Haier Smart Home Co., Ltd.*

海爾智家股份有限公司

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

Stock Code: 6690

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	2023	2022	Change
	RMB'M	*RMB'M*	*%*
		(Restated)	
Revenue	**261,422**	243,550	7.3
Gross profit	**80,703**	74,590	8.2
Adjusted operating profit (as defined below)	**17,250**	15,014	14.9
Profit for the year	**16,732**	14,733	13.6
Attributable to:			
Owners of the Company	**16,597**	14,712	12.8
Non-controlling interests	**135**	21	542.9
	16,732	14,733	
Earnings per share attributable to ordinary equity holders of the Company			
Basic	**RMB1.79**	RMB1.58	13.3
Diluted	**RMB1.78**	RMB1.57	13.4
Proposed dividend per 10 shares	**RMB8.04**	RMB5.67	

* *For identification purpose only*

ANNUAL RESULTS

The board of directors (the "**Board**") of Haier Smart Home Co., Ltd. (the "**Company**") hereby announces the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023** *RMB'M*	2022 *RMB'M* (Restated)
REVENUE	5	**261,422**	243,550
Cost of sales		**(180,719)**	(168,960)
Gross profit		**80,703**	74,590
Other gains, net		**3,463**	2,913
Selling and distribution expenses		**(40,978)**	(38,601)
Administrative expenses		**(23,152)**	(21,696)
Finance costs		**(2,111)**	(997)
Share of profits and losses of associates		**1,787**	1,582
PROFIT BEFORE TAX	6	**19,712**	17,791
Income tax expenses	7	**(2,980)**	(3,058)
PROFIT FOR THE YEAR		**16,732**	14,733
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified to profit or loss in subsequently periods:			
Share of other comprehensive (loss)/income of associates		**(104)**	100
Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		**(99)**	10
Exchange differences on translating foreign operations		**(336)**	3,159
		(539)	3,269

	Notes	2023 RMB'M	2022 RMB'M (Restated)
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes arising from re-measurement of defined benefit plans		**40**	33
Change in fair value of equity investments designated at fair value through other comprehensive income ("**FVTOCI**"), net of tax		**463**	(137)
		503	(104)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(36)**	3,165
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16,696**	17,898
Profit for the year attributable to:			
Owners of the Company		**16,597**	14,712
Non-controlling interests		**135**	21
		16,732	14,733
Total comprehensive income attributable to:			
Owners of the Company		**16,576**	17,879
Non-controlling interests		**120**	19
		16,696	17,898
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic *(RMB per share)*	9	**1.79**	1.58
— Diluted *(RMB per share)*	9	**1.78**	1.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 RMB'M	2022 RMB'M (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**35,495**	31,857
Investment properties		**99**	103
Right-of-use assets		**6,273**	5,166
Goodwill		**24,290**	23,644
Other intangible assets		**9,101**	9,135
Interests in associates		**25,547**	24,528
Equity investments designated at FVTOCI		**6,404**	5,852
Financial assets measured at amortised cost		**9,192**	1,339
Long-term prepayments		**1,747**	1,672
Deferred tax assets		**1,806**	1,724
Other non-current assets		**805**	519
Total non-current assets		**120,759**	105,539
CURRENT ASSETS			
Inventories	10	**39,524**	41,588
Trade and bills receivables	11	**28,890**	25,511
Contract assets		**261**	310
Prepayments, deposits and other receivables		**6,908**	6,563
Financial assets measured at fair value through profit or loss ("**FVTPL**")		**954**	520
Financial assets measured at amortised cost		**1,530**	1,642
Derivative financial instruments		**68**	183
Pledged deposits		**448**	665
Other deposit with limited use		**61**	105
Cash and cash equivalents		**53,977**	53,392
Total current assets		**132,621**	130,479

	Notes	**2023**	2022
		RMB'M	*RMB'M*
			(Restated)
CURRENT LIABILITIES			
Trade and bills payables	12	**69,278**	66,984
Other payables and accruals		**27,368**	24,784
Contract liabilities		**7,732**	9,353
Interest-bearing borrowings	13	**10,408**	12,514
Lease liabilities		**1,040**	903
Tax payables		**1,556**	1,706
Provisions		**2,532**	2,537
Derivative financial instruments		**169**	105
Total current liabilities		**120,083**	118,886
NET CURRENT ASSETS		**12,538**	11,593
TOTAL ASSETS LESS CURRENT LIABILITIES		**133,297**	117,132
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	13	**17,988**	13,627
Lease liabilities		**3,287**	2,824
Deferred income		**948**	835
Deferred tax liabilities		**2,028**	2,359
Provisions for pensions and similar obligations		**1,085**	1,011
Provisions		**1,935**	1,611
Derivative financial instruments		**—**	17
Other non-current liabilities		**114**	98
Total non-current liabilities		**27,385**	22,382
Net assets		**105,912**	94,750

	Notes	2023 RMB'M	2022 RMB'M (Restated)
EQUITY			
Share capital	14	**9,438**	9,447
Reserves		**94,076**	84,012
Equity attributable to owners of the Company		**103,514**	93,459
Non-controlling interests		**2,398**	1,291
Total equity		**105,912**	94,750

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION OF THE GROUP

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

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

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

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

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

This announcement has been approved for issue by the Board on 27 March 2024.

2.1 BASIS OF PREPARATION

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

2.2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

3 MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING BUSINESSES UNDER COMMON CONTROL

In January 2023, Qingdao Haier Intelligent Household Appliances Co., Ltd. ("**Intelligent Household**"), a subsidiary of the Company, entered into the equity transfer agreement of Shanghai Haier Intelligent Technology Co., Ltd. ("**Intelligent Technology**") with Fuzhou Qinghai Enterprise Management Co., Ltd. ("**Qinghai Enterprise**"), a subsidiary of Haier Group, pursuant to which Intelligent Household agreed to acquire and Qinghai Enterprise agreed to sell 100% of the equity interest in Intelligent Technology at a consideration approximately of RMB70 million. As at the end of the reporting period, the transaction has been completed.

In December 2023, Zhengzhou Haier New Energy Technology Co., Ltd. ("**New Energy Technology**"), a subsidiary of the Company, entered into the equity transfer agreement of Zhengzhou Haiyongxin Enterprise Management Co., Ltd. ("**Haiyongxin Enterprise**") with Qingdao Haier Industrial Development Co., Ltd. ("**Haier Industrial**"), a subsidiary of Haier Group, pursuant to which New Energy Technology agreed to acquire and Haier Industrial agreed to sell 100% of the equity interest in Haiyongxin Enterprise at a consideration approximately of RMB25 million. As at the end of the reporting period, the transaction has been completed.

Since the Company and Intelligent Technology and Haiyongxin Enterprise were ultimately controlled by Haier Group both before and after the completion of the transfer agreements, the acquisition of the Intelligent Technology and Haiyongxin Enterprise were accounted for using the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the year ended 31 December 2023 and 2022 include the results, changes in equity and cash flows of all companies then comprising the Group, Intelligent Technology and Haiyongxin Enterprise, as if the corporate structure of the Group immediately after the completion of the equity transfer had been in existence throughout the year ended 31 December 2023 and 2022, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

The consolidated statement of financial position of the Group as at 31 December 2022 has been prepared to present the state of affairs of the Group, Intelligent Technology and Haiyongxin Enterprise as if the corporate structure of the Group immediately after the completion of the equity transfer had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual company attributable to the Company as at 31 December 2022.

4. OPERATING SEGMENT INFORMATION

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

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

During the year ended 31 December 2023, the Company's segment reports have been updated to integrate domestic and overseas businesses to reflect the Company's management goals of globalization as a global home appliance enterprise. The management of the Company began to review business information under the new structure, and segment reports were updated based on how the Company manages and monitors segment performance. The comparative figures for the year ended 31 December 2022 have been reclassified accordingly.

The Group's reportable segments under IFRS 8 are as follows:

(a) Household Food Storage and Cooking Solutions

- manufacturing and selling refrigerators/freezers;
- manufacturing and selling kitchen appliances;

(b) Air Solutions

- manufacturing and selling air conditioner;

(c) Household Laundry Management Solutions

- manufacturing and selling washing machines and dryers;

(d) Household Water Solutions

- manufacturing and selling water heaters and water purifiers;

(e) Other Business

- comprising distribution services, parts and components, small home appliances and others.

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

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

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

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

For the year ended 31 December 2023

	Household Food Storage and Cooking Solutions		Air Solutions	Household Laundry Management Solutions	Household Water Solutions	Other Business	Total
	Refrigerators/ Freezers	**Kitchen Appliances**					
	RMB'M	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*
Segment revenue							
Segment revenue from external customers	**81,731**	**41,594**	**45,810**	**61,312**	**15,170**	**15,805**	**261,422**
Inter-segment revenue	**179**	**60**	**294**	**180**	**166**	**80,913**	**81,792**
Total	**81,910**	**41,654**	**46,104**	**61,492**	**15,336**	**96,718**	**343,214**
Reconciliation:							
Inter-segment eliminations							**(81,792)**
Total							**261,422**
Segments results	**5,026**	**2,943**	**1,863**	**5,600**	**1,818**	**49**	**17,299**
Reconciliation:							
Elimination of inter-segment results							**80**
							17,379
Corporate and other unallocated income and gains or losses							**2,998**
Corporate and other unallocated expenses							**(341)**
Finance costs							**(2,111)**
Share of profits and losses of associates							**1,787**
Profit before taxation							**19,712**

For the year ended 31 December 2022 (Restated)

	Household Food Storage and Cooking Solutions		Air Solutions	Household Laundry Management Solutions	Household Water Solutions	Other Business	Total
	Refrigerators/ Freezers	Kitchen Appliances					
	RMB'M	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*
Segment revenue							
Segment revenue from external customers	77,660	38,900	40,455	57,820	14,010	14,705	243,550
Inter-segment revenue	182	53	303	89	124	76,461	77,212
Total	77,842	38,953	40,758	57,909	14,134	91,166	320,762
Reconciliation:							
Inter-segment eliminations							(77,212)
Total							243,550
Segments results	4,244	2,707	1,087	5,174	1,590	44	14,846
Reconciliation:							
Elimination of inter-segment results							45
							14,891
Corporate and other unallocated income and gains or losses							2,610
Corporate and other unallocated expenses							(295)
Finance costs							(997)
Share of profits and losses of associates							1,582
Profit before taxation							17,791

As at 31 December 2023

	Household Food Storage and Cooking Solutions		Air Solutions	Household Laundry Management Solutions	Household Water Solutions	Other Business	Total
	Refrigerators/ Freezers	Kitchen Appliances					
	RMB'M	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*
Segment assets	**46,387**	**21,182**	**23,095**	**31,083**	**6,974**	**72,346**	**201,067**
Reconciliation:							
Elimination of segment assets							**(74,984)**
Goodwill							**24,290**
Interests in associates							**25,547**
Equity investments designated at FVTOCI							**6,404**
Deferred tax assets							**1,806**
Financial assets measured at FVTPL							**954**
Financial assets measured at amortised cost							**10,722**
Derivative financial instruments							**68**
Pledged deposits							**448**
Other deposits with limited use							**61**
Cash and cash equivalents							**53,977**
Other receivables							**3,020**
Total assets							**253,380**
Segment liabilities	**61,738**	**12,928**	**22,560**	**18,456**	**5,952**	**67,123**	**188,757**
Reconciliation:							
Elimination of segment liabilities							**(74,838)**
Tax payable							**1,556**
Other payable							**1,286**
Derivative financial instruments							**169**
Interest-bearing borrowings							**28,396**
Deferred tax liabilities							**2,028**
Other non-current liabilities							**114**
Total liabilities							**147,468**

As at 31 December 2022 (Restated)

	Household Food Storage and Cooking Solutions		Air Solutions	Household Laundry Management Solutions	Household Water Solutions	Other Business	Total
	Refrigerators/ Freezers	Kitchen Appliances					
	RMB'M	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*
Segment assets	32,213	18,635	21,055	28,587	6,706	52,027	159,223
Reconciliation:							
Elimination of segment assets							(39,851)
Goodwill							23,644
Interests in associates							24,528
Equity investments designated at FVTOCI							5,852
Deferred tax assets							1,724
Financial assets measured at FVTPL							520
Financial assets measured at amortised cost							2,981
Derivative financial instruments							183
Pledged deposits							665
Other deposits with limited use							105
Cash and cash equivalents							53,392
Other receivables							3,052
Total assets							236,018
Segment liabilities	44,000	11,068	13,916	16,655	5,418	58,231	149,288
Reconciliation:							
Elimination of segment liabilities							(39,618)
Tax payable							1,706
Other payable							1,172
Derivative financial instruments							122
Interest-bearing borrowings							26,141
Deferred tax liabilities							2,359
Other non-current liabilities							98
Total liabilities							141,268

For the year ended 31 December 2023

	Household Food Storage and Cooking Solutions		Air Solutions	Household Laundry Management Solutions	Household Water Solutions	Other Business	Total
	Refrigerators/ Freezers *RMB'M*	Kitchen Appliances *RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*
Other segment information:							
Product warranty provisions	**2,201**	**650**	**1,244**	**1,608**	**641**	**—**	**6,344**
Provision for obsolete and slow-moving inventories, net	**300**	**262**	**78**	**202**	**80**	**169**	**1,091**
Allowance for/(reversal of) expected credit losses in respect of trade and bills receivable, net	**111**	**(1)**	**114**	**122**	**30**	**(87)**	**289**
Allowance for/(reversal of) expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	**155**	**4**	**(12)**	**(45)**	**53**	**124**	**279**
Loss/(gain) on disposal/write-off of non-current assets, net	**38**	**44**	**(2)**	**35**	**1**	**(4)**	**112**
Depreciation and amortisation	**1,945**	**1,375**	**640**	**1,550**	**311**	**978**	**6,799**

For the year ended 31 December 2022 (Restated)

	Household Food Storage and Cooking Solutions		Air Solutions	Household Laundry Management Solutions	Household Water Solutions	Other Business	Total
	Refrigerators/ Freezers *RMB'M*	Kitchen Appliances *RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*	*RMB'M*
Other segment information:							
Product warranty provisions	2,077	588	1,038	1,616	626	—	5,945
Provision for obsolete and slow-moving inventories, net	366	96	284	212	81	106	1,145
Allowance for/(reversal of) expected credit losses in respect of trade and bills receivable, net	2	32	305	25	(7)	62	419
Allowance for/(reversal of) expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	165	10	117	1	(1)	1	293
(Gain)/loss on disposal/write-off of non-current assets, net	(87)	13	13	7	1	(129)	(182)
Depreciation and amortisation	1,857	1,311	597	1,414	242	630	6,051

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
Mainland China	**125,010**	116,791
North America	**79,751**	76,630
Europe	**28,544**	23,031
South Asia	**9,521**	8,284
Australia and New Zealand	**6,142**	6,962
Southeast Asia	**5,780**	5,180
Japan	**3,662**	3,569
Middle East and Africa	**1,935**	1,970
Other countries/regions	**1,077**	1,133
	261,422	243,550

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

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

(b) Non-current assets

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
Mainland China	**22,368**	19,433
Other countries/regions	**31,152**	29,019
	53,520	48,452
Interests in associates	**25,547**	24,528
Goodwill	**24,290**	23,644
Equity investments designated at FVTOCI	**6,404**	5,852
Financial assets measured at amortised cost	**9,192**	1,339
Deferred tax assets	**1,806**	1,724
	120,759	105,539

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

Information about major customers

No single customer of the Group contributed 10% or more to the total revenue of the Group during the years ended 2023 and 2022.

5. REVENUE

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

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
Sale of goods	**261,243**	243,274
Rendering of services	**179**	276
	261,422	243,550

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
Sale of goods		
— Point in time	**261,243**	243,274
Rendering of service		
— Point in time	**65**	107
— Over time	**114**	169
	261,422	243,550

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

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

Sale of goods

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

Rendering of services

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

6. PROFIT BEFORE TAX

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

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
Cost of inventories sold	**179,501**	167,603
Provision for obsolete and slow-moving inventories, net *(Note (a))*	**1,091**	1,145
Cost of services	**127**	212
	180,719	168,960
Employee benefit expense: (including directors', chief executive and supervisors' remuneration):		
Salaries, bonuses, allowances and benefits in kind	**29,177**	25,948
Pension scheme contributions	**1,933**	1,664
Equity-settled share-based expense	**611**	912
	31,721	28,524
Research and development costs	**10,221**	9,507
Auditors' remuneration	**13**	13
Expenses relating to short-term leases and low value leases	**262**	194
Variable lease payments not included in the measurement of lease liabilities	**177**	163
Product warranty provisions	**6,344**	5,945

Note:

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

7. INCOME TAX EXPENSES

	2023	2022
	RMB'M	*RMB'M*
Current tax		
Charge for the year	**3,552**	2,752
Deferred tax	**(572)**	306
Total tax charge for the year	**2,980**	3,058

8. DIVIDENDS

	2023	2022
	RMB'M	*RMB'M*
Proposed final dividend	**7,471**	5,298
Dividend paid during the year	**5,254**	4,297

	2023	2022
	RMB	*RMB*
Dividend proposed per share*	**0.804**	0.566

* The amount represents RMB8.04 for every 10 shares in 2023 (2022: RMB5.66 for every 10 shares). With regards to the payment of final dividend for the year ended 31 December 2022, as the total share capital of the Company changed before the registration date on 28 July 2023 and the Company maintained the total distribution of RMB5,298 million (tax inclusive) unchanged, the Company adjusted the distribution ratio per share from RMB5.66 (tax inclusive) per 10 shares to RMB5.6692 (tax inclusive) per 10 shares accordingly.

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

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

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

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

	2023 ***RMB'M***	2022 *RMB'M* (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**16,597**	14,712
Effect of dilutive potential ordinary shares:		
Interest on convertible bond, net of tax	—	6
Earnings for the purpose of diluted earnings per share	**16,597**	14,718

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**9,272,589,918**	9,316,804,514
Effect of dilutive potential ordinary shares:		
Convertible bond	—	12,499,928
Share award	**62,441,014**	44,188,061
Share options	—	1,513,588
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**9,335,030,932**	9,375,006,091

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. The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares in 2023.

10. INVENTORIES

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
Raw material	**5,665**	6,049
Work in progress	**48**	74
Finished goods	**33,811**	35,465
	39,524	41,588

11. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
Trade receivables	**21,677**	17,092
Less: Allowance for expected credit losses ("**ECL**")	**(1,408)**	(1,205)
Trade receivables, net	**20,269**	15,887
Bills receivables	**8,626**	9,628
Less: Allowance for ECL	**(5)**	(4)
Bills receivables, net	**8,621**	9,624
Total	**28,890**	25,511

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

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

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
1 to 3 months	**17,882**	13,578
3 months to 1 year	**1,805**	1,714
1 to 2 years	**405**	416
2 to 3 years	**120**	144
Over 3 years	**57**	35
	20,269	15,887

12. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
Trade payables	**47,062**	41,885
Bills payables	**22,216**	25,099
	69,278	66,984

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

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
Within 1 year	**68,726**	66,489
1 to 2 years	**279**	285
2 to 3 years	**114**	89
Over 3 years	**159**	121
	69,278	66,984

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

13. INTEREST-BEARING BORROWINGS

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

	2023	2022
	RMB'M	*RMB'M*
		(Restated)
Current		
Bank loans — unsecured	**10,360**	12,330
Bank loans — secured	**48**	184
	10,408	12,514
Non-current		
Bank loans — unsecured	**17,973**	13,603
Bank loans — secured	**15**	24
	17,988	13,627
	28,396	26,141
Unsecured	**28,333**	25,933
Secured	**63**	208
	28,396	26,141
Analysed into:		
Loans repayable:		
Within one year or on demand	**10,408**	12,514
In the second year	**13,014**	992
In the third to fifth years, inclusive	**4,876**	12,598
Over five years	**98**	37
	28,396	26,141

14. SHARE CAPITAL

The movements of the Company's issued share capital during the years ended 31 December 2023 and 2022 are as follows:

	H Shares *'M*	D Shares *'M*	A Shares *'M*	Total number of shares *'M*	Share capital *RMB'M*
As at 1 January 2022	2,819	271	6,309	9,399	9,399
Issue of share *(Note a)*	22	—	—	22	22
Share repurchased and cancelled *(Note b)*	(15)	—	—	(15)	(15)
Placing of shares *(Note c)*	41	—	—	41	41
As at 31 December 2022 and 1 January 2023	2,867	271	6,309	9,447	9,447
Share repurchased and cancelled *(Note d)*	(9)	—	—	(9)	(9)
As at 31 December 2023	2,858	271	6,309	9,438	9,438

Notes:

(a) Upon conversion of convertible bond during year ended 31 December 2022, a total of 21,450,563 H Shares were issued.

(b) During the year ended 31 December 2022, the Company repurchased a total of 14,970,200 H shares at a consideration of approximately HKD362 million which were subsequently cancelled.

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

(d) During the year ended 31 December 2023, the Company repurchased a total of 8,483,600 H shares at a consideration of approximately HKD199 million which were subsequently cancelled.

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

LETTER TO SHAREHOLDERS

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

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

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

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

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

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

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

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

Let's take a closer look at our businesses.

Strengthening leadership

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

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

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

Gearing up

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

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

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

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

Investing in Future

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS ON OPERATIONS

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

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

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

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

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

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

I. Household Food Storage and Cooking Solutions

(1) Refrigerator business

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

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

The domestic market

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

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

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

Overseas markets

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

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

(2) Kitchen appliance business

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

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

The domestic market

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

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

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

Overseas markets

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

II. Household Laundry Management Solutions

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

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

The domestic market

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

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

A series of end-to-end cost reduction and efficiency improvements were implemented, including discontinuing low-efficiency models, and increasing the proportion of mid to high-end products by 7 percentage points to enhance competitiveness.

Overseas markets

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

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

III. Air Solutions

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

(1) Home air conditioner business

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

The domestic market

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

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

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

Overseas markets

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

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

(2) Smart building business

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

The domestic market

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

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

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

Overseas markets

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

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

IV. Household Water Solutions

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

The domestic market

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

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

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

Overseas markets

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

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

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

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

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

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

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

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

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

1. North America

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

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

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

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

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

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

2. Europe

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

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

Thanks to high profile sport events sponsorship including Roland-Garros tournament, Haier brand's price index grew to 131 with 3.1 percentage points increase in brand awareness.

3. Australia and New Zealand

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

4. South Asia

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

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

5. Southeast Asia

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

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

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

6. Japan

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

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

VII. Digital transformation

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

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

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

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

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

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

(I) Industry Overview for 2023

1. The domestic market

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

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

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

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

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

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

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

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

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

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

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

2. *Overseas markets*

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

By market:

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

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

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

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

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

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

(II) Industry Outlook for 2024

1. The domestic market

The domestic home appliance industry has shifted into a new phase driven by replacement demand. According to data from the China Household Electric Appliance Research Institute, the total ownership of air conditioners, refrigerators, and washing machines in China in 2022 amounted to 780 million, 580 million, and 550 million units respectively, underscoring the existence of a massive replacement market. The 2024 Government Work Report advocated and incentivised the replacement of old appliances to unleash consumer spending power, promote energy conservation, and mitigate safety risks associated with outdated appliances.

The government is committed to promoting large-scale recycling and reuse of home appliances, strengthen the development of a new "replace + recycle" logistics system, and coordinate central finance and local government efforts to support the implementation to benefit consumers.

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

2. Overseas markets

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

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

II. PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD

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

- **Global leader of the major home appliance industry:** According to data from Euromonitor — an authoritative market researcher, the Company ranked first in terms of sales volume in global major appliance market for 15 consecutive years. The Company has a global portfolio of brands, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel and AQUA. From 2008 to 2023, Haier brand refrigerators and washing machines ranked first among global major home appliance brands in sales volume for 16 and 15 consecutive years respectively.

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

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

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

- **Household Food Storage and Cooking Solutions:** Through selling products such as refrigerators, freezers, kitchen appliances in global market, as well as providing one-stop smart kitchen scenario solutions and ecosystem solutions including smart cooking and nutrition planning, the Company fully addresses users' need for convenient, healthy and tasteful gourmet experiences.

- **Household Laundry Solutions:** Haier's washing machine focuses on applying original technologies to directly solve users' pain points in home living scenarios and create new experiences and value for users. With a product lineup of washing machines, tumble dryers, all-in-one laundry machines, garment care machines, and heated drying racks, the Company has evolved from selling individual products to providing scenario-based solutions and offering end-to-end laundry care services. For example, the Zhongzihemei (中子和美) three-in-one washer combines washing, drying, and fabric care functions into a single unit, and the Essence Wash washing machine reduces washing time and improves cleaning effectiveness by producing a highly concentrated detergent solution that can quickly soak into clothes through detergent pre-mixing and high pressure spraying.

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

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

  Smart buildings: The Company is committed to becoming a leader in efficient, sustainable and smart building solutions based on the state's "carbon peaking and carbon neutrality" strategy. Focusing on the business areas of smart control, environment, energy and system integration of buildings, the Company provides green and smart building solutions integrating "technology + experience + space" for government and commercial buildings, railways, schools, and hospitals.

- **Household Water Solutions (Internet of Water):** Through providing worldwide users with electric water heaters, gas water heaters, solar water heaters, air energy heat pump water heaters, POE water purifiers, POU water purifiers, water softening equipment, the Company offers smart water solutions including interactions between water heaters and purifiers, and between heating appliances and water heaters, so as to comprehensively cater to users' needs for water purification, softening and heating.

The Company manufactures and sells a comprehensive portfolio of home appliance products and provides value-added services in more than 200 countries and regions, including North America, Europe, South Asia and Southeast Asia, Australia and New Zealand, Japan, Middle East and Africa.

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

At present, the overseas business of the Company has entered a stage of promising growth, having achieved a multi-brand, cross-product and cross-regional presence on a global basis. According to Euromonitor, the Company's share of the global market (retail volume) for major home appliances in key regions market share in 2023 is as follows: ranked first in Asia in terms of retail volume, with a market share of 26%; ranked second in America, with a market share of 15.8%; ranked first in Australia and New Zealand, with a market share of 14.6%. The Company ranked fourth in Europe with a market share of 8.8%.

Other Businesses

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

During the reporting period, the Company was once again listed among the Top 500 World's Companies and named again as the 2023 World's Most Admired Companies by the Fortune Magazine. We are the only company being selected in Europe and Asia in the home appliances industry and are the only selected company incorporated outside the US. Meanwhile, the Company is also the world's only Internet-of-Things (IoT) ecosystem brand being named again as BrandZ™ Top 100 Most Valuable Global Brands in 2023.

At the same time, the Company was named again among Fortune's China ESG Impact list and Forbes' The World's Best Employers 2023 list. The Company's ESG effort has also been recognized by external rating agencies, receiving an MSCI ESG rating of A, which is at leading levels within home appliance sector in China. Haier Smart Home was selected into the three major ESG indices of the Hang Seng Index, including the HSI ESG Enhanced Index, the HSI ESG Enhanced Select Index and the HSCEI ESG Enhanced Index.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company has established a solid strategic presence and competitive advantage in global market. In China's major home appliance market, the Company has long maintained a leading position across all product categories. According to CMM's report, the Company has established a continued leading market position in key major home appliance categories in 2023. In overseas markets, the Company has adhered to its high-end brand creation strategy, building capacity to create leading sustainable growth, which has continuously improved its market share. Building on this foundation, the Company will further consolidate its leadership position in the industry by leveraging integrated synergies of its global unified platforms, through efficiency transformation driven by digitalization, and by leveraging its technological strength and innovative capabilities. As cornerstone for sustainable development, our "Rendanheyi (人單合一)" Model also provided management guidance to the Company and enabled us to replicate successful experiences. It is believed that the following advantages will help the Company to continue to strengthen its leading position:

(i) Building up excellent high-end brand operation capabilities and creating a well-recognized high-end brand through forward-looking layout and long-term investment in the global market to achieve a leading market position.

To better meet the need of consumers in pursuit of quality life, the Company has started to develop the high-end brand Casarte in the Chinese market more than 10 years ago. The creation of high-end brands requires not only focus, experience and patience, but also continuous innovation of technological standards and differentiated service capabilities to fulfil user demand for high-quality experiences. The Casarte brand combined the Company's global technological strengths, product development capabilities and manufacturing craftsmanship, as well as privilege marketing and differentiation services, which has won the trust of users in China's high-end market. According to data from CMM, the Casarte brand has assumed a definitive leading position in China's high-end major home appliance market in 2023, ranking first in the retail sales of refrigerator, washing machine and air conditioner categories in the high-end segment. Specifically, in terms of offline retail sales, shares of the Casarte brand of refrigerators and air conditioners reached 50% and 28% respectively in the market with product priced above RMB15,000 in China, while its share of washing machines priced above RMB10,000 in the China's market reached 84%.

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

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

As users continued to demand for higher living quality, coupled with the development of technologies such as Internet of Things and big data, the industry has shown a smart and high-end development trend that prioritized product suites, based upon scenarios, and home appliances integrated with home furnishings. With leading user insights, extensive product coverage and technological accumulation from algorithms, big data models and IoT equipment technology, the Company enhanced its three major capabilities in respect of design tools, store digitalisation and the Smart Home APP to create a new home appliances sales method with cross-household design focusing on scenario-based experience, and develop high-end, package, and front-end sales capabilities. Focusing on the mission of "providing smart home experience for a better home", the Company has been dedicated to providing customised and specialised smart home appliance solutions for users.

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

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

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

In 2023, the Company established 10+N innovative ecosystems, 122 manufacturing centres, and 108 marketing centres around the world, and achieved a coverage of nearly 230,000 points of sales in global markets.

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

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

(v) Cross-border acquisition and synergy realisation capabilities

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

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

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

- **Global collaborative R&D:** The Company has a global collaborative R&D system and has established global technology R&D mechanisms to share common modules, utilize common technologies, and share patents within the scope of compliance. For example, the Company's R&D team in China joined hands with FPA's and CANDY's R&D teams to develop the H20 spray technology, which has been applied to freestanding and built-in dishwashers of Haier, Fisher & Paykel, CANDY and HOOVER, hence strengthening the Company's product leadership.

- **Global collaborative product development:** The Company has established a global product development mechanism to facilitate regional collaboration and supplementation across product categories. For example, the R&D teams in South Asia and China embarked on a 10-month collaboration, breaking away from the traditional product development model by innovating on team organisation, quality control, product testing and cost control leveraging complementary local resources, in order to develop the HRT-683 refrigerator which has become a mainstream high-end product in the local market.

- **Global collaborative procurement:** The Company has established a global procurement committee to coordinate procurement activities. The committee has built a digital sourcing platform that brought together partners across industries and regions to develop an autonomous and controlled global supply chain ecosystem. The committee also created a global database of preferred suppliers and materials to achieve cost reduction by aggregating resources at the Company level. By unifying procurement rules and processes, the Company established a standardised operating system with differentiated procurement strategies to enhance efficiency while lowering risks. We have also developed a Company-level digital procurement platform to enhance shared capabilities through connecting "materials, businesses, people and mechanisms" to the platform, thereby improving the resilience of our global supply chain.

- **Global collaborative supply chain:** The Company has built an end-to-end digital management system for the global supply chain that spanned from marketing to suppliers to production and logistics. Using intelligent algorithms, the system enabled real-time flexible deployment of production capacity, and factories across the globe could share and develop smart manufacturing technologies to boost competitiveness.

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

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

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

- **Leadership in original technologies:**

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

- **Certification from authorities:**

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

- **Leadership in patent quality:**

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

- **Leadership in international standards:**

  As of the end of 2023, Haier Smart Home has cumulatively led and participated in the drafting of 97 international standards and 678 state/industrial standards. We are the only company in the industry to have participated in smart home standards from international organizations including the IEC, ISO, IEEE, OCF and Matter. We are also the only enterprise in the world to serve on both the IEC Board and the IEC Market Strategy Board, which have enabled the Company to stay actively involved in the formulation of international standards.

- **Leadership in experience design:**

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

(viii) Sustainability

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

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

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

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

(ix) Staying committed to the principle of 'value of people comes first'

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

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

Development strategy of the company

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

(1) Consumer appliance business

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

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

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

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

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

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

Development plan for 2024

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

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

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

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

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

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

Potential risks of the company

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

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

3. Risk of fluctuations in raw material prices. The Company's products and core components use metal raw materials such as steel, aluminium, and copper, as well as commodities such as plastics and foam. If raw materials prices continue to rise, it will put certain pressure on the Company's production and operations. Additionally, the Company relies on third party manufacturers and suppliers for key raw materials, components, manufacturing equipment, and OEM suppliers. Any disruption in supply or significant price increases by these suppliers will have a negative impact on the Company's business. As a leader in the industry, the Company will take measures including volume & price adjustment mechanism as well as hedging to reduce the risk of raw material fluctuations on its operations.

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

with suppliers and distributors, improving production efficiency to offset the impact on the overall cost of sales, potentially expanding the Company's supply resources to other countries, and adopting safety measures to protect its people and assets.

5. Risk of exchange rate fluctuations. As the Company expands its global footprint, the import and export of the Company's products involve the exchange of foreign currencies such as the U.S. dollar, the Euro, and the Japanese yen. If the exchange rates of the relevant currencies fluctuate, it will have a certain impact on the Company's financial position and increase its financial costs. In addition, the Company's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of their primary economic environment in which the entity operates and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.

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

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

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

FINANCIAL REVIEW

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

1. Analysis of Revenue and Profit

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

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

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

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

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

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

(1) Household Food Storage and Cooking Solutions

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

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

(2) Air Solutions

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

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

(3) Household Laundry Management Solutions

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

(4) Household Water Solutions

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

Profit for the Year Attributable to Owners of the Company

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

Adjusted Operating Profit

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

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

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

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

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

Gross Profit Margins

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

Selling and Distribution Expenses

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

Administrative Expenses

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

2. FINANCIAL POSITION

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

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

As at 31 December 2023, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets increased by 1.7% from RMB55,049 million (restated) as at 31 December 2022 to RMB55,995 million as at 31 December 2023. The increase was mainly due to net cash inflow from operating activities partially offset by net cash outflow from investing activities and financing activities.

Items	**2023** ***RMB'M***	2022 *RMB'M* (Restated)
Cash and cash equivalents	**53,977**	53,392
Wealth management products from other financial assets		
— Current portion	**2,018**	1,657
Total	**55,995**	55,049

Net Assets

The Group's net assets increased by 11.8% from RMB94,750 million (restated) as at 31 December 2022 to RMB105,912 million as at 31 December 2023. The net asset increase was mainly driven by profit growth during the year.

Working Capital

Trade and Bills Receivables Turnover Days

The Group's trade and bills receivables turnover days as at the end of 2023 was 38 days, representing a decrease of 2 days as compared to the end of 2022. This was mainly due to the Group's effective control over its trade and bills receivables.

Inventory Turnover Days

The Group's inventory turnover days as at the end of 2023 was 82 days, representing an decrease of 6 days as compared to the end of 2022. This was mainly due to the Group's effective optimization of inventory control and inventory optimization.

Trade and Bills Payables Turnover Days

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

3. CASH FLOW ANALYSIS

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group focuses on cash flow management and has been able to maintain a healthy financial and liquidity position. As at 31 December 2023, the Group had a current ratio of 1.10 (31 December 2022: 1.10).

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

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

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

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

The Group will continue to maintain stable liquidity in its operations in 2023 to ensure meeting its working capital requirements in the coming year, and also for constructing super factory, as well as maintaining the financial flexibility for future strategic investment opportunities.

CAPITAL EXPENDITURE

The Company assesses its capital expenditure and investments in each business segment of the Group in China and the overseas home appliances and smart home business from time to time. The capital expenditure during the year was RMB9,907 million (2022: RMB8,209 million (restated)), in which RMB4,825 million and RMB5,082 million was mainly used in China and overseas respectively for the construction of plant and equipment, property rental expenses, and investment of information infrastructure.

GEARING RATIO

As at 31 December 2023, the Group's gearing ratio (defined as total borrowings (including interest-bearing borrowings and lease liabilities) divided by net assets of the Group) was 30.9%, as compared to 31.5% for 2022. This was mainly due to increased total assets attributable to net profit growth.

TREASURY POLICIES

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

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

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

CAPITAL COMMITMENT

The Group's capital commitments contracted but not yet provided for amounted to RMB3,225 million as at 31 December 2023 (31 December 2022: RMB4,008 million), which were mainly related to the Group's domestic and overseas factories construction projects.

CHARGE OF ASSETS

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

In addition, as at 31 December 2023, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB407 million (31 December 2022: RMB642 million) and the Group's bills receivable amounting to RMB4,357 million (31 December 2022: RMB8,715 million).

CONTINGENT LIABILITIES

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

RELATIONSHIP WITH EMPLOYEES, REMUNERATION POLICY

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

EVENTS AFTER THE REPORTING PERIOD

According to the resolution of the 9th meeting of the 11th session of the Board of Directors of the Company held on 27 March 2024, the profit for the year is proposed to be distributed on the basis of the total number of shares on the record date after deducting the repurchased shares from the repurchased account. The Company declared cash dividend of RMB8.04 (including taxes) for every 10 shares to all shareholders.

DIVIDENDS

The Board proposes the distribution of the final dividend for the year ended 31 December 2023 of RMB8.04 in cash for every 10 shares (inclusive of tax), totaling approximately RMB7.47 billion based on the current total issued capital, net of repurchased shares but not yet cancelled. This dividend represented approximately 45.01% of the profit attributable to the owners of the Company. Where the total share capital of the Company changes before the registration date for the implementation of the equity distribution, it is expected to maintain the total distribution unchanged and adjust the distribution ratio per share accordingly.

This dividend distribution proposal shall be subject to the consideration and approval at the Company's 2023 annual general meeting, and the final dividend is expected to be distributed to shareholders in two months from the 2023 annual general meeting.

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

Notice of the 2023 annual general meeting will announce the date of the 2023 annual meeting of the Company and details of relevant book closure of H Shares, as well as the arrangement of book closure of H Shares for the final dividend.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Repurchase of H-Share

During the year ended 31 December 2023, the Company repurchased certain of its ordinary H-Shares on The Stock Exchange of Hong Kong Limited and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

Months	Number of H-Share repurchased	Price per share Highest	Price per share Lowest	Total price paid
		HK$	*HK$*	*HK$'M*
May 2023	4,260,000	24.50	22.75	100.75
June 2023	4,223,600	24.00	22.15	98.39
	8,483,600			199.14

The issued capital H-Share of the Company was reduced by the par value thereof. The premium paid on the repurchases of the Company's H-Shares of RMB173 million has been charged to the share premium account of the Company. The repurchase of the Company's H-Shares during the year was effected by the directors, pursuant to the mandate from shareholders sought at the extraordinary general meeting and the class meetings held on 28 June 2022 regarding the repurchases of H-Shares.

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

Repurchase of A-Share

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

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

The repurchases of the Company's A-Shares during the year was effected by the directors, pursuant to a board resolution passed on 30 March 2022 and 27 April 2023 regarding the repurchase of A-Share.

A total of 63,980,252 A-Shares were repurchased during the year but not yet cancelled, of which 25,117,000 A-Shares have been transferred to the A-Share Core Employee Stock Ownership Plan during July 2023. The balance of A-Shares repurchased but not yet cancelled as at end of year is 38,863,252 shares, and will be used in other share incentive plans of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company has complied with the code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix C1 to the Listing Rules during the year ended 31 December 2023 except for certain deviations as described below.

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

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

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

Further information on the Company's corporate governance practices and its applications of the Code will be set out in the Corporate Governance Report contained in the Company's 2023 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a model code for Securities Transactions by Directors and supervisors (the "**Model Code**") on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules. Upon enquiry by the Company, all Directors and supervisors of the Company have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2023.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Board of the Company has established an audit committee comprising two non-executive Directors and three independent non-executive Directors of the Company. The audit committee had reviewed, with no disagreement, with the management the accounting principles and practices adopted by the Group, and discussed financial reporting matters including the review of the consolidated annual financial statements of the Group for the year ended 31 December 2023, and discussed with internal audit department on risk management and internal controls.

The financial information in this announcement has been agreed by the Group's external auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2023. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement. As at the date of this announcement, to the best knowledge of the Board of the Company, information contained in this announcement is consistent with the information that will be contained in the 2023 Annual Report of the Company.

PUBLICATION ANNUAL REPORT

This results announcement will be published on the Company's website (http://smart-home.haier.com) and the HKEXnews website (http://www.hkexnews.hk) of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's 2023 Annual Report will be made available on the website of the Company and the HKEXnews website of the Stock Exchange in due course.

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

Qingdao, the PRC
27 March 2024

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

* *For identification purpose only*