile, and to be the easiest to do business with. The Company established favourable customer relationships in not only national retail channel, Builder Groups & Independents, contract channel but also DTC channel, and win the flooring and continuously gain growth. The Company set up 4 special workgroups specializing in manufacture, sourcing, etc. respectively to address the rising cost pressure of H1 through leveraging global synergy platform and resources co-sharing.

The Company opened the water heating manufacturing plant in Camden, South Carolina. Through a vertical integration of the plant, the Company is able to produce high-quality water heaters out of steel coils, serving homes across the U.S. The new plant includes advanced systems for metal fabrication and welding, robotics for material handling and processing, and enamelling of the steel. 140 positions were added in the plant. The Company also opened new West Coast area distribution centre (ADC) in Dixon, California near Sacramento. This addition to the Company's distribution network will help ease supply chain congestion in the Company's ADC near the Port of Los Angeles and reduce delivery times by half for customers in northern California, southern Oregon, and western Nevada, allowing for next day delivery.

During the reporting period, GEA released its 2021 Corporate Citizenship Report, highlighting the latest progress and five bold new goals that will power the company's future work across its five core pillars: Community Engagement, Inclusion & Diversity, Operations Sustainability, Product Sustainability, and Compliance & Ethics. GEA achieved a perfect score on the Human Rights Campaign's Corporate Equality Index (CEI), earning the designation as a "Best Place to Work for LGBTQ Equality" five years in a row.

2. *Europe*

During the period, the European business achieved revenue of **RMB10.245 billion**, an increase of **12.7%** year-on-year. According to the data from GFK, the Company's market share in Europe has reached 6.8%, up 0.5 percentage points, growth in both revenue and volume ranked first in the market with share expansion in multiple categories including washing machines, refrigerators, dishwashers, and kitchen appliances. The Company's washing machines accounted for 12.7% of the market's volume, an increase of 1.6 percentage points, moved one place up to No. 2 in the industry.

During the period, challenged by high inflation, escalated energy prices and rising shipping and commodity costs, the Company continued to strengthen high-end brand strategy, accumulated consumer insight, accelerated the localization of supply chain and enhanced channel competitiveness to achieve steady growth. The Company met demand for energy-saving products with technological innovation. During the period, 905CD refrigerator and 939 washing machines were launched under Haier brand to raise average prices. Large-volume and energy saving products such as the new ultra-thin iPro7plus washing machine and 905 refrigerators have gained market recognition. The production capacity of the refrigerator factory in Romania was gradually ramping up with accumulated output of 200,000 units, contributing to the rapid growth of built-in refrigerators. In addition, new factories for dishwashers, tumble dryers and kitchen appliances in Turkey were underway. The Company also expanded the room for growth through successive launches of built-in washing machines and refrigerators in home improvement channels.

3. *Australian and New Zealand*

The Company remained committed to product premiumization and recorded sales revenue of **RMB3.49 billion** in Australia and New Zealand, up **0.9%** year-on-year, a **9.2%** growth in local currency. The share of retail revenue in Australia's mainstream channels reached 17.5%, an increase of 1.7 percentage points, while the market share of retail sales in mainstream channels in New Zealand was 37%, an increase of 3 percentage points year-on-year.

Several premium SKUs were launched under both FPA and Haier brands, adding to the competitiveness of comprehensive solutions; the Company also became No.1 in washing machine category in Australia with 28% market share while best-selling heat pump dryer achieved a record breaking 4.6 percentage points market share gain in one month.

A Specialized team was set up to capture the growth from strong housing market, particular efforts were made to develop new partnerships with interior designers while retail performance was improved with enhanced offerings featuring connectivity and IoT technologies. In addition, the Company also increased manufacturing capacity and agility of the factory in Thailand, where total output grew by 14% during the reporting period.

4. *South Asia*

During the reporting period, the Company achieved sales revenue of **RMB4.823 billion**, an increase of **22.8%** year-on-year. Among which,

(1) The market share in India increased by 1.2 percentage points to 10.4%. The Company pressed ahead with brand premiumization and multi-brand strategic implementation, expanded the presence in high-quality channels, and improved supply chain capabilities. ① The Company implemented the multi-brand strategy of Casarte, Haier and Candy to increase the share of mid and high-end sales revenue to 46%, up 5 percentage points year-on-year. ② The Company continued to introduce products that fulfilled local needs, by integrating global design resources, the Company launched the first French door refrigerator. The Company also introduced washing machines with heating function to address users' pain points. ③ The Company enhanced presence of quality channels and expanded penetration to 70%. ④ The Company enhanced operation efficiency of North Industrial Park and Pune Industrial Park and developed the supply chain to improve whole-process competitiveness.

(2) In Pakistan, the Company strengthened leadership in refrigerators, freezers, air conditioners and washing machines. The Company's overall share reached 37%, up 2 percentage points year-on-year. The Company grasped the local demand for high-efficiency and energy-saving products and launched the variable-frequency freshness preservation refrigerator series. The Company introduced the T3 air conditioner that can operate under a temperature as high as 53°C, thus solving the problem of operation suspension under high temperature condition in the southern region. The Company also launched large-freezer & small-fridge refrigerator to meet large family's demand for more freezing space. The Company's penetration exceeded 70% in Tier 3 and Tier 4 markets with over 300 franchised stores.

5. *Southeast Asia*

During the reporting period, the Company achieved revenue of **RMB2.922 billion**, an increase of **11.9%** year-on-year. The Company grasped demand for large capacity and health-conscious sterilization and accelerated new product launches to grow market share.

In the Thai market, the Company accelerated high-end brand development, with the market share of T-door and French door refrigerators reaching 35% and topped the industry. The residential air conditioner UV series met the users' needs for health-conscious sterilization in the post-pandemic era, driving the retail volume share of air conditioners to 13.6%, ranking first in the industry. 601 large front-load washing machine gained leadership in the industry, retail sales of front-load washing machines surged 95% in the first half of the year. The Company upgraded retail channels and seized opportunities online, the number of store presence in Thailand's chain store channels increased by 40%, while the number of retail touch points in the Philippines grew 51%. In Vietnam, the Company streamlined sales network into district-province-county-township levels and improved the wholesale capabilities and retail efficiency. In the first half of the year, sales revenue grew 80% online in Southeast Asia market. A flagship store was launched on Lazada in June in Vietnam, the GTM system went live in Malaysia and facilitated digital management of store display, a warehouse management system was also launched in Thailand.

6. *Japan*

During the period, the Company achieved revenue of **RMB1.837 billion in Japan**, up **3.3%** year-on-year, a growth of **17.9%** in local currency. The Company's market share for freezers, refrigerators and washing machines combined reached 15%, with 15.2% in refrigerators and 42.8% in freezers, both ranked first in the industry. During the period, the Company accelerated the transformation towards mid- to high-end products, and actively expanded the line-up of medium- and large-sized products. The Company seized the refrigerators' market share with Delie series and ultra-thin T-style products under AQUA brand, as well as 468/406 T-door and brand new ultra-narrow 3-door products under Haier brand. The Company captured the market opportunity of health-conscious laundry brought about by the pandemic with AQUA's superior line-up of variable-frequency washing machine products line-up and high-end heat pump front-load washers, as well as Haier's medium- and large-size variable-frequency washing machines. The Company strengthened the freezer product line-up with the differentiated Slim series and the 20th anniversary edition. AQUA's high-end revenue contribution grew 5 percentage points to 61%, while Haier's mid to high-end revenue contribution rose 11 percentage points to 50%.

In addition, the community laundry business continued to lead the industry with a market share of 70%. The Company has established more than 100 multi-scenario experience stores offering laundry, maintenance, clothing, food, and transportation solutions with cross-industry partners including FamilyMart, P&G, ENEOS petrol stations and MUJI, to optimize user experience.

(III) Strengthening digitalization for all processes to improve efficiency

During the reporting period, the Company has strengthened its digital transformation focusing on CRM, lean manufacturing and R&D.

The development of a digital user operation platform. Centring around full life cycle of product purchase, usage, and services, the Company leveraged its User Experiential Brain to integrate marketing, logistics, after-sales and smart devices, so as to visualize user experience, enhance operational efficiency and user satisfaction. In the first half of 2022, 26.59 million new members were added, total number of platform users reached 257 million. Average ticket size per member was 34.3% greater than regular users. ① Establishing digital marketing platform to improve user retention and conversion efficiency. In the first half of 2022, the number of users with retained information[2] amounted to 11.41 million, a growth of 219% year-on-year; conversion reached 18.93%, an increase of 58% year-on-year; digital[3] retail accounted for 22.6% of total sales, a rise of 112% year-on-year. ② Replacing service dispatch centres with system's direct matching of user request and maintenance personnel; accurate prediction and manufacturing of parts & components using algorithm to optimize spare parts expense ratio.

Lean manufacturing platform:

① The manufacturing platform primarily focused on the implementation of digital order management, and DFX new product introduction to improve manufacturing cost competitiveness and delivery efficiency. For example, establish schedule workbenches, which enabled digital management of scheduling, dispatch and logistics coordination, resulting in a 92% accuracy of dispatches with 95% on-time delivery of orders.

② Digital procurement service platform facilitated collaborations with third party big data platforms to dynamically optimized supply side resources, increasing the proportion of shared components to save procurement cost.

③ Supply chain platform improved management and the accuracy of demand forecasting while facilitating sharing of inventories. In the first half of the year, inventory turnover at regional headquarter level was optimized by 15%.

④ The logistics platform targeted end to end optimization of logistics expense by connecting people, cars and data to match vehicles, goods, and orders. In the first half of 2022, truck loading time was reduced by 30%, and logistics expense ratio was reduced by 10%.

Digitalized R&D platform was established to optimize product planning process, product life cycle management and standard system, product efficiency[4] improved by 23% in the first half of the year; in addition, it was also used to implement end to end cost optimization based on modules iterations and facilitate mass application of cost-effective new materials and processes.

2 Number of users with retained information: users who allow us to manage the information they submit digitally

3 Digital retail: sales revenue generated by users acquired through digital tools divided by total sales revenue

4 Product efficiency: Sales revenue divided by quantity of product models

IV. Development plan for the second half of the year

In the second half of 2022, the Company will press ahead with the three-level brand upgrade strategy of "high-end brand, scenario-based brand and ecosystem brand". Amid macro uncertainties, the Company will seize the opportunities of innovation and structural change in the market through strengthened leadership and forward-looking global deployment. The Company will define the Company's second curve development path by strategizing the smart home trend and building a smart home appliance ecosystem. At the same time, the Company will push forward with digital restructuring to enhance the efficiency throughout the entire value chain.

In the domestic market, the Company remains committed to high-end brand strategic implementation to increase Casarte's market share in all categories, continue to improve competitiveness of air conditioners with a focus on developing core technologies from in-house R&D and strategic alliances; accelerate growth in consumer robotics and small appliances, while grasping the suite-oriented and home furnishing market trend as well as new opportunities in tumble dryers and dishwashers, focus on creating value for users and distributors with steady performance; accelerate digital reform to facilitate cost reduction and efficiency enhancement.

The Company will continue to implement high-end brand strategy in the overseas market, meeting the pressing worldwide demand for energy-efficient and green products, leveraging global R&D capabilities, introduce differentiated and efficient products; speeding up development in HVAC channels supported by localized energy efficient facilities; mitigating cost pressure with global supply chain management platform; with Rendanheyi (人單合一)' management model and well-established incentive programmes to inspire employees' enthusiasm, capture growth opportunities while minimizing market risks.

Possible Risks

1. Risk of decreasing market demand due to macroeconomic slowdown. Sales of white goods as durable consumer appliances are subject to users' income level and their expectations of future income growth which will have a certain impact on their willingness to purchase products. A slowdown in macroeconomic growth causing a decline in users' purchasing power will have a negative impact on industry growth. In addition, a slowdown in real estate market will also have a negative impact on market demand.

2. Risk of price war caused by intensified industry competitions. The white goods industry is highly competitive with a high degree of product homogeneity, industry concentration has continued to increase. However, the increase in inventory in individual sub-sectors due to demand-supply imbalance may lead to price war. Furthermore, rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation are making it increasingly difficult to profit. Although new products, services and technologies are often associated with higher selling prices, it has become necessary for the Company to invest more in R&D.

3. Risk of fluctuations in raw material prices. The Company's products and core components use metal such as steel, aluminium, and copper, as well as commodities 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 manufacturers and suppliers for key raw materials, components and manufacturing equipment, 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 including volume & price adjustment mechanism as well as hedging to reduce the risk of raw material fluctuations on its operations.

4. Operational risk in overseas business. The Company has established production bases, R&D centres, and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year by year. Overseas markets are subject to political and economic situations (including events such as military conflicts), legal systems and regulatory regimes of those countries and regions. Significant changes in these factors will pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impacts, including collaborating with suppliers and distributors, improving production efficiency, expanding supply chain to other countries, and safety measures to protect its people and assets.

5. Risk of exchange rate fluctuations. As the Company expands its global footprint, the import and export of products involve the exchange 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. In addition, the Company's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of their primary economic environment in which the entity operates and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.

6. Risk of policy changes. The home appliance industry is closely related to the consumer market and the real estate market. Changes in macroeconomic policies, consumption investment policies, real estate policies and relevant laws and regulations will affect product demand, which in turn will affect product sales of the Company. The Company will closely monitor changes in policies, laws, and regulations to ensure stable operation of its businesses.

7. Risk of uncertainties resulted from COVID-19 outbreak. The COVID-19 outbreak that gradually spread around the end of 2019 may lead to a further weakening of consumer demand for home appliances, which in turn will affect the Company's product sales. Lockdowns and travel restrictions will reduce people's mobility and hamper the operations of sales networks. Besides, the pandemic may also cause disruptions to the operations of distributors, logistical disruptions in the delivery of product could result 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 coordinate its global resources to mitigate the impact of the pandemic on its businesses.

8. Credit risk. If the Company is not able to collect all trade receivables from its distributors, or distributors are not able to settle the Company's trade receivables in a timely manner, the Company's business, financial status, and operation performance may be adversely affected. In relation to this risk, the Company will maintain flexibility by offering credit period of 30 to 90 days to certain distributors based on their credit history and transaction amount.

9. Inventory risk. Excess inventory might occur as the Company cannot always accurately predict trends and events and maintain appropriate inventory levels; thus, the Company may be forced to offer discounts or promotions to manage the slow-moving inventory. On the other hand, a shortage of inventory may lead to loss of sales opportunities for the Company. However, the Company will conduct regular impairment assessment of its inventory and manage its inventory according to market situation.

FINANCIAL REVIEW

In the first half of 2022, the Group's revenue amounted to approximately RMB121,846 million, representing an increase of 9.1% from RMB111,722 million (restated) in the first half of 2021.

Profit attributable to owners of the Company amounted to RMB7,949 million, representing an increase of 15.9% from approximately RMB6,859 million (restated) in the first half of 2021.

1. Analysis of Revenue and Profit

Items	For the six months ended 30 June 2022 RMB'M (Unaudited)	2021 RMB'M (Unaudited) (Restated)	Change %
Revenue			
Smart Home Business in China	**64,755**	57,459	12.7
Refrigerators/Freezers	**21,739**	19,188	13.3
Kitchen Appliances	**1,989**	1,784	11.5
Air-conditioners	**19,459**	17,644	10.3
Laundry Appliances	**14,782**	12,958	14.1
Water Appliances	**6,786**	5,885	15.3
Smart Home Business Overseas	**61,481**	56,916	8.0
Other Business	**43,028**	43,373	(0.8)
Inter-segment elimination	**(47,418)**	(46,026)	3.0
Consolidated revenue	**121,846**	111,722	9.1
Adjusted operating profit*	**8,376**	7,528	11.3
Profit attributable to owners of the Company	**7,949**	6,859	15.9
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
— For profit for the period	**RMB0.85**	RMB0.74	14.9
Diluted			
— For profit for the period	**RMB0.85**	RMB0.73	16.4

* Adjusted operating profit is defined as profit before tax, net of bank interest income, foreign exchange gains and losses, return on investments in other financial assets, government grants, finance costs and share of profits and losses of associates.

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

	For the six months ended 30 June		
	2022	2021	Change
	RMB'M	RMB'M	%
	(Unaudited)	(Unaudited) (Restated)	
China	**59,346**	53,694	10.5
Other countries/regions	**62,500**	58,028	7.7
Total	**121,846**	111,722	9.1

In the first half of 2022, the Group's revenue amounted to RMB121,846 million, representing an increase of 9.1% from approximately RMB111,722 million (restated). The steady growth in the Group's revenue was driven by: (1) our strengths in high-end brands, suite products and scenario-based solutions which enhanced user value; (2) our localized presence in overseas markets with integrated "R&D, manufacturing and sales", as well as synergies of global resources, which expanded overseas market share; (3) expansion in distribution network and marketing digitalization which enhanced retail-end customer acquisition and transaction conversion.

Revenue from the Smart Home Business in China increased by 12.7% from approximately RMB57,459 million (restated) in the first half of 2021 to approximately RMB64,755 million in the first half of 2022. Driven by the Group's enhanced competitiveness in the domestic market, our market shares across the board continued to increase. Casarte continued to grow fast despite the industry's negative trend. Retail-end customer acquisition and conversion were improved through distribution network, digital platform and operation system construction.

(1) Household Food Solutions

Revenue from refrigerators/freezers increased by 13.3% from approximately RMB19,188 million in the first half of 2021 to approximately RMB21,739 million in the first half of 2022. The refrigerator/freezer business leveraged its multi-brand advantages to spearhead the industry's consumption upgrade and further expanded its high-end market leadership.

Revenue from kitchen appliances increased by 11.5% from approximately RMB1,784 million (restated) in the first half of 2021 to approximately RMB1,989 million in the first half of 2022. The Group enhanced its refined operational capabilities by focusing on the upgrade of Casarte's product mix and the retail transformation of home improvement channels; expanded our retail coverage and leveraged sales channels in lower-tier markets; and established differentiated competitiveness through integrating GEA's, Fisher & Paykel's and Candy's kitchen technologies.

(2) Household Air Solutions

Revenue from air-conditioners increased by 10.3% from approximately RMB17,644 million in the first half of 2021 to approximately RMB19,459 million in the first half of 2022. The air solution business strived to provide users with smart and health-conscious household air solutions. We accelerated market expansion to improve operational efficiency which substantially enhanced our overall competitiveness.

(3) Household Clothing Solutions

Revenue from washing machine increased by 14.1% from approximately RMB12,958 million in the first half of 2021 to approximately RMB14,782 million in the first half of 2022. The Group's washing machine business continued to outperform the industry through continuous innovation which consolidated our high-end market leadership. The tumble dryer business also continued to achieve business growth.

(4) Household Water Solutions

Revenue from water appliances increased by 15.3% from approximately RMB5,885 million in the first half of 2021 to approximately RMB6,786 million in the first half of 2022. The Group's water heater and water purifier business remained focused on innovation and product upgrades to create the best user experience, which expanded its leading edge and improved market shares.

(5) Smart Home Business Overseas

Revenue from Smart Home Business Overseas increased by 8.0% from approximately RMB56,916 million in the first half of 2021 to approximately RMB61,481 million in the first half of 2022. We proactively responded to industry challenges through the 'Rendanheyi (人單合一)' mechanism and the localization strategies which accelerated the expansion of advantages and explored new growth opportunities. We captured high-end growth opportunities by accelerating brand building, and increased high-end revenue share by upgrading our product portfolio and improving user experience. The expansion of home improvement channels and professional channels has supported new business development and strengthened new product showcases in distribution networks, thus creating a differentiated competitive advantage. We established the supply chain resilience by strengthening the layout of global supply chain and utilizing the operational advantages of the newly established overseas factories. We mitigated the impact of shipping challenges and component shortages on costs through global coordination such as joint negotiations, allocation optimization and strategic procurement.

Revenue from America increased by 6.0% from approximately RMB35,325 million in the first half of 2021 to approximately RMB37,434 million in the first half of 2022. By accelerating high-end brand building and grasping growth opportunities in the high-end market, high-end brands achieved revenue growth of over 40% with increasing market share.

Revenue from the European market increased by 12.7% from approximately RMB9,094 million in the first half of 2021 to approximately RMB10,245 million in the first half of 2022. Challenged by high inflation, escalated energy prices, and rising shipping and commodity costs, the Company strengthened its high-end transformation, gained insight into customer needs, accelerated the localization of supply chain, and enhanced channel competitiveness, leading to growth against a downward trend.

Profit Attributable to Owners of the Company

In the first half of 2022, the profit attributable to owners of the Company was approximately RMB7,949 million, representing an increase of 15.9% from approximately RMB6,859 million (restated) in the first half of 2021.

Adjusted Operating Profit

Adjusted operating profit is defined as profit before tax, net of bank interest income, foreign exchange gains and losses, return on investments in other financial assets, government grants, finance costs and share of profits and losses of associates.

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

In the first half of 2022, the adjusted operating profit of the Group amounted to RMB8,376 million, representing an increase of 11.3% as compared to RMB7,528 million (restated) in the first half of 2021. 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 prepared in accordance with IFRS for the six months ended 30 June 2022 and 2021:

	For the six months ended 30 June	
	2022	2021
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
		(Restated)
Profit before tax	**9,998**	8,472
Adjustment:		
Bank interest income	**(348)**	(253)
Foreign exchange (gains)/losses	**(168)**	211
Government grants	**(434)**	(284)
Return on investments in other financial assets	**(87)**	(37)
Finance costs	**352**	362
Share of profits and losses of associates	**(937)**	(943)
Adjusted operating profit	**8,376**	7,528

Gross Profit Margins

Challenged by escalating commodity and component costs, the Company achieved a gross profit margin of 29.7% in the first half of 2022, up 0.2 percentage points compared to the first half of 2021. The increase in gross profit margin was mainly due to the growing share of revenues from high-end products, product mix optimization, digitalization of R&D and procurement which enhanced competitiveness of individual products, and supply chain digitalization which improved operational efficiency. For example, at the stage of product R&D and design, all units from R&D were engaged in advance to ensure the competitiveness of individual products. At the stage of procurement and manufacturing, we enhanced cost competitiveness by building a supplier database, filling gaps in the industry value chain and increasing the degree of in-house manufacturing of components.

Selling and Distribution Expenses

The Group's selling and distribution expenses accounted for 14.4% of the revenue, representing a reduction of 0.6 percentage points compared to the first half of 2021. The cost reduction was due to continuous digitalization and the "four-network integration" (logistics, service, marketing and user networks) which optimized operational and cost efficiencies. For example, at the marketing stage, through the establishment of a digital staff platform and a digitalized marketing platform, marketing resources were allocated directly to users to improve retail-end customer acquisition and conversion. At the logistics and warehousing stage, through digital inventory, digital management and digital experience, we enabled end-to-end data transparency and visibility to improve distribution efficiency. In terms of after-sales services, by connecting service workers with digital platforms, service requests that were originally dispatched via operators could now be directly accessed on the platform, thereby improving efficiency and user experience. By accurately predicting and manufacturing spare parts using algorithms, the expense ratio of spare parts was significantly optimized.

Administrative Expenses

The Group's administrative expenses accounted for 8.7% of the revenue, representing an increase of 0.4 percentage point year-on-year. On the one hand, the Group firmly pushed forward the transformation of digital operation, optimizing business processes and enhancing organizational efficiency by adopting the digital platform throughout the whole process, which contributed to the optimization of the administrative expense ratio by 0.1 percentage point; on the other hand, the Group increased its investment in the research and development of application software, voice control, image recognition, big data applications and related advanced research and development technologies, which enhanced its competitiveness in artificial intelligence and led to an increase in the administrative expense ratio by 0.5 percentage point.

2. Financial Position

Items	30 June 2022 RMB'M (Unaudited)	31 December 2021 RMB'M (Audited) (Restated)
Non-current assets	**98,443**	93,820
Current assets	**128,210**	123,779
Current liabilities	**127,832**	125,005
Non-current liabilities	**11,245**	11,451
Net assets	**87,576**	81,143

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

As at 30 June 2022, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets increased by 11.4% from RMB47,557 million (restated) as at 31 December 2021 to RMB52,970 million as at 30 June 2022.

Items	30 June 2022 RMB'M (Unaudited)	31 December 2021 RMB'M (Audited) (Restated)
Cash and cash equivalents	**49,265**	45,071
Wealth management products from other financial assets — Current portion	**3,705**	2,486
Total	**52,970**	47,557

Net Assets

The Group's net assets increased by 7.9% from RMB81,143 million (restated) as at 31 December 2021 to RMB87,576 million as at 30 June 2022.

Working Capital

Trade and Bills Receivables Turnover Days

The trade and bills receivables turnover days of the Group was 40 days in the first half of 2022, representing a decrease of 7 days as compared to the end of 2021, which was mainly due to the Group's effective management of trade and bills receivables.

Inventory Turnover Days

The Group's inventory turnover days at the first half of 2022 was 85 days, representing an increase of 5 days as compared to the end of 2021, mainly due to the extended shipping cycle as a result of shortage of shipping and the increase in the amount of inventories at the end of the reporting period as a result of the significant increase in raw material prices during the period.

Trade and Bills Payable Turnover Days

The Group's trade and bills payables turnover days in the first half of 2022 were 141 days, representing a decrease of 3 days as compared to the end of 2021, which was mainly due to the change in payment cycles as a result of the change in the Group's procurement patterns.

3. Cash Flow Analysis

Items	Notes	For the six months ended 30 June 2022 RMB'M (Unaudited)	2021 RMB'M (Unaudited) (Restated)
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the period		**45,071**	45,738
Net cash flow from operating activities	(a)	**5,964**	8,442
Net cash flow from investing activities	(b)	**(4,160)**	(3,238)
Net cash flow from financing activities	(c)	**2,160**	(9,608)
Effect of foreign exchange rate changes, net		**230**	(106)
Cash and cash equivalents as stated in the statement of cash flows at the end of the period		**49,265**	41,228

(a) In the first half of 2022, the Group's net cash inflow from operating activities was RMB5,964 million, representing a decrease of RMB2,478 million compared to the same period of 2021. In the second quarter, the Company's net cash inflow from operating activities was RMB4,809 million, which was a surge of 316.5% compared to the first quarter. The Group's net cash inflow from operating activities in the first quarter decreased by RMB1,714 million compared to the same period of last year, which was mainly due to an increase in commodity inventory and chip procurements in China, reduced payment collection amid pandemic, and increased stockpiling in view of overseas logistics constraints. The net cash flow generated from operating activities in the second quarter decreased by RMB764 million on a year-on-year basis, mainly due to the increase in cash expenditure for purchasing goods and services in overseas business due to the sharp rise in raw material prices and shipping fees, as well as the increase in product and raw material stock due to the growth of overseas business and the construction of new factories overseas.

(b) Net cash outflow from investing activities in the first half of 2022 amounted to RMB4,160 million, representing an increase of 28.5% as compared to the same period of last year, with the details as follows:

Items	For the six months ended 30 June 2022 RMB'M (Unaudited)	2021 RMB'M (Unaudited) (Restated)
Payment for purchases of non-current assets	**(3,343)**	(3,156)
Purchase of wealth management products	**(1,054)**	(201)
Cash from disposal of fixed assets and leasehold land	**75**	19
Dividend received from associates	**379**	272
Interest received from wealth management products	**41**	31
Net cash outflow from other investing activities	**(258)**	(203)
Net cash flow from investing activities	**(4,160)**	(3,238)

(c) Net cash inflow from financing activities in the first half of 2022 amounted to RMB2,160 million, as compared to the net cash outflow of RMB9,608 million for the same period of last year, with details as follows:

Items	For the six months ended 30 June 2022 RMB'M (Unaudited)	2021 RMB'M (Unaudited)
Proceeds from borrowings	**8,045**	4,920
Repayment of borrowings	**(4,668)**	(5,618)
Repayment of bonds	**—**	(5,500)
Repurchase of shares	**(1,539)**	(2,594)
Interest paid	**(318)**	(287)
Lease payment	**(333)**	(314)
Proceeds from issue of shares	**940**	—
Net cash inflow/(outflow) from other financing activities	**33**	(215)
Net cash flow from financing activities	**2,160**	(9,608)

LIQUIDITY AND FINANCIAL RESOURCES

The Group pays great attention to cash flow management and has been able to maintain a healthy financial and liquidity position. As at 30 June 2022, the Group had a current ratio of 1.00 (31 December 2021: 0.99).

Items	30 June 2022 RMB'M (Unaudited)	31 December 2021 RMB'M (Audited) (Restated)
Cash and cash equivalents	49,265	45,071
Wealth management products from other financial assets	3,705	2,486
	52,970	47,557
Less:		
Interest-bearing borrowings	(24,627)	(21,043)
Net balance of cash and cash equivalents and wealth management products from other financial assets	28,343	26,514

As at 30 June 2022, wealth management products from other financial assets amounted to RMB3,705 million (31 December 2021: RMB2,486 million).

As at 30 June 2022, the Group's net balance of cash and cash equivalents and wealth management products from other financial assets amounted to RMB28,343 million (31 December 2021: RMB26,514 million (restated)), representing an increase of 6.9% as compared to 2021.

In the first half of 2022, the financial return of cash and cash equivalents and the return on wealth management products from other financial assets amounted to RMB390 million, representing an increase of 38.8% as compared to RMB281 million (restated) in the first half of 2021.

As at 30 June 2022, the Group's interest-bearing borrowings amounted to approximately RMB24,627 million, representing an increase of approximately 17% as compared to approximately RMB21,043 million as at 31 December 2021. The Group's interest-bearing borrowings were 38%, 34% and remaining 28% denominated in United States Dollar, Euro and other currencies respectively. The annual interest rates of the interest-bearing borrowings ranged from 0.25% to 5.5%.

As at 30 June 2022, the Group's convertible bond amounted to approximately RMB245 million, representing a decrease of approximately 26.9% as compared to approximately RMB335 million as at 31 December 2021. The Group's convertible bond was denominated in Hong Kong Dollar.

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 a super factory, as well as maintaining the financial flexibility for future strategic investment opportunities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2022, the Group has no future plans for material investments or capital assets.

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

USE OF PROCEEDS FROM CONVERTIBLE BONDS AND PLACEMENT OF SHARES

On 18 December 2018, the Company raised issued A-Share convertible corporate bonds of approximately RMB3,007 million. After deducting issuing costs and other related expenses of approximately RMB23 million, the net proceeds from the issuance of the convertible bonds (the "**Net Proceeds**") was approximately RMB2,984 million. As the A-Share convertible bonds in 2019 met the redemption conditions, the Directors of the Company decided to exercise the redemption right after consideration and approval, the Company redeemed the balance of the A-Share convertible bonds in full. After the redemption, the convertible bonds of the Company were delisted on 17 December 2019. At present, the A-Share convertible bonds no longer exist, but the funds raised from the issuance of the bonds have not been fully utilised.

During the reporting period, the Net Proceeds utilised was approximately RMB110 million. As of 30 June 2022, the unutilised Net Proceeds was approximately RMB261 million (the account balance includes the income generated from the purchase of wealth management products, interest on demand deposits, foreign exchange gains and losses and the not-yet-invested capital raised).

Detailed breakdown and description of the Net Proceeds utilized during the reporting period ended 30 June 2022 are set out below:

	Actual Net Proceeds as at 1 January 2022	Amount of Net Proceeds utilized for the period ended 30 June 2022	Unutilized Net Proceeds as at 30 June 2022
	RMB'M	RMB'M	RMB'M
Investment projects	249	32	217
Working Capital	78	78	—
	327	110	217

The Company intends to continue utilizing the remaining Net Proceeds of the investment projects. The unutilized Net Proceeds will be applied on two projects, namely "High-end central air-conditioning project with an annual output of 1.5 million air conditioners" and "Haier Kitchen Appliance New Factory Project" and are expected to be fully utilised by December 2022.

On 11 January 2022, the Company entered into a placing agreement with a placing agent for a placing of new H Shares of the Company under the general mandate. The Company intends to further strengthen its financial position through placing and utilising the net proceeds, mainly to support overseas business expansion and investment in ESG related areas. On 21 January 2022, the placing of shares had been completed. A total of 41,413,600 H Shares with a nominal value of RMB1.00 each have been placed to five placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and/or its connected persons. The placing price is HK$28.00 per H Share (whilst the closing price per H Share was HK$32.70 on 11 January 2022). The net price, based on estimated expense, is HK$27.77 per H Share.

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

The gross proceeds and net proceeds from the placing amounted to approximately HK$1,159.58 million and approximately HK$1,149.98 million respectively. The net proceeds of the placing will be used as to (i) 70% for production capacity expansion of overseas industrial parks; (ii) 15% for investment in ESG (Environmental, Social, Governance) related areas; (iii) 10% for digitalization and upgrade of overseas industrial parks; and (iv) 5% for overseas channel expansion and promotion, and is expected to be fully utilised by December 2024. As of 30 June 2022, the net proceeds from the placing remained unutilised. The above use was consistent with the intended use of proceeds previously disclosed by the Company.

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 businesses from time to time. The capital expenditure during the period was RMB3,343 million (the first half of 2021: RMB3,156 million (restated)), in which RMB1,770 million and RMB1,573 million were mainly used in China and overseas, respectively, for the construction of plant and equipment, property rental expenses and investments of information infrastructure, etc.

GEARING RATIO

As at 30 June 2022, the Group's gearing ratio (defined as total borrowings (including interest-bearing borrowings, lease liabilities and convertible bond) divided by net assets of the Group) was 32.5% (31 December 2021: 29.6%), representing an increase of 2.9 percentage point mainly due to the utilization of more preferential loans under the beneficiary policies offered by the government during the reporting 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 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. We conduct most of our overseas businesses through localised procurement, manufacturing and sales, which gives us the advantage 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 transactional risks. The Group also uses forward foreign exchange contracts to mitigate its transactional exchange rate exposure.

CAPITAL COMMITMENT

The Group's capital commitments contracted but not yet provided for amounted to RMB4,310 million as at 30 June 2022 (31 December 2021: RMB3,159 million), which were mainly related to the Group's domestic and overseas factory construction projects.

CHARGE OF ASSETS

As at 30 June 2022, certain of the Group's trade and bills receivables with a net carrying value of RMB181 million (31 December 2021: RMB263 million) were pledged to secure certain bank loans granted to the Group.

In addition, as at 30 June 2022, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB925 million (31 December 2021: RMB744 million) and the Group's bills receivable amounting to RMB7,896 million (31 December 2021: RMB12,449 million).

CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

RELATIONSHIP WITH EMPLOYEES AND REMUNERATION POLICY

The Group understands that employees are valuable assets and ensures that the remuneration packages for its employees remain competitive. Its employees are generally remunerated with fixed monthly salaries, which are reviewed annually, along with discretionary performance bonuses, share options and share award schemes. In addition, the Group has a thorough employee training and promotion mechanism that enables employees to continuously develop themselves.

The total number of employees of the Group decreased by 1% to 103,824 as at 30 June 2022 from 104,874 as at 31 December 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Repurchase of A-Share

During the six months ended 30 June 2022, the Company repurchased certain of its ordinary A-Share on the Shanghai Stock Exchange. The summary details of those transactions are as follows:

Months	Number of A-Share repurchased	Price per share Highest	Price per share Lowest	Total price paid
		RMB	RMB	RMB'M
April 2022	933,100	24.50	23.70	22.51
May 2022	46,831,339	26.00	24.50	1,187.23
June 2022	7,938,500	25.40	23.50	196.98
	55,702,939			1,406.72

The repurchases of the Company's A-Share during the reporting period was effected by the Directors, pursuant to a board resolution passed on 30 March 2022 regarding the repurchase of A-Share. The A-Share repurchased will be used in the Company's share incentive plans.

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 six months ended 30 June 2022.

DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

COMPLIANCE WITH CODE ON 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the period from 1 January 2022 to 30 June 2022, except for the following deviation:

Chairman and Chief Executive Officer ("CEO")

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct for securities transactions by Directors and Supervisors on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model code**") as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors and Supervisors of the Company had confirmed that they had complied with the required standard as set out in the Model Code throughout the period for the six months ended 30 June 2022.

CHANGES OF INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Reference is made to the Company's circular dated 7 June 2022 and the Company's announcement dated 28 June 2022 regarding the proposal on re-election of the Board of Directors and election of non-independent Directors of the Company, with effect from the conclusion of the 2021 annual general meeting of the Company held on 28 June 2022:

Mr. LIANG Haishan has retired as executive Director and chairman of the Company; Mr. XIE Juzhi has retired as executive Director of the Company; Mr. WU Changqi and Mr. LIN Sui have retired as non-executive Director of the Company; Mr. GONG Wei was appointed as executive Director of the Company; Ms. SHAO Xinzhi was appointed as non-executive Director and vice chairman of the Company; and Mr. LI Huagang was appointed as the chairman and CEO of the Company.

Reference is also made to the Company's circular dated 7 June 2022. As authorized by the shareholders of the Company at the 2021 annual general meeting, the Board adjusted the allowances of the Directors from RMB260,000 per year before tax to RMB320,000 per year before tax.

Saved as disclosed above, there was no change of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the reporting period and up to the date of this report.

AUDIT COMMITTEE

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 unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022, and discussed with internal audit department on internal audit and controls, and risk management.

APPRECIATION

I would like to take this opportunity to thank all my fellow Directors and staff members for their dedicated services, contributions and supports during the period.

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

Qingdao, the PRC
29 August 2022

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

On 30 June 2022, the interests and short positions of the Directors, Supervisors and chief executive in the share capital and underlying shares ("**Share(s)**") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares of the Company:

Names	Positions	Class of Shares held	Number of Shares held	Nature of interest	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LI Huagang	Chairman of the Board, Executive Director and Chief Executive Officer	A Share H Share	764,145 812,145	Beneficial owner Beneficial owner	0.0121% 0.0283%	0.0081% 0.0086%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	1,911,970	Beneficial owner	0.0303%	0.0202%
Ms. SHAO Xinzhi	Vice Chairman of the Board, Non-Executive Director	H Share	1,045,056	Beneficial owner	0.0364%	0.0111%
Mr. YU Hon To, David	Non-Executive Director	H Share	810,000	Beneficial owner	0.0283%	0.0086%
Ms. Eva LI Kam Fun	Non-Executive Director	H Share	355,200	Beneficial owner	0.0124%	0.0038%
Mr. LIU Dalin	Chairman of the Board of Supervisors	H Share	21,355	Beneficial owner	0.0007%	0.0002%
Ms. MA Yingjie	Supervisor	A Share	3,904	Beneficial owner	0.0001%	0.0000%

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2022 totalling 9,446,791,970 Shares comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,867,225,343 H Shares, representing approximately 66.78%, 2.87% and 30.35% of the total share capital of the Company, respectively.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in shares of the Company: (continued)

Apart from above, the following Directors, Supervisors and chief executive are also the grantees of the A Share ESOP (2021) and H Share ESOP (2021) of the Company:

Names	Positions	Class of Shares	Number of outstanding shares of ESOP	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LI Huagang	Chairman of the Board, Executive Director and Chief Executive Officer	A Share H Share	137,400 159,620	0.0022% 0.0056%	0.0015% 0.0017%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share H Share	85,081 98,840	0.0013% 0.0034%	0.0009% 0.0010%
Mr. LIU Dalin	Chairman of the Board of Supervisors	A Share	31,406	0.0005%	0.0003%
Ms. MA Yingjie	Supervisor	A Share	7,886	0.0001%	0.0001%
Mr. YU Miao	Supervisor	A Share	6,225	0.0001%	0.0001%

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2022 totalling 9,446,791,970 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,867,225,343 H Shares, representing approximately 66.78%, 2.87% and 30.35% of the total share capital of the Company, respectively.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in shares of the Company: (continued)

On 11 January 2022, the Company entered into a placing agreement with a placing agent for a placing of new H Shares of the Company under general mandate. A total of 41,413,600 H Shares have been placed to five placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and/or its connected persons. The placing price is HK$28.00 per H Share. The following directors and supervisor of the Company have invested indirectly in the structured notes issued by Golden Sunflower, one of the placees, through the trusts and asset management schemes. The details of their capital contribution are as follows:

Name	Positions	Amount contributed (In HK$ million)	Relevant number of placing H shares	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LI Huagang	Chairman of the Board, Executive Director and Chief Executive Officer	18.35	655,305	0.0229%	0.0069%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	9.17	327,652	0.0114%	0.0035%
Ms. SHAO Xinzhi	Non-Executive Director	11.01	393,183	0.0137%	0.0042%
Mr. LIU Dalin	Supervisor	4.89	174,629	0.0061%	0.0018%

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2022 totalling 9,446,791,970 Shares comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,867,225,343 H Shares, representing approximately 66.78%, 2.87% and 30.35% of the total share capital of the Company, respectively.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

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

Names	Positions	Class of Shares	Number of share options granted and not yet exercised	Approximate percentage* of shareholding interest in the relevant class of Shares upon exercise of share options	Approximate percentage* of shareholding interest in the total share capital of the Company upon exercise of share options
Mr. LI Huagang	Chairman of the Board, Executive Director and Chief Executive Officer	A Share	913,900	0.0145%	0.0097%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	457,000	0.0072%	0.0048%

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

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2022 totalling 9,446,791,970 Shares comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,867,225,343 H Shares, representing approximately 66.78%, 2.87% and 30.35% of the total share capital of the Company, respectively.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive had any interests or short positions in the shares or underlying shares of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

On 30 June 2022, the following shareholders who have interests in 5% or more of the issued share capital of the Company were recorded in the register of substantial shareholders as required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name of Shareholder	Class of Shares held	Number of Shares held	Nature of interest	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Haier Group Corporation[Notes 1 to 4]	A Share	2,624,170,564	Beneficial owner Interest in controlled corporation Interest through voting rights entrustment arrangement	41.60%	27.78%
	H Share	538,560,000	Interest in controlled corporation	18.78%	5.70%
	D Share	58,135,194	Interest in controlled corporation	21.45%	0.62%
Haier COSMO Co., Ltd.[Notes 1 and 2]	A Share	1,258,684,824	Beneficial owner	19.95%	13.32%
HCH (HK) Investment Management Co., Limited[Note 3]	H Share	538,560,000	Beneficial owner	18.78%	5.70%
Haier International Co., Limited[Note 4]	D Share	58,135,194	Beneficial owner	21.45%	0.62%
Other H Class Shareholders[Note 5]					
Other D class Shareholders[Note 6]					

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2022 totally 9,446,791,970 Shares comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,867,225,343 H Shares, representing approximately 66.78%, 2.87% and 30.35% of the total share capital of the Company, respectively.

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

Long positions: (continued)

Notes:

1. Haier Group Corporation holds directly 1,072,610,764 A Shares. In addition, Haier Group Corporation indirectly owns or controls (i) 1,258,684,824 A Shares through Haier COSMO Co., Ltd. (海爾卡奧斯股份有限公司) (formerly Haier Electric Appliances International Co., Ltd.), one of its subsidiaries, (ii) 172,252,560 A Shares through Qingdao Haier Venture & Investment Information Co., Ltd., one of its subsidiaries and (iii) 120,622,416 A Shares through Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership), a party acting in concert with Haier Group Corporation. (note: Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) also engaged in refinancing and securities lending business, involving a total of 1,898,000 A Shares, whilst the ownership of which had not been transferred.)

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

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

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

5. JPMorgan Chase & Co. held 270,823,395 H Shares, representing approximately 9.45% of the total number of H Shares. BlackRock, Inc. held 151,132,290 H Shares, representing approximately 5.27% of the total number of H Shares.

6. Silk Road Fund Co., Ltd. held 54,007,663 D Shares, representing approximately 19.93% of the total number of D Shares; Morgan Stanley held 18,485,130 D Shares, representing approximately 6.82% of the total number of D Shares.

Short positions and Lending pools:

JPMorgan Chase & Co. had a short position of 6,576,910 H Shares, representing approximately 0.23% of the total number of H Shares; and had a lending pool of 52,902,302 H Shares, representing approximately 1.85% of the total number of H Shares. BlackRock, Inc. had a short position of 692,400 H Shares, representing approximately 0.02% of the total number of H Shares.

Morgan Stanley had a short position of 16,870,822 D Shares, representing approximately 6.23% of the total number of D Shares.

Save as disclosed above, as at 30 June 2022, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

2019 Share Award Scheme

The Company operates a share award scheme (ESOP) as approved by the Board on 29 April 2019 (the "**2019 Share Award Scheme**"). The awards granted or to be granted under the 2019 Share Award Scheme form part of the remuneration packages for the employees of our Company.

During the period, all outstanding unvested 2,551,292 shares held by the 2019 Share Award Scheme have been sold, and all assets of these share award schemes are monetary funds. In accordance with the relevant provisions, the 2019 Share Award Scheme has been implemented and terminated.

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

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

It is expected that relevant employees of the Group ordinarily reside within Mainland China will mainly be covered by the A Share ESOP and H Share ESOP, while relevant employees of the Group ordinarily reside outside Mainland China will mainly be covered by the RSU Scheme.

The A Share and H Share ESOP and RSU Scheme are designed to provide incentive to middle and senior management and core employees with the Company's two to three-year profit target and business unit and individual performance target as the main appraisal benchmarks.

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

A Share ESOP and H Share ESOP

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

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

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

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

In order to improve the corporate governance mechanism, create value for shareholders and promote the full implementation of the Company's IoT smart home brand strategy, upon the consideration and authorization at the 2020 Annual General Meeting of the Company convened on 25 June 2021, the Company introduced the H Share Core Employee Stock Ownership Plan (2022) and the A Share Core Employees Ownership Plan (2022) upon the approval at the 28th Meeting of the 10th session of the Board of Directors of the Company convened on 28 April 2022. During the reporting period, the Company advanced the work related to the 2022 A Share and H Share ESOP.

A Share ESOP (2021)

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

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

After the end of the lock-up period, the Participants shall be appraised according to the performance appraisal system of the Company. The appraisal period is generally two years in the proportion of 40% and 60%, and the final appraisal period and the vesting proportion shall be determined by the Management Committee of the ESOP.

The A Share ESOP (2021) Participants include 14 persons of the then directors, supervisors and other senior management members, and 1,585 core technical (business) employees with a total holding of RMB707 million. The details of the directors and supervisors of the Company in the A Share ESOP (2021) are as follows:

Names	Positions	Number of A Shares	As a percentage of A Share ESOP (2021)
LIANG Haishan*	Director	972,132	3.82%
LI Huagang	Director	137,400	0.54%
GONG Wei#	Director	85,081	0.33%
XIE Juzhi*	Director	94,011	0.37%
LIU Dalin	Supervisor	31,406	0.12%
MA Yingjie	Supervisor	7,886	0.03%
YU Miao	Supervisor	6,225	0.02%
Subtotal		1,334,141	5.24%
Other Employees (1,592 persons)		24,106,666	94.76%
Total		25,440,807	100%

* retired on 28 June 2022
\# appointed on 28 June 2022

A Share ESOP (2022)

There should be no more than 2,250 employees participating in the 2022 ESOP. The total amount of funds to be used to participate in the 2022 ESOP shall be RMB680 million, with "shares" as the subscription unit, and each share is RMB1. There are 11 persons including directors (including Mr. Li Huagang and Mr. Gong Wei), supervisors (including Mr. Liu Dalin, Ms. Ma Yingjie and Mr. Yu Miao) and senior officers, with a total share of RMB21.96 million, accounting for 3.2% of the 2022 ESOP. There are 2,239 core technical (business) personnel of the Company and its subsidiaries, with a total share of RMB658.04 million, accounting for 96.8% of the 2022 ESOP.

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

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

Subsequent to the reporting period, 26,814,055 Shares (transfer price was RMB25.33 per share) held in the "repurchase special account of Haier Smart Home Co., Ltd". were transferred to the designated account of "Haier Smart Home Co., Ltd. — A Share Core Employee Stock Ownership Plan (2022)" through non-trading transfer.

H Share ESOP (2021)

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

After the end of the lock-up period, the Participants shall be appraised according to the performance appraisal system of the Company. The appraisal period is generally two years in the proportion of 40% and 60%, and the final appraisal period and the vesting proportion shall be determined by the Management Committee of the ESOP.

The participants of the H Share ESOP are 35 core senior management staff members of the Company who play an important role in the overall performance and development of the Company. The details of the directors of the Company in the H Share ESOP (2021) are as follows:

Names	Positions	Number of H Shares	As a percentage of H Share ESOP (2021)
LIANG Haishan*	Director	1,129,344	30.06%
LI Huagang	Director	159,620	4.25%
GONG Wei#	Director	98,840	2.63%
XIE Juzhi*	Director	109,214	2.91%
Subtotal		1,497,018	39.85%
Other Employees (31 persons)		2,259,982	60.15%
Total		3,757,000	100%

* retired on 28 June 2022
\# appointed on 28 June 2022

H Share ESOP (2022)

Participants of the 2022 ESOP shall include the directors (except for independent directors) and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries, totaling 33 persons. The total amount of funds to be used to participate in the 2022 ESOP shall be RMB60 million, with "shares" as the subscription unit, and each share is RMB1. There are 8 persons including directors (Mr. Li Huagang and Mr. Gong Wei), and senior officers, with a total share of RMB20.53 million, accounting for 34.2% of the 2022 ESOP. There are 25 other core management personnel of the Company, with a total share of RMB39.47 million, accounting for 65.8% of the 2022 ESOP.

The source of shares of the 2022 ESOP shall be the H shares of the Company purchased from the secondary market through the Shanghai-Hong Kong Stock Connect. The lock-up period shall be 12 months, calculated from the date when the Company announces that the underlying shares purchased in the last time are recorded in the 2022 ESOP.

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

Subsequent to the reporting period, the Company entrusted an asset management company to purchase a total of 2,653,200 H Shares of the Company in the secondary market through the Hong Kong Stock Connect, with a transaction amount of approximately HK$68 million.

H Share Restricted Share Unit Scheme

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

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

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

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

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

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

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

During the year 2021, a total of 4,438,027 H Share RSU of the Company were granted to and accepted by 52 staff members of the Company (who are not directors, chief executive and supervisors of the Company) who play an important role in the overall performance and development of the Company.

During the reporting period (2022), a total of 5,598,894 H Share RSU of the Company were granted to and accepted by 124 staff members of the Company (who are not directors, chief executive and supervisors of the Company) who play an important role in the overall performance and development of the Company.

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

	Number of H Share RSU							
Name or category of Participants	On 1 January 2022	Granted during the period	Vested during the period	Cancelled during the period	Lapsed during the period	On 30 June 2022	Date of grant of RSU	Period during which RSU be vested
Other employees								
In aggregate	4,438,027	—	—	—	—	4,438,027	30/7/2021, 1/9/2021, 15/12/2021	1/8/2022–1/8/2024
In aggregate	—	5,598,894	—	—	—	5,598,894	25/5/2022, 23/6/2022	1/7/2023–1/7/2025
	4,438,027	5,598,894	—	—	—	10,036,921		

The fair values of the RSU granted during the period ended 30 June 2022 were approximately HK$146 million (HK$26 each) (31 December 2021: HK$116 million (HK$26.1 each)), the Group recognised a total restricted share expense of RMB9 million (31 December 2021: RMB17 million) during the period ended 30 June 2022.

The particulars regarding dilution effect of the H Share RSU are set out in note 11 to the financial statements.

A-SHARE OPTION SCHEME

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

The total number shares of the Company to be granted under the A Share Option Incentive schemes within the validity period to any participants will not exceed 1% of the total number of shares of the Company. The total underlying shares of the Company involved under fully effective share option incentive schemes shall not exceed 10% of the total number of shares of the Company as at the date of the announcement of the incentive scheme.

2021 A Share Option Incentive Scheme

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

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

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

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

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

2022 A Share Option Incentive Scheme

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

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

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

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

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

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

Name or category of Participants	Number of A-Share options On 1 January 2022	Granted during the period	Exercised during the period	Cancelled during the period (note 3)	Lapsed during the period	On 30 June 2022	Date of grant of share options (note 1)	Exercise period of share options	Exercise price of share options per share (note 2) RMB
Executive directors									
Mr. LIANG Haishan	913,900	—	—	—	—	913,900	15/09/2021	15/09/2022 to 15/09/2027	25.63
Mr. LI Huagang	913,900	—	—	—	—	913,900	15/09/2021	15/09/2022 to 15/09/2027	25.63
Mr. XIE Juzhi	913,900	—	—	—	—	913,900	15/09/2021	15/09/2022 to 15/09/2027	25.63
Other employees									
In aggregate	43,258,300	—	—	—	—	43,258,300	15/09/2021	15/09/2022 to 15/09/2027	25.63
In aggregate	4,525,214	—	—	—	—	4,525,214	15/12/2021	15/12/2022 to 15/12/2027	25.63
In aggregate	—	104,756,896	—	—	—	104,756,896	28/06/2022	28/06/2023 to 28/06/2027	23.86
	50,525,214	104,756,896	—	—	—	155,282,110			

Exercise arrangement for the share options granted in 2021:

Exercise arrangement	Vesting periods	Proportion of exercisable share options to granted share options	Exercise periods
1st exercise	From the date of grant to the expiry of 12 months from the date of grant	20%	From the first trading day upon the expiry of 12 months from the date of grant to the last trading day upon the expiry of 24 months from the date of grant
2nd exercise	From the date of grant to the expiry of 24 months from the date of grant	20%	From the first trading day upon the expiry of 24 months from the date of grant to the last trading day upon the expiry of 36 months from the date of grant
3rd exercise	From the date of grant to the expiry of 36 months from the date of grant	20%	From the first trading day upon the expiry of 36 months from the date of grant to the last trading day upon the expiry of 48 months from the date of grant
4th exercise	From the date of grant to the expiry of 48 months from the date of grant	20%	From the first trading day upon the expiry of 48 months from the date of grant to the last trading day upon the expiry of 60 months from the date of grant
5th exercise	From the date of grant to the expiry of 60 months from the date of grant	20%	From the first trading day upon the expiry of 60 months from the date of grant to the last trading day upon the expiry of 72 months from the date of grant

Exercise arrangement for the share options granted in 2022:

Exercise arrangement	Vesting periods	Proportion of exercisable share options to granted share options	Exercise periods
1st exercise	From the date of grant to the expiry of 12 months from the date of grant	25%	From the first trading day upon the expiry of 12 months from the date of grant to the last trading day upon the expiry of 24 months from the date of grant
2nd exercise	From the date of grant to the expiry of 24 months from the date of grant	25%	From the first trading day upon the expiry of 24 months from the date of grant to the last trading day upon the expiry of 36 months from the date of grant
3rd exercise	From the date of grant to the expiry of 36 months from the date of grant	25%	From the first trading day upon the expiry of 36 months from the date of grant to the last trading day upon the expiry of 48 months from the date of grant
4th exercise	From the date of grant to the expiry of 48 months from the date of grant	25%	From the first trading day upon the expiry of 48 months from the date of grant to the last trading day upon the expiry of 60 months from the date of grant

Notes:

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

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

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

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

The closing price of the Company's A Share immediately before the grant date of the A Share options (28 June 2022) was RMB27.3 per share.

The total number of A Shares available for issue under the A-share option scheme is 50,525,214 as at 31 December 2021, representing approximately 0.54% of the total share capital as at 31 December 2021 and approximately 0.53% of the total share capital as at 28 April 2022 (the date of 2021 annual report of the Company).

The total number of A Shares available for issue under the A-share option scheme is 155,282,110 as at 30 June 2022, representing approximately 1.64% of the total share capital as at 30 June 2022. Should the share options be fully exercised, the Company will receive approximately RMB3,794,000,000 (before issue expenses).

The particulars regarding dilution effect of the share options are set out in note 11 to the financial statements.